



## Q1 2020 Unaudited Interim Report of the Krka Group and Krka, d. d.

Novo mesto, May 2020



*Living a healthy life.*

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## INTRODUCTION

The condensed financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (Krka, d. d., Krka, or the controlling company) for the first quarters of 2020 and 2019 are unaudited, while the financial statements for the full 2019 business 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 20 May 2020, the Supervisory Board of Krka discussed the unaudited report of the Krka Group and the Krka for the first quarter of 2020.

## Quarterly Business Performance Highlights

- The Krka Group sold €461.7 million worth of products and services, of which product sales accounted for almost 99%.
- Compared to the same period last year, Krka Group sales of products and services increased by €84.4 million or 22%.
- The 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 (€31.0 million), and Region Central Europe recorded the highest relative growth (32%).
- Accounting for 33.2% of overall sales, Krka Group's largest sales region was Region East Europe.
- The Group generated operating profit of €133.9 million, up 85% over the same period last year. EBITDA amounted to €162.0 million, a 62% year-on-year increase.
- The Krka Group recorded net profit totalling €85.2 million or a 21% rise on the same period last year.
- As at 31 March 2020, the Krka share traded at €64.80 on the Ljubljana Stock Exchange, an 11.5% drop on year-end 2019. Market

capitalisation of Krka amounted to €2.1 billion.

- The Krka Group allocated €14.9 million to investments, of that €9.8 million to the controlling company.
- At the end of March 2020, the Krka Group had 11,622 regularly employed persons on payroll. Together with agency workers, the Krka Group had a total of 12,791 persons on payroll or 21 more than at the end of 2019.
- After the coronavirus pandemic had been declared, the Krka Group adopted all necessary measures to curb the spread of infection, protect the health of our employees, and ensure business continuity. In this way, we ensured an unbroken supply chain and sufficient supply of medicines on global markets.

We immediately took action to reduce sanitary and health risks by considering the experiences and measures adopted by our Chinese partners and Italian companies. We adjusted our processes to guarantee social distancing and the availability of personal protective equipment. Our relevant departments issued a series of instructions and recommendations for performing work processes and responsible behaviour at work and at home.

In order to further reduce risk of infection, we ordered approximately 50% of our employees in Slovenia to be on standby at home in the period

from 16 March to 14 April, including parents of children up to ten years of age, pregnant women, and employees with chronic diseases vulnerable to coronavirus. During that time, only Krka employees directly involved in pharmaceutical manufacturing and supply processes came to work to Krka's premises to cater for vital support. We enabled access to IT systems and services to our homebound employees. In this way, they were available all the time and worked uninterruptedly from home. Work at Krka's production and distribution facilities abroad went on without interruptions. Marketing and sales processes were carried out in different ways, primarily by using e-tools, and in dependence of government measures undertaken by individual countries. Since the beginning of May, most of our employees in Slovenia have been working from their regular work posts. Strict safety measures are applied at all times to prevent and reduce the impact of the new virus.

We recorded no major impact on average daily production volume of finished products at the Krka Group. During the pandemic, raw and production material purchasing continued with minimal disruption. Quality assurance and quality control went uninterrupted. Due to social distancing, we had to change our product promotion approach and our departments adapted their workflow to the current situation and made greater use of e-technologies.

No insurmountable problems arose with logistics, but land transport shipping times have increased, containers have been in short supply for maritime transport, while air transport has been limited.

Our business model of vertical integration comprises development, quality control, a well-organised supply chain, the many production sites that we own, marketing-and-sales activities, and support services. It covers a wide array of processes and activities on the global level. As a result, the Krka Group did not record any negative impact on the supply chain.

There is no way to foresee the pace with which the disease will spread, how the situation will develop, what the aftermath will be, and what measures affected nations will take. Therefore, the Krka management continues to carefully monitor the developments in countries where we operate.

Sales growth in this period was also affected by an increased demand for Krka products as a result of coronavirus. Towards the end of the period, the demand slowed down and is currently at the planned and anticipated level.

## Financial Highlights

€ thousand	Krka Group			Krka		
	Jan–Mar 2020	Jan–Mar 2019	Index 20/19	Jan–Mar 2020	Jan–Mar 2019	Index 20/19
Revenue	462,852	378,473	122	434,883	327,072	133
Gross profit	275,543	215,526	128	253,040	190,432	133
Operating profit (EBIT) <sup>1</sup>	133,926	72,232	185	126,154	63,775	198
EBITDA	162,039	99,913	162	147,014	84,274	174
Net profit	85,182	70,282	121	83,375	65,326	128
R&D expenses	37,618	36,493	103	38,052	37,714	101
Investments	14,888	23,703	63	9,808	19,591	50

€ thousand	31 Mar 2020	31 Dec 2019	Index 20/19	31 Mar 2020	31 Dec 2019	Index 20/19
Non-current assets	1,004,535	1,041,833	96	1,066,215	1,069,616	100
Current assets	1,265,078	1,142,785	111	1,123,082	1,060,344	106
Equity	1,713,708	1,667,516	103	1,741,853	1,664,178	105
Non-current liabilities	161,208	160,905	100	120,718	119,789	101
Current liabilities	394,697	356,197	111	326,726	345,993	94

RATIOS	Jan–Mar 2020	Jan–Mar 2019	Jan–Mar 2020	Jan–Mar 2019
Gross profit margin	59.5%	56.9%	58.2%	58.2%
EBIT margin	28.9%	19.1%	29.0%	19.5%
EBITDA margin	35.0%	26.4%	33.8%	25.8%
Net profit margin (ROS)	18.4%	18.6%	19.2%	20.0%
Return on equity (ROE) <sup>2</sup>	20.2%	17.8%	19.6%	16.5%
Return on assets (ROA) <sup>3</sup>	15.3%	13.7%	15.4%	13.3%
Liabilities/Equity	0.324	0.312	0.257	0.257
R&D expenses/Revenue	8.1%	9.6%	8.7%	11.5%

NUMBER OF EMPLOYEES	31 Mar 2020	31 Dec 2019	Index 20/19	31 Mar 2020	31 Dec 2019	Index 20/19
Balance as at	11,622	11,696	99	5898	5907	100

SHARE INFORMATION	Jan–Mar 2020	Jan–Mar 2019	Index 20/19
Total number of shares issued	32,793,448	32,793,448	100
Earnings per share (EPS) in € <sup>4</sup>	10.87	8.96	121
Closing price at the end of the period in € <sup>5</sup>	64.80	58.00	112
Price/Earnings ratio (P/E)	5.96	6.48	92
Book value in € <sup>6</sup>	52.26	49.35	106
Price/Book value (P/B)	1.24	1.18	106
Market capitalisation in € thousand (end of period)	2,125,015	1,902,020	112

<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., 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; ii) Farma GRS, d. o. o., where Krka has a 99.7% holding and Metronik d. o. o., Iskra Pio d. o. o., and Gospodarska zbornica Dolenjske in Bele krajine are each holding 0.1%; and iii) Krka Belgium, SA, where Krka has a 95% stake and the subsidiary Krka France Eurl holds the remaining 5%.

The 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

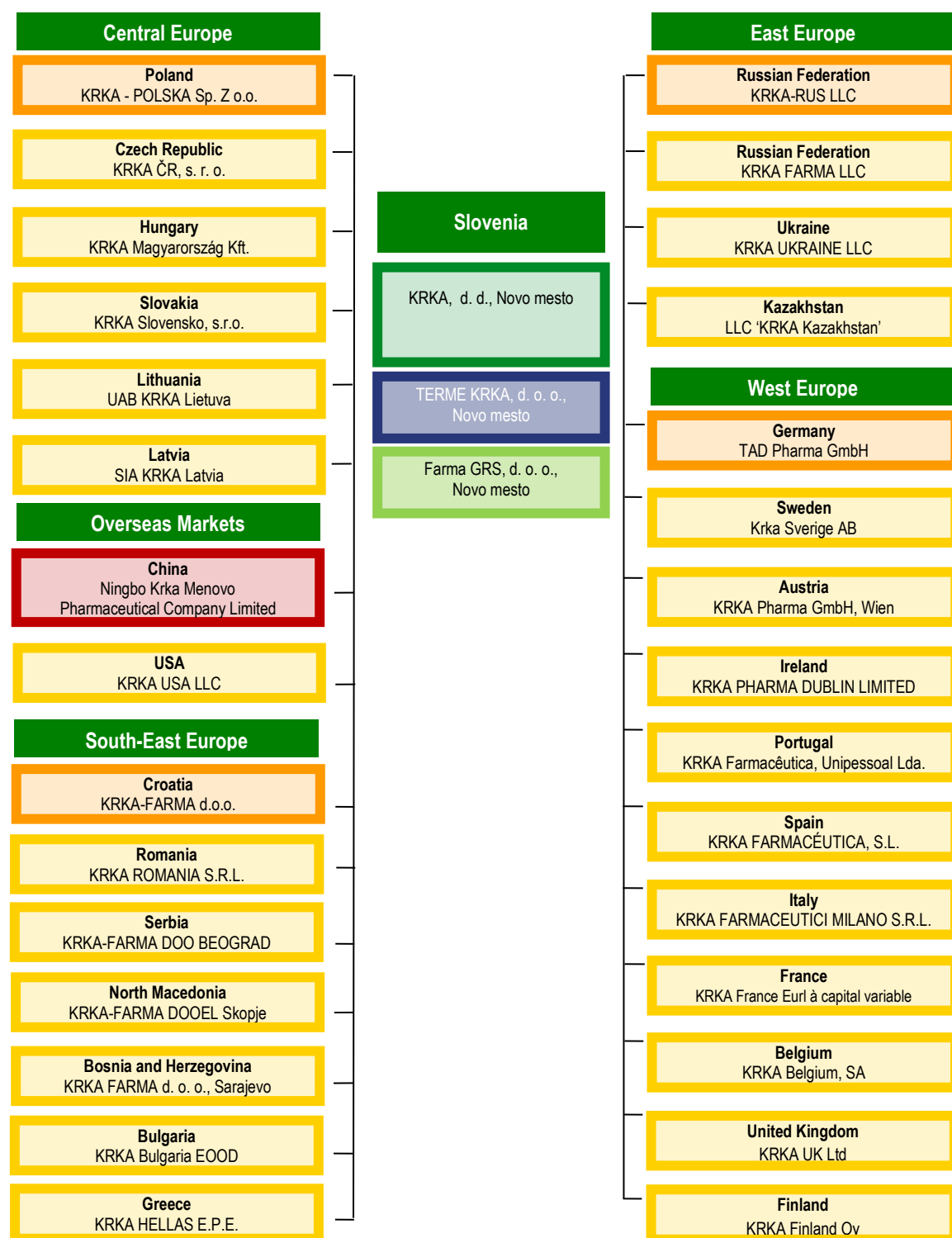
addition to production, these subsidiaries, apart from Krka-Rus in the Russian Federation, also deal with marketing and sales. Other subsidiaries outside Slovenia carry out marketing and/or sales of Krka products but do not have production capacities.

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. The company develops new pharmaceutical products, new technological products for pharmaceutical production, and contributes to more efficient pharmaceutical production as regards of energy, environment, and business operations.



## Organisation Chart



Production and distribution companies  
 Joint venture for development, production, and distribution  
 The EU project: research and development company

Other subsidiaries outside Slovenia  
 Health resort and tourist services company

## 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/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 in total sales and the proportion of vertically integrated products 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 the 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 medicines in the key therapeutic areas of prescription pharmaceuticals (cardiovascular diseases, the gastrointestinal tract, the central nervous system, and pain relief), 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 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 Group's financial requirements for investments and acquisitions when determining the net profit share for dividend payout each year, and to allocate at least 50% of net profit of majority shareholders for dividends.
- To further pursue digitalisation of business operations by: i) introducing digital information technology into business processes in order to allow for automation and optimisation of processes and procedures; ii) supporting and strengthening cooperation within the organisation and the entire supply chain; and iii) ensuring appropriate data/information for taking business decisions. Our aim is to offer our stakeholders added value.
- To introduce 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 remain the most important product group, comprising 83% of overall sales.
- Profit is planned at good €210 million.
- The total number of employees in Slovenia and abroad is projected to grow by 3%.
- We plan to allocate €134 million to investments, primarily for 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 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 risk related to the Russian rouble and the U.S. dollar by financial instruments.

The risk of reduced global economic growth as a result of the coronavirus increased exchange rate volatility in currency markets in the second half of February. The value of the Russian rouble further dropped in the first half of March, after the OPEC+ alliance failed to reach an agreement on extending and increasing the cuts in oil production. Because of this, oil prices slumped to a record low, and the Russian rouble fell. Over the first quarter, the value of the rouble denominated in the euro fell by 18.6%. The average value of the Russian rouble in the first quarter of 2020 climbed by 1.5% over the same

period in 2019. In the first three months 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.

Due to plummeting capital markets and the anticipated fiscal and monetary measures in individual countries, the value of the Polish złoty, Romanian leu, Croatian kuna, Hungarian forint, and Czech koruna also saw a slight drop. The effect of the change in value of the currencies on the Krka Group's net financial result is significantly lower than the impact of the Russian rouble.

The exchange rate was highly volatile throughout the first quarter, and the value of the U.S. dollar climbed by 2.5%. The Krka Group has accrued a surplus of liabilities over assets in the U.S. dollar and a short currency position. The negative impact of the dollar value growth was neutralised through 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 of the first quarter of 2020 was negative and amounted to -€32.7 million.

#### Interest Rate Risk

In the first quarter 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 clients will fail to settle their liabilities by maturity dates. The Krka Group introduced a centralised credit control process that involves all clients with whom Krka's annual product sales exceed €100,000. At the end of 2019, there were more than 450 clients of that kind, accounting for over 95% of trade receivables.

The amount of receivable write-offs and impairments of the Krka Group is low also 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.

Our credit risk management policy remained unchanged in the first quarter of 2020. We closely monitor clients from markets with a less favourable macroeconomic environment and markets where we have identified increased risks in distribution of medicines.

Sales went up in the first quarter, so we intensified activities for managing trade receivables. In the first quarter, trade receivables rose by 17%, primarily owing to sales growth in the period. The maturity

structure of receivables remained stable. The percentage of overdue receivables compared to total trade receivables remained low also at the end of the first quarter. We identified no particularities when collecting receivables.

At the end of the first quarter, almost 70% of trade receivables were insured with a credit insurance company, and a small portion of trade receivables was insured by banking instruments.

## Liquidity Risk

In the first quarter of 2020, risks related to the Krka Group's liquidity were managed by effective short-term cash planning. We employed cash flows from operating activities to provide for adequate short-term liquidity. During the first quarter of 2020, we did not draw any additional funds by 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 in subsidiary bank accounts. All Krka Group liabilities were settled on time.

## Property, Liability, and Business Interruption Insurance

In the first quarter, 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 the insured property increased, the insurance

premium grew slower than sales. In transport insurance, we significantly simplified the administrative procedures in January, because we introduced electronic certificates and paperless communication.

