



**Unaudited Consolidated
Financial Statements of the Krka Group and
Unaudited Financial Statements of
Krka, d. d., Novo mesto for 2018
With Notes**

Novo mesto, March 2019

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Based on the provisions of Article 386 of the *Financial Instruments Market Act*, Krka, d. d., Šmarješka cesta 6, 8501 Novo mesto hereby presents

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP AND UNAUDITED FINANCIAL STATEMENTS OF KRKA, D. D., NOVO MESTO FOR 2018

Unaudited consolidated financial statements of the Krka Group and unaudited financial statements of Krka d. d., Novo mesto for 2018, as well as comparable data for 2017, have been prepared in accordance with the *International Financial Reporting Standards* (IFRS). The 2017 comparative statements have been audited.

Krka d. d., Novo mesto has no authorised capital and has not made any conditional share capital increase.

Information on the Krka Group

Krka, d. d., Novo mesto (hereinafter the Company or Krka) is the controlling company of the Krka Group, which comprised the following companies on 31 December 2018:

	Ownership share of the controlling company 31 Dec 2018 (in %)
TERME KRKA, d. o. o., Novo mesto	100
Farma GRS, d. o. o., Novo mesto	99.7
KRKA-FARMA d.o.o., Zagreb, Croatia	100
KRKA ROMANIA S.R.L., Bucharest, Romania	100
KRKA-FARMA DOO BEOGRAD, Belgrade, Serbia	100
KRKA-FARMA DOOEL Skopje, Skopje, North Macedonia	100
KRKA Bulgaria EOOD, Sofia, Bulgaria	100
KRKA FARMA d.o.o., Sarajevo, Sarajevo, Bosnia and Herzegovina	100
KRKA-RUS LLC, Istra, Russian Federation	100
KRKA FARMA LLC, Istra, Russian Federation	100
KRKA UKRAINE LLC, Kiev, Ukraine	100
LLC "KRKA Kazakhstan", Almaty, Kazakhstan	100
KRKA - POLSKA Sp. z o.o., Warsaw, Poland	100
KRKA ČR, s. r. o., Prague, Czech Republic	100
KRKA Magyarország Kft., Budapest, Hungary	100
KRKA Slovensko, s.r.o., Bratislava, Slovakia	100
UAB KRKA Lietuva, Vilnius, Lithuania	100
SIA KRKA Latvija, Riga, Latvia	100
TAD Pharma GmbH, Cuxhaven, Germany	100
Krka Sverige AB, Stockholm, Sweden	100
KRKA Pharma GmbH, Wien, Vienna, Austria	100
KRKA Farmacêutica, Unipessoal Lda., Estoril, Portugal	100
KRKA FARMACÊUTICA, S.L., Madrid, Spain	100
KRKA Farmaceutici Milano S.r.l., Milan, Italy	100
KRKA France Eurl, Paris, France	100
KRKA PHARMA DUBLIN LIMITED, Dublin, Ireland	100
KRKA Belgium, SA, Brussels, Belgium	95
Krka Finland Oy, Espoo, Finland	100
KRKA UK LTD, London, United Kingdom	100
KRKA USA LLC, Wilmington, USA	100
Ningbo Krka Menovo Pharmaceutical Company Limited, Ningbo, China	60

The subsidiary Terme Krka, d. o. o. held a 71.1 percent interest in Golf Grad Otočec, d. o. o. at 31 December 2018. Farma GRS, d. o. o. held a 100 percent interest in its subsidiaries GRS TEHFARMA, d. o. o., GRS VIZFARMA, d. o. o., GRS PREK FARMA, d. o. o., GRS EKO FARMA, d. o. o., GRS TREN FARMA, d. o. o., and GRS VRED FARMA, d. o. o. The subsidiary Krka France Eurl held a 100 percent interest in HCS bvba in Belgium, SA and a 5 percent interest in subsidiary KRKA Belgium, SA. The 40% owner of Ningbo Krka Menovo is a Chinese company Ningbo Menovo Pharmaceutical Company Limited.

Financial Highlights of the Krka Group and the Company

In € thousand	Krka Group		Company	
	2018	2017	2018	2017
Revenues	1,331,858	1,266,392	1,231,784	1,197,756
– revenues from contracts with customers of products and services ¹	1,326,747	1,260,898	1,077,644	1,036,755
Operating profit (EBIT) ²	232,686	198,741	199,305	196,953
EBITDA	343,280	306,638	282,493	278,627
Net profit	174,008	152,576	163,329	153,730
R&D expenses	130,700	125,864	135,145	131,201
Investments	96,293	105,088	77,982	85,332
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Non-current assets	1,010,811	1,033,008	1,038,616	1,032,595
Current assets	974,258	886,123	877,449	804,887
Equity	1,540,270	1,487,699	1,552,300	1,493,325
Non-current liabilities	123,058	121,182	89,912	87,911
Current liabilities	321,741	310,250	273,853	256,246
RATIOS	2018	2017	2018	2017
EBIT margin	17.5%	15.7%	16.2%	16.4%
EBITDA margin	25.8%	24.2%	22.9%	23.3%
Net profit margin	13.1%	12.0%	13.3%	12.8%
Return on equity (ROE) ³	11.5%	10.4%	10.7%	10.5%
Return on assets (ROA) ⁴	8.9%	8.0%	8.7%	8.4%
Liabilities/Equity	0.289	0.290	0.234	0.230
R&D expenses/Revenues	9.8%	9.9%	11.0%	11.0%
NUMBER OF EMPLOYEES	2018	2017	2018	2017
Year-end	11,390	10,832	5,496	5,020
Average	11,129	10,823	5,261	4,911
SHARE INFORMATION		2018		2017
Total number of shares issued		32,793,448		32,793,448
Earnings per share (EPS) in € ⁵		5.46		4.74
Dividend per share in €		2.90		2.75
Closing price at the end of the period in € ⁶		57.80		57.50
Price/Earnings ratio (P/E)		10.59		12.14
Book value in € ⁷		46.97		45.37
Price/Book value (P/B)		1.23		1.27
Market capitalisation in € thousand (31 Dec)		1,895,461		1,885,623

¹Revenues comply with the latest *IFRS 15*. In order to compare revenues from contracts with customers of products and services, the data for 2017 are appropriately shown

² Difference between operating revenues and expenses

³ Net profit/Average shareholders' equity in the year

⁴ Net profit/Average total asset balance in the year

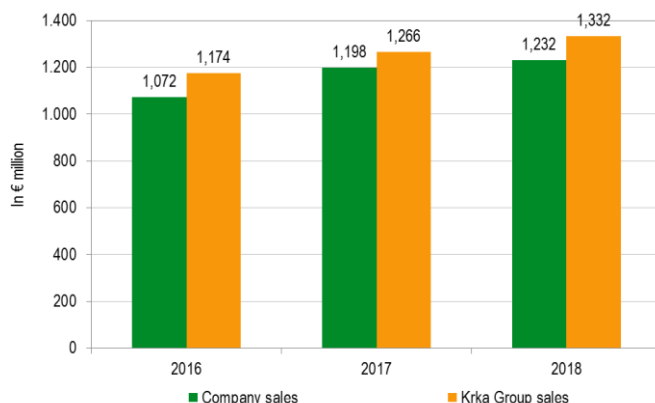
⁵ Profit for the year attributable to equity holders of the Krka Group/Average number of shares issued in the year, exclusive of treasury shares

⁶ Share price on the Ljubljana Stock Exchange

⁷ Equity at the end of the year/Total number of shares issued

Business Operations Analysis

Operating Income



In 2018, the Krka Group generated revenues in total of €1,331.9 million, of that revenues from contracts with customers of products and services in the amount of €1,326.7 million. The difference is represented by revenues from contracts with customers of materials and other sales revenues. Sales are €65.5 million (5%) higher than in 2017. Over the past three years, average sales growth reached 6.0% in terms of volume, and 4.6% in terms of value.

Other operating income amounted to €12.8 million. Other operating income also comprise from reversal of provisions for lawsuits in total of €2.1 million.

Operating Expenses

The Krka Group incurred operating expenses in total of €1,112.0 million, up €33.9 million or 3% compared to 2017. The Company incurred operating expenses in total €1,036.3 million, also up 3% compared to 2017.

The Krka Group's operating expenses comprised as follows: costs of goods sold in total of €561.1 million, selling and distribution expenses in total of €344.7 million, R&D expenses in total of €130.7 million, general and administrative expenses in total of €75.4 million. Operating expenses accounted for 83% of sales (in 2016 90%, and in 2017 85%).

