



Q1 2023 Unaudited Interim Report of the Krka Group and Krka, d. d., Novo mesto

Novo mesto, May 2023

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INTRODUCTION

The condensed consolidated financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (hereinafter also Krka, the Company, or the controlling company) for the first quarters of 2023 and 2022 are unaudited, while financial statements for the full financial year 2022 are audited. Krka, d. d., Novo mesto has no authorised capital and has made no conditional share capital increase.

Krka promptly announces all significant data changes in its listing prospectus in the Ljubljana Stock Exchange electronic information dissemination system (SEOnet) and in the Polish Financial Supervision Authority electronic information dissemination system (ESPI). Operating reports for the Krka Group and Krka d. d. are available on the Krka website www.krka.biz.

The unaudited report of the Krka Group and Krka, d. d., for the first quarter of 2023 was discussed by the Krka Supervisory Board at its regular meeting on 17 May 2023.

Q1 2023 Business Performance Highlights for the Krka Group

- Sales of products and services totalled €456.3 million, of which product sales accounted for almost 98%.
- Product and service sales increased 6% year on year.
- We generated 94% of product and service sales outside Slovenia. Exports amounted to 96% of total product sales.
- The largest sales region was Region East Europe, accounting for 31.4% of total sales, followed by Region Central Europe and Region West Europe.
- Operating profit (EBIT) totalled €120.1 million, up 12% year over year. The EBIT margin was 26.2%. EBITDA amounted to €146.2 million, a 9% increase year-on-year. The EBITDA margin was 31.9%.
- The net financial result is –€13.6 million, with €13.3 million of net foreign exchange losses.
- Profit before tax was €106.5 million, up 1% year over year.
- Net profit totalled €89.0 million, down 2% compared to the first quarter last year. The net profit margin (ROS) was 19.4%.
- As at 31 March 2023, the Krka share traded at €108.00 on the Ljubljana Stock Exchange, up 17% on the year-end of 2022. Market capitalisation amounted to €3.5 billion. The first quarter of 2023 saw Krka repurchase €3.4 million worth of treasury shares.
- Three new prescription pharmaceuticals were added to our product range in the first quarter.
- The Krka Group allocated €21.8 million to investments, of which the controlling company invested €18.1 million.
- The Krka Group had 11,692 full-time staff at the end of March 2023, up 94 on the year-end of 2022. Including agency workers, the total Krka Group headcount was 12,619.

Financial Highlights

€ thousand	Krka Group			Company		
	Jan–Mar 2023	Jan–Mar 2022	Index	Jan–Mar 2023	Jan–Mar 2022	Index
Revenue	458,184	432,468	106	443,241	408,840	108
– Of that revenue from contracts with customers (products and services)	456,253	430,648	106	374,589	357,348	105
Gross profit	279,595	249,916	112	247,406	234,615	105
Earnings before interest, tax, depreciation and amortisation (EBITDA)	146,192	133,582	109	124,080	124,474	100
Operating profit (EBIT) ¹	120,094	107,299	112	104,186	104,022	100
Profit before tax (EBT)	106,520	105,623	101	89,475	102,893	87
Net profit	89,011	90,716	98	75,579	88,231	86
Effective tax rate	16.4%	14.1%		15.5%	14.2%	
R&D expenses	43,914	41,825	105	42,851	41,758	103
Investments	21,843	22,709	96	18,072	14,785	122

€ thousand	31 Mar 2023	31 Dec 2022	Index	31 Mar 2023	31 Dec 2022	Index
Non-current assets	1,112,660	1,125,025	99	1,121,028	1,123,594	100
Current assets	1,650,104	1,562,475	106	1,487,416	1,392,950	107
– Inventories	573,911	553,332	104	499,474	492,978	101
– Trade receivables	461,267	402,730	115	422,968	357,889	118
– Cash and cash equivalents	515,914	518,934	99	481,789	470,297	102
Equity	2,209,570	2,138,509	103	2,135,313	2,060,792	104
Non-current liabilities	132,049	132,130	100	102,388	102,333	100
Current liabilities	421,145	416,861	101	370,743	353,419	105
– Trade payables	146,280	140,837	104	204,060	194,143	105

RATIOS	Jan–Mar 2023	Jan–Mar 2022	Jan–Mar 2023	Jan–Mar 2022
Gross profit margin	61.0%	57.8%	55.8%	57.4%
EBITDA margin	31.9%	30.9%	28.0%	30.4%
EBIT margin	26.2%	24.8%	23.5%	25.4%
EBT margin	23.2%	24.4%	20.2%	25.2%
Net profit margin (ROS)	19.4%	21.0%	17.1%	21.6%
Return on equity (ROE) ²	16.4%	18.5%	14.4%	18.4%
Return on assets (ROA) ³	13.1%	14.0%	11.8%	14.2%
Liabilities/Equity	0.250	0.321	0.222	0.289
R&D expenses/Revenue	9.6%	9.7%	9.7%	10.2%

NUMBER OF EMPLOYEES	31 Mar 2023	31 Dec 2022	Index	31 Mar 2023	31 Dec 2022	Index
Balance at	11,692	11,598	101	6,415	6,320	102

SHARE INFORMATION	Jan–Mar 2023	Jan–Mar 2022	Index
Total number of shares issued	32,793,448	32,793,448	100
Earnings per share (EPS) in € ⁴	11.49	11.63	99
Closing price at end of period in € ⁵	108.00	96.00	113
Price/Earnings ratio (P/E)	9.40	8.26	114
Book value in € ⁶	67.38	60.94	111
Price/Book value (P/B)	1.60	1.58	102
Market capitalisation in € thousand (end of period)	3,541,692	3,148,171	113