## Investor and Share Information

In the first three months of 2020, the Krka share price declined by 11% on the Ljubljana Stock Exchange. In the same period, holdings of domestic retail investors and treasury shares increased. Holdings of legal

entities and institutional investors remained unchanged, while the stake of foreign investors slightly diminished. At the end of March 2020, Krka had 48,293 shareholders.

### Shareholder structure (%)

	31 Mar 2020	31 Dec 2019
Domestic retail investors	38.7	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
Domestic legal entities and institutional investors	7.6	7.6
Foreign investors	22.6	23.0
Treasury shares	4.0	3.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

In the first quarter of 2020, Krka acquired 64,220 treasury shares.

On 31 March 2020, Krka held 1,298,472 treasury shares accounting for 3.96% of the share capital.

## Ten largest shareholders as at 31 March 2020

	Country	Number of shares	Equity share (%)	Share of voting rights (%)
Kapitalska družba, d. d.	Slovenia	3,493,030	10.65	11.09
Slovenski državni holding, d. d. (SDH)	Slovenia	2,949,876	9.00	9.37
Republic of Slovenia	Slovenia	2,366,016	7.21	7.51
OTP banka Hrvatska dioničko društvo*	Croatia	1,544,960	4.71	4.91
Addiko Bank d. d. Pension Fund 1	Croatia	1,197,638	3.65	3.80
Clearstream Banking S.A.*	Luxembourg	846,659	2.58	2.69
Luka Koper, d. d.	Slovenia	433,970	1.32	1.38
Zavarovalnica Triglav, d. d.	Slovenia	388,300	1.18	1.23
The bank of New York Mellon*	USA	358,781	1.09	1.14
Addiko Bank d. d. Pension Fund 2	Croatia	351,594	1.07	1.12
<b>Total</b>		<b>13,930,824</b>	<b>42.48</b>	<b>44.23</b>

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

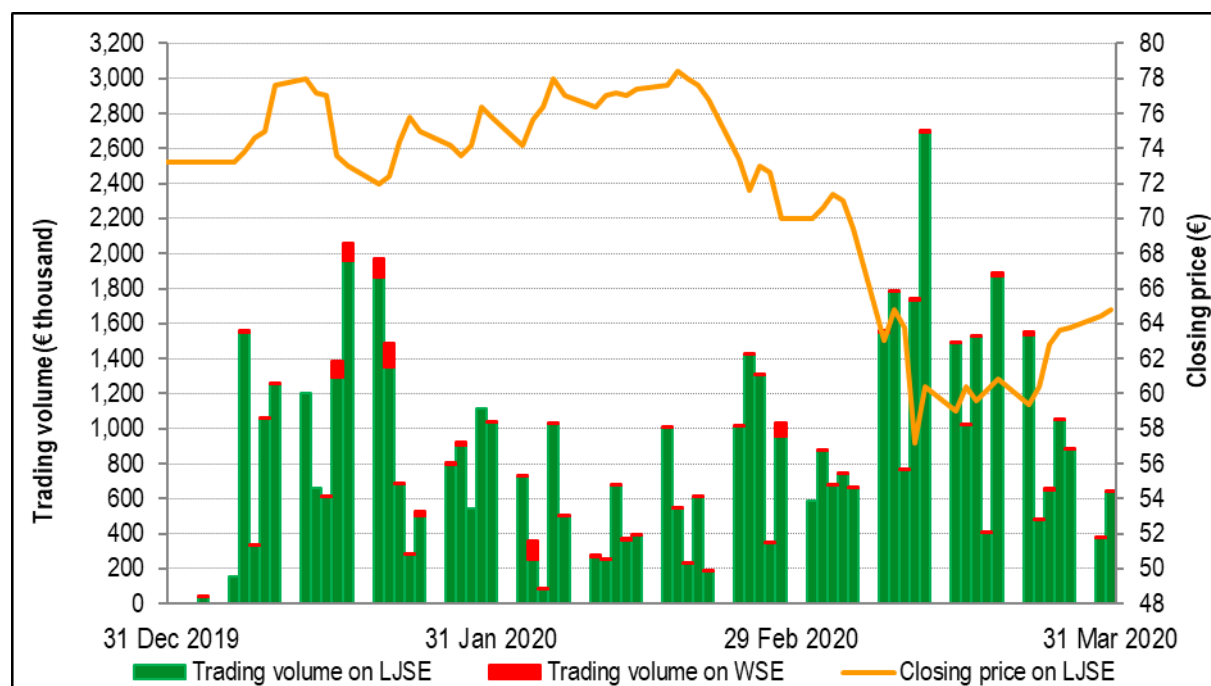
As at 31 March 2020, ten largest shareholders of Krka held 13,930,824 shares or 42.48% of total shares issued.

As at 31 March 2020, members of the Management and the Supervisory Boards held a total of 39,787 Krka shares or 0.12% of total shares issued.

## Equity stakes held by members of the Management and the Supervisory Boards of Krka and the proportion of their voting rights as at 31 March 2020

	Number of shares	Equity share (%)	Proportion of voting rights (%)
<b>Management Board Members</b>			
Jože Colarič	22,500	0.069	0.071
David Bratož	0	0.000	0.000
Aleš Rotar	13,915	0.042	0.044
Vinko Zupančič	120	0.000	0.000
Milena Kastelic	505	0.002	0.002
<b>Total Management Board Members</b>	<b>37,040</b>	<b>0.113</b>	<b>0.117</b>
<b>Supervisory Board Members</b>			
Jože Mermal	0	0.000	0.000
Julijana Kristl	230	0.001	0.001
Boris Žnidarič	0	0.000	0.000
Andrej Slapar	0	0.000	0.000
Borut Jamnik	0	0.000	0.000
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	0.000	0.000
<b>Total Supervisory Board Members</b>	<b>2,747</b>	<b>0.009</b>	<b>0.009</b>

## Q1 2020 Krka Share Trades



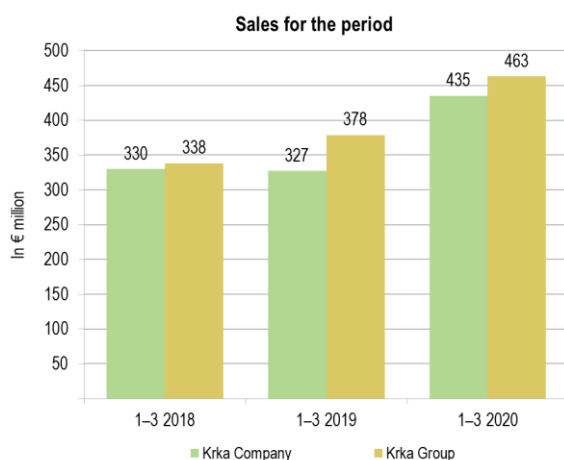
In the first three months of the year, Krka share price on the Ljubljana Stock Exchange peaked in mid-February, when it traded at €78.40, and reached its low in the first half of March, when it amounted to €57.20. On 31 March 2020, Krka shares traded at €64.80 per share.

On 31 March 2020, market capitalisation of Krka on the Ljubljana Stock Exchange amounted to €2.1 billion. In that period, the average daily trading volume of Krka shares reached €0.9 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 €462.9 million, of which revenue from contracts with customers on sales of products and services amounted to €461.7 million. Revenue from contracts with customers on sales of materials and other sales revenue constituted the difference. Sales grew by €84.4 million, a 22% rise on the same period last year.

Other operating income amounted to €3.3 million, while financial income totalled €15.4 million. The Krka Group generated total revenue of €481.5 million, up 21% 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'.

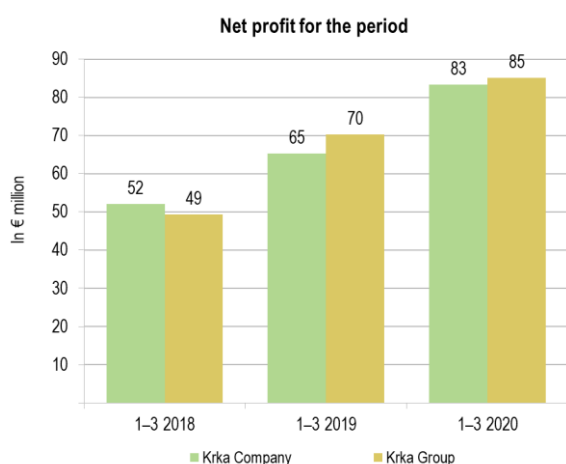
## Expenses

Total expenses of the Krka Group amounted to €380.3 million, up 20% over the same period last year.

The Group incurred operating expenses totalling €332.2 million or 7% more than in the same period last year. They comprised costs of goods sold totalling €187.3 million, selling and distribution expenses of €85.2 million, R&D expenses of €37.6 million, and general and administrative expenses totalling €22.0 million.

Costs of goods sold rose by 15% on the same period last year and accounted for 40.5% of sales revenue. Selling and distribution expenses were down 6% and amounted to 18.4% of sales revenue. R&D expenses were recognised as expenses for the period in full, as the Group does not capitalise them. They increased by 3% and accounted for 8.1% of sales revenue. General and administrative expenses went up 13% and accounted for 4.8% of sales revenue.

## Operating Results



The Krka Group recorded operating profit of €133.9 million, an 85% rise on the same period last year.

Profit before tax amounted to €101.2 million, up 24% compared to the same period last year. Income tax totalled €16.0 million, and the effective tax rate was 15.8%.

The Krka Group recorded net profit of €85.2 million, a 21% year-on-year increase.

## Assets

At the end of the first quarter of 2020, the Krka Group assets were valued at €2,269.6 million, a 4% rise on year-end 2019.

Non-current assets accounted for 44.3% of total assets, down 3.4 percentage points from the beginning of the year. The most important item under non-current assets, which totalled €1,004.5 million, was property, plant and equipment at €832.1 million. Their value decreased by 4% compared to year-end 2019 and accounted for 36.7% of total Krka Group assets.

Intangible assets amounted to €107.8 million, a 1% drop on year-end 2019.

In the first three months of 2020, current assets increased by 11% to €1,265.1 million, while inventories dropped by 3% to €409.5 million. Receivables went up by 15% to €535.9 million, of which trade receivables amounted to €509.8 million or 17% more than at the end of 2019.

## Equity and Liabilities

Krka Group equity totalled €1,713.7 million, a 3% increase on year-end 2019, and accounted for 75.5% of total equity and liabilities.

Amounting to €161.2 million, non-current liabilities accounted for 7.1% of the Krka Group balance sheet total and remained at the level of year-end 2019.

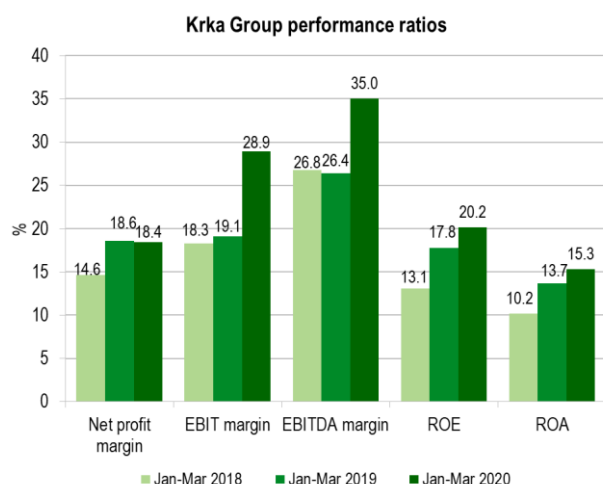
Provisions totalled €121.5 million (of which post-employment and other non-current employee benefits accounted for €116.8 million, provisions for lawsuits €2.1 million, and other provisions €2.6 million), up 1% over the end of 2019.



Current liabilities increased by 11% on year-end 2019 and amounted to €394.7 million or 17.4% of balance sheet total. Among current liabilities, trade payables totalled €119.6 million, down 7% from the

end of 2019. Liabilities from contracts with customers rose by 18% to €145.1 million, while other current liabilities grew by 26% to €104.1 million.

## Performance Ratios



The Krka Group net profit margin for the first quarter of 2020 was 18.4%, EBIT margin 28.9%, and EBITDA margin 35.0%.

At the Group level, annualised ROE was 20.2% and annualised ROA 15.3%.

## Marketing and Sales

In the first quarter of 2020, the Krka Group generated €462.9 million, a 22% year-on-year rise. Of that revenue from contracts with customers on sales of products and services amounted to €461.7 million, a 22% increase on the same period of 2019. Sales in

markets outside Slovenia reached €438.4 million and accounted for 95% of total Krka Group sales. We increased product sales volume by 25% on the same period last year.

## Product and Service Sales by Region

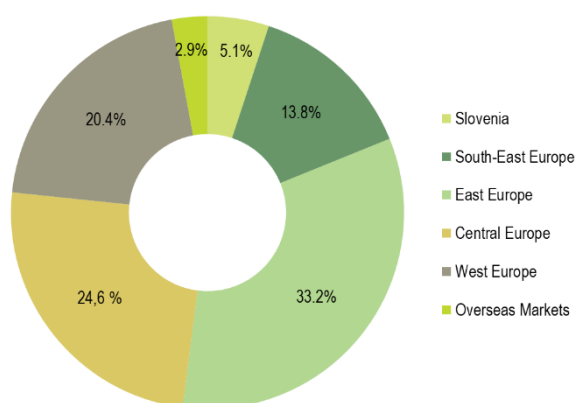
Sales increased in all sales regions and most individual markets. Region East Europe recorded the highest sales, €153.1 million, or 33.2% of total Krka Group sales. Region Central Europe recorded the second highest sales, €113.7 million, or 24.6% of total Krka Group sales. Region West Europe recorded the third highest sales, €94.3 million, or 20.4% of total Krka Group sales. Region South-East

Europe generated sales in total of €63.8 million, accounting for 13.8% of total sales, and Region Overseas Markets made €13.5 million, or 2.9% of total sales. Sales in Slovenia amounted to €23.3 million, or 5.1% of total Krka Group sales.