Costs of goods sold, which rose by 4% compared to 2017, represented the major item in the Krka Group operating expense structure. Their proportion in sales reached 42.1%, and accounted for 42.5% in 2017. Product portfolio and changed value of inventories of products and work in progress had major impact on costs of products sold for both, Krka Group and Company. Selling and distribution expenses increased by 1% and accounted for 25.9% of total sales, down by 1.0 percentage points compared to 2017. R&D expenses amounted to 9.8% of total sales (down by 0.1 percentage points over 2017), and increased by 4% year on year. General and administrative expenses amounted to 5.7% of total sales, a 3% rise compared to 2017, down by 0.1 percentage points.

Operating expenses of the company included costs of goods sold in total of €532.7 million; selling and distribution expenses in total of €305.1 million; R&D costs in total of €135.1 million; and general and administrative expenses in total of €63.4 million.

Costs of goods sold, which rose by 4% compared to 2017, represented the major item in the Company's operating expense structure. They accounted for 43.2% of total sales, a 0.5-percentage-point increase over 2017. Selling and distribution expenses were at the level of 2017 and accounted for 24.8% of total sales, a downturn of 0.6 percentage points compared to 2017. Research and development expenses amounted to 11.0% of total sales (the same proportion as in 2017) and went up by 3% compared to 2017. General and administrative expenses amounted to 5.1% of total sales, an 8% rise compared to 2017, increasing their proportion in sales by 0.2 percentage points.

Financial Income and Expenses

In € thousand	Krka Group			Company		
	2018	2017	2016	2018	2017	2016
Financial income	5,935	24,041	65,679	17,382	24,908	78,225
Financial expenses	-36,048	-46,608	-71,816	-33,891	-46,599	-72,733
Net financial result	-30,113	-22,567	-6,137	-16,509	-21,691	5,492

The Krka Group operates in diverse international environments and is exposed to foreign exchange risks in certain markets.

Currency exposure arises from an excess of assets over liabilities in a particular currency in the financial position statement of the Group, and from differences between operating income and expenses generated in various currencies. Key accounting categories composing a long position are trade receivables, payables to suppliers, and subsidiary funding by the controlling company.

We generally mitigate currency risks of the Krka Group by natural hedging, primarily by increasing purchases and liabilities in currencies in which sales invoices are issued. When this is not possible, we use derivative financial instruments, or do not provide hedging for the risk. Generally, forward contracts are used for hedging.

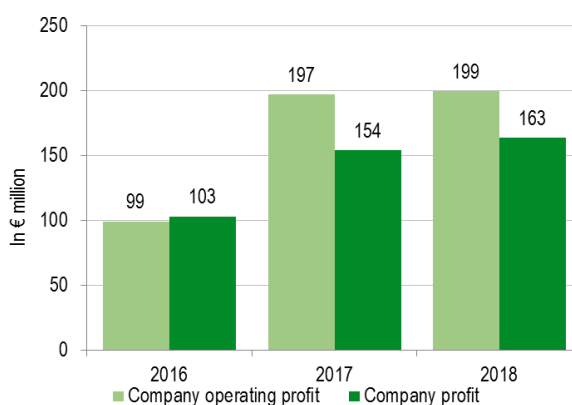
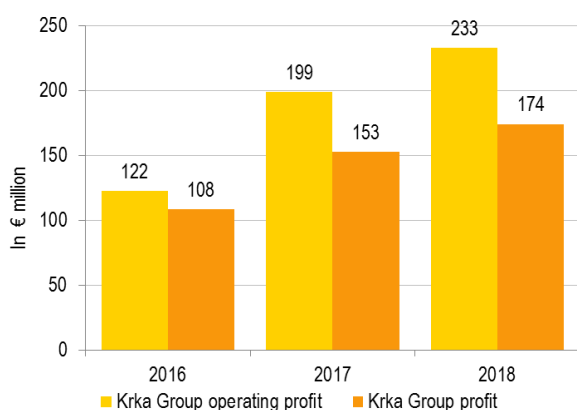
Krka continued its policy of partial hedging against the rouble-related risk in 2018. The value of the rouble decreased by 13% from the beginning to the end of 2018, which is much more than in 2017, when the rouble depreciated by 7.3%. Therefore we generated net foreign exchange losses from the Russian roubles in the amount of €27.4 million. More than a third of this amount came in December.

We generated net foreign exchange losses from other currencies in 2018. Exposure to other currencies was not hedged. A multi-year analysis of exchange rate differences and hedging costs for the Romanian leu, Polish zloty, Czech koruna, Hungarian forint, and Croatian kuna shows that hedging for these currencies would not be effective for the Krka Group, because fluctuations of exchange rates against Euro are generally not marked. Currency exposure of the Krka Group to the Ukrainian hryvnia, Kazakh tenge, Serbian dinar, and certain other currencies is less significant, and no financial instruments for mitigation of risk exposure have been provided.

Net financial result of the Krka Group in 2018, which comprises interest income and interest expenses, foreign exchange gains and losses and other financial income and expenses, was -€30.1 million, while net financial result of Company was -€16.5 million.

Operating Results

Operating Profit and Net Profit for the Year



Operating profit (EBIT) of the Krka Group totalled €232.7 million, a €33.9 million or 17% increase compared to 2017. The increase resulted from relatively higher sales growth in comparison to expenses. Krka Group earnings before interest, tax, depreciation and amortisation (EBITDA) totalled €343.3 million, which was a €36.6 million or 12% higher.

EBIT of the Company amounted to €199.3 million, while Company EBITDA reached €282.5 million.

Profit before tax of the Krka Group grew by €26.4 million or 15%, and totalled €202.6 million in 2018. The effective tax rate of the Krka Group was 14.1%. Profit before tax of the Company amounted to €182.8 million.

The Krka Group recorded net profit of €174.0 million, a €21.4 million or 14% rise compared to 2017. Net profit of the Company reached €163.3 million.

Assets

In € thousand	Krka Group					Company				
	31 Dec 2018	Share (%)	31 Dec 2017	Share (%)	Index 2018/17	31 Dec 2018	Share (%)	31 Dec 2017	Share (%)	Index 2018/17
Non-current assets	1,010,811	50.9	1,033,008	53.8	98	1,038,616	54.2	1,032,595	56.2	101
Property, plant and equipment	839,448	42.3	864,842	45.0	97	604,923	31.6	611,341	33.3	99
Intangible assets	110,329	5.6	110,992	5.8	99	28,842	1.5	28,299	1.5	102
Investments and loans	20,199	1.0	18,358	1.0	110	354,128	18.5	341,899	18.6	104
Other	40,835	2.0	38,816	2.0	105	50,723	2.6	51,056	2.8	99
Current assets	974,258	49.1	886,123	46.2	110	877,449	45.8	804,887	43.8	109
Inventories	365,149	18.4	310,671	16.2	118	317,499	16.6	264,174	14.4	120
Trade receivables	438,291	22.1	500,735	26.1	88	392,107	20.5	456,265	24.8	86
Other	170,818	8.6	74,717	3.9	229	167,843	8.7	84,448	4.6	199
Total assets	1,985,069	100.0	1,919,131	100.0	103	1,916,065	100,0	1,837,482	100.0	104

At the end of 2018, assets of the Krka Group amounted to €1,985.1 million, an increase of €65.9 million or 3% compared to the end of 2017. The proportion of non-current and current assets in total asset structure was different than at the end of 2017, as non-current assets declined by 2.9 percentage points and accounted for 50.9%.

At the end of 2018, Company's assets were valued at €1,916.1 million, a €78.6 million rise, or 4% more than at the end of 2017. The proportion of non-current and current assets in total asset structure was different than at the end of 2017, as non-current assets declined by 2.0 percentage points and accounted for 54.2%.

Non-current assets of the Krka Group amounted to €1,010.8 million, down €22.2 million or 2% compared to the end of 2017. The most important item in the asset structure of the Krka Group was property, plant and equipment (PPE). It was valued at €839.4 million or 42% (of which the Company's PPE accounted for €604.9 million or 72% of the Krka Group's PPE). Intangible assets were worth €110.3 million and accounted for 6% of total assets (of that assets of the Company amounted to €28.8 million or 26% of total intangible assets of the Krka Group). Non-current loans of the Krka Group totalled €10.8 million or 0.5% of total Krka Group assets.