¹ The difference between operating income and expenses

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

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

⁴ Net profit attributable to majority equity holders of the controlling company, annualised/Average number of shares issued in the period, excluding treasury shares

⁵ Share price on the Ljubljana Stock Exchange

⁶ Equity at end of period/Total number of shares issued

ID Card

Registered office Šmarješka cesta 6, 8501 Novo mesto, Slovenia

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E-mail info@krka.biz

Website www.krka.biz

Core business Manufacture of pharmaceutical preparations

Business classification code 21.200

Year established 1954

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

Tax number 82646716

VAT number SI82646716

Company ID number 5043611000

Share capital €54,732,264.71

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

Krka Group at a Glance

The Krka Group consists of the controlling company, Krka, d. d., Novo mesto, in addition to the Slovenia-based subsidiary Terme Krka, d. o. o., Novo mesto and 33 subsidiaries abroad. The controlling company holds a 100% stake in all subsidiaries except in Ningbo Krka Menovo Pharmaceutical Co. Ltd., where Krka holds a 60% stake and the Chinese partner, Ningbo Menovo Pharmaceutical Co. Ltd., a 40% stake.

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

Production takes place at the controlling company in Slovenia and at Krka subsidiaries in the Russian Federation, Poland, Croatia, and Germany. In addition to production, these subsidiaries, apart from Krka-Rus in the Russian Federation, deal with marketing and sales. In China, production takes place in facilities subject to a long-term lease. Other subsidiaries outside Slovenia market and/or sell Krka products, but do not have production capacities. The subsidiary Terme Krka specializes in health resort and tourist services, and is the owner of Golf Grad Otočec.

Krka Group 2023 Business Plan

- Full-year sales of products and services are expected to reach €1,755 million.
- The proportion of sales in markets outside Slovenia is estimated at 94%.
- Prescription pharmaceuticals are expected to remain the most important product category, accounting for 82% of total sales.
- Profit is planned in the region of €300 million.
- The total number of employees in Slovenia and abroad is expected to increase by 2%.
- We plan to allocate €130 million to investments, primarily expanding and modernising production facilities and infrastructure.

The 2023 business plan derives from the *2022-2026 Krka Group Development Strategy* and is based on estimates, assessments, projections, and other available data. The Management Board believe the projections are reasonable. In the event of major changes in the Krka business environment, e.g. price erosion, rising prices of raw materials, changes in exchange rates for certain currencies important for Krka, and lower demand for pharmaceutical products, the actual operating results could deviate from the plan.

BUSINESS REPORT

Financial Risks

Foreign Exchange Risk

Krka's key currency risk management policy remains mitigating risk exposure with natural hedging. To a limited extent, we also use financial instruments.

The Russian rouble continues to represent the largest currency risk of the Krka Group. International markets offer no financial instruments to mitigate this risk, therefore we have utilized natural hedging strategies.

From the beginning of 2023 to the end of the first quarter the rouble depreciated by 7.4%; by contrast, the rouble's value as denominated in euros appreciated by 26.1% over the same period. In the first three months of 2023, the Krka Group generated foreign exchange losses from its long position in the Russian rouble, as reported in the net financial result.

Currency risk associated with the US dollar was offset using financial instruments in the first quarter. Unlike with other currencies, a surplus of liabilities over assets has accrued in regular business operations from exposure to the US dollar, or in other words, the currency position is short. Exposure to the US dollar arises primarily from purchasing raw and other materials.

The value of the US dollar expressed in the euro went up by 1.9% from the beginning to the end of the first quarter, and the average value of the US dollar was 4.5% higher than in the same period last year.

Krka's other important currencies on the sell-side remained stable in the three months to March.

Taking into account net foreign exchange differences, income and expenses from financial instruments, interest income and expenses, and other financial income and expenses, the total net financial result for the first quarter of 2023 was negative, totalling –€13.6 million.

Credit Risk

The key credit risk for the Krka Group arises from trade receivables. The centralised credit control process at Krka Group level includes all customers with credit limits exceeding €20,000. There were over 690 such customers at the end of the first quarter of 2023, accounting for more than 95% of total trade receivables. Credit control of small customers is decentralised, carried out in the sales network under the constant supervision of the controlling company.

Our credit risk management policy remained unchanged in the first three months of 2023. At the end of this period, more than 90% of Krka Group trade receivables had insurance coverage from a credit insurance company.

At the end of the first quarter, the total value of trade receivables denominated in euros exceeded the level from the beginning of the year by 15%. The maturity structure of receivables remained stable. At the end of the first quarter, the percentage of overdue receivables compared to total trade receivables remained within limits acceptable for Krka.

Investor and Share Information

In the first three months of 2023, the Krka share price on the Ljubljana Stock Exchange increased by 17.4% so that it traded at €108.00 per share on 31 March 2023. There were no major changes in the shareholder structure in terms of holdings by Slovenian retail and institutional investors, foreign investors, or treasury shares, in the reported period. At the end of March 2023, Krka had 47,080 shareholders.