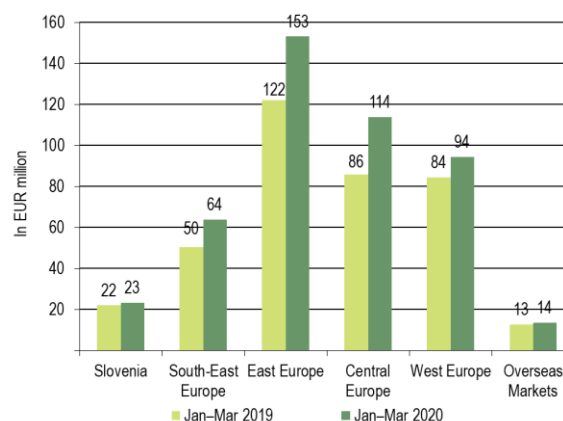
## Product and Service Sales by Region

€ thousand	Krka Group			Krka		
	Jan-Mar 2020	Jan-Mar 2019	Index	Jan-Mar 2020	Jan-Mar 2019	Index
Region Slovenia	23,325	22,006	106	16,417	13,505	122
Region South-East Europe	63,794	50,409	127	66,547	48,795	136
Region East Europe	153,082	122,091	125	84,074	69,058	122
Region Central Europe	113,706	85,862	132	109,276	81,194	135
Region West Europe	94,312	84,285	112	82,978	64,858	128
Region Overseas Markets	13,510	12,635	107	11,966	11,075	108
<b>Total</b>	<b>461,729</b>	<b>377,288</b>	<b>122</b>	<b>371,258</b>	<b>288,485</b>	<b>129</b>

### Structure of Krka Group Product and Service Sales by Region, Q1 2020



### Krka Group Product and Service Sales by Region, Q1 2019 and 2020



### Region Slovenia

Sales of products and services in Slovenia amounted to €23.3 million. Product sales of €16.4 million accounted for the major share of sales total and represented a 22% year-on-year increase. Sales of prescription pharmaceuticals grew by 12% to €10.8 million and accounted for 66% of product sales. Non-prescription products sales recorded 34% growth and were valued at €4.1 million accounting for 25% of product sales. Animal health product sales grew by 91% to €1.6 million, constituting almost 10% of product sales. Health resorts and tourist services generated €6.9 million, a year-on-year downturn.

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, and systemic treatment of infections, cold and flu products, and disinfectants.

Key brands of medicines for the treatment of cardiovascular diseases included

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

that strengthened our marketing position and earned us further recognition in the market of antihypertensive products. Of the statin product 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 products, a new antipsychotic Parnido (paliperidone), and an antidepressant Dulsevia (duloxetine). We added Entecavir Krka (entecavir) to our antiviral range. Of our prescription pharmaceuticals Nalgesin Forte

(naproxen), Sorvasta (rosuvastatin), Nalpaza (pantoprazole), Prenewel (perindopril/indapamide), Prenessa (perindopril), and Doreta (tramadol/paracetamol) recorded the strongest sales.

Daleron products, Nalgesin S (naproxen), products sold under the Septotele brand, and magnesium-

## Region South-East Europe

In the first quarter of 2020, product sales in Region South-East Europe amounted to €63.8 million, a 27% year-on-year increase. Key markets Romania and Croatia contributed most to sales total. Almost all regional markets recorded sales growth. We recorded the highest sales growth in absolute and relative terms in Romania.

In **Romania**, our key and leading regional market, sales amounted to €19.2 million, a 39% 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). Nalpaza (pantoprazole) and Doreta (tramadol/paracetamol) were our next best-selling pharmaceuticals. Non-prescription products saw 45% sales growth. Bilobil (ginkgo leaf extract) recorded the strongest sales in terms of value, and Nalgesin (naproxen), Septanazal (xylometazoline/dexpanthenol), and the Herbion brand products also attained high sales figures. Sales of animal health products advanced by 22% compared to the same period last year, primarily due to healthy sales of Ecocid S and products for farm animals, in particular Floron (florfenicol) and Enroxil (enrofloxacin). Milprazon (milbemycin/praziquantel), Ataxxa (permethrin/imidacloprid) and the Fypryst brand products were our leading companion animal products.

Sales in **Croatia** totalled €12.3 million, up 37% year-on-year. We ranked fourth among all providers of generic medicines and second among producers of animal health products. Prescription pharmaceuticals generated the strongest sales and recorded 36% sales growth. Co-Perineva (perindopril/indapamide), Atoris (atorvastatin), Emanera (esomeprazole), Roswera (rosuvastatin), Dalneva (perindopril/amlodipine), Co-Dalneva (perindopril/amlodipine/indapamide), and Valsacombi (valsartan/hydrochlorothiazide) recorded the strongest sales. Co-Perineva (perindopril/indapamide) and Roswera

containing Magnezij Krka and Magnesol remained our leading non-prescription products. Our top-selling animal health products were the disinfectant Ecocid S, followed by Fypryst (fipronil/S-methoprene), and Enroxil (enrofloxacin).

(rosuvastatin) presented the highest growth in absolute terms. Sales of non-prescription products grew by 25%, driven by Nalgesin (naproxen) and the Septotele brand products. Year-on-year, sales of animal health products went up by 63%. The Fypryst brand products, Enroxil (enrofloxacin), Ecocid, and Tuloxxin (tulathromycin) generated the strongest sales.

In **Bosnia and Herzegovina**, we recorded 38% sales growth. Sales totalled €8.0 million. Prescription pharmaceuticals and non-prescription products contributed the most to product sales. We retained the first place among foreign providers of generic medicines in the country. Roswera (rosuvastatin), Enap H/HL (enalapril/hydrochlorothiazide), Enap (enalapril), Atoris (atorvastatin), Nalpaza (pantoprazole), and Lorista H/HD (losartan/hydrochlorothiazide) recorded the strongest sales of all our prescription pharmaceuticals. Nalgesin (naproxen), the Septotele brand products, Panatus (butamirate), and Bilobil (ginkgo leaf extract) were our top-selling non-prescription products. Sales growth was also achieved in the animal health product range, where products sold under the Fypryst brand recorded the strongest sales.

In **Serbia**, sales reached €7.2 million, a 4% year-on-year rise. Prescription pharmaceuticals accounted for 83% of sales, up 3%. Nalpaza (pantoprazole), Roxera (rosuvastatin), Co-Amlessa (perindopril/amlodipine/indapamide), Co-Prenessa (perindopril/indapamide), Atoris (atorvastatin), Valsacor (valsartan), Valsacombi (valsartan/hydrochlorothiazide), and Ampril (ramipril) saw the highest sales. Nalpaza (pantoprazole) and Co-Amlessa (perindopril/amlodipine/indapamide) presented the highest growth in absolute terms. Sales of non-prescription products decreased by 8%. 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 46%. Products sold under the Fypryst brand, Enroxil (enrofloxacin), Floron

(florfenicol), and Calfoset recorded the strongest sales.

In **Bulgaria**, we recorded 19% sales growth. Sales totalled €7.2 million, and prescription pharmaceuticals added the most to the figure, especially Co-Valsacor (valsartan/hydrochlorothiazide), Roswera (rosuvastatin), Valsacor (valsartan), Nalpaza (pantoprazole), Co-Amlessa (perindopril/amlodipine/indapamide), Wamlox (amlodipine/valsartan), Flosteron (betamethasone), and Co-Prenessa (perindopril/indapamide). Year-on-year, sales of non-prescription products dropped, whereas sales of animal health products increased by 37%.

In the **Republic of North Macedonia**, we generated sales of €6.7 million, up 16% year-on-year. Krka has retained the first place among foreign providers of generic medicines in the country. Prescription pharmaceuticals constituted the largest part of sales and presented 11% growth. They accounted for 82%

## Region East Europe

Region East Europe generated product sales of €153.1 million, or 25% more than in the same period a year ago. Sales results were achieved primarily through good performance in the two key markets, the Russian Federation and Ukraine, recording the highest growth of value in absolute terms. In relative terms, growth was most substantial in Tajikistan, Kyrgyzstan, and Georgia, and two-digit growth was recorded in most other regional markets as well.

In the **Russian Federation**, which remained our largest individual market, product sales reached €96.6 million, up 25% compared to the same period last year. Krka ranks third among foreign generic providers of pharmaceuticals in the Russian Federation.

Prescription pharmaceuticals constituted 84% of our sales in the Russian Federation, and recorded 26% year-on-year growth. Lorista (losartan), Valsacor (valsartan), Nalpaza (pantoprazole), Lorista H/HD (losartan/hydrochlorothiazide), Roxera (rosuvastatin), Co-Perineva (perindopril/indapamide), Atoris (atorvastatin), Valsacor H/HD (valsartan/hydrochlorothiazide), Perineva (perindopril), Vamloset (valsartan/amlodipine), Enap H/HL (enalapril/hydrochlorothiazide), Co-Dalneva (perindopril/amlodipine/indapamide), Enap (enalapril), and Nolicin (norfloxacin) generated the strongest sales. Product families containing

of Krka sales and remained Krka's leading product group in the country. Our most important prescription pharmaceuticals were Roswera (rosuvastatin), Nalpaza (pantoprazole), Enap (enalapril), Lorista (losartan), Atoris (atorvastatin), and Tanyz (tamsulosin). Sales of non-prescription products advanced by 52%, with products sold under the Daleron brand, Septanazal (xylometazoline/dexpanthenol), and products sold under the Herbion brand at the forefront. We also recorded sales growth in animal health products. In particular Ecocid, Enroxil (enrofloxacin), and Fypryst were the best-selling.

In **Kosovo**, we generated sales of €1.8 million and maintained our position among the leading providers of medicines in the country. In **Albania**, we generated €0.9 million by product sales, or 3% more than in the same period last year. Sales recorded in **Montenegro** amounted to €0.4 million, a 16% climb compared to the same period last year.

perindopril and valsartan, and Roxera (rosuvastatin) presented the highest sales growth in absolute and relative terms. Sales of our new medicine Telmista (telmisartan) also went up. We successfully launched Etoriax (etoricoxib). We have been strengthening the position of the leading provider of medicines for the treatment of cardiovascular diseases in the Russian Federation.

Among non-prescription products, Septotele Total (benzylamine/cetylpyridinium chloride) and products sold under the Herbion brand and Nalgesin (naproxen) were at the forefront. We also successfully marketed Ulcavis (bismuth subcitrate) and Panatus (butamirate), introduced on the market in the past few years. In the first quarter, animal health products presented a 74% increase, and Floron (florfenicol), Trisulfon (sulfamonomethoxine/trimethoprim), and Milprazon (milbemycin/praziquantel) generated highest sales.

We have been increasing production capacities in our subsidiary Krka-Rus, where, in the first three months of 2020, we produced 81% of all Krka products sold at the Russian market. This helped us consolidate our position of a domestic manufacturer in the Russian Federation.

In **Ukraine**, we generated sales of €25.1 million, a 33% year-on-year increase. The growth rate

significantly outpaced the dynamics of the Ukrainian pharmaceutical market and further strengthened our market share. We ranked second among foreign providers of generic medicines in the country. Prescription pharmaceuticals contributed most to the sales increase, and presented 34% growth. Medicines for the treatment of cardiovascular diseases were at the forefront. Co-Prenessa (perindopril/indapamide), Nolpaza (pantoprazole), and Dexamethason (dexamethasone) recorded the highest sales. Sales of non-prescription products were up 28%. Products of the Herbion and Septotele brands, and Nalgesin (naproxen) were top-selling products. Year-on-year, sales of animal health products went up by 31%.

### Subregion East Europe B

In the first three months of 2020, Subregion East Europe B, composed of Belarus, Mongolia, Azerbaijan, and Armenia, generated sales of €10.5 million, up 12% compared to the same period last year.

**Belarus** has continued regulating prices in the national currency according to the new pharmaceutical reimbursement act. Our products sales in the country totalled €5.6 million, a 25% year-on-year rise. According to the available data, we ranked second among foreign providers of generic medicines in the country. The following prescription pharmaceuticals accounted for the largest proportion in sales: Co-Amlessa (perindopril/amlodipine/indapamide), Nolpaza (pantoprazole), and Amlessa (perindopril/amlodipine). Of non-prescription products, sales were driven by the Septotele and Herbion brand products.

In **Mongolia**, sales of our products totalled €2.3 million. Sales of our prescription pharmaceuticals dropped by 5%, while sales of non-prescription products matched the figure from the same period last year. Our leading prescription pharmaceuticals were Nolpaza (pantoprazole), Amlessa (perindopril/amlodipine), and Lorista (losartan). Products sold under the Septotele brand, Duovit, Pikovit, the Herbion brand products, and Nalgesin (naproxen) were the leading non-prescription products in terms of sales. We remained the leading pharmaceutical producer in the country thanks to the generated sales figure.

In **Azerbaijan**, we recorded an 8% increase in sales that amounted to €1.6 million. Sales of our prescription pharmaceuticals grew by 10%, with

Dexamethason (dexamethasone), Co-Amlessa (perindopril/amlodipine/indapamide), Nolpaza (pantoprazole), Enap (enalapril), Amlessa (perindopril/amlodipine), Lorista H/HD (losartan/hydrochlorothiazide), and Atoris (atorvastatin) key to the growth.

In **Armenia**, similar to the same period last year, sales totalled €1 million.

### Subregion East Europe K

Our Subregion East Europe K is composed of Kazakhstan, Moldova, and Kyrgyzstan. The subregional sales in the first three months of 2020 totalled €10.6 million, a 25% year-on-year rise. Absolute sales growth rates were similar in all three countries, while in relative terms growth was most substantial in Kyrgyzstan.

Sales in **Kazakhstan** totalled €5.3 million, a 15% year-on-year increase. Prescription pharmaceuticals generated the major, 71%, proportion of sales, and grew by 14%. Leading medicines were: Atoris (atorvastatin), Enap (enalapril), Nolpaza (pantoprazole), Valsacor (valsartan), and Valodip (amlodipine/valsartan). Non-prescription products recorded 18% growth and constituted 27% of our country sales. The Herbion, Duovit, and Septotele brand products recorded the strongest sales. Year-on-year, animal health products advanced by 39% and accounted for 2% of total sales.

In **Moldova**, we generated €3.7 million by product sales, a 25% year-on-year rise. Sales of prescription pharmaceuticals grew by 36%, also due to an increased demand for two antibiotics, Betaklav (amoxicillin/clavulanic acid) and Azibiot (azithromycin). Lorista (losartan), Rawel (indapamide), and Dexamethason (dexamethasone) accounted for the largest share in sales. Non-prescription products saw 11% growth. Septanazal (xylometazoline/dexpantenol) and the Septotele brand products were at the forefront in terms of sales.

In **Kyrgyzstan**, we generated €1.6 million by product sales, or 75% more than in the same period last year. Prescription pharmaceuticals contributed the major, 75%, part to total sales, especially Lorista (losartan), Atoris (atorvastatin), and Zyllt (clopidogrel). Products sold under the Septotele, Herbion, and Pikovit brands drove sales of non-prescription products.



## Subregion East Europe U

Subregion East Europe U consists of Uzbekistan, Georgia, Tajikistan, and Turkmenistan. We generated €10.3 million by sales of our products there and recorded 31% growth year-on-year. We recorded growth in Uzbekistan, Georgia, and Tajikistan. Turkmenistan closed its borders, which caused transportation problems, and our sales dropped. In terms of value, sales were the most substantial in Uzbekistan, while growth in relative terms was the highest in Tajikistan.

Year-on-year, sales in **Uzbekistan** climbed by 29% to €7.5 million. Prescription pharmaceuticals were at the forefront, especially Amlessa (perindopril/amlodipine), Lorista (losartan), and Valodip (valsartan/amlodipine). Sales of our non-prescription products were driven by products sold under the Septotele, Pikovit, Duovit, and Herbion brands.