Current assets of the Krka Group amounted to €974.3 million, an €88.1 or 10% increment compared to the end of 2017. Trade receivables due by customers outside the Krka Group totalled €438.3 million and inventories €365.1 million. Trade receivables due by customers declined by €62.4 million or 12%, and inventories saw a €54.5 million or 18% rise to ensure sufficient quantities of various products in over 70 markets. Current loans of the Krka Group totalled €21.5 million or 1% of total Krka Group's assets. They comprised bank deposits with maturity exceeding 90 days in total of €20.0 million. Cash and cash equivalents were valued at €117.8 million,

which was €71.9 million, which was 156% more than at the end of 2017, accounting for 6% of total assets of the Krka Group.

Non-current assets of the Company amounted to €1,038.6 million, and grew by €6.0 million or 1% compared to the end of 2017. The most important item worth €604.9 million or 32% of total assets of the Company was property, plant and equipment. Investments in subsidiaries amounted to €325.5 million or 17% of the Company's assets, while trade receivables due by subsidiaries climbed to €38.9 million or 2% of the Company's assets. Intangible assets amounted to €28.8 million and represented 2% of total assets. Non-current loans of the Company totalled €19.2 million or 1% of total Company's assets.

Current assets of the Company amounted to €877.4 million, a €72.6 or 9% increment compared to the end of 2017. Trade receivables due by customers reached €392.1 million or 20% of Company's assets (of that €186.3 million due by customers outside the Krka Group), and inventories amounted to €317.5 million or 17% of Company asset total. Receivables went down, while inventories went up. Non-current loans of the Company totalled €51.8 million or 3% of total assets of the Company. Cash and cash equivalents were valued at €98.5 million, which was €64.4 million or 189% more than at the end of 2017, accounting for 5% of total assets of the Company.

Equity and Liabilities

In € thousand	Krka Group					Company				
	31 Dec 2018	Share (%)	31 Dec 2017	Share (%)	Index 2018/17	31 Dec 2018	Share (%)	31 Dec 2017	Share (%)	Index 2018/17
Equity	1,540,270	77.6	1,487,699	77.5	104	1,552,300	81.0	1,493,325	81.3	104
Non-current liabilities	123,058	6.2	121,182	6.3	102	89,912	4.7	87,911	4.8	102
Current liabilities	321,741	16.2	310,250	16.2	104	273,853	14.3	256,246	13.9	107
Total equity and liabilities	1,985,069	100.0	1,919,131	100.0	103	1,916,065	100.0	1,837,482	100.0	104

As at 31 December 2017, the Krka Group's equity saw a €52.6 million or 4% increase compared to the end of 2017. The increase was attributable to net profit of the Krka Group in total of €174.0 million and acquisition of a non-controlling interest in the amount of €2.3 million. Equity was reduced by the dividend pay-out in total of €92.8 million, further repurchase of treasury shares in the amount of €11.5 million, and other comprehensive income after tax totalling €19.5 million. The major item was translation reserves recording a loss of €19.5 million (foreign exchange losses accrued by translation of individual foreign financial statement items in national currencies into the reporting currency).

Provisions of the Krka Group totalled €101.0 million (of which post-employment and other non-current employee benefits accounted for €94.8 million, provisions for lawsuits €4.2 million, and other provisions in total of €2.0 million). In comparison to the end of 2017, they went up by €2.9 million or 3% primarily due to the actuarial increase in provisions for post-employment and other non-current employee benefits in total of €2.1 million. Other provisions increased by €1.1 million, while provisions for lawsuits decreased by €0.3 million.

Among current liabilities of the Krka Group, trade payables advanced by €31.8 million (of that payables to foreign suppliers went up by €29.2 million and payables to domestic suppliers by €2.5 million), while other current liabilities increased by €10.8 million (from that payables to employees by €9.2 million). Other current liabilities arising from contracts with customers shrank by €19.7 million, of that accrued discounts on products sold by €19.5 million, and payables for advances by €0.2 million.

The Krka Group recorded no current or non-current borrowings at the end of 2018.

As at 31 December 2018, equity of the Company reached €59.0 million, a 4% rise compared to the 2017 year-end. The increase was attributed to the Company's net profit of €163.3 million, while the reduction was a result of dividend pay-outs in the amount of €92.8 million and repurchase of treasury shares in total of €11.5 million.

Provisions of the Company totalled €87.9 million (of which post-employment and other non-current employee benefits accounted for €83.8 million, and provisions for lawsuits €4.1 million). In comparison to the 2017 year-end, they increased by 3% due to increase in provisions for post-employment and other non-current employee benefits in the amount of €2.3 million and provisions for potential intellectual property lawsuits in net total of €0.1 million.

Of the Company's current liability items, trade payables rose by €14.1 million, while other current liabilities saw an increase of €7.6 million. Current liabilities arising from contracts with customers declined by €3.5 million. At the end of 2018, the Company's current borrowings from subsidiaries totalled €40.4 million.

Cash Flow Statement

In € thousand	Krka Group		Company	
	2018	2017	2018	2017
Net cash flow from operating activities	289,952	227,827	245,326	272,448
Net cash flow from investing activities	-114,356	-120,132	-88,237	-84,089
Net cash flow used in financing activities	-102,613	-100,091	-91,801	-178,141
Net change in cash and cash equivalents	72,983	7,604	65,288	10,218

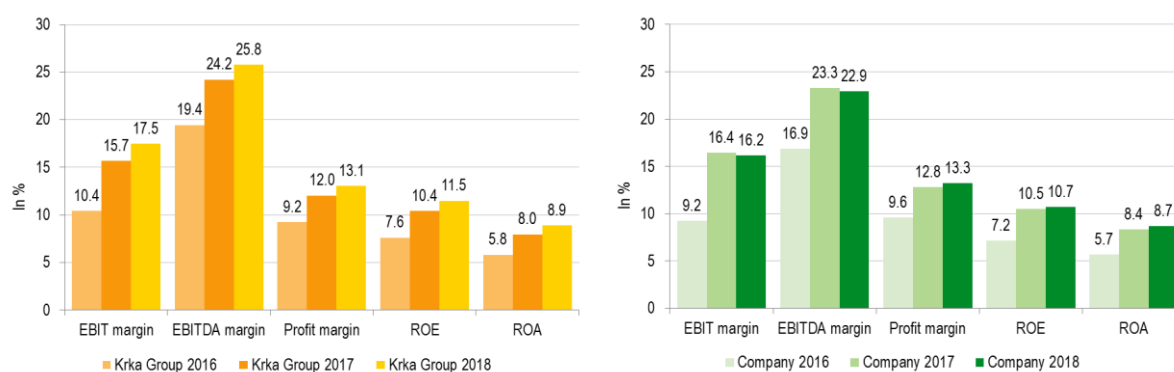
Net change in cash and cash equivalents (exclusive of exchange rate fluctuations) of the Krka Group amounted to €73.0 million in 2018, since the positive cash flow from operating activities exceeded the negative cash flows from investment and financing.

The Krka Group generated profit from operations before changes in net current assets of €304.3 million. Changes in current assets that increased profit included: changes in trade receivables, trade payables and provisions. Changes in current assets that decreased profit included: changes in inventories, deferred revenues and other current liabilities.

Negative cash flows from investing activities of €114.4 million were accrued by the acquisition of property, plant and equipment, net outflows related to current investments and loans, acquisition of intangible assets, and non-current loans. Negative cash flows from financing activities of €102.6 million primarily resulted from pay-outs of dividends and other profit shares totalling €92.8 million, and repurchases of treasury shares in the amount of €11.5 million.

Net change in cash and cash equivalents (exclusive of exchange rate fluctuations) of the Company amounted to €65.3 million.

Performance Ratios



All 2018 performance ratios of the Krka Group improved in comparison to 2017.