Shareholder structure (%)

	31 Mar 2023	31 Dec 2022
Slovenian retail investors	40.5	40.4
Slovenski državni holding (SDH, Slovenian Sovereign Holding) and the Republic of Slovenia	16.2	16.2
Kapitalska družba, d. d. (Pension Fund Management) and Prvi pokojninski sklad (First Pension Fund)	10.9	10.9
Slovenian legal entities and institutional investors	6.0	6.1
Foreign investors	20.8	20.9
Treasury shares	5.6	5.5
Total	100.0	100.0

In the first quarter of 2023, Krka acquired 31,321 treasury shares. As at 31 March 2023, Krka owned 1,817,170 treasury shares, representing 5.541% of its share capital.

Ten largest shareholders as at 31 March 2023

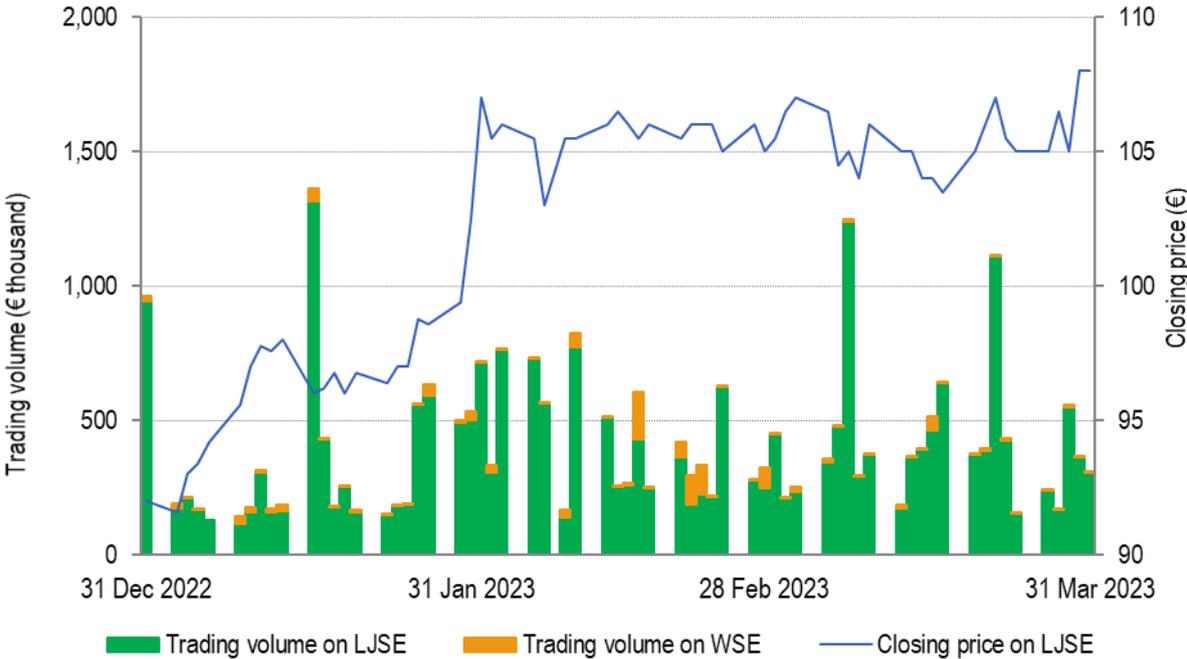
	Country	No. of shares	Share in equity (%)	Share in voting rights (%)
Kapitalska družba, d. d.	Slovenia	3,493,030	10.65	11.28
Slovenski državni holding, d. d.	Slovenia	2,949,876	9.00	9.52
Republic of Slovenia	Slovenia	2,366,121	7.22	7.64
OTP banka d.d.*	Croatia	1,547,420	4.72	5.00
Erste Group Bank AG – PZB Croatia Osiguranje*	Austria	1,331,938	4.06	4.30
Clearstream Banking SA*	Luxembourg	1,088,334	3.32	3.51
Luka Koper, d. d.	Slovenia	433,970	1.32	1.40
State Street Bank and Trust*	USA	380,501	1.16	1.23
KDPW*	Poland	345,718	1.05	1.12
Privredna banka Zagreb d.d.*	Croatia	318,434	0.97	1.03
Total		14,255,342	43.47	46.02

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

Equity holdings and voting rights of Management and Supervisory Board members who held Krka shares as at 31 March 2023

	No. of shares	Equity (%)	Voting rights (%)
Management Board members			
Jože Colarič	22,500	0.069	0.073
Aleš Rotar	13,915	0.042	0.045
Vinko Zupančič	120	0.000	0.000
Milena Kastelic	505	0.002	0.002
Total Management Board members	37,040	0.113	0.120
Supervisory Board members			
Julijana Kristl	230	0.001	0.001
Matej Lahovnik	600	0.002	0.002
Mojca Osolnik Videmšek	617	0.002	0.002
Franc Šašek	1,400	0.004	0.004
Tomaž Sever	500	0.002	0.002
Total Supervisory Board members	3,347	0.011	0.011
Total Management and Supervisory Board members	40,387	0.124	0.131