## Region Central Europe

Region Central Europe generated sales of €113.7 million or 32% more than in the same period last year. We recorded the highest growth in absolute terms in Poland, and the highest growth in relative terms in Estonia. We increased sales also on all other regional markets.

**Poland** remained our leading and key regional market. Product sales reached €52.4 million, presenting a 32% year-on-year increase. We ranked fourth among foreign providers of generic medicines in the country.

The leading product group was that of prescription pharmaceuticals, and 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 the previous years. With respect to value, medicines from the reimbursement list contributed the most to sales total, especially Atoris (atorvastatin), Roswera (rosuvastatin), Valsacor (valsartan), Co-Valsacor (valsartan/hydrochlorothiazide), Doreta (tramadol/paracetamol), Emanera (esomeprazole), and Nolpaza (pantoprazole). 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 increased by 10%. Our leading non-prescription products were those of the Septotele brand and

In **Georgia**, our product sales advanced by 53% to €1.8 million. Prescription pharmaceuticals contributed the most to sales total, 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 Septotele brand products.

In **Tajikistan**, year-on-year sales increased by 94% to 0.8 million. Two prescription pharmaceuticals stood out as they presented 100% growth, Tadol (tramadol) and Naklofen (diclofenac).

In **Turkmenistan**, product sales reached €0.3 million. Sales were driven by Nolpaza (pantoprazole) and Pikovit.

Bilobil (ginkgo leaf extract). Our animal health products generated sales of €2.1 million, a 35% year-on-year rise. Floron (florfenicol) for farm animals and Fypryst, Milprazon (milbemycin/praziquantel), and Dehinel for companion animals recorded the strongest sales.

Our sales in **Hungary** were valued at €16.8 million corresponding to 21% growth, and the country ranked second among regional markets. Prescription pharmaceuticals accounted for the major part of sales, in particular Co-Prenessa (perindopril/indapamide), Roxera (rosuvastatin), Valsacor (valsartan), Zyllt (clopidogrel), Co-Valsacor (valsartan/hydrochlorothiazide), Atoris (atorvastatin), Emozul (esomeprazole), Co-Dalnessa (perindopril/amlodipine/indapamide), Nolpaza (pantoprazole), and Fromilid (clarithromycin).

Sales of non-prescription products were lower year-on-year. Venter (sucralfate), the Herbion brand products, and Bilobil (ginkgo leaf extract) were top-selling products. Animal health products generated €0.7 million in sales, an upsurge of 136% compared to the same period last year. Products sold under the Fypryst brand, Entemulin (tiamulin), and Milprazon (milbemycin/praziquantel) were at the forefront.

The **Czech Republic** is also one of our key markets. We ranked fifth among all suppliers of generic medicines in the country. Our product sales reached €16.6 million, a 40% rise compared to the first



quarter last year. 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 Emanera (esomeprazole), Asentra (sertraline), Tonanda (perindopril/amlodipine/indapamide), Valsacor (valsartan), and Doreta (tramadol/paracetamol).

Non-prescription product sales increased by 11%. Nalgesin S (naproxen) and the Septotele brand products were most important in terms of sales. Animal health products presented a 45-percent growth in sales. Products of the Fypryst and Dehinel brands presented the strongest sales.

In **Slovakia**, our product sales generated €11.8 million, and growth advanced by 13%. We ranked third among all foreign suppliers of generic medicines in the country. Prescription pharmaceuticals generated the highest sales, in particular Nalpaza (pantoprazole), Co-Prenessa (perindopril/indapamide), Atoris (atorvastatin), Prenessa (perindopril), Valsacor (valsartan), Co-Amlessa (perindopril/amlodipine/indapamide), Co-Valsacor (valsartan/hydrochlorothiazide), Lexaurin (bromazepam), Amlessa (perindopril/amlodipine), and Gliclada (gliclazide).

Nalgesin S (naproxen), the Septotele brand products, and Nalpaza (pantoprazole) contributed the most to a 6% rise in non-prescription product sales. Our animal health products presented 41% growth. Key products were Enroxil (enrofloxacin), and the Fypryst and Dehinel brand products.

In **Lithuania**, sales totalled €8.1 million, up 55%. Prescription pharmaceuticals accounted for 85% of total country sales with key products Valsacor

(valsartan), Valsacombi (valsartan/hydrochlorothiazide), Roswera (rosuvastatin), Nalpaza (pantoprazole), and Escadra (esomeprazole). Year-on-year, sales of non-prescription products presented a drop. Leading non-prescription products were Septabene (benzylamine/cetylpyridinium chloride) and Nalgesin S (naproxen). Sales of animal health products increased by 35% year-on-year. Products sold under the Fypryst brand and Milprazon (milbemycin/praziquantel) were at the forefront.

Sales in **Estonia** totalled €4.2 million, a 122% 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), Escadra (esomeprazole), and Prenessa (perindopril) recorded the strongest sales. Of non-prescription products those of the Septotele brand, and the Dehinel brand products from the animal health range sold best.

In **Latvia**, we made €4.0 million by sales, and recorded a 39% increase compared to the same period last year. Prescription pharmaceuticals accounted for the largest share in sales, especially Rosuvastatin Krka (rosuvastatin), Co-Amlessa (perindopril/amlodipine/indapamide), Prenewel (perindopril/indapamide), Atoris (atorvastatin), and Nalpaza (pantoprazole). Sales of non-prescription products generated €0.7 million, up 78% year-on-year. Daleron COLD3 (paracetamol/pseudoephedrine/dextromethorphan), Septabene (benzylamine/cetylpyridinium chloride), and Septanazal (xylometazoline/dexpanthenol) were leading non-prescription products. Sales of animal health products went up by 73%, and the Fypryst brand products stood out.

## Region West Europe

The markets of Region West Europe as a whole classify as our key markets. Product sales in the region reached €94.3 million in the first three months of 2020, a 12% rise compared to the same period last year, strengthening our market shares in the region. 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 Benelux. Sales of our own product brands through subsidiaries increased by 18%, and accounted for 76% of total

regional sales. Sales through unrelated parties totalled €22.8 million, a 4% year-on-year drop.

Prescription pharmaceuticals were the leading product group accounting for 91% of total regional sales, a 13% year-on-year sales increase. In Benelux, Finland, Austria, and Germany, we attained the highest sales growth in relative terms. Medicines containing valsartan, esomeprazole, and venlafaxine were at the forefront. Sales of animal health products through our own sales network went up by 17% and accounted for 51% of total animal health sales in the

region. In terms of sales, products containing the combination of milbemyacin and praziquantel remained the leaders. Non-prescription product sales saw a rise and accounted for slightly more than 2% of the regional sales. Our products marketed under the Septotele brand generated the strongest sales.

**Germany** remained our most important regional market generating sales in total of €24.3 million. Year-on-year, sales climbed by 42% in particular because of good sales of advanced antihypertensives. Product sales through our subsidiary TAD Pharma generated €22.8 million, or 94% of our sales total in the country. Prescription pharmaceuticals constituted the major part of sales, in particular single-pill combinations of valsartan and amlodipine; and single-pill combinations of valsartan, amlodipine and hydrochlorothiazide; venlafaxine, dasatinib, and ezetimib. We remained the leading provider of generic sartans in Germany.

In **Scandinavia**, sales grew by 31% to €18.7 million. Our leading market remained Sweden, and was followed by Denmark, Finland, Norway, and Iceland. We recorded the most substantial growth reaching 103% in Denmark. We increased sales through our subsidiary Krka Sverige by 30% and through our subsidiary Krka Finland by 36%. Overall sales through subsidiaries reached 96%. 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 €11.8 million, a 14% year-on-year decline. We made the bulk of our sales through our subsidiary Krka Farmaceutica in tender sales in Andalusia. The proportion of products sold under our own brand names climbed to 78% of our total sales in Spain. Medicines containing bisoprolol, pramipexole, quetiapine, and donepezil generated the strongest sales.

In **Italy**, we recorded a 5% rise in terms of value compared to the same period last year, which amounted to €9.2 million. Sales through our subsidiary, Krka Farmaceutici Milano, was up 3% and accounted for 69% of overall sales in the country. Sales of our prescription pharmaceuticals and non-prescription products through our subsidiary grew. Medicines containing clopidogrel, pantoprazole,

quetiapine, and atorvastatin generated most substantial sales.

In **France**, we generated €8.2 million by product sales in the first quarter of 2020, or 2% less 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 35% and accounted for 31% of our overall sales in France. Products containing paracetamol and esomeprazole led in terms of sales.

In **Portugal**, products sold under our own brands accounted for 60% of overall sales, and we recorded 23% growth and sales total of €6.9 million. The leading prescription pharmaceuticals are products containing esomeprazole, pramipexole, darunavir, and pantoprazole.

In **Benelux**, sales amounted to €4.6 million, a 70% rise. Good performance of our subsidiary Krka Belgium resulting in a 115% sales upsurge added the most to the increase. Medicines containing clopidogrel, valsartan, esomeprazole, venlafaxine, and two combinations, emtricitabine/tenofovir, and milbemyacin/praziquantel, stood out in terms of sales.

In **Austria**, our sales went up by 43% to €3.0 million. Sales were driven by medicines containing pregabalin, duloxetine, and valsartan.

Sales in the **United Kingdom** totalled €3.0 million, a 60% year-on-year fall. Prescription pharmaceuticals accounted for the major share in overall sales. Sales were driven by medicines containing irbesartan and perindopril. Sales through our subsidiary Krka UK increased by 2%.

In **Ireland**, we generated €2.8 million by product sales, a 6% year-on-year rise. Sales through our subsidiary Krka Pharma Dublin went up by 10% accounting for 88% of our sales in the country. We remained among the leading providers of generic medicines containing active substances valsartan, esomeprazole, tadalafil, venlafaxine, duloxetine, and pregabalin.

In **other European countries**, we made most of our sales through unrelated parties and overall sales amounted to €1.9 million, a 9% year-on-year rise.

## Region Overseas Markets

Region Overseas Markets generated product sales in the amount of €13.5 million, or 7% more than in the same period a year ago. Prescription pharmaceuticals sold under our own brand names accounted for the major part of the overall sales in most regional markets.

In the countries of the **Far East** and **Africa**, we made €6.9 million by sales, and recorded 9% growth. Our product sales were the highest in Vietnam, the Republic of South Africa, Malaysia, China, and Ghana. Tenox (amlodipine), Palprostes (saw palmetto extract), Kamiren (doxazosin), Tolucombi (telmisartan/hydrochlorothiazide), and Emanera (esomeprazole) generated the highest sales.

When doing business in the countries of the **Middle East**, we still encounter challenges posed by the economic situation in the area. Despite this, we generated sales of €6.2 million, a 4% year-on-year advance. We recorded the highest sales figures in Iran, Iraq, Saudi Arabia, and Lebanon. Asentra (sertraline), Yasnal (donepezil), Emanera (esomeprazole), and Metazero (metoprolol) generated the strongest 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 €0.3 million, a 31% year-on-year rise. Valsaden (valsartan/hydrochlorothiazide), Rawel (indapamide), Valsacor (valsartan), and Yasnal (donepezil) were our top-selling medicines.

## Product and Service Sales by Group

In the first quarter of 2020, medicinal products for human use were the most important product group in the sales structure of the Krka Group, and accounted for 93.7% of total sales. Prescription pharmaceuticals constituted 84.3% of the Krka Group total sales, and were followed by non-prescription products, and animal health products.

Year-on-year, sales of prescription pharmaceuticals increased by 24%, non-prescription products by 18%, and animal health products by 26%.

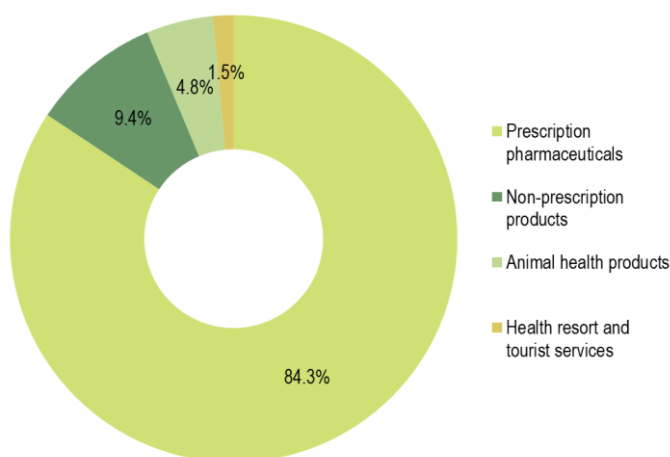
Sales of health resort and tourist services constituted 1.5% of total Krka Group sales, a 19% decrease on the same period last year.

The outbreak of the coronavirus pandemic in the first quarter of 2020 had a positive impact on sales of medicines and other products, but affected sales of health resort and tourist services.

## Product and Service Sales by Group

€ thousand	Krka Group			Krka		
	Jan-Mar 2020	Jan-Mar 2019	Index	Jan-Mar 2020	Jan-Mar 2019	Index
Human health medicines	432,600	351,142	123	349,707	271,899	129
– Prescription pharmaceuticals	389,389	314,367	124	311,576	240,325	130
– Non-prescription products	43,211	36,775	118	38,131	31,574	121
Animal health products	22,221	17,646	126	21,551	16,586	130
Health resort and tourist services	6,908	8,500	81			
<b>Total</b>	<b>461,729</b>	<b>377,288</b>	<b>122</b>	<b>371,258</b>	<b>288,485</b>	<b>129</b>

## Structure of the Krka Group Product and Service Sales by Category, Q1 2020



### Prescription Pharmaceuticals

The Krka Group recorded 24% growth in sales of prescription pharmaceuticals generating €389.4 million.

All regions saw sales growth:

- Region Central Europe 33%;
- Region East Europe and Region South-East Europe 26%;
- Region West Europe 13%; and
- Region Slovenia and Region Overseas Markets 12%.

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

- Germany 38%;
- Poland 32%; and
- The Russian Federation 26%.

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

- The Czech Republic 42%;
- Romania 39%;
- Croatia 36%;
- Ukraine 34%;
- The Scandinavian countries 31%;
- Hungary 22%;
- Slovakia 13%; and
- Slovenia 12%.

Medium-sized markets recorded sales growth as follows:

- Benelux 90% – the highest;
- Lithuania 64%;
- Bosnia and Herzegovina and Austria 43%;
- Latvia 31%;

- Portugal 24%;
- Belarus and Uzbekistan 21%;
- Bulgaria 19%;
- Kazakhstan 14%;
- France 13%; and
- The Republic of North Macedonia 11%.

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

- Estonia 140%;
- Tajikistan 119%;
- Georgia 61%;
- Kyrgyzstan 60%; and
- Moldova 36%.

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\*);
- tramadol (Doreta\*, Tadol\*); and
- sertraline (Asentra).