Performance of the Krka Group and the Company for the Past Three Years

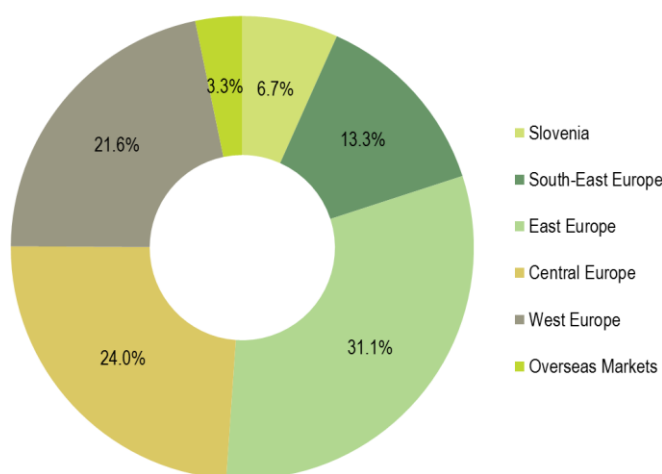
In € thousand	Krka Group			Company		
	2018	2017	2016	2018	2017	2016
Revenues	1,331,858	1,266,392	1,174,424	1,231,784	1,197,756	1,071,709
EBIT	232,686	198,741	122,435	199,305	196,953	98,920
– Profit margin	17.5%	15.7%	10.4%	16.2%	16.4%	9.2%
EBITDA	343,280	306,638	228,238	282,493	278,627	180,685
– Profit margin	25.8%	24.2%	19.4%	22.9%	23.3%	16.9%
Net profit	174,008	152,576	108,456	163,329	153,730	102,872
– Profit margin	13.1%	12.0%	9.2%	13.3%	12.8%	9.6%
Assets	1,985,069	1,919,131	1,911,518	1,916,065	1,837,482	1,837,703
ROA	8.9%	8.0%	5.8%	8.7%	8.4%	5.7%
Equity	1,540,270	1,487,699	1,444,444	1,552,300	1,493,325	1,440,448
ROE	11.5%	10.4%	7.6%	10.7%	10.5%	7.2%

Sales

Krka Group Sales of Products and Services by Region

In € thousand	2018	2017	Index 2018/2017
Slovenia	88,872	85,265	104
South-East Europe	176,206	160,963	109
East Europe	412,945	386,885	107
Central Europe	318,259	303,582	105
West Europe	287,076	285,321	101
Overseas Markets	43,389	38,882	112
Total	1,326,747	1,260,898	105

Structure of Krka Group Sales of Products and Services by Region



In 2018, the Krka Group generated revenues in total of €1,331.9 million, of that revenues from contracts with customers on sales of products and services in the amount of €1,326.7 million. The difference is represented by revenues from contracts with customers of materials and other sales revenues.

According to contracts with customers on sales of products and services, the Krka Group generated sales total of €1,326.7 million, or €65.9 million (5%) more than in 2017. In terms of volume, sales saw a 7% increase. Sales in markets outside Slovenia amounted to €1,237.9 million, accounting for a good 93% of the Krka Group sales.

The most successful sales region was East Europe, where sales totalled €412.9 million, a 7% year-on-year increase. In the Russian Federation, which remains Krka's key and largest individual market, we sold €274.7 million worth of products and recorded a 2% growth rate. Growth expressed in the Russian rouble totalled 15% and was achieved through an 18% increase in sales volume. Sales growth dynamics in the Russian Federation has been above the average for years now, and saw a further increase in 2018. This resulted in an increase in Krka's market share. After a period of a downward trend and sales stagnation, the pharmaceutical market in Ukraine first recorded growth in 2017 that further accelerated last year. We generated €56.2 million sales total, a 24% advance which significantly outperformed market growth and direct competitors. Stable business environment and a growing pharmaceutical market facilitated sales in Uzbekistan in 2018, so we generated product sales in total of €19.0 million, a 31% rise compared to the year before. Double-digit sales growth was also reached in Mongolia (57%), Tajikistan (30%), Armenia (27%), Moldova (22%), Belarus (14%), and Azerbaijan (12%).

Region Central Europe recorded the second highest product sales at €318.3 million, a 5% increase compared to 2017. In Poland, the key and largest market in the region, our product sales reached €148.8 million, 3% more than in 2017. We recorded the highest growth rates of all foreign providers of generic medicines in the country taking the fourth place. The Czech Republic as the key market in terms of sales ranks second in the region. Our product sales amounted to €48.9 million, 7% more than in 2017, and we ranked third among foreign providers of generic medicines. In Hungary, which is also one of our key markets, we recorded a 5% sales growth in the amount of €47.4 million. We slightly increased our market share and placed second among primarily foreign providers of generic medicines in this market. We recorded sales growth in Estonia (11%), Slovakia (10%) and Lithuania (9%), while sales in Latvia retained the 2017 level.

In terms of sales value Region West Europe placed third with €287.1 million or a 1% increase over 2017. Germany, Spain, the Scandinavian countries, and France led in terms of sales. Sales through subsidiaries were essential for continued sales growth and accounted for more than 70% of the regional sales. In Germany, which remains our most important Western European market, our sales reached €72.6 million, and recorded a 10% slide compared to 2017 due to diminishing tender sales of medicines. Spain is our second largest market in the region. Our product sales reached €40.2 million, 13% more than in 2017. Double-digit market growth was recorded in Finland (54%), Scandinavian countries (33%), Benelux (25%), Italy (22%), and Austria (22%).

Sales of products in Region South-East Europe amounted to €176.2 million, a 9% increase over the year before. In Romania, our key and largest regional market, sales amounted to €53.0 million, 2% below the 2017 figure. Despite this, we were the leader among foreign suppliers of generic medicines in this market. In Croatia, one of our key markets, our product sales generated €33.4 million. We recorded a 7% sales growth and consolidated our fourth place among all manufacturers of generic medicines, and second place among manufacturers of medicines for veterinary use in the country. Sales growth was recorded in all markets in the region, except in Romania and Albania.

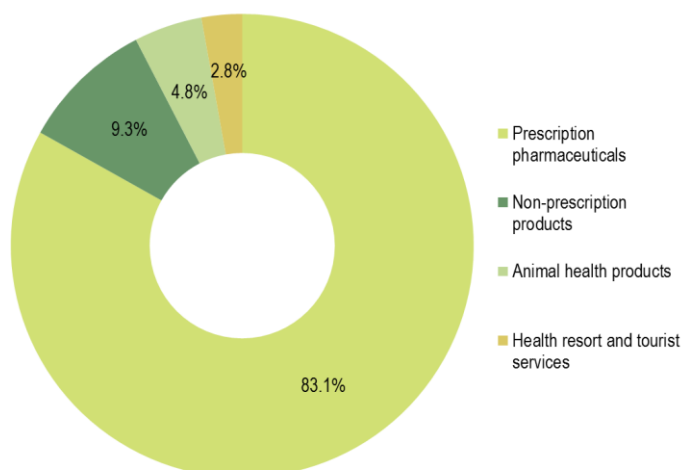
Sales of products and services in Slovenia amounted to €88.9 million (of that health resort and tourist services to €37.6 million). With respect to value, product sales saw a 3% rise, and sales volume a 4% growth. We maintained the leading position among medicine providers in Slovenia holding an 8.6% market share.

Region Overseas Markets generated €43.4 million by product sales and recorded a 12% growth. Individual markets of the Middle East, the Far East, and Africa, but in particular Iran and Vietnam, contributed the most to total regional sales.

Krka Group Sales of Products and Services by Region

In € thousand	2018	2017	Index 2018/2017
Human health medicines	1,225,986	1,161,986	106
– Prescription pharmaceuticals	1,102,802	1,043,469	106
– Non-prescription products	123,184	118,517	104
Animal health products	63,169	63,216	100
Health resorts and tourist services	37,592	35,696	105
Total	1,326,747	1,260,898	105

Structure of Krka Group Sales of Products and Services by Product Groups



In 2018, the Krka Group sales of prescription pharmaceuticals totalled €1,102.8 million, 6% more than in 2017. Sales value exceeded one billion Euro. Our five major markets are: the Russian Federation, Poland, Germany, Romania, and the Czech Republic.

Among the ten largest individual markets, sales of prescription pharmaceuticals saw the highest growth in relative terms in Ukraine, Spain, Slovakia, and in the Czech Republic, while among other markets their sales went up the most in Mongolia, Finland and Bulgaria.

As far as sales of prescription pharmaceuticals are concerned, medicines for the treatment of cardiovascular diseases remained the key therapeutic group also in 2018, and were followed by pharmaceuticals for the treatment of the central nervous system, and medicines for the alimentary tract.

In 2018, sales of new products, i.e. products launched in individual markets in the past five years, accounted for 29% of the Krka Group total sales. Co-Amlessa* (perindopril/amlodipine/indapamide), which was launched in 2014, was our most important new product. The medicine ranked among Krka's 15 leading products in terms of sales, and was among the three products presenting the highest absolute sales growth Roticox* (etoricoxib), which was put on the market in 2017, and Vamloset* (valsartan/amlodipine), which was put on the market in 2014, ranked among the top ten products presenting the highest absolute sales growth.