Krka share trading January to March 2023



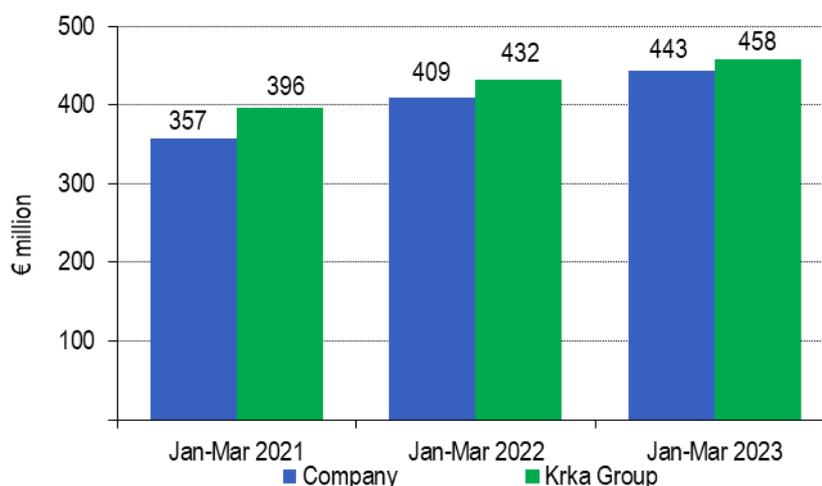
Krka's market capitalisation on the Ljubljana Stock Exchange totalled €3.5 billion as at 31 March 2023. The average daily trading volume in Krka shares amounted to €0.4 million over the reported period. Krka shares have been listed on the Warsaw Stock Exchange since April 2012.

Business Performance

Revenue of the Krka Group

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Revenue from contracts with customers on sales of products and services	456,253	430,648	106
Revenue from contracts with customers on material, and other sales revenue	1,931	1,820	106
Total revenue from contracts with customers	458,184	432,468	106
Other operating income	1,184	1,733	68
Financial income	4,510	8,968	50
Total revenue	463,878	443,169	105

Company and Krka Group Sales by Period



Expenses of the Krka Group

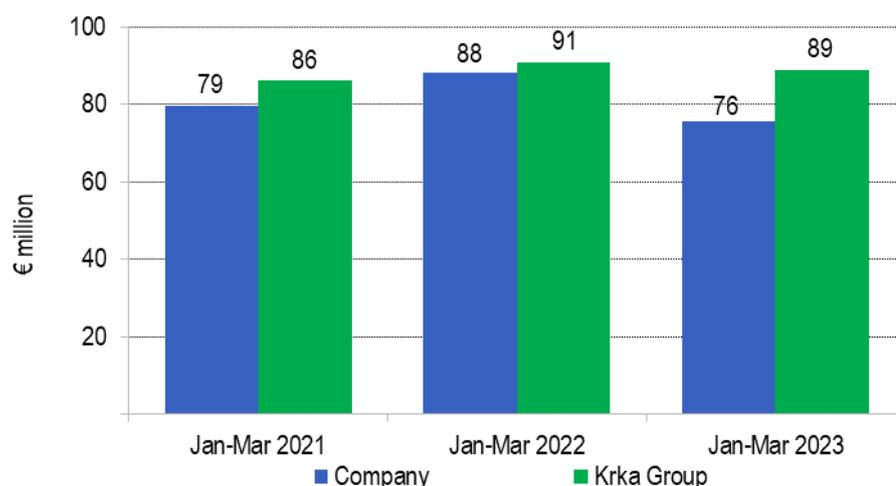
€ thousand	Jan–Mar 2023	Share in revenue (%)	Jan–Mar 2022	Share in revenue (%)	Index
Cost of goods sold	178,589	39.0	182,552	42.2	98
Selling and distribution expenses	88,914	19.4	80,749	18.7	110
R&D expenses	43,914	9.6	41,825	9.7	105
General and administrative expenses	27,857	6.1	21,776	5.0	128
Total operating expenses	339,274	74.1	326,902	75.6	104
Financial expenses	18,084	3.9	10,644	2.5	170
Total expenses	357,358	78.0	337,546	78.1	106

Operating Results of the Krka Group

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
EBITDA	146,192	133,582	109
EBIT	120,094	107,299	112
EBT	106,520	105,623	101
Net profit	89,011	90,716	98

Income tax totalled €17.5 million, up 17% year over year, with the effective tax rate at 16.4%.

Company and Krka Group Net Profit by Period



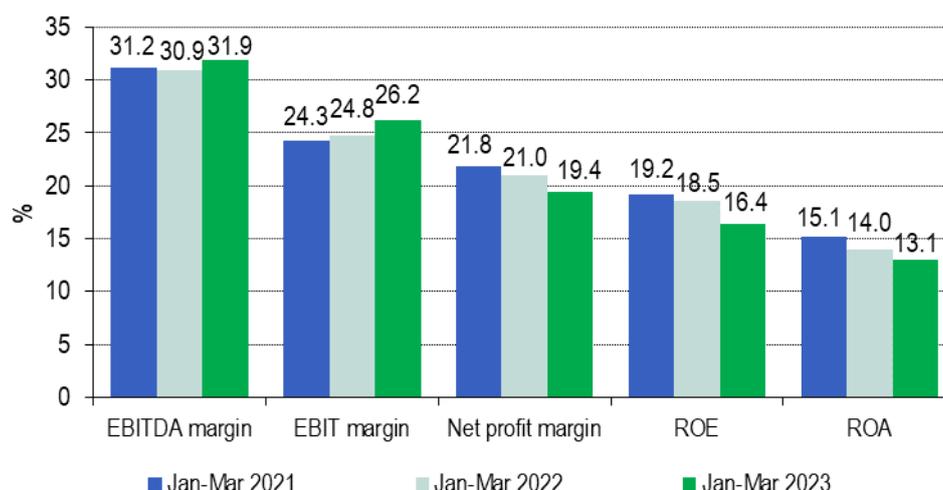
Assets of the Krka Group

€ thousand	Jan-Mar 2023	Share (%)	Jan-Mar 2022	Share (%)	Index
Non-current assets	1,112,660	40.3	1,125,025	41.9	99
Attributable to:					
– Property, plant and equipment	769,869	27.9	779,336	29.0	99
– Intangible assets	101,694	3.7	102,550	3.8	99
Current assets	1,650,104	59.7	1,562,475	58.1	106
Attributable to:					
– Inventories	573,911	20.8	553,332	20.6	104
– Trade receivables and other receivables	501,076	18.1	430,458	16.0	116
Total assets	2,762,764	100.0	2,687,500	100.0	103