According to a year-on-year comparison, the following medicines presented the highest absolute sales growth:

- Roswera\* (rosuvastatin);
- Vamloset\* (valsartan/amlodipine);
- Co-Prenessa\* (perindopril/indapamide);
- Nolpaza\* (pantoprazole);
- Asentra (sertraline);
- Alventa\* (venlafaxine);
- Co-Vamloset\* (valsartan/amlodipine/hydrochlorothiazide);
- Atoris (atorvastatin);
- Emanera\* (esomeprazole); and
- Co-Amlessa\* (perindopril/amlodipine/indapamide).

In the first three months of 2020, we launched the following completely new medicines:

- dasatinib (for the treatment of certain types of tumours) in Germany, Scandinavia, France, Portugal, Slovakia, and Austria;
- erlotinib (for the treatment of certain types of tumours) in Germany;

## Non-Prescription Products

Sales of non-prescription products totalled €43.2 million, 18% more than in the same period last year.

The following regions saw an increase in sales:

- Region West Europe 96%;
- Region Slovenia 34%;
- Region South-East Europe 28%;
- East Europe 15%; and
- Region Central Europe 8%.

Sales generated by Region East Europe accounted for more than 50% of total non-prescription product sales. Sales generated on our largest market, the Russian Federation, went up by 2%. We also recorded growth in:

- Kyrgyzstan 143% – the highest;
- Belarus 62%;
- Tajikistan and Uzbekistan 47%;
- Ukraine 28%;
- Armenia 24%;
- Kazakhstan 18%; and
- Moldova 11%.

Most markets of other regions recorded growth:

- France;
- Germany 133%;

- Sidarso\* (silodosin) (for the treatment of benign prostatic hyperplasia) in Germany, Spain, Italy, Portugal and Slovakia.

We launched several pharmaceuticals on new markets:

- Roxiper\* (perindopril/indapamide/rosuvastatin) in Bulgaria;
- Co-Roswera\* (rosuvastatin/ezetimib) in Slovenia and Lithuania;
- Wamlox\* (valsartan/amlodipine) in the Czech Republic;
- Valtricom\* (valsartan/amlodipine/hydrochlorothiazide) in the Czech Republic and Slovakia;
- Eliskardia\* (prasugrel) in Slovenia;
- Kventiax\* (quetiapine) in Ukraine;
- Zalasta (olanzapine) in Ukraine;
- entecavir in France, Benelux, Slovenia, and Romania;
- tamsulosin in France, Spain, and Scandinavia;
- febuxostat in the Czech Republic.

- Latvia 78%;
- The Republic of North Macedonia 52%;
- Romania 45%;
- Kosovo 38%;
- Estonia 35%;
- Italy 34%;
- Croatia 25%;
- Bosnia and Herzegovina 22%;
- Albania 16%;
- The Czech Republic 11%;
- Poland 10%; and
- Slovakia 6%.

The leading non-prescription product brands were: Septotele\*, Herbion\*, Nalgesin\*, Bilobil, and Pikovit. Nalgesin\* (naproxen), Herbion\*, Daleron\* (paracetamol) and combinations with paracetamol, Septotele\*, and Bilobil contributed to growth the most.

In January, we launched Vitamin D3 Krka (cholecalciferol) in Romania. The product stimulates functioning of the immune system, and maintains bone and muscle health.

## Animal Health

Sales of our animal health products amounted to €22.2 million, up 26% on sales from the same period last year.

The following regions registered sales growth:

- Region Slovenia 91%;
- Region East Europe 60%;
- Region Central Europe 49%; and
- Region South-East Europe 44%.

Of our major markets, sales growth was recorded in the Russian Federation (74%) and Germany (55%). Of other major markets, sales growth was presented in:

- Hungary 136%;
- Slovenia 91%;

- Croatia 63%;
- Serbia 46%;
- The Czech Republic 45%;
- Portugal 36%;
- Poland 35%;
- Romania 22%; and
- Benelux 19%.

Milprazon\* (milbemycin/praziquantel), Fypryst\* (fipronil), including fipronil in combinations, Floron\* (florfenicol), the disinfectant Ecocid\* S, and Enoxil\* (enrofloxacin), were the leading products in terms of sales and accounted for almost 60% of overall sales. Products for companion animals constituted almost 50% of overall sales.

## Health Resort and Tourist Services

Terme Krka recorded €6.9 million in sales of services, a 19% drop on the same period last year. The fall was caused by the lockdown in the second half of March, when the coronavirus pandemic was proclaimed, and the subsidiary temporarily had to close down.

The subsidiary recorded 61,632 overnight stays. Terme Dolenjske Toplice health resort recorded 35% (the largest share), and was followed by Talaso Strunjan with 33%, and Terme Šmarješke Toplice with 30% of all overnight stays.

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



## Research and Development

In the first quarter of 2020, we obtained marketing authorisations for three new products in eight dosage forms and strengths. We were granted marketing authorisations for **Xerdoxo** (rivaroxaban) and **Erlotinib Krka** (erlotinib), and a new non-prescription formulation of **B-complex**.

### Prescription Pharmaceuticals

We were granted marketing authorisations under the decentralised procedure for **Xerdoxo** (rivaroxaban) film-coated tablets in four strengths. It is used concomitantly with other medicines for prevention of atherothrombotic events in adults with cardiovascular diseases.

We also obtained marketing authorisations for our new oncology pharmaceutical, **Erlotinib Krka** (erlotinib) film-coated tablets in three strengths. It 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.

In the European markets, we obtained marketing authorisations for our established medicines. We were also granted a marketing authorisation for our cardiovascular product **Kandoset** (candesartan/amlodipine) tablets. Marketing authorisations for **Doxazosin Krka** (doxazosin) prolonged release tablets indicated for the treatment of benign prostatic hyperplasia and the analgesic **Daleron/Paracetamol Krka** tablets in two strengths were also approved.

In the markets of the Eastern Europe, we obtained marketing authorisations for established medicinal products from various therapeutic classes. In the Russian Federation, we obtained marketing authorisations for our single-pill combination **Valrakset** (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 were granted marketing authorisations for our cardiovascular product **KO-Valodip** (amlodipine/

We expanded marketing opportunities for many Krka products in all regions.

valsartan/hydrochlorothiazide) film-coated tablets. An additional strength of our antidepressant **Duloxenta** (duloxetine) gastro-resistant tablets was approved in Azerbaijan. 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, our cardiovascular product **Lortenza** (losartan/amlodipine) film-coated tablets was authorised.

In the markets of South-East Europe, we closed the regulatory procedures for our products from various therapeutic classes. In Serbia, our cardiovascular product **Valtricom** (amlodipine/valsartan/hydrochlorothiazide) film-coated tablets and an antidiabetic **Glypvilo** (vildagliptin) tablets were granted marketing authorisations. In the Republic of North Macedonia, another strength of **Helex** (alprazolam) tablets, our product for the treatment of the central nervous system, was authorised. In Montenegro, we obtained marketing authorisations for an anti-inflammatory product **Etoxib** (etoricoxib) film-coated tablets, an oncology pharmaceutical **Meaxin** (imatinib) film-coated tablets, and an analgesic **Tramadol Krka** (tramadol) capsules. Our medicine **Dutrys** (dutasteride) soft capsules used to treat the symptoms of an enlarged prostate was authorised in Kosovo.

In the overseas markets, we obtained marketing authorisations for many established Krka products. **Etoxib** (etoricoxib) film-coated tablets, **Aclexa** (celecoxib) hard capsules, **paliperidone** prolonged-release tablets, **montelukast** film-coated tablets, and **Yasnal** (donepezil) orodispersible tablets were among them.

### Non-Prescription Products

We extended our range of non-prescription products with a marketing authorisation for our new formulation **B-complex** (thiamine/riboflavin/

pyridoxine/cyanocobalamin/calcium pantothenate/nicotinamide) film-coated tablets. The product is indicated for prevention and treatment of

hypovitaminosis B, avitaminosis B, increased body demand, malabsorption, and various other severe forms of vitamin B deficiency.

## Animal Health

We expanded marketing opportunities for our key animal health product brands in the first quarter 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 **Tuloxxin**

We expanded our market opportunities by obtaining marketing authorisations for **Pikovit** film-coated tablets in Region Overseas Markets.

(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.

In Kazakhstan, Bosnia and Herzegovina, and the Republic of 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.

## Investments

In the first quarter of 2020, the Krka Group allocated €14.9 million to investments, of that €9.8 million to the controlling company. Our investments were aimed at increasing and technologically upgrading production and development, and providing quality assurance. We also invested in our own production and distribution centres around the world.

Due to the coronavirus pandemic impact on construction industry our investments in the first quarter of 2020 lagged behind the plan. We will nevertheless endeavour to meet the investment plan to the largest possible extent by the end of the year.

To ensure additional storage room for incoming materials and finished products, we started building a multipurpose warehouse at Krka's central site in Ločna, Novo mesto, at the end of 2017. This improved production speed and flexibility, product availability and market supply. At the beginning of 2020, Agency for Medicinal Products and Medical Devices of the Republic of Slovenia (JAZMP) granted us an operating permit, so all requirements for the start-up of the multi-purpose warehouse 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 increasing demand for additional production capacities has incited us to acquire extra technological equipment. In 2019, we started equipping a new packaging facility. The investment was estimated at €41 million. When the plant is fully

technologically equipped, it will be able to operate at its planned volume to manufacture 5 billion and pack 8 billion tablets per year.

The high-capacity packaging line purchased for the Ljutomer 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 started in June 2019. It will provide for sufficient warehousing capacities for raw materials used in chemical and pharmaceutical production in compliance with the guidelines for spatial separation of hazardous substances of the *Technical Rules for Hazardous Substances* (TRGS). Completion of the €8.2 million building is planned for 2020.

Several small investments in modernisation of the Notol plant, the solid form production plant (OTO) and the Beta plant are in progress at the controlling company.

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. We produce 81% of all products intended for the Russian market at Krka-Rus. We have the status of a domestic producer in the Russian Federation. In the next few years, we plan to increase manufacturing and laboratory capacities of the existing and partly refurbished premises of Krka-Rus 1 and Krka-Rus 2. The investment is 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 site 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 China. In 2019, we started manufacturing several products for markets outside China in leased facilities where we additionally installed production and quality assurance equipment. The procurement of equipment will continue in 2020.

## Employees

At the end of 2020, the Krka Group had 11,622 employees, of that 5,680 abroad, which accounts for a good 49% of the total Krka Group headcount. The proportion of the Krka Group employees with at least university-level qualifications was 52%, 202 employees hold doctoral degrees.

Together with agency workers, the Krka Group had 12,791 persons on payroll, 21 more than at the end of 2019.

### Educational structure of the Krka Group

	31 Mar 2020		31 Dec 2019	
	Number of employees	%	Number of employees	%
PhD	202	1.7	198	1.7
Master of Science	395	3.4	388	3.3
University degree	5,486	47.2	5,518	47.2
Higher professional education	1,703	14.7	1,700	14.5
Vocational college education	290	2.5	290	2.5
Secondary school education	2,486	21.4	2,497	21.3
Other	1,060	9.1	1,105	9.5
<b>Krka Group</b>	<b>11,622</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 March, we listed 110 scholarship holders, primarily pharmacy and chemistry students. We also grant scholarships to exceptional students from other fields of interest to Krka. This year, 18 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 March, 150 employees were enrolled in part-time graduate studies co-funded by Krka, 46 of them in postgraduate studies.

Krka is also included in the national vocational qualification (NVQ) system. Between 2002 and the end of 2019, we awarded 1,456 NVQ certificates to Krka employees and 142 to participants from other organisations in the pharmaceutical industry, a total of 1,598 certificates for four vocational qualifications. By the end of March 2020, 58 employees successfully completed their training. At the moment, 202 Krka employees are included in the process of obtaining NVQ.

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

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

€ thousand	31 Mar 2020	31 Dec 2019	Index
<b>Assets</b>			
Property, plant and equipment	832,095	862,848	96
Intangible assets	107,827	109,082	99
Loans	10,848	10,908	99
Investments	8,724	9,681	90
Deferred tax assets	44,563	48,825	91
Other non-current assets	478	489	98
<b>Total non-current assets</b>	<b>1,004,535</b>	<b>1,041,833</b>	<b>96</b>
Assets held for sale	41	41	100
Inventories	409,474	421,578	97
Contract assets	1,034	1,874	55
Trade receivables	509,767	434,695	117
Other receivables	26,153	31,924	82
Loans	31,820	31,832	100
Investments	12,660	2,174	582
Cash and cash equivalents	274,129	218,667	125
<b>Total current assets</b>	<b>1,265,078</b>	<b>1,142,785</b>	<b>111</b>
<b>Total assets</b>	<b>2,269,613</b>	<b>2,184,618</b>	<b>104</b>
<b>Equity</b>			
Share capital	54,732	54,732	100
Treasury shares	-78,698	-73,774	107
Reserves	100,711	129,871	78
Retained earnings	1,634,306	1,553,489	105
<b>Total equity holders of the controlling company</b>	<b>1,711,051</b>	<b>1,664,318</b>	<b>103</b>
Non-controlling interests	2,657	3,198	83
<b>Total equity</b>	<b>1,713,708</b>	<b>1,667,516</b>	<b>103</b>
<b>Liabilities</b>			
Provisions	121,488	120,403	101
Deferred revenue	8,471	8,709	97
Trade payables	10,006	10,000	100
Lease liabilities	9,664	10,201	95
Deferred tax liabilities	11,579	11,592	100
<b>Total non-current liabilities</b>	<b>161,208</b>	<b>160,905</b>	<b>100</b>
Trade payables	119,559	128,574	93
Borrowings	0	3	0
Lease liabilities	2,612	2,799	93
Income tax payable	23,423	18,824	124
Contract liabilities	145,051	123,312	118
Other current liabilities	104,052	82,685	126
<b>Total current liabilities</b>	<b>394,697</b>	<b>356,197</b>	<b>111</b>
<b>Total liabilities</b>	<b>555,905</b>	<b>517,102</b>	<b>108</b>
<b>Total equity and liabilities</b>	<b>2,269,613</b>	<b>2,184,618</b>	<b>104</b>