The leading prescription pharmaceuticals in terms of sales in 2018 were pharmaceuticals containing valsartan (Valsacor, Valsacombi*, Vamloset*, Co-Vamloset*, Valarox*). Year on year, the sales of medicines containing valsartan almost doubled. This was the result of intensive promotion and also of favourable markets conditions. Pharmaceuticals containing perindopril (Prenessa*, Co-Prenessa*, Amlessa*, Co-Amlessa*), losartan (Lorista*, Lorista H*, Tenloris*), atorvastatin (Atoris, Atordapin*), pantoprazole (Nolpaza*), and rosuvastatin (Roswera*, Rosudapin*) followed. In terms of sales, medicines containing esomeprazole (Emanera*), enalapril (Enap, Enap-H*, Elernap*), clopidogrel (Zyllt*), and tramadol (Doreta*, Tadol) were also among top ten prescription pharmaceuticals.

Sales of non-prescription products amounted to €123.2 million, a 4% increase compared to 2017. Among ten largest markets, sales saw the highest growth in relative terms in Uzbekistan, Hungary, and Ukraine, and among other markets in Portugal, Montenegro, and Mongolia. Septolete, Herbion*, Nalgessin*, and Bilobil* were our most important non-prescription product brand names.

Animal health product sales totalled €63.2 million, which was the same as in 2017. Among our ten leading markets, sales in Italy, the United Kingdom, and Croatia went up the most in relative terms. Among other markets, the rise was most notable in Spain, Uzbekistan, and Kazakhstan. The milbemycin oxime/praziquantel combination (Milprazon*) was our most important animal health product in terms of sales. It was followed by products containing fipronil (Fypryst*, Fypryst* Combo), enrofloxacin (Enroxil*), florfenicol (Floron), and pyrantel embonate/praziquantel combination products (Dehinel*, Dehinel* Plus).

Sales of health resort and tourist services increased by 5% to €37.6 million.

Research and Development

In 2018, Krka obtained marketing authorisations for 23 new products (18 prescription pharmaceuticals, one non-prescription product, and four animal health products) in 52 pharmaceutical dosage forms and strengths.

In 2018, we filed five patent applications for technological solutions we had developed and evaluated as inventions. Based on priority applications from 2017, we submitted four international patent applications. We were granted eight patents in various countries. More than 200 patents filed by Krka are currently in force.

In Slovenia, we filed 67 trademark applications for protection of Krka trademarks. We also filed 34 international and 9 national trademark applications. All in all, we have registered more than 1,100 trademarks in various countries.

New Prescription Pharmaceuticals

We added new single-component and fixed-dose combination medicines to our key portfolio of medicines for the treatment of cardiovascular diseases.

Under the decentralised procedure we obtained marketing authorisations in the EU countries for Elisgardia/Sigrada/Prasilt (prasugrel) film-coated tablets in two strengths. Prasugrel inhibits platelet aggregation and formation of blood clots. In combination with acetylsalicylic acid it is used for prevention of atherothrombotic events and is taken once a day.

We have obtained a marketing authorisation for Apleria/Enplerasa (eplerenone) film-coated tablets in two strengths. The medicine is used in combination with other medicines for the treatment of heart failure. The active substance is one of the new aldosterone receptor antagonists. The risk of adverse reactions is lower than with the older active substance, spironolactone.

We also introduced new fixed-dose combinations for the treatment of cardiovascular diseases. We obtained marketing authorisations for Roxiper/Triemma (perindopril/indapamide/rosuvastatin) film-coated tablets in four strengths. Perindopril and indapamide control increased blood pressure, and rosuvastatin controls elevated cholesterol levels. The new medicine combines three active substances in a single tablet and is effective and safe for both indications.

In the Russian Federation, we were granted a marketing authorisation for Co-Vamloset (valsartan/amlodipine/hydrochlorothiazide) film-coated tablets in three strengths. This triple fixed-dose combination is used to control blood pressure in patients with severe hypertension.

Under the European decentralised procedure, we obtained marketing authorisations for Sorvitimb/Sorvasta Plus/Co-Roswera/Rosazimib (rosuvastatin/ezetimibe) film-coated tablets in five strengths. Rosuvastatin inhibits synthesis of cholesterol in the body, while ezetimibe reduces absorption of cholesterol in the intestine. They are used in combination in those patients whose target values cannot be reached by statin therapy alone.

We introduced two new strengths of Amlessini/Dalnessa/Amlessa/Tonarssa/Preamlessa (perindopril/amlodipine) 2.85 mg/2.5 mg and 5.7 mg/5 mg tablets used for the initial treatment of high blood pressure. We obtained marketing authorisations under the European decentralised procedure.

We extended our range of medicines for the treatment of diseases of the central nervous system.

We as the first generic pharmaceutical company obtained marketing authorisations under the European decentralised procedures for an antipsychotic agent, Parnido (paliperidone) prolonged release tablets in three strengths. The medicine is an atypical antipsychotic and is taken only once daily. We introduced the new laser technology, OROS, for production of tablets from which active ingredients are released by osmosis

We registered an antidepressant, Lamegom/Agomaval (agomelatine) 25 mg film-coated tablets and the strength allows treatment with one tablet a day. It has a unique mechanism of action and provides for an additional option of treatment when other antidepressants are not effective.

We obtained our first marketing authorisation for Noctiben/Calmesan/Dornite (doxylamine) film-coated tablets in two strengths. It is used as a short-term treatment for occasional sleep problems in adults. It helps shorten the time to fall asleep and improves the quality of sleep.

We obtained a marketing authorisation for a new strength of sedative alprazolam 2 mg tablets. We introduced other strengths in several new markets of Western Europe.

We extended our portfolio of oncology medicines.

Under the centralised procedure, we obtained marketing authorisations for pemetrexed powder for solution for infusion in two strengths. This medicine of choice is used for the treatment of patients with locally advanced or metastatic non-small cell lung cancer.

We were granted a marketing authorisation for Gefitad (gefitinib) film-coated tablets. This medicine is used for the treatment of patients with locally advanced or metastatic non-small cell lung cancer. It inhibits the growth of cancer cells, reduces lung cancer symptoms, improves the quality of life, and prolongs the survival time.

We extended our range of oncology medicines by Everofin (everolimus) tablets in three strengths. The medicine decreases blood supply to a tumour and inhibits cancer cell growth and progression. It is indicated for the treatment of breast cancer and renal cancer. This is a medicine of choice for the treatment of certain types of neuroendocrine tumours.

We obtained marketing authorisations for bortezomib, powder for solution for injection in two strengths. The medicine interferes with the cell activity and growth killing cancerous cells. It can be used as monotherapy or in combination with other medicines for the treatment of adult patients suffering from progressive multiple myeloma (disseminated plasmacytoma). It is the only medicine for patients with previously untreated mantle cell lymphoma (cancer affecting the lymph nodes).

We also obtained marketing authorisations for an antiviral medicine entecavir film-coated tablets in two strengths. According to treatment guidelines, it is the medicine of choice for the chronic hepatitis B treatment.

In 2018, the procedure for introduction of febuxostat film-coated tablets in two strengths was in progress. Febuxostat is our first medicine for the treatment of gout caused by increased levels of uric acid in the body. It is also used in the treatment and prevention of high levels of uric acid in the blood, in initial chemotherapy for leukaemia. It can be used already from the earliest treatment stages in patients who do not tolerate allopurinol.

We obtained marketing authorisations under decentralised procedures for two new formulations of Awardix (tramadol) oral drops and Awardix/Olteron (tramadol) prolonged-release tablets. Tramadol is an opioid medication used for relieving moderate to severe pain. Oral drops are especially suitable for relieving pain in elderly patients.

New Non-Prescription Products

In 2018, we obtained the approval for our new medicine, KontrDiar (nifuroxazide) capsules in the Russian Federation. Nifuroxazide is an intestinal antimicrobial agent that acts locally and is used to treat acute bacterial diarrhoea. It acts on most bacteria causing infections in the intestine and does not destroy the normal intestinal flora, is poorly absorbed, and is considered to be a safe medicine. It is used to treat adults and children aged 3+ years.

New Animal Health Products

We extended our range of companion animal products by marketing authorisations for Selehold/Selames (selamectin). This 60 mg/ml spot-on solution for cats and small dogs is available in three different doses, and the 120 mg/ml spot-on solution for dogs is available in five different doses. Selamectin is an advanced medicine effective against external parasites, and internal gastrointestinal parasites, heart worms, and eye worms. It is indicated for the treatment of mixed infestations in cats and dogs. The product is based on our own patented technology. Due to the development of our own technological solution we could launch it before the expiration of patent protection, by which the competitor protected other technological solutions.

We expanded our product portfolio for farm animals by the approval for Tuloxin/Tulaxa (tulathromycin) 100 mg/ml solution for injection. We obtained a marketing authorisation as the first generic pharmaceutical company for that medicine. Tulathromycin is an advanced antimicrobial used to treat bacterial infections of the respiratory tract in cattle and pigs and infectious pododermatitis (foot rot) in sheep.