Equity and Liabilities of the Krka Group

€ thousand	Jan-Mar 2023	Share (%)	Jan-Mar 2022	Share (%)	Index
Equity	2,209,570	80.0	2,138,509	79.6	103
Non-current liabilities	132,049	4.8	132,130	4.9	100
Attributable to:					
– Provisions for post-employment benefits and other non-current employee benefits	96,235	3.5	95,959	3.6	100
– Provisions for lawsuits	10,583	0.4	10,597	0.4	100
– Other provisions	624	0.0	679	0.0	92
– Total provisions	107,442	3.9	107,235	4.0	100
Current liabilities	421,145	15.2	416,861	15.5	101
– Trade payables	146,280	5.3	140,837	5.2	104
– Contract liabilities	158,932	5.8	157,710	5.9	101
– Other current liabilities	115,933	4.2	118,314	4.4	98
Total equity and liabilities	2,762,764	100.0	2,687,500	100.0	103

Performance Ratios of the Krka Group



All performance indicators are in line with the Krka Group's key strategic objectives.

Marketing and Sales

The Krka Group revenue for the first quarter of 2023 totalled €458.2 million, of which revenue from contracts with customers on sales of products and services totalled €456.3 million. Sales in markets outside Slovenia amounted to €428.2 million, accounting for 94% of total Krka Group sales. Sales volume increased by 1% year over year.

Product and Service Sales by Region

Sales increased in all sales regions and most markets.

Krka Group Product and Service Sales by Region

€ thousand	Jan-Mar 2023	Jan-Mar 2022	Index
Region Slovenia	28,077	23,432	120
– Share of total sales	6.2%	5.4%	
Region South-East Europe	63,526	60,310	105
– Share of total sales	13.9%	14.0%	
Region East Europe	143,493	146,700	98
– Share of total sales	31.4%	34.1%	
Region Central Europe	110,262	99,620	111
– Share of total sales	24.2%	23.1%	
Region West Europe	91,744	84,595	108
– Share of total sales	20.1%	19.7%	
Region Overseas Markets	19,151	15,991	120
– Share of total sales	4.2%	3.7%	
Total	456,253	430,648	106

Region Slovenia

Krka holds a 7.6% share of the Slovenian market in terms of sales value, and is thus the country's leading supplier of pharmaceuticals.

The main sales drivers in Slovenia were promoted products from Krka's key therapeutic classes of cardiovascular agents, central nervous system agents, agents for the gastrointestinal tract, pain relief agents, cough and cold products, and vitamins and minerals.

Our key prescription pharmaceutical brands for the treatment of cardiovascular diseases are Prenessa (perindopril), Prenewel (perindopril/indapamide), Amlessa (perindopril/amlodipine), and Amlewel (perindopril/amlodipine/indapamide). They have consolidated our leading market position and earned us further recognition in the market of antihypertensive agents. We strengthened the leading position of Sorvasta (rosuvastatin), and improved the visibility of the single-pill combination Sorvitimb (rosuvastatin/ezetimibe). The two agents belong to our statin product group. Visibility was also increased for the triple-combination tablets Roxiper (rosuvastatin/perindopril/indapamide) and Roxampex (rosuvastatin/amlodipine/perindopril). As to our pain relief range, we primarily focused on our analgesic Doreta (tramadol/paracetamol), especially its new dosage form, Doreta SR 75 mg/650 mg prolonged-release bilayer tablets, and analgesic Nalgesin Forte (naproxen). Visibility was enhanced for our non-opioid analgesic Algomin (metamizole). Further, two central nervous system agents were promoted actively, our antipsychotic Parnido (paliperidone) and antidepressant Dulsevia (duloxetine). Promotion activities also focused on Lenalidomid Krka (lenalidomide), a newly launched immunomodulator. In addition to Maysiglu (sitagliptin), another dipeptidyl-peptidase 4 (DPP-4) inhibitor was added to our antihyperglycemic product range, the single-pill combination Maymetsi (sitagliptin/metformin), thus further strengthening our diabetes treatment profile. The beginning of the year saw the launch of Vitamin D3 Krka 7,000 IU (cholecalciferol), a once-a-week product. Another new launch included Dasselta Control (desloratadine), a non-prescription antihistamine.

Our best-selling prescription pharmaceuticals were Sorvasta (rosuvastatin), Prenewel (perindopril/indapamide), Nolpaza (pantoprazole), Nalgesin Forte (naproxen), and Prenessa (perindopril). As to non-prescription products, the top sales results were recorded for the antiseptic Septabene (benzylamine/cetylpyridinium chloride), followed by magnesium products Magnezij Krka 300 and Magnezij Krka 400, and the Daleron product group. In the group of animal health products, the best sales results were recorded for the Fypryst brand, Floron (florfenicol), and the anti-worm medication Milprazon (milbemycin/praziquantel).