## Consolidated Income Statement of the Krka Group

€ thousand	Jan–Mar 2020	Jan–Mar 2019	Index
<b>Revenue</b>	<b>462,852</b>	<b>378,473</b>	<b>122</b>
– Revenue from contracts with customers	461,976	377,394	122
– Other revenue	876	1,079	81
Cost of goods sold	-187,309	-162,947	115
<b>Gross profit</b>	<b>275,543</b>	<b>215,526</b>	<b>128</b>
Other operating income	3,270	3,654	89
Selling and distribution expenses	-85,240	-90,896	94
– Of that net impairment and write-down of receivables	28	-176	
R&D expenses	-37,618	-36,493	103
General and administrative expenses	-22,029	-19,559	113
<b>Operating profit</b>	<b>133,926</b>	<b>72,232</b>	<b>185</b>
Financial income	15,410	15,558	99
Financial expenses	-48,149	-6,278	767
<b>Net financial result</b>	<b>-32,739</b>	<b>9,280</b>	
<b>Profit before tax</b>	<b>101,187</b>	<b>81,512</b>	<b>124</b>
Income tax	-16,005	-11,230	143
<b>Net profit</b>	<b>85,182</b>	<b>70,282</b>	<b>121</b>
Attributable to:			
– Equity holders of the controlling company	85,635	70,419	122
– Non-controlling interests	-453	-137	331
<b>Basic earnings per share* (€)</b>	<b>2.72</b>	<b>2.24</b>	<b>121</b>
<b>Diluted earnings per share** (€)</b>	<b>2.72</b>	<b>2.24</b>	<b>121</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–Mar 2020	Jan–Mar 2019	Index
<b>Net profit</b>	<b>85,182</b>	<b>70,282</b>	<b>121</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	-33,283	12,410	
<b>Net other comprehensive income for the period reclassified to profit or loss at a future date</b>	<b>-33,283</b>	<b>12,410</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	-958	-225	426
Restatement of post-employment benefits	-4	0	
Deferred tax effect	182	43	423
<b>Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date</b>	<b>-780</b>	<b>-182</b>	<b>429</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>-34,063</b>	<b>12,228</b>	
<b>Total comprehensive income for the period (net of tax)</b>	<b>51,119</b>	<b>82,510</b>	<b>62</b>
Attributable to:			
– Equity holders of the controlling company	51,551	82,570	62
– Non-controlling interests	-432	-60	720



## 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			
At 1 Jan 2020	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
Net profit	0	0	0	0	0	0	0	0	0	0	85,635	85,635	-453	85,182
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	-780	-33,304	0	0	0	-34,084	21	-34,063
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	-780	-33,304	0	0	85,635	51,551	-432	51,119
Transactions with owners, recognised in equity														
Transfer of previous period's profits 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	106	0	106	-109	-3
Repurchase of treasury shares	0	-4,924	0	0	0	0	0	0	0	0	0	-4,924	0	-4,924
Formation of reserves for treasury shares	0	0	4,924	0	0	0	0	0	0	0	-4,924	0	0	0
Total transactions with owners, recognised in equity	0	-4,924	4,924	0	0	0	0	0	0	223,953	-228,771	-4,818	-109	-4,927
At 31 Mar 2020	54,732	-78,698	78,698	105,897	14,990	30,000	-27,705	-101,169	1,211,292	342,303	80,711	1,711,051	2,657	1,713,708

€ 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			
At 1 Jan 2019	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
Net profit	0	0	0	0	0	0	0	0	0	0	70,419	70,419	-137	70,282
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	-182	12,333	0	0	0	12,151	77	12,228
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	-182	12,333	0	0	70,419	82,570	-60	82,510
Transactions with owners, recognised in equity														
Transfer of previous period's profits to retained earnings	0	0	0	0	0	0	0	0	0	163,097	-163,097	0	0	0
Repurchase of treasury shares	0	-4,419	0	0	0	0	0	0	0	0	0	-4,419	0	-4,419
Formation of reserves for treasury shares	0	0	4,419	0	0	0	0	0	0	0	-4,419	0	0	0
Total transactions with owners, recognised in equity	0	-4,419	4,419	0	0	0	0	0	0	163,097	-167,516	-4,419	0	-4,419
At 31 Mar 2019	54,732	-56,495	56,495	105,897	14,990	30,000	-12,100	-74,650	1,167,388	263,429	66,000	1,615,686	2,675	1,618,361

## Consolidated Statement of Cash Flows of the Krka Group

€ thousand	Jan–Mar 2020	Jan–Mar 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit</b>	<b>85,182</b>	<b>70,282</b>
<b>Adjustments for:</b>	<b>18,314</b>	<b>49,143</b>
– Amortisation/Depreciation	28,113	27,681
– Foreign exchange differences	-14,007	4,478
– Investment income	-15,605	-659
– Investment expenses	3,325	5,601
– Financial income	-3	-12
– Interest expense and other financial expenses	486	824
– Income tax	16,005	11,230
<b>Operating profit before changes in net current assets</b>	<b>103,496</b>	<b>119,425</b>
Change in trade receivables	-68,017	-39,994
Change in inventories	12,104	-7,639
Change in trade payables	24,248	19,506
Change in provisions	832	688
Change in deferred revenue	-239	-274
Change in other current liabilities	23,884	7,214
Income tax paid	-7,871	-7,042
<b>Net cash from operating activities</b>	<b>88,437</b>	<b>91,884</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	148	133
Proceeds from sale of property, plant and equipment	486	1,339
Purchase of intangible assets	-614	-638
Purchase of property, plant and equipment	-25,565	-23,474
Non-current loans	-608	-508
Proceeds from repayment of non-current loans	532	646
Payments for non-current investments	-12	-20
Proceeds from sale of non-current investments	24	13
Payments for current investments and loans	2,212	2,862
Payments for derivatives	-3,258	0
Proceeds from derivatives	17	0
<b>Net cash from investing activities</b>	<b>-26,638</b>	<b>-19,647</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-48	-130
Payments for current borrowings	-3	0
Lease liabilities paid	-752	-757
Proceeds from/Payments for dividends and other profit shares	68	-2
Repurchase of treasury shares	-4,924	-4,419
<b>Net cash from financing activities</b>	<b>-5,659</b>	<b>-5,308</b>
<b>Net increase in cash and cash equivalents</b>	<b>56,140</b>	<b>66,929</b>
Cash and cash equivalents at the beginning of the period	218,667	117,801
Effect of foreign exchange rate fluctuations on cash held	-678	219
<b>Cash and cash equivalents at the end of the period</b>	<b>274,129</b>	<b>184,949</b>

## Segment Reporting of the Krka Group

€ thousand	European Union		South-Eastern Europe		Eastern Europe		Other		Eliminations		Total	
	Jan–Mar 2020	Jan–Mar 2019	Jan–Mar 2020	Jan–Mar 2019	Jan–Mar 2020	Jan–Mar 2019	Jan–Mar 2020	Jan–Mar 2019	Jan–Mar 2020	Jan–Mar 2019	Jan–Mar 2020	Jan–Mar 2019
<b>Revenue from external customers</b>	<b>266,030</b>	<b>212,898</b>	<b>25,057</b>	<b>21,569</b>	<b>153,114</b>	<b>122,109</b>	<b>18,651</b>	<b>21,897</b>	<b>0</b>	<b>0</b>	<b>462,852</b>	<b>378,473</b>
– Revenue from contracts with customers	265,206	211,896	25,057	21,569	153,085	122,097	18,628	21,832	0	0	461,976	377,394
– Other revenue	824	1,002	0	0	29	12	23	65	0	0	876	1,079
<b>Sales between Group companies</b>	<b>70,824</b>	<b>51,607</b>	<b>16,627</b>	<b>11,573</b>	<b>84,277</b>	<b>55,231</b>	<b>764</b>	<b>703</b>	<b>-172,492</b>	<b>-119,114</b>	<b>0</b>	<b>0</b>
Other operating income	1,494	2,987	2	3	1,774	664	0	0	0	0	3,270	3,654
Operating costs	-206,865	-181,792	-14,950	-13,120	-97,772	-100,337	-12,609	-14,646	0	0	-332,196	-309,895
Operating expenses to Group companies	-100,245	-77,991	-15,417	-12,792	-183,942	-126,777	-2,889	-1,649	302,493	219,209	0	0
<b>Operating profit</b>	<b>60,659</b>	<b>34,093</b>	<b>10,109</b>	<b>8,452</b>	<b>57,116</b>	<b>22,436</b>	<b>6,042</b>	<b>7,251</b>	<b>0</b>	<b>0</b>	<b>133,926</b>	<b>72,232</b>
Interest income	46	51	0	0	96	80	6	2	0	0	148	133
Interest income from Group companies	129	105	0	0	1	1	2	2	-132	-108	0	0
Interest expense	-43	-151	-4	-9	-50	-85	-1	-4	0	0	-98	-249
Interest expense to Group companies	-78	-73	0	0	-4	-32	0	-1	82	106	0	0
<b>Net financial result</b>	<b>-7,327</b>	<b>-1,785</b>	<b>374</b>	<b>-270</b>	<b>-25,697</b>	<b>10,972</b>	<b>-89</b>	<b>363</b>	<b>0</b>	<b>0</b>	<b>-32,739</b>	<b>9,280</b>
Income tax	-5,907	-5,791	-854	-1,014	-8,769	-3,720	-475	-705	0	0	-16,005	-11,230
<b>Net profit</b>	<b>47,425</b>	<b>26,517</b>	<b>9,629</b>	<b>7,168</b>	<b>22,650</b>	<b>29,688</b>	<b>5,478</b>	<b>6,909</b>	<b>0</b>	<b>0</b>	<b>85,182</b>	<b>70,282</b>
Investments	11,603	20,539	64	42	1,136	1,798	2,085	1,324	0	0	14,888	23,703
Depreciation	18,145	17,723	563	537	6,555	6,680	382	331	0	0	25,645	25,271
Depreciation of right-of-use assets	499	463	27	22	160	140	29	25	0	0	715	650
Amortisation	1,103	1,075	91	87	503	513	56	85	0	0	1,753	1,760
	<b>31 Mar 2020</b>	<b>31 Dec 2019</b>	<b>31 Mar 2020</b>	<b>31 Dec 2019</b>	<b>31 Mar 2020</b>	<b>31 Dec 2019</b>	<b>31 Mar 2020</b>	<b>31 Dec 2019</b>	<b>31 Mar 2020</b>	<b>31 Dec 2019</b>	<b>31 Mar 2020</b>	<b>31 Dec 2019</b>
<b>Total assets</b>	<b>1,765,640</b>	<b>1,649,671</b>	<b>55,822</b>	<b>47,494</b>	<b>412,965</b>	<b>451,371</b>	<b>35,186</b>	<b>36,082</b>	<b>0</b>	<b>0</b>	<b>2,269,613</b>	<b>2,184,618</b>
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	36,441	36,659	0	0	0	0	0	0	0	0	36,441	36,659
<b>Total liabilities</b>	<b>383,979</b>	<b>358,417</b>	<b>16,134</b>	<b>13,685</b>	<b>127,890</b>	<b>116,143</b>	<b>27,902</b>	<b>28,857</b>	<b>0</b>	<b>0</b>	<b>555,905</b>	<b>517,102</b>

## Notes to the Consolidated Financial Statements of the Krka Group

### Costs by nature

€332,196 thousand

€ thousand	Jan–Mar 2020	Jan–Mar 2019	Index
Cost of goods and material	123,377	107,404	115
Cost of services	63,029	69,088	91
Employee benefits	107,741	99,174	109
Amortisation and depreciation	28,113	27,681	102
Inventory write-offs and allowances	4,465	5,684	79
Receivable impairments and write-offs (net)	28	-176	
Other operating expenses	10,028	11,221	89
<b>Total costs</b>	<b>336,781</b>	<b>320,076</b>	<b>105</b>
Change in the value of inventories of finished products and work in progress	-4,585	-10,181	45
<b>Total</b>	<b>332,196</b>	<b>309,895</b>	<b>107</b>

### Employee benefits

€107,741 thousand

€ thousand	Jan–Mar 2020	Jan–Mar 2019	Index
Gross wages and salaries and continued pay	83,147	77,198	108
Social security contributions	6,753	6,195	109
Pension insurance contributions	10,837	10,306	105
Payroll tax	224	245	91
Post-employment benefits and other non-current employee benefits	1,662	1,279	130
Other employee benefit costs	5,118	3,951	130
<b>Total employee benefits</b>	<b>107,741</b>	<b>99,174</b>	<b>109</b>

### Other operating expenses

€10,028 thousand

€ thousand	Jan–Mar 2020	Jan–Mar 2019	Index
Grants and assistance for humanitarian and other purposes	237	354	67
Environmental protection expenditure	1,287	1,119	115
Other taxes and levies	6,653	7,760	86
Loss on sale of property, plant and equipment and intangible assets	554	147	377
Other operating expenses	1,297	1,841	70
<b>Total other operating expenses</b>	<b>10,028</b>	<b>11,221</b>	<b>89</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–Mar 2020	Jan–Mar 2019	Index
Net foreign exchange differences	0	15,413	0
Interest income	148	133	111
Derivatives income	15,259	0	
– Realised revenue	17	0	
– Fair value change	15,242	0	
Other financial income	3	12	25
<b>Total financial income</b>	<b>15,410</b>	<b>15,558</b>	<b>99</b>
Net foreign exchange differences	-44,386	0	
Interest expense	-98	-249	39
– Interest paid	-19	-56	34
– Interest expense on lease liabilities	-79	-193	41
Derivatives expenses	-3,258	-5,454	60
– Incurred expenses	-3,258	0	
– Fair value change	0	-5,454	0
Other financial expenses	-407	-575	71
<b>Total financial expenses</b>	<b>-48,149</b>	<b>-6,278</b>	<b>767</b>
<b>Net financial result</b>	<b>-32,739</b>	<b>9,280</b>	

## Income tax

€16,005 thousand

Current income tax amounted to €12,062 thousand or 11.9% of profit before tax. Taking into account deferred tax of €3,943 thousand, tax totalling

€16,005 thousand was expensed in the income statement. The effective tax rate was 15.8%.

## Property, plant and equipment

€832,095 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
Land	40,222	39,796	101
Buildings	389,598	402,275	97
Equipment	355,360	361,743	98
Property, plant and equipment being acquired	31,763	43,113	74
Advances for property, plant and equipment	3,118	3,082	101
Right-of-use assets	12,034	12,839	94
<b>Total property, plant and equipment</b>	<b>832,095</b>	<b>862,848</b>	<b>96</b>

Value of property, plant, and equipment accounted for 37% of the Group balance sheet total. See section 'Investments' in the business report for details on major investments of Krka.



## Intangible assets

€107,827 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
Goodwill	42,644	42,644	100
Trademark	36,441	36,659	99
Concessions, trademarks and licences	24,471	25,683	95
Intangible assets being acquired	4,271	4,096	104
<b>Total intangible assets</b>	<b>107,827</b>	<b>109,082</b>	<b>99</b>

## Loans

€42,668 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
<b>Non-current loans</b>	<b>10,848</b>	<b>10,908</b>	<b>99</b>
– Loans to others	10,848	10,908	99
<b>Current loans</b>	<b>31,820</b>	<b>31,832</b>	<b>100</b>
– Portion of non-current loans maturing next year	1,578	1,669	95
– Loans to others	30,242	30,163	100
<b>Total loans</b>	<b>42,668</b>	<b>42,740</b>	<b>100</b>

Non-current loans constituted 25% of total loans.

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

Current loans to others included bank deposits of the controlling company with maturity exceeding 90 days totalling € 29,997 thousand.

## Investments

€21,384 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
<b>Non-current investments</b>	<b>8,724</b>	<b>9,681</b>	<b>90</b>
– Financial assets at fair value through OCI (equity instruments)	8,724	9,681	90
<b>Current investments including derivatives</b>	<b>12,660</b>	<b>2,174</b>	<b>582</b>
– Financial assets at fair value through profit or loss	0	2,174	0
– Derivatives	12,660	0	
<b>Total investments</b>	<b>21,384</b>	<b>11,855</b>	<b>180</b>

Available-for-sale financial assets comprised shares and interests in companies in Slovenia totalling €820 thousand and shares and interests in

companies abroad totalling €7,977 thousand.