We obtained marketing authorisations under the decentralised procedure for a fixed-dose combination Catobevit (butafosfan/cyanocobalamin) solutions for injection. It is used as supportive treatment and prevention of metabolic or reproductive disorders in cattle, horses, dogs, and cats.

Investments

In 2018, the Krka Group allocated €96.3 million to investments, of that €78.0 million to the controlling company. In Slovenia, Croatia, and the Russian Federation, numerous investments in new production equipment and modernisation of infrastructure were in progress, which additionally increased our production capacities and improved our quality. We also invested in our own production and distribution centres around the world.

Our key investment is the €54 million product development and quality control facility, the Development and Control Centre 4, at the production site in Novo mesto. Construction of the 18,000 m² building was completed at the end of 2016. Setting up of laboratory rooms was finished in 2017. Additional furnishing of the rooms intended for development has entered its final stages.

In the end of 2017, Krka started building a multipurpose warehouse on the same site to ensure additional storage room for incoming materials and finished products. This will increase the speed and flexibility of production, and improve product availability and market supply. The entire investment is estimated at €36 million.

Our plant for production of solid pharmaceutical dosage forms, Notol 2, is at the same site in Ločna, and was presented with the 2018 factory-of-the-year award as the best factory plant in Slovenia. The plant opened in 2015 and features vertical integration and complete automation of all processes. In 2018, the output volume of the plant was 3 billion tablets. As the demand for new products is increasing, we have been acquiring additional technological equipment. In 2018, we allocated €8.3 million to investments. When the plant is fully equipped, it will be able to operate at its planned volume, i.e. 4.5 billion tablets, film-coated tablets and capsules per year.

In December 2018, we started a high-capacity packaging line for large batch production in plant for production of solid dosage forms. This investment totalled €3 million.

We have introduced OROS, a new laser technology for the production of tablets from which active ingredients are released by osmosis. In 2018, we successfully installed and started up a tablet drilling laser. This equipment for production of controlled-release pharmaceuticals cost €2.8 million.

At the Bršljin plant in Novo mesto, we are increasing production capacities for animal health products with biocidal effect. The investment is estimated at €4.6 million. Production on the new equipment will start at the beginning of 2019.

In February 2019, new regulations enter into force in the European Union on public health protection, which aims to prevent entry of falsified medicinal products into the legal supply chain. The FMD Directive introduces the use of unique identifiers and anti-tampering devices on packaging materials, which will prevent distribution of the falsified medicines to patients. In compliance with regulatory requirements, we have upgraded our technological equipment and manufacturing procedures. We have upgraded packaging lines with equipment that prevents tampering with finished product folding boxes and allows connection of information systems at Krka with databases of the European system for medicine verification. Over the past three years we allocated a total of €20 million, of that €6 million in 2018, to new technology that prevents unnoticeable opening of boxes and enables unique identification labelling of each folding box. Protective measures required by the Russian legislation, which will have to be implemented after 2020, are also a part of the investment.

We are constructing a new office building in Ljubljana. The total floor area of the building with four floors and an underground garage on good 12,000 m² will be connected to the existing office premises. According to the plan, it will be ready for use in the middle of 2019. The investment is estimated at a good €10 million.

One of the most important investments in Krka subsidiaries is investment in the Krka-Rus plant located in the industrial zone of Istra in the north-eastern part of Moscow. In 2017, we completed the second phase of setting up the technological equipment and increased the capacity of the factory to 1.8 billion tablets and capsules per year. In 2018, we increased laboratory capacities in order to meet requirements of the analytics and invested €1.5 million in the procurement of laboratory equipment. Construction of a waste water treatment plant is still in progress. The investment is estimated at €2.6 million. Two third of products intended for the Russian market are produced by Krka-Rus, giving us the status of a domestic producer in the Russian Federation.

In 2017, investment in production and laboratory facilities for solid dosage oncology medicines was completed in Krka's production-and-distribution centre in Jastrebarsko, Croatia. At present we are furnishing rooms and installing technological equipment for the manufacture of animal health products. The investment is estimated at €2 million.

We made several low investments totalling slightly above €3 million in all business units of our subsidiary Terme Krka in 2018.

In 2017, we established a joint venture Ningbo Krka Menovo with a local partner Menovo in the city of Ningbo, China. Menovo and Krka have been successfully cooperating on various projects for 15 years already, which helped us with our biggest project in China so far. In 2018, we paid up the initial capital and provided the necessary equipment as well as obtained the EU GMP certificate for the leased production site. Our investments will continue also in 2019. Ningbo Krka Menovo will invest several million euros in purchasing fixed assets, primarily for the production, and thus provide a springboard for further production and business growth. At the end of 2018, we started to commercially manufacture the first product for the markets outside China and also submitted all registration documents required to obtain a marketing authorisation for the Chinese market. In 2018, we produced some validation batches for other products as well. In 2019, we will submit additional five marketing authorisation applications for products to be sold in the Chinese market. The product range will be regularly adjusted to the market needs and opportunities.

Employees

At the end of 2018, the Krka Group had 11,390 employees, of which 5,611 (49.3%) worked in Slovenia and 5,779 (50.7%) abroad. The number of employees increased by 558 (5%) compared to 2017.

Of all people on payroll, 54% or 6,126 employees held at least a university degree. Of that 187 held a doctoral degree, and 384 a master's degree or specialisation.

Investor and Share Information

On the last trading date in 2018, the Krka share price on the Ljubljana Stock Exchange totalled €57.80, a 0.5% increase over the 2017 year-end, when it amounted to €57.50. In the same period, the value of the blue-chip index of the Ljubljana Stock Exchange (SBITOP) decreased by 0.2%. At the end of last year, Krka's market capitalisation amounted to €1,895 million.

Krka shares are the most traded security on the Ljubljana Stock Exchange. In 2018, the average daily trading volume of Krka shares on the Ljubljana Stock Exchange reached €0.4 million. In 2018, the company acquired 201,730 treasury shares on the regulated market in total value of €11,488,000 and held 893,447 treasury shares on 31 December 2018 or 2.9 of all Krka shares.

Plans for 2019

According to the 2019 plans, sales of the Krka Group are projected at €1,375 million and net profit at €172 million, whereby we will endeavour to exceed the plans. Investments in increasing and upgrading production capacities and infrastructure are planned at just over €124 million. In 2019, Krka plans to increase the number of employees in Slovenia and abroad by 4%. This rise is primarily expected due to transfers of people employed through agencies to Krka.

Also in 2019, the Management Board intends to remain committed to the strategy of a stable dividend policy, according to which at least 50% of net profit of the Krka Group majority holders is allocated to the dividend payout. However, the allocation of net profit for the dividend payout also considers financial requirements of the Krka Group with respect to investments and takeovers.

Subsequent events

On 12 March 2019 the President of the Supervisory Board of Krka received resignation statement from the Supervisory Board member Hans-Helmut Fabry. He stated in the statement that he is resigning from the Krka's Supervisory Board effective on 12 March 2019. In the statement, Mr. Fabry thanked the President of the Supervisory Board, other Supervisory Board Members and Management Board Members for constructive cooperation. Presumably Mr. Fabry will start cooperating with a company that is Krka's direct competitor.

According to the 2014 findings of the European Commission, Krka allegedly violated Article 101 of the Treaty on the Functioning of the EU causing distortion of the competition in the perindopril market of the EU. The European Commission imposed a €10 million fine on Krka. Krka settled the fine within the time limit set by the European Commission, but decided to bring an action before the General Court against the decision of the European Commission on the grounds that there was no breach of the EU competition rules, and in December 2018, the court ruled in favour of Krka. The decision of the General Court has not yet become final, and the European Commission filed an appeal against the decision within the provided time limit, on which the Court of Justice of the EU will rule. At the beginning of 2019, the European Commission refunded Krka the €10 million fine, but in compliance with legal opinion Krka decided to post the refund under deferred revenues.

In 2019, Krka acquired 76,346 treasury shares. Krka held 969,739 treasury shares or 3.0% of all Krka shares.