Region South-East Europe

Krka Group Regional Product Sales by Market

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Romania	17,547	17,889	98
Croatia	11,824	9,949	119
Serbia	8,917	7,659	116
Bulgaria	7,214	7,320	99
North Macedonia	7,077	6,750	105
Bosnia and Herzegovina	6,067	6,029	101
Kosovo	2,602	2,509	104
Albania	1,027	1,016	101
Greece	632	461	137
Montenegro	618	729	85
Total	63,526	60,310	105

Holding a 7.6% market share in terms of sales volume in **Romania**, we are the third ranked supplier of prescription pharmaceuticals to pharmacies in this country. The most important medicines in terms of sales were Atoris (atorvastatin), Co-Prenessa (perindopril/indapamide), Nolpaza (pantoprazole), Doreta (tramadol/paracetamol), Roswera (rosuvastatin), and Dulsevia (duloxetine). Our best-selling non-prescription products were Bilobil (ginkgo leaf extract), Nalgesin (naproxen), and Herbion brand products. In the group of animal health products, the main sales drivers have remained the Fypryst and Milprazon (milbemycin/praziquantel) brand products.

In **Croatia** sales increased for prescription pharmaceuticals and non-prescription products. Among the former, the best results were recorded for Emanera (esomeprazole), Atoris (atorvastatin), Co-Perineva (perindopril/indapamide), Panatus (butamirate), Co-Dalneva (perindopril/amlodipine/indapamide), Helix (alprazolam), Bortezomib Krka (bortezomib) and Valsacombi (valsartan/hydrochlorothiazide). Among the latter, sales leaders included Septolete Duo (benzylamine/cetylpyridinium chloride), Nalgesin (naproxen) and B-complex.

Region East Europe

Krka Group Regional Product Sales by Market

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Russian Federation	87,793	83,557	105
Uzbekistan	12,995	10,783	121
Ukraine	10,697	26,510	40
Belarus	6,751	4,940	137
Kazakhstan	6,323	5,799	109
Moldova	3,815	3,586	106
Mongolia	3,533	3,522	100
Azerbaijan	3,144	2,084	151
Georgia	2,713	2,760	98
Armenia	1,939	1,263	153
Kyrgyzstan	1,564	913	171
Tajikistan	1,156	622	186
Turkmenistan	1,069	362	295
Total	143,493	146,700	98

The best-selling prescription pharmaceuticals in the **Russian Federation** were Co-Perineva (perindopril/indapamide), Lorista H and Lorista HD (losartan/hydrochlorothiazide), Vamloset (valsartan/amlodipine), Valsacor (valsartan), Co-Dalneva (perindopril/amlodipine/indapamide), Roxera (rosuvastatin), Nolpaza (pantoprazole), Lorista (losartan), and Valsacor H with Valsacor HD (valsartan/hydrochlorothiazide). Co-Perineva (perindopril/indapamide) and Atoris (atorvastatin) recorded the highest growth in absolute terms. We successfully launched a prominent cardiovascular agent, Dabixom (dabigatran), and have continued to effectively promote the sales of type 2 diabetes treatments Asiglia (sitagliptin) and Asiglia-Met (sitagliptin/metformin), both launched at the end of last year. According to the latest available data Krka remains the leading provider of prescription pharmaceuticals for the treatment of cardiovascular diseases in the Russian Federation.

Among non-prescription products it was Septolete Total (benzylamine/cetylpyridinium chloride), products sold under the Herbion brand, Bilobil (ginkgo leaf extract) and Nalgesin (naproxen) that stood out the most. Effective promotion activities were also carried out for Flebaven (diosmin/hesperidin). The leading animal health products were Milprazon (milbemycin/praziquantel), Selafort (selamectin) and Enroxil (enrofloxacin).

In the first quarter of 2023, the Krka Rus plant supplied 74% of all Krka products sold in the Russian Federation.

In **Ukraine**, emergency situation and the distributors' inventory management measures caused the pharmaceuticals market to shrink. Nonetheless, according to the most recent available data Krka has remained there the second ranked foreign provider of generic medicines in the pharmacy segment. We estimate that the dynamics of sales will be more intense by the end of first half of the year.

The leading product group were prescription pharmaceuticals, among which the best results were recorded for Nolpaza (pantoprazole), Co-Amlessa (perindopril/amlodipine/indapamide), Roswera (rosuvastatin) and Co-Prenessa (perindopril/indapamide). As to non-prescription products sales were the strongest for the Herbion brand, Septolete Total (benzylamine/cetylpyridinium chloride) and Nalgesin (naproxen), while Selafort (selamectin) and Milprazon (milbemycin/praziquantel) were the best-selling animal health products.

Region Central Europe

Krka Group Regional Product Sales by Market

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Poland	47,643	46,011	104
Czech Republic	17,460	13,508	129
Hungary	15,073	14,310	105
Slovakia	10,865	10,211	106
Lithuania	9,069	8,186	111
Latvia	6,463	4,729	137
Estonia	3,690	2,664	139
Total	110,262	99,620	111

Poland has remained Krka's second largest individual market. According to the latest data, we ranked third among foreign providers of generic medicines in the country.

Prescription pharmaceuticals remained primary contributors to overall sales, most notably Atoris (atorvastatin), Roswera (rosuvastatin), Valsacor (valsartan), Co-Valsacor (valsartan/hydrochlorothiazide), Doreta (tramadol/paracetamol), and Emanera (esomeprazole). Sales increased for recently launched products, particularly Coroswera (rosuvastatin/ezetimibe), for which they doubled, and for Maysiglu (sitagliptin), a product that has made Krka one of the first generics to make it onto the reimbursement list. As to the other prescription pharmaceuticals, Valtricom (valsartan/amlodipine/hydrochlorothiazide), Pragiola (pregabalin) and Asentra (sertraline) also contributed considerably to overall sales. We remained one of the leading suppliers of reimbursed prescription pharmaceuticals for the over 75s.