## Inventories

€409,474 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
Material	170,996	188,018	91
Work in progress	109,450	97,371	112
Finished products	112,073	122,206	92
Merchandise	9,997	9,640	104
Advances for inventories	6,958	4,343	160
<b>Total inventories</b>	<b>409,474</b>	<b>421,578</b>	<b>97</b>

## Trade and other receivables

€535,920 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
Current trade receivables	509,767	434,695	117
– Trade receivables	515,878	434,991	119
– Deferred revenue from contracts with customers	-6,111	-296	2,065
Other current receivables	26,153	31,924	82
<b>Total receivables</b>	<b>535,920</b>	<b>466,619</b>	<b>115</b>

## Cash and cash equivalents

€274,129 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
Cash in hand	10	56	18
Bank balances	274,119	218,611	125
<b>Total cash and cash equivalents</b>	<b>274,129</b>	<b>218,667</b>	<b>125</b>

## Equity

€1,713,708 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
Share capital	54,732	54,732	100
Treasury shares	-78,698	-73,774	107
Reserves	100,711	129,871	78
– Reserves for treasury shares	78,698	73,774	107
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	-27,705	-26,925	103
– Translation reserve	-101,169	-67,865	149
Retained earnings	1,634,306	1,553,489	105
<b>Total equity holders of the controlling company</b>	<b>1,711,051</b>	<b>1,664,318</b>	<b>103</b>
Non-controlling interests	2,657	3,198	83
<b>Total equity</b>	<b>1,713,708</b>	<b>1,667,516</b>	<b>103</b>

## Trade payables

€129,565 thousand

€ thousand	31 Mar 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>119,559</b>	<b>128,574</b>	<b>93</b>
Payables to domestic suppliers	43,477	45,633	95
Payables to foreign suppliers	76,082	82,941	92
<b>Total trade payables</b>	<b>129,565</b>	<b>138,574</b>	<b>93</b>

The majority of 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

€121,488 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
Provisions for lawsuits	2,114	2,114	100
Provisions for post-employment benefits and other non-current employee benefits	116,806	115,889	101
Other provisions	2,568	2,400	107
<b>Total provisions</b>	<b>121,488</b>	<b>120,403</b>	<b>101</b>

## Deferred revenue

€8,471 thousand

€ thousand	31 Mar 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 Noto 2 plant	1,517	1,584	96
Grants received from the budget for the Dolenjske and Šmarješke Toplice health resorts and Golf Grad Otočec	3,486	3,517	99
Grants received from the European Regional Development Fund for development of new technologies (FBD project)	43	57	75
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	3,389	3,532	96
Subsidy for acquisition of electric drive vehicles	5	5	100
Property, plant and equipment received free of charge	11	13	85
Emission coupons	19	0	
<b>Total deferred revenue</b>	<b>8,471</b>	<b>8,709</b>	<b>97</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

€145,051 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
<b>Refund liabilities</b>	<b>141,876</b>	<b>117,456</b>	<b>121</b>
– Bonuses and volume rebates	138,905	114,411	121
– Right of return	2,971	3,045	98
<b>Contract liabilities</b>	<b>3,175</b>	<b>5,856</b>	<b>54</b>
– Contract liabilities – advances from other customers	3,175	5,856	54
<b>Total current contract liabilities</b>	<b>145,051</b>	<b>123,312</b>	<b>118</b>

## Other current liabilities

€104,052 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
Payables to employees – gross salaries, other receipts and charges	53,552	59,150	91
Derivatives	0	2,582	0
Other	50,500	20,953	241
<b>Total other current liabilities</b>	<b>104,052</b>	<b>82,685</b>	<b>126</b>

## Contingent liabilities

€16,507 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
Guarantees issued	15,887	15,934	100
Other	620	620	100
<b>Total contingent liabilities</b>	<b>16,507</b>	<b>16,554</b>	<b>100</b>

## Fair value

€ thousand	31 Mar 2020		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans	10,848	10,848	10,908	10,908
Financial assets at fair value through OCI (equity instruments)	8,724	8,724	9,681	9,681
Current loans	31,820	31,820	31,832	31,832
Current investments	12,660	12,660	2,174	2,174
– Financial assets at fair value through profit or loss	0	0	2,174	2,174
– Derivatives	12,660	12,660	0	0
Trade receivables	509,767	509,767	434,695	434,695
Cash and cash equivalents	274,129	274,129	218,667	218,667
Current borrowings	0	0	-3	-3
Non-current trade payables	-10,006	-10,006	-10,000	-10,000
Lease liabilities	-12,276	-12,276	-13,000	-13,000
Current supplier payables excluding advances	-119,386	-119,386	-128,560	-128,560
Current contract liabilities excluding advances	-138,905	-138,905	-114,411	-114,411
Other current liabilities excluding amounts owed to the state, to employees, and advances	-41,072	-41,072	-14,421	-14,421
Other current liabilities	0	0	-2,582	-2,582
– Derivatives	0	0	-2,582	-2,582
<b>Total</b>	<b>526,303</b>	<b>526,303</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	31 Mar 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)	7,337	0	1,387	8,724	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
Derivatives	0	0	12,660	12,660	0	0	0	0
<b>Total assets at fair value</b>	<b>7,337</b>	<b>0</b>	<b>14,047</b>	<b>21,384</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	10,848	10,848	0	0	10,908	10,908
Current loans	0	0	31,820	31,820	0	0	31,832	31,832
Trade receivables	0	0	509,767	509,767	0	0	434,695	434,695
Cash and cash equivalents	0	0	274,129	274,129	0	0	218,667	218,667
<b>Total assets for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>826,564</b>	<b>826,564</b>	<b>0</b>	<b>0</b>	<b>696,102</b>	<b>696,102</b>
<b>Total</b>	<b>7,337</b>	<b>0</b>	<b>840,611</b>	<b>847,948</b>	<b>10,468</b>	<b>0</b>	<b>697,489</b>	<b>707,957</b>

## Liabilities at fair value

€ thousand	31 Mar 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	0	0	0	0	2,582	2,582
<b>Total liabilities at fair value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</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	0	0	0	0	3	3
Non-current trade payables	0	0	10,006	10,006	0	0	10,000	10,000
Lease liabilities	0	0	12,276	12,276	0	0	13,000	13,000
Current supplier payables excluding advances	0	0	119,386	119,386	0	0	128,560	128,560
Current contract liabilities excluding advances	0	0	138,905	138,905	0	0	114,411	114,411
Other current liabilities excluding amounts owed to the state, to employees, and advances	0	0	41,072	41,072	0	0	14,421	14,421
<b>Total liabilities for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>321,645</b>	<b>321,645</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>321,645</b>	<b>321,645</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	31 Mar 2020	31 Dec 2019	Index
<b>Assets</b>			
Property, plant and equipment	602,536	613,210	98
Intangible assets	27,562	28,410	97
Investments in subsidiaries	329,339	329,335	100
Trade receivables due from subsidiaries	48,444	39,491	123
Loans	36,154	36,223	100
Investments	8,723	9,680	90
Deferred tax assets	13,379	13,187	101
Other non-current assets	78	80	98
<b>Total non-current assets</b>	<b>1,066,215</b>	<b>1,069,616</b>	<b>100</b>
Assets held for sale	41	41	100
Inventories	350,049	367,007	95
Contract assets	8,008	565	1,417
Trade receivables	451,644	443,840	102
Other receivables	12,722	18,011	71
Loans	34,850	35,644	98
Investments	12,660	0	
Cash and cash equivalents	253,108	195,236	130
<b>Total current assets</b>	<b>1,123,082</b>	<b>1,060,344</b>	<b>106</b>
<b>Total assets</b>	<b>2,189,297</b>	<b>2,129,960</b>	<b>103</b>
<b>Equity</b>			
Share capital	54,732	54,732	100
Treasury shares	-78,698	-73,774	107
Reserves	205,205	201,057	102
Retained earnings	1,560,614	1,482,163	105
<b>Total equity</b>	<b>1,741,853</b>	<b>1,664,178</b>	<b>105</b>
<b>Liabilities</b>			
Provisions	106,780	105,677	101
Deferred revenue	1,596	1,659	96
Trade payables	10,000	10,000	100
Lease liabilities	2,342	2,453	95
<b>Total non-current liabilities</b>	<b>120,718</b>	<b>119,789</b>	<b>101</b>
Trade payables	160,688	182,423	88
Borrowings	67,855	73,033	93
Lease liabilities	630	640	98
Income tax payable	23,294	16,668	140
Contract liabilities	11,934	14,609	82
Other current liabilities	62,325	58,620	106
<b>Total current liabilities</b>	<b>326,726</b>	<b>345,993</b>	<b>94</b>
<b>Total liabilities</b>	<b>447,444</b>	<b>465,782</b>	<b>96</b>
<b>Total equity and liabilities</b>	<b>2,189,297</b>	<b>2,129,960</b>	<b>103</b>

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

€ thousand	Jan–Mar 2020	Jan–Mar 2019	Index
<b>Revenue</b>	<b>434,883</b>	<b>327,072</b>	<b>133</b>
– Revenue from contracts with customers	433,213	325,224	133
– Other revenue	1,670	1,848	90
Cost of goods sold	-181,843	-136,640	133
<b>Gross profit</b>	<b>253,040</b>	<b>190,432</b>	<b>133</b>
Other operating income	347	1,721	20
Selling and distribution expenses	-70,492	-74,256	95
– Of that net impairment and write-down of receivables	-232	-22	
R&D expenses	-38,052	-37,714	101
General and administrative expenses	-18,689	-16,408	114
<b>Operating profit</b>	<b>126,154</b>	<b>63,775</b>	<b>198</b>
Financial income	15,380	15,512	99
Financial expenses	-46,758	-6,174	757
<b>Net financial result</b>	<b>-31,378</b>	<b>9,338</b>	
<b>Profit before tax</b>	<b>94,776</b>	<b>73,113</b>	<b>130</b>
Income tax	-11,401	-7,787	146
<b>Net profit</b>	<b>83,375</b>	<b>65,326</b>	<b>128</b>
<b>Basic earnings per share* (€)</b>	<b>2.65</b>	<b>2.08</b>	<b>127</b>
<b>Diluted earnings per share** (€)</b>	<b>2.65</b>	<b>2.08</b>	<b>127</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–Mar 2020	Jan–Mar 2019	Index
<b>Net profit</b>	<b>83,375</b>	<b>65,326</b>	<b>128</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	-958	-225	426
Deferred tax effect	182	43	423
<b>Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date</b>	<b>-776</b>	<b>-182</b>	<b>426</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>-776</b>	<b>-182</b>	<b>426</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>82,599</b>	<b>65,144</b>	<b>127</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	83,375	83,375
<b>Total other comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	-776	0	0	0	-776
<b>Total comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	-776	0	0	83,375	82,599
<b>Transactions with owners, recognised in equity</b>											
Transfer of previous period's profits to retained earnings	0	0	0	0	0	0	0	0	227,713	-227,713	0
Repurchase of treasury shares	0	-4,924	0	0	0	0	0	0	0	0	-4,924
Formation of reserves for treasury shares	0	0	4,924	0	0	0	0	0	0	-4,924	0
<b>Total transactions with owners, recognised in equity</b>	0	-4,924	4,924	0	0	0	0	0	227,713	-232,637	-4,924
<b>At 31 Mar 2020</b>	54,732	-78,698	78,698	105,897	14,990	30,000	-24,380	1,211,292	270,871	78,451	1,741,853

€ 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>65,326</b>	<b>65,326</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>-182</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-182</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>-182</b>	<b>0</b>	<b>0</b>	<b>65,326</b>	<b>65,144</b>
<b>Transactions with owners, recognised in equity</b>											
Transfer of previous period's profits to retained earnings	0	0	0	0	0	0	0	0	151,841	-151,841	0
Repurchase of treasury shares	0	-4,419	0	0	0	0	0	0	0	0	-4,419
Formation of reserves for treasury shares	0	0	4,419	0	0	0	0	0	0	-4,419	0
<b>Total transactions with owners, recognised in equity</b>	<b>0</b>	<b>-4,419</b>	<b>4,419</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>151,841</b>	<b>-156,260</b>	<b>-4,419</b>
<b>At 31 Mar 2019</b>	<b>54,732</b>	<b>-56,495</b>	<b>56,495</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-10,357</b>	<b>1,167,388</b>	<b>189,468</b>	<b>60,907</b>	<b>1,613,025</b>

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

€ thousand	Jan–Mar 2020	Jan–Mar 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit	83,375	65,326
Adjustments for:	21,382	33,658
– Amortisation/Depreciation	20,860	20,499
– Foreign exchange differences	742	-490
– Investment income	-15,440	-404
– Investment expenses	3,294	5,546
– Interest expense and other financial expenses	525	720
– Income tax	11,401	7,787
<b>Operating profit before changes in net current assets</b>	<b>104,757</b>	<b>98,984</b>
Change in trade receivables	-19,433	-38,562
Change in inventories	16,958	-5,245
Change in trade payables	-12,983	32,347
Change in provisions	744	496
Change in deferred revenue	-63	-93
Change in other current liabilities	6,287	-12,989
Income tax paid	-4,786	-4,728
<b>Net cash from operating activities</b>	<b>91,481</b>	<b>70,210</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	124	150
Proportionate profit of subsidiaries	500	0
Proceeds from sale of property, plant and equipment	569	260
Purchase of intangible assets	-555	-605
Purchase of property, plant and equipment	-20,679	-18,442
Acquisition of subsidiaries and a share of minority interests net of financial assets acquired	-4	0
Non-current loans	-419	-793
Proceeds from repayment of non-current loans	1,612	5,029
Payments for non-current investments	-12	-9
Proceeds from sale of non-current investments	13	8
Payments for/Proceeds from current investments	-334	173
Payments for derivatives	-3,258	0
Proceeds from derivatives	17	0
<b>Net cash from investing activities</b>	<b>-22,426</b>	<b>-14,229</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-158	-180
Repayments of/Proceeds from current borrowings	-5,133	17,988
Lease liabilities paid	-176	-173
Dividends and other profit shares paid	0	-2
Repurchase of treasury shares	-4,924	-4,419
<b>Net cash from financing activities</b>	<b>-10,391</b>	<b>13,214</b>
<b>Net increase in cash and cash equivalents</b>	<b>58,664</b>	<b>69,195</b>
Cash and cash equivalents at the beginning of the year	195,236	98,474
Effect of foreign exchange rate fluctuations on cash held	-792	216
<b>Cash and cash equivalents at the end of the period</b>	<b>253,108</b>	<b>167,885</b>