Novo mesto, March 2019

Krka, d. d., Novo mesto
Management Board

Unaudited Consolidated Statement of Financial Position of the Krka Group

In € thousand	31 Dec 2018	31 Dec 2017
Assets		
Property, plant and equipment	839,448	864,842
Intangible assets	110,329	110,992
Loans	10,810	9,543
Investments	9,389	8,815
Deferred tax assets	40,376	38,475
Other non-current assets	459	341
Total non-current assets	1,010,811	1,033,008
Assets held for sale	41	41
Inventories	365,149	310,671
Contract assets	395	-
Trade receivables	438,291	500,735
Other receivables	26,370	27,302
Loans	21,491	1,426
Investments	4,720	0
Cash and cash equivalents	117,801	45,948
Total current assets	974,258	886,123
Total assets	1,985,069	1,919,131
Equity		
Share capital	54,732	54,732
Treasury shares	-52,076	-40,588
Reserves	104,062	111,477
Retained earnings	1,430,817	1,361,107
Total equity holders of the controlling company	1,537,535	1,486,728
Non-controlling interests within equity	2,735	971
Total equity	1,540,270	1,487,699
Liabilities		
Provisions	100,989	98,075
Deferred revenues	9,798	10,953
Deferred tax liabilities	12,271	12,154
Total non-current liabilities	123,058	121,182
Trade payables	136,806	108,340
Income tax payable	3,842	16,142
Current payables from contracts with customers	110,225	-
Other current liabilities	70,868	185,768
Total current liabilities	321,741	310,250
Total liabilities	444,799	431,432
Total equity and liabilities	1,985,069	1,919,131

Unaudited Consolidated Income Statement of the Krka Group

In € thousand	2018	2017
Revenues	1,331,858	1,266,392
– revenue from contracts with customers	1,327,190	-
– other revenues	4,668	-
Cost of goods sold	-561,131	-538,540
Gross profit	770,727	727,852
Other operating income	12,806	10,433
Selling and distribution expenses	-344,701	-340,455
– of that net impairment and write-down of receivables	-238	-
R&D expenses	-130,700	-125,864
General and administrative expenses	-75,446	-73,225
Operating profit	232,686	198,741
Financial income	5,935	24,041
Financial expenses	-36,048	-46,608
Net financial result	-30,113	-22,567
Profit before tax	202,573	176,174
Income tax	-28,565	-23,598
Net profit	174,008	152,576
Attributable to:		
– equity holders of the parent	174,585	152,600
– non-controlling interests	-577	-24
Basic earnings per share (in EUR)	5.46	4.74
Diluted earnings per share (in EUR)	5.46	4.74

Unaudited Consolidated Statement of Other Comprehensive Income of the Krka Group

In € thousand	2018	2017
Net profit	174,008	152,576
Other comprehensive income for the year		
Other comprehensive income reclassified to profit or loss at a future date		
Translation reserve	-19,510	-8,378
Change in fair value of financial assets	568	-1,345
Deferred tax effect	-108	256
Net other comprehensive income reclassified to profit or loss at a future date	-19,050	-9,467
Other comprehensive income that will not be reclassified to profit or loss at a future date		
Restatement of post-employment benefits	-520	-235
Deferred tax effect	76	-6
Net other comprehensive income that will not be reclassified to profit or loss at a future date	-444	-241
Total other comprehensive income net of tax	-19,494	-9,708
Total comprehensive income net of tax	154,514	142,868
Attributable to:		
– equity holders of the parent	155,093	142,892
– non-controlling interests	-579	-24

Unaudited Consolidated Statement of Changes in Equity of the Krka Group for 2018

In € thousand	Reserves								Retained earnings			Total equity holders of the controlling company	Non-controlling interests within equity	Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserves	Other revenue reserves	Retained earnings	Profit for the year			
Balance at 1 Jan 2018	54,732	-40,588	40,588	105,897	14,990	30,000	-12,523	-67,475	1,129,172	90,233	141,702	1,486,728	971	1,487,699
Net profit	0	0	0	0	0	0	0	0	0	0	174,585	174,585	-577	174,008
Total other comprehensive income for the year (net of tax)	0	0	0	0	0	0	605	-19,508	0	-589	0	-19,492	-2	-19,494
Total comprehensive income for the year (net of tax)	0	0	0	0	0	0	605	-19,508	0	-589	174,585	155,093	-579	154,514
Transactions with owners recognised in equity														
Formation of other profit reserves under the resolution of the AGM	0	0	0	0	0	0	0	0	38,216	-38,216	0	0	0	0
Transfer of profit from previous periods to retained earnings	0	0	0	0	0	0	0	0	0	141,702	-141,702	0	0	0
Purchase of treasury shares	0	-11,488	0	0	0	0	0	0	0	0	0	-11,488	0	-11,488
Formation of reserves for treasury shares	0	0	11,488	0	0	0	0	0	0	0	-11,488	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	-92,798	0	-92,798	0	-92,798
Purchase of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	2,343	2,343
Total transactions with owners recognised in equity	0	-11,488	11,488	0	0	0	0	0	38,216	10,688	-153,190	-104,286	2,343	-101,943
Balance at 31 Dec 2018	54,732	-52,076	52,076	105,897	14,990	30,000	-11,918	-86,983	1,167,388	100,332	163,097	1,537,535	2,735	1,540,270

Unaudited Consolidated Statement of Changes in Equity of the Krka Group for 2017

In € thousand	Reserves								Retained earnings			Total equity holders of the controlling company	Non-controlling interests within equity	Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserves	Other revenue reserves	Retained earnings	Profit for the year			
Balance at 1 Jan 2017	54,732	-29,690	29,690	105,897	14,990	30,000	-11,802	-59,097	1,102,165	107,670	98,833	1,443,388	1,056	1,444,444
Net profit	0	0	0	0	0	0	0	0	0	0	152,600	152,600	-24	152,576
Total other comprehensive income for the year (net of tax)	0	0	0	0	0	0	-721	-8,378	0	-609	0	-9,708	0	-9,708
Total comprehensive income for the year (net of tax)	0	0	0	0	0	0	-721	-8,378	0	-609	152,600	142,892	-24	142,868
Transactions with owners recognised in equity														
Formation of other profit reserves under the resolution of the AGM	0	0	0	0	0	0	0	0	27,007	-27,007	0	0	0	0
Transfer of profit from previous periods to retained earnings	0	0	0	0	0	0	0	0	0	98,833	-98,833	0	0	0
Purchase of treasury shares	0	-10,898	0	0	0	0	0	0	0	0	0	-10,898	0	-10,898
Formation of reserves for treasury shares	0	0	10,898	0	0	0	0	0	0	0	-10,898	0	0	0
Purchase of a stake in Golf Grad Otočec	0	0	0	0	0	0	0	0	0	-10	0	-10	-61	-71
Dividends paid	0	0	0	0	0	0	0	0	0	-88,644	0	-88,644	0	-88,644
Total transactions with owners recognised in equity	0	-10,898	10,898	0	0	0	0	0	27,007	-16,828	-109,731	-99,552	-61	-99,613
Balance at 31 Dec 2017	54,732	-40,588	40,588	105,897	14,990	30,000	-12,523	-67,475	1,129,172	90,233	141,702	1,486,728	971	1,487,699

Unaudited Consolidated Statement of Cash Flows of the Krka Group

In € thousand	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	174,008	152,576
Adjustments for:	130,325	136,751
– amortisation/depreciation	110,594	107,897
– foreign exchange differences	-6,750	-1,667
– investment income	-7,978	-25,276
– investment expenses	3,806	30,328
– interest expense and other financial expenses	2,198	1,871
– financial income	-110	0
– income tax	28,565	23,598
Operating profit before changes in net current assets	304,333	289,327
Change in trade receivables	61,863	11,834
Change in inventories	-54,478	-30,018
Change in trade payables	29,634	-13,222
Change in provisions	852	5,605
Change in deferred revenue	-1,155	-1,205
Change in other current liabilities	-8,326	-23,399
Income tax paid	-42,771	-11,095
Net cash from operating activities	289,952	227,827
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	470	922
Proceeds from sale of current investments	0	2
Dividends received	975	15
Proceeds from sale of property, plant and equipment	1,526	1,283
Purchase of intangible assets	-6,984	-5,385
Purchase of property, plant and equipment	-86,259	-106,507
Acquisition of subsidiaries and a share of minority interests net of financial assets acquired	0	-70
Non-current loans	-2,881	-2,386
Receipts from repayment of non-current loans	1,086	1,372
Acquisition of non-current investments	-153	-152
Proceeds from sale of non-current investments	27	41
Payments/Proceeds in connection with current investments and loans	-22,681	8,353
Payments in connection with derivative financial instruments	-2,737	-27,094
Proceeds from derivative financial instruments	3,255	9,474
Net cash from investing activities	-114,356	-120,132
CASH FLOWS FROM FINANCING ACTIVITY		
Interest paid	-657	-444
Dividends and other profit shares paid	-92,811	-88,749
Repurchase of treasury shares	-11,488	-10,898
Proceeds from payment of non-controlling interests	2,343	0
Net cash from financing activities	-102,613	-100,091
Net increase in cash and cash equivalents	72,983	7,604
Cash and cash equivalents at beginning of year	45,948	38,630
Effect of foreign exchange rate fluctuations on cash held	-1,130	-286
Closing balance of cash and cash equivalents	117,801	45,948