The leading non-prescription products remain those of the Septolete and Septanazal (xylometazoline/dexpanthenol) brands, while the best-selling animal health products are Floron (florfenicol), Milprazon (milbemycin/praziquantel), Enroxil (enrofloxacin) and the Dehinel brand group.

In the **Czech Republic**, our best-selling product group remained prescription pharmaceuticals, with the leading agents being Atoris (atorvastatin), Lexaurin (bromazepam), Sorvasta (rosuvastatin), Elicea (escitalopram), Doreta (tramadol/paracetamol), Nolpaza (pantoprazole), Kventiax (quetiapine), Tonanda (perindopril/amlodipine/indapamide), Asentra (sertraline) and Tonarssa (perindopril/amlodipine). Good sales results were also recorded for Prenewel (perindopril/indapamide) and Valsacombi (valsartan/hydrochlorothiazide). The leading non-prescription products were those in the Septolete brand range, and Nalgesin S (naproxen).

The majority of sales in **Hungary** was generated in prescription pharmaceuticals, particularly Co-Prenessa (perindopril/indapamide), Roxera (rosuvastatin), Emozul (esomeprazole), Co-Dalnessa (perindopril/amlodipine/indapamide), Valsacor (valsartan), Co-Valsacor (valsartan/hydrochlorothiazide), Atoris (atorvastatin), Zyllt (clopidogrel) and Tamloset (telmisartan/amlodipine). The best sales results in the group of non-prescription products were recorded for Septolete Extra (benzylamine/cetylpyridinium chloride), and the Herbion and Bilobil (ginkgo leaf extract) brand groups. The leading animal health products were those of the Fypryst brand, and Milprazon (milbemycin/praziquantel).

Sales in **Slovakia** were driven mainly by Nolpaza (pantoprazole), Atoris (atorvastatin), Co-Prenessa (perindopril/indapamide), Co-Amlessa (perindopril/amlodipine/indapamide), Prenessa (perindopril) and Amlessa (perindopril/amlodipine) in the group of prescription pharmaceuticals. The leading non-prescription products were those of the Septolete brand, Nalgesin S (naproxen), Flebaven (diosmin), and Nolpaza (pantoprazole).

Region West Europe

Krka Group Regional Product Sales by Market

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Germany	23,394	23,187	101
Scandinavia	15,718	14,712	107
France	9,704	8,507	114
Italy	8,754	7,715	113
Portugal	8,703	6,323	138
Spain	6,089	5,909	103
Benelux	5,501	4,771	115
UK	4,209	4,386	96
Ireland	3,560	2,918	122
Austria	2,763	2,464	112
Other European countries	3,349	3,703	90
Total	91,744	84,595	108

Sales via subsidiaries in this region totalled €70.4 million, a 6% increase year-on-year.

The best-selling product group was prescription pharmaceuticals, among which the leading agents included esomeprazole, pantoprazole, valsartan and candesartan. Krka has remained one of the leading sartan providers in western European markets.

The main sales drivers among products for companion animals were milbemycin/praziquantel combination wormers and fipronil products. High demand agents for farm animals included flubendazole and toltrazuril. As to our non-prescription products, sales were driven by the Septolete brand and products containing paracetamol.

In **Germany**, traditionally Krka's most important regional market, our products in high demand were cardiovascular agents, medicines for the alimentary tract and metabolism, and agents for the central nervous system. In the second half of 2022 we had successfully launched a gliptin product range for treating diabetes, and according to the most recent available data, Krka has managed to become the leading generic supplier of this agent to the market. The best sales results were recorded for our medicinal products with pantoprazole, candesartan, ramipril and valsartan.

Region Overseas Markets

Krka Group Regional Product Sales by Market

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Far East and Africa	8,928	4,059	220
Middle East	7,755	7,099	109
China	1,959	4,505	43
Americas	509	327	155
Total	19,151	15,991	120

Sales by Product and Service Group

Sales by Product and Service Group

4	Jan–Mar 2023	Jan–Mar 2022	Index
Prescription pharmaceuticals	370,309	353,099	105
– Share of total sales	81.2%	82.0%	
Non-prescription products	47,148	47,243	100
– Share of total sales	10.3%	11.0%	
Animal health products	28,402	21,930	130
– Share of total sales	6.2%	5.1%	
Health resort and tourist services	10,394	8,376	124
– Share of total sales	2.3%	1.9%	
Total	456,253	430,648	106

Prescription Pharmaceuticals

Sales increased in Region Overseas Markets (up 41%), Region Slovenia (up 13%), Region Central Europe (up 8%), and Region West Europe and South-East Europe (up 6% in both), while in Region East Europe they decreased (by 3%).

As to Krka's three largest markets, sales were up in the Russian Federation (by 5%) and Poland (by 1%), while going down in Germany (by 3%). Among the other major markets, sales growth was the highest in Uzbekistan (27%), the Czech Republic (24%), Serbia (17%), Croatia (16%), Slovenia (13%), and Italy (12%).