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

	European Union		South-Eastern Europe		Eastern Europe		Other		Total	
	Jan–Mar 2020	Jan–Mar 2019	Jan–Mar 2020	Jan–Mar 2019	Jan–Mar 2020	Jan–Mar 2019	Jan–Mar 2020	Jan–Mar 2019	Jan–Mar 2020	Jan–Mar 2019
€ thousand										
<b>Revenue</b>	<b>250,523</b>	<b>187,637</b>	<b>27,853</b>	<b>20,477</b>	<b>139,897</b>	<b>98,896</b>	<b>16,610</b>	<b>20,062</b>	<b>434,883</b>	<b>327,072</b>
– Revenue from contracts with customers	248,882	185,862	27,853	20,477	139,891	98,888	16,587	19,997	433,213	325,224
– Other revenue	1,641	1,775	0	0	6	8	23	65	1,670	1,848
Other operating income	346	1,721	0	0	1	0	0	0	347	1,721
Operating costs	-188,634	-153,259	-15,354	-12,695	-93,821	-84,959	-11,267	-14,105	-309,076	-265,018
<b>Operating profit</b>	<b>62,235</b>	<b>36,099</b>	<b>12,499</b>	<b>7,782</b>	<b>46,077</b>	<b>13,937</b>	<b>5,343</b>	<b>5,957</b>	<b>126,154</b>	<b>63,775</b>
Interest income	117	120	0	0	4	32	0	1	121	153
Interest expense	-142	-188	-1	0	-3	0	-3	-2	-149	-190
<b>Net financial result</b>	<b>-6,502</b>	<b>-1,600</b>	<b>503</b>	<b>-37</b>	<b>-25,197</b>	<b>10,690</b>	<b>-182</b>	<b>285</b>	<b>-31,378</b>	<b>9,338</b>
Income tax	-5,624	-4,408	-1,131	-950	-4,164	-1,702	-482	-727	-11,401	-7,787
<b>Net profit</b>	<b>50,109</b>	<b>30,091</b>	<b>11,871</b>	<b>6,795</b>	<b>16,716</b>	<b>22,925</b>	<b>4,679</b>	<b>5,515</b>	<b>83,375</b>	<b>65,326</b>
Investments	9,808	19,591	0	0	0	0	0	0	9,808	19,591
Depreciation	14,297	13,712	487	465	4,238	4,494	274	307	19,296	18,978
Depreciation of right-of-use assets	119	114	4	4	36	39	2	2	161	159
Amortisation	808	782	90	85	451	412	54	83	1,403	1,362
	<b>31 Mar 2020</b>	<b>31 Dec 2019</b>	<b>31 Mar 2020</b>	<b>31 Dec 2019</b>	<b>31 Mar 2020</b>	<b>31 Dec 2019</b>	<b>31 Mar 2020</b>	<b>31 Dec 2019</b>	<b>31 Mar 2020</b>	<b>31 Dec 2019</b>
<b>Total assets</b>	<b>1,617,551</b>	<b>1,520,973</b>	<b>56,335</b>	<b>46,681</b>	<b>483,624</b>	<b>527,174</b>	<b>31,787</b>	<b>35,132</b>	<b>2,189,297</b>	<b>2,129,960</b>
<b>Total liabilities</b>	<b>303,330</b>	<b>308,857</b>	<b>14,825</b>	<b>13,564</b>	<b>105,487</b>	<b>117,280</b>	<b>23,802</b>	<b>26,081</b>	<b>447,444</b>	<b>465,782</b>



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

### Costs by nature

€309,076 thousand

€ thousand	Jan–Mar 2020	Jan–Mar 2019	Index
Cost of goods and material	125,091	95,492	131
Cost of services	84,067	89,057	94
Employee benefits	69,834	62,304	112
Amortisation and depreciation	20,860	20,499	102
Inventory write-offs and allowances	2,738	2,359	116
Receivable impairments and write-offs (net)	-232	-22	1,055
Other operating expenses	7,336	6,198	118
<b>Total costs</b>	<b>309,694</b>	<b>275,887</b>	<b>112</b>
Change in the value of inventories of finished products and work in progress	-618	-10,869	6
<b>Total</b>	<b>309,076</b>	<b>265,018</b>	<b>117</b>

### Employee benefits

€69,834 thousand

€ thousand	Jan–Mar 2020	Jan–Mar 2019	Index
Gross wages and salaries and continued pay	53,655	48,591	110
Social security contributions	4,297	3,856	111
Pension insurance contributions	6,477	5,943	109
Post-employment benefits and other non-current employee benefits	1,523	1,151	132
Other employee benefits costs	3,882	2,763	140
<b>Total employee benefits</b>	<b>69,834</b>	<b>62,304</b>	<b>112</b>

### Other operating expenses

€7,336 thousand

€ thousand	Jan–Mar 2020	Jan–Mar 2019	Index
Grants and assistance for humanitarian and other purposes	196	188	104
Environmental protection expenditure	949	643	148
Other taxes and levies	4,759	4,351	109
Loss on sale and write-offs of property, plant and equipment and intangible assets	523	93	562
Other operating expenses	909	923	98
<b>Total other operating expenses</b>	<b>7,336</b>	<b>6,198</b>	<b>118</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–Mar 2020	Jan–Mar 2019	Index
Net foreign exchange differences	0	15,359	0
Interest income	121	153	79
Derivatives income	15,259	0	
– Realised revenue	17	0	
– Fair value change	15,242	0	
<b>Total financial income</b>	<b>15,380</b>	<b>15,512</b>	<b>99</b>
Net foreign exchange differences	-42,970	0	
Interest expense	-149	-190	78
– Interest paid	-136	-164	83
– Interest expense on lease liabilities	-13	-26	50
Derivatives expenses	-3,258	-5,454	60
– Incurred expenses	-3,258	0	
– Fair value change	0	-5,454	0
Other financial expenses	-381	-530	72
<b>Total financial expenses</b>	<b>-46,758</b>	<b>-6,174</b>	<b>757</b>
<b>Net financial result</b>	<b>-31,378</b>	<b>9,338</b>	

## Income tax

€11,401 thousand

Current income tax amounted to €11,411 thousand or 12.0% of profit before tax. Taking into account deferred tax of -€10 thousand, tax totalling

€11,401 thousand was expensed in the income statement. The effective tax rate was 12.0%.

## Property, plant and equipment

€602,536 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
Land	27,677	27,074	102
Buildings	263,304	265,858	99
Equipment	283,455	284,938	99
Property, plant and equipment being acquired	23,670	31,473	75
Advances for property, plant and equipment	1,441	769	187
Right-of-use assets – leases	2,989	3,098	96
<b>Total property, plant and equipment</b>	<b>602,536</b>	<b>613,210</b>	<b>98</b>

Value of property, plant, and equipment accounted for 28% of Krka balance sheet total. See section 'Investments' in the business report for details on major investments of Krka.

## Intangible assets

€27,562 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
Concessions, trademarks and licences	23,314	24,348	96
Intangible assets being acquired	4,248	4,062	105
<b>Total intangible assets</b>	<b>27,562</b>	<b>28,410</b>	<b>97</b>

Intangible assets comprised software and registration documents for new pharmaceuticals.

## Loans

€71,004 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
<b>Non-current loans</b>	<b>36,154</b>	<b>36,223</b>	<b>100</b>
– Loans to subsidiaries	25,550	25,600	100
– Loans to others	10,604	10,623	100
<b>Current loans</b>	<b>34,850</b>	<b>35,644</b>	<b>98</b>
– Portion of non-current loans maturing next year	3,906	5,031	78
– Loans to subsidiaries	798	462	173
– Loans to others	30,135	30,137	100
– Current interest receivables	11	14	79
<b>Total loans</b>	<b>71,004</b>	<b>71,867</b>	<b>99</b>

Non-current loans constituted 51% of total loans.

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

Current loans to others included bank deposits with maturity exceeding 90 days totalling €29,997 thousand.

## Investments

€21,383 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
<b>Non-current investments</b>	<b>8,723</b>	<b>9,680</b>	<b>90</b>
– Financial assets at fair value through OCI (equity instruments)	8,723	9,680	90
<b>Current investments including derivatives</b>	<b>12,660</b>	<b>0</b>	
– Derivatives	12,660	0	
<b>Total investments</b>	<b>21,383</b>	<b>9,680</b>	<b>221</b>

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

€746 thousand and shares and interests in companies abroad totalling €7,977 thousand.

## Inventories

€350,049 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
Material	162,002	179,168	90
Work in progress	97,865	89,492	109
Finished products	74,578	83,800	89
Merchandise	8,845	10,296	86
Advances for inventories	6,759	4,251	159
<b>Total inventories</b>	<b>350,049</b>	<b>367,007</b>	<b>95</b>

## Trade and other receivables

€464,366 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
Current trade receivables	451,644	443,840	102
– Receivables due from subsidiaries	228,805	257,674	89
– Trade receivables due from customers other than Group companies	228,750	186,420	123
– Deferred revenue from contracts with customers	-5,911	-254	2,327
Current receivables relating to dividends – subsidiaries	0	500	0
Other current receivables	12,722	17,511	73
<b>Total receivables</b>	<b>464,366</b>	<b>461,851</b>	<b>101</b>

## Cash and cash equivalents

€253,108 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
Bank balances	253,108	195,236	130
<b>Total cash and cash equivalents</b>	<b>253,108</b>	<b>195,236</b>	<b>130</b>

## Equity

€1,741,853 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
Share capital	54,732	54,732	100
Treasury shares	-78,698	-73,774	107
Reserves	205,205	201,057	102
– Reserves for treasury shares	78,698	73,774	107
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	-24,380	-23,604	103
Retained earnings	1,560,614	1,482,163	105
<b>Total equity</b>	<b>1,741,853</b>	<b>1,664,178</b>	<b>105</b>

## Trade payables

€170,688 thousand

€ thousand	31 Mar 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>160,688</b>	<b>182,423</b>	<b>88</b>
Payables to subsidiaries	77,650	91,030	85
Payables to domestic suppliers	40,132	40,660	99
Payables to foreign suppliers	42,906	50,733	85
<b>Total trade payables</b>	<b>170,688</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

€106,780 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
Provisions for lawsuits	2,100	2,100	100
Provisions for post-employment benefits and other non-current employee benefits	104,680	103,577	101
<b>Total provisions</b>	<b>106,780</b>	<b>105,677</b>	<b>101</b>

## Deferred revenue

€1,596 thousand

€ thousand	31 Mar 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 Noto 2 plant	1,517	1,584	96
Grants received from the European Regional Development Fund for development of new technologies (FBD project)	43	57	75
Grants received from the European Regional Development Fund for setting up the energy supply IT system (GEN-I)	1	1	100
Subsidy for acquisition of electric drive vehicles	5	5	100
Property, plant and equipment received free of charge	11	12	92
Emission coupons	19	0	
<b>Total deferred revenue</b>	<b>1,596</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

€67,855 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
<b>Current borrowings</b>	<b>67,855</b>	<b>73,033</b>	<b>93</b>
– Borrowings from subsidiaries	67,787	72,961	93
– Current interest payable	68	72	94
<b>Total borrowings</b>	<b>67,855</b>	<b>73,033</b>	<b>93</b>

## Current contract liabilities

€11,934 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
<b>Refund liabilities</b>	<b>10,558</b>	<b>10,823</b>	<b>98</b>
– Bonuses and volume rebates	10,558	10,823	98
<b>Contract liabilities</b>	<b>1,376</b>	<b>3,786</b>	<b>36</b>
– Contract liabilities – advances from other customers	1,376	3,786	36
<b>Total current contract liabilities</b>	<b>11,934</b>	<b>14,609</b>	<b>82</b>

## Other current liabilities

€62,325 thousand

€ thousand	31 Mar 2020	31 Dec 2019	Index
Payables to employees – gross salaries, other receipts and charges	40,033	47,546	84
Derivatives	0	2,582	0
Other	22,292	8,492	263
<b>Total other current liabilities</b>	<b>62,325</b>	<b>58,620</b>	<b>106</b>

## Contingent liabilities

€14,915 thousand

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



## Fair value

€ thousand	31 Mar 2020		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables due from subsidiaries	48,444	48,444	39,491	39,491
Non-current loans	36,154	36,154	36,223	36,223
Financial assets at fair value through OCI (equity instruments)	8,723	8,723	9,680	9,680
Current loans	34,850	34,850	35,644	35,644
Current investments	12,660	12,660	0	0
– Derivatives	12,660	12,660	0	0
Trade receivables	451,644	451,644	443,840	443,840
Cash and cash equivalents	253,108	253,108	195,236	195,236
Current borrowings	-67,855	-67,855	-73,033	-73,033
Non-current trade payables	-10,000	-10,000	-10,000	-10,000
Lease liabilities	-2,972	-2,972	-3,093	-3,093
Current payables to suppliers and subsidiaries excluding advances	-160,515	-160,515	-182,409	-182,409
Contract liabilities excluding advances	-10,558	-10,558	-10,823	-10,823
Other liabilities excluding amounts owed to the state, to employees, and advances	-17,963	-17,963	-2,058	-2,058
Other current liabilities	0	0	-2,582	-2,582
– Derivatives	0	0	-2,582	-2,582
<b>Total</b>	<b>575,720</b>	<b>575,720</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	31 Mar 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)	7,337	0	1,386	8,723	8,294	0	1,386	9,680
Derivatives	0	0	12,660	12,660	0	0	0	0
<b>Total assets at fair value</b>	<b>7,337</b>	<b>0</b>	<b>14,046</b>	<b>21,383</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	48,444	48,444	0	0	39,491	39,491
Non-current loans	0	0	36,154	36,154	0	0	36,223	36,223
Current loans	0	0	34,850	34,850	0	0	35,644	35,644
Trade receivables	0	0	451,644	451,644	0	0	443,840	443,840
Cash and cash equivalents	0	0	253,108	253,108	0	0	195,236	195,236
<b>Total assets for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>824,200</b>	<b>824,200</b>	<b>0</b>	<b>0</b>	<b>750,434</b>	<b>750,434</b>
<b>Total</b>	<b>7,337</b>	<b>0</b>	<b>838,246</b>	<b>845,583</b>	<b>8,294</b>	<b>0</b>	<b>751,820</b>	<b>760,114</b>

## Liabilities at fair value

€ thousand	31 Mar 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	0	0	0	0	2,582	2,582
<b>Total liabilities at fair value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</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	67,855	67,855	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	2,972	2,972	0	0	3,093	3,093
Current payables to suppliers and subsidiaries excluding advances	0	0	160,515	160,515	0	0	182,409	182,409
Contract liabilities excluding advances	0	0	10,558	10,558	0	0	10,823	10,823
Other liabilities excluding amounts owed to the state, to employees, and advances	0	0	17,963	17,963	0	0	2,058	2,058
<b>Total liabilities for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>269,863</b>	<b>269,863</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>269,863</b>	<b>269,863</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 31 March 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 quarter 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 31 March 2020 have been prepared pursuant to IAS 34 – *Interim Financial Reporting*, and have to

Novo mesto, 5 May 2020

be read in conjunction with the annual financial statements prepared for the business 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