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

In € thousand	31 Dec 2018	31 Dec 2017
Assets		
Property, plant and equipment	604,923	611,341
Intangible assets	28,842	28,299
Investments in subsidiaries	325,502	321,898
Trade receivables from subsidiaries	38,885	38,644
Loans	19,238	11,187
Investments	9,388	8,814
Deferred tax assets	11,780	12,342
Other non-current assets	58	70
Total non-current assets	1,038,616	1,032,595
Assets held for sale	41	41
Inventories	317,499	264,174
Trade receivables	392,107	456,265
Other receivables	15,709	15,395
Loans	51,819	34,895
Investments	1,800	0
Cash and cash equivalents	98,474	34,117
Total current assets	877,449	804,887
Total assets	1,916,065	1,837,482
Equity		
Share capital	54,732	54,732
Treasury shares	-52,076	-40,588
Reserves	192,788	180,779
Retained earnings	1,356,856	1,298,402
Total equity	1,552,300	1,493,325
Liabilities		
Provisions	87,882	85,503
Deferred revenues	2,030	2,408
Total non-current liabilities	89,912	87,911
Trade payables	170,354	159,119
Borrowings	40,435	27,525
Income tax payable	1,570	15,127
Current payables from contracts with customers	17,340	-
Other current liabilities	44,154	54,475
Total current liabilities	273,853	256,246
Total liabilities	363,765	344,157
Total equity and liabilities	1,916,065	1,837,482

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

In € thousand	2018	2017
Revenues	1,231,784	1,197,756
– revenue from contracts with customers	1,223,763	-
– other revenues	8,021	-
Cost of goods sold	-532,668	-511,870
Gross profit	699,116	685,886
Other operating income	3,780	4,879
Selling and distribution expenses	-305,081	-304,038
– of that net impairment and write-down of receivables	-326	-
R&D expenses	-135,145	-131,201
General and administrative expenses	-63,365	-58,573
Operating profit	199,305	196,953
Financial income	17,382	24,908
Financial expenses	-33,891	-46,599
Net financial result	-16,509	-21,691
Profit before tax	182,796	175,262
Income tax	-19,467	-21,532
Net profit	163,329	153,730
Basic earnings per share (in EUR)	5.10	4.77
Diluted earnings per share (in EUR)	5.10	4.77

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

In € thousand	2018	2017
Net profit	163,329	153,730
Other comprehensive income for the year		
Other comprehensive income reclassified to profit or loss at a future date		
Change in fair value of financial assets	568	-1,345
Deferred tax effect	-108	256
Net other comprehensive income reclassified to profit or loss at a future date	460	-1,089
Other comprehensive income that will not be reclassified to profit or loss at a future date		
Restatement of post-employment benefits	-583	-245
Deferred tax effect	55	23
Net other comprehensive income that will not be reclassified to profit or loss at a future date	-528	-222
Total other comprehensive income net of tax	-68	-1,311
Total comprehensive income net of tax	163,261	152,419

Unaudited Statement of Changes in Equity of Krka, d. d., Novo mesto for 2018

In € thousand	Reserves							Retained earnings			Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Other revenue reserves	Retained earnings	Profit for the year	
Balance at 1 Jan 2018	54,732	-40,588	40,588	105,897	14,990	30,000	-10,696	1,129,172	26,398	142,832	1,493,325
Net profit	0	0	0	0	0	0	0	0	0	163,329	163,329
Other comprehensive income for the year (net of tax)	0	0	0	0	0	0	521	0	-589	0	-68
Total comprehensive income for the year (net of tax)	0	0	0	0	0	0	521	0	-589	163,329	163,261
Transactions with owners recognised in equity											
Formation of other profit reserves under the resolution of the AGM	0	0	0	0	0	0	0	38,216	-38,216	0	0
Transfer of profit from previous periods to retained earnings	0	0	0	0	0	0	0	0	142,832	-142,832	0
Purchase of treasury shares	0	-11,488	0	0	0	0	0	0	0	0	-11,488
Formation of reserves for treasury shares	0	0	11,488	0	0	0	0	0	0	-11,488	0
Dividends paid	0	0	0	0	0	0	0	0	-92,798	0	-92,798
Total transactions with owners recognised in equity	0	-11,488	11,488	0	0	0	0	38,216	11,818	-154,320	-104,286
Balance at 31 Dec 2018	54,732	-52,076	52,076	105,897	14,990	30,000	-10,175	1,167,388	37,627	151,841	1,552,300

Unaudited Statement of Changes in Equity of Krka, d. d., Novo mesto for 2017

In € thousand	Reserves							Retained earnings			Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Other revenue reserves	Retained earnings	Profit for the year	
Balance at 1 Jan 2017	54,732	-29,690	29,690	105,897	14,990	30,000	-9,994	1,102,165	49,405	93,253	1,440,448
Net profit	0	0	0	0	0	0	0	0	0	153,730	153,730
Other comprehensive income for the year (net of tax)	0	0	0	0	0	0	-702	0	-609	0	-1,311
Total comprehensive income for the year (net of tax)	0	0	0	0	0	0	-702	0	-609	153,730	152,419
Transactions with owners recognised in equity											
Formation of other profit reserves under the resolution of the AGM	0	0	0	0	0	0	0	27,007	-27,007	0	0
Transfer of profit from previous periods to retained earnings	0	0	0	0	0	0	0	0	93,253	-93,253	0
Purchase of treasury shares	0	-10,898	0	0	0	0	0	0	0	0	-10,898
Formation of reserves for treasury shares	0	0	10,898	0	0	0	0	0	0	-10,898	0
Dividends paid	0	0	0	0	0	0	0	0	-88,644	0	-88,644
Total transactions with owners recognised in equity	0	-10,898	10,898	0	0	0	0	27,007	-22,398	-104,151	-99,542
Balance at 31 Dec 2017	54,732	-40,588	40,588	105,897	14,990	30,000	-10,696	1,129,172	26,398	142,832	1,493,325

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

In € thousand	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	163,329	153,730
Adjustments for:	91,193	110,280
– amortisation/depreciation	83,188	81,674
– foreign exchange differences	1,172	148
– investment income	-17,769	-25,326
– investment expenses	3,178	30,074
– interest expense and other financial expenses	1,957	2,178
– income tax	19,467	21,532
Operating profit before changes in net current assets	254,522	264,010
Change in trade receivables	62,626	8,193
Change in inventories	-53,325	-27,960
Change in trade payables	9,242	18,131
Change in provisions	254	4,927
Change in deferred revenue	-378	-380
Change in other current liabilities	4,899	5,234
Income tax paid	-32,514	293
Net cash from operating activities	245,326	272,448
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	566	882
Proceeds from sale of current investments	0	2
Dividends received	975	15
Proportionate profit of subsidiaries	11,427	1,027
Proceeds from sale of property, plant and equipment	658	581
Purchase of intangible assets	-6,331	-4,917
Purchase of property, plant and equipment	-67,242	-87,989
Acquisition of subsidiaries and a share of minority interests net of financial assets acquired	-3,603	-951
Refund of subsequent payments in subsidiaries	0	237
Non-current loans	-8,600	-2,169
Receipts from repayment of non-current loans	1,351	17,221
Acquisition of non-current investments	-24	-45
Proceeds from sale of non-current investments	26	40
Payments/Proceeds in connection with current investments and loans	-17,958	9,597
Payments in connection with derivative financial instruments	-2,737	-27,094
Proceeds from derivative financial instruments	3,255	9,474
Net cash from investing activities	-88,237	-84,089
CASH FLOWS FROM FINANCING ACTIVITY		
Interest paid	-433	-839
Proceeds/Repayment of current borrowings	12,931	-77,655
Dividends and other profit shares paid	-92,811	-88,749
Repurchase of treasury shares	-11,488	-10,898
Net cash from financing activities	-91,801	-178,141
Net increase in cash and cash equivalents	65,288	10,218
Cash and cash equivalents at beginning of year	34,117	24,049
Effect of foreign exchange rate fluctuations on cash held	-931	-150
Closing balance of cash and cash equivalents	98,474	34,117