The top ten prescription pharmaceuticals in terms of sales were product groups containing perindopril (Prenessa*, Co-Prenessa*, Amlessa*, Co-Amlessa*, Roxiper*, Roxampex*), valsartan (Valsacor, Valsacombi*, Vamloset*, Co-Vamloset*, Valarox*), pantoprazole (Nolpaza*), rosuvastatin (Roswera*, Co-Roswera*), losartan (Lorista*, Lorista H*, Lorista HD*, Tenloris*), atorvastatin (Atoris), esomeprazole (Emanera*), tramadol (Doreta*, Tadol*), telmisartan (Tolura*, Tolucombi*, Telassmo*), and candesartan (Karbisi*, Karbicombi*, Kandoset*).

The chief sales growth drivers were product groups containing pantoprazole, esomeprazole and rosuvastatin, and the sitagliptin product group which had been initially launched in September 2022.

In the first quarter of 2023 we launched brand new perindopril arginine-based anti-hypertensive products. Medications containing this new perindopril salt are a brand new feature in our product range:

- Prenessa Neo* (perindopril arginine) was launched in the Czech Republic, Slovakia, Ireland, Romania, France and Scandinavia;
- Co-Prenessaneo* (perindopril arginine/indapamide) was launched in Romania;
- Amlessa Neo* (perindopril arginine/amlodipine) was launched in Slovakia, the Czech Republic, Ireland, Portugal, France and the Benelux.

Non-Prescription Products

The sales of non-prescription products increased year-over-year in Region West Europe (by 61%), Region Central Europe (by 46%), Region Slovenia (by 29%) and Region South-East Europe (by 7%). In Region East Europe and Region Overseas Markets sales were down (by 14 and 81%, respectively).

The leading products in terms of sales during the three months to March 2023 were Septolete*, Herbion*, Nalgesin* (naproxen), Septanazal and Bilobil brand products. Sales growth was driven chiefly by the Septolete* and Septanazal brands.

Animal Health Products

Sales increased in Region East Europe (by 66%), Region Central Europe (by 25%), Region Slovenia (by 19%) and Region West Europe (by 14%), while decreasing in Region South-East Europe (by 4%).

Sales growth was chiefly driven by the best-selling products, particularly Milprazon* (milbemycin/praziquantel), Fypryst (fipronil)* and Selehold* (selamectin); the Milprazon product range has recently been expanded with a new form, i.e. chewable tablets, while the sales of Selehold have more than doubled.

* Products with an asterisk are those that we market under different brand names in individual markets.

Health Resort and Tourist Services

There were 74,541 overnight stays in the reported period, up 16% year-over-year. The most were recorded in the Terme Šmarješke Toplice resort (25,228), which is where the growth rate was the highest (23%). Domestic guests were prevalent, with the number of overnights by foreigners up 58%. Foreign guests predominantly included Italians, Croatians and the Dutch.

Research and Development

In the first quarter of 2023, we obtained marketing authorisations for 3 new products:

We finalised 74 marketing authorisation procedures in different markets, obtaining approvals for 68 prescription pharmaceuticals, 3 non-prescription products and food supplements, and 3 animal health products.

To ensure a continual supply and competitive edge for our established products we had filed marketing authorisation documents for over 7,000 variations in 2023. More than 5,000 have already been approved.

Prescription Pharmaceuticals

In 2023, we expanded the range of Krka products in China with new marketing authorisations. A marketing authorisation was obtained for a **perindopril tert-butylamine** cardiovascular agent. Perindopril is one of the most widely researched ACE inhibitors in terms of clinical trials, and is therefore the drug of choice in treating hypertension, heart failure and coronary heart disease.

Krka also obtained its first marketing authorisation for an antidiabetic in the Chinese market, after regulators approved our **gliclazide** agent for marketing. Gliclazide, which was approved in the form of modified release tablets, effectively reduces blood glucose levels in diabetes 2 patients.

For a new synthesis process for **norfloxacin** we obtained a Certificate of Suitability to the monograph of the European Pharmacopoeia (CEP) issued by the European Directorate for the Quality of Medicines & Health Care (EDQM). Norfloxacin is a fluoroquinolone antibiotic and thus a drug of choice for treating urinary tract infection, prostatitis and gastrointestinal infections. The active ingredient is incorporated into Krka Nolicin film-coated tablets.

Marketing opportunities were expanded in the countries of the European Union for products from established and new therapeutic classes. Additional approvals were obtained for cardiovascular agents **amlodipine** (in the form of tablets), **losartan** and the combination **losartan/hydrochlorothiazide** (both in the form of film coated tablets).

We obtained additional marketing authorisations for **sitagliptin** and the combination **sitagliptin/metformin**, both in the form of film-coated tablets, which are used to treat diabetes. As to medications for the central nervous system, we were granted approvals for **lacosamide** film-coated tablets, an epilepsy treatment. New marketing approvals were granted via the decentralised procedure for **Vitamin D3 Krka** (cholecalciferol) 7,000 IU tablets.

In the overseas markets we expanded our range of cardiovascular agents after launching **Elernap** (enalapril/lercanidipine) film-coated tablets, **Vasitimb** (ezetimibe/simvastatin) tablets and **Amlessa** (perindopril/amlodipine) tablets. As to analgesics, we obtained marketing authorisation for **Aclexa** (celecoxib) hard capsules.

Approvals were also granted for **Roswera** (rosuvastatin) film-coated tablets and **Nolpaza** (pantoprazole) gastro-resistant tablets.

We obtained a new marketing authorisation for the modern antithrombotic agent **Rivaroxia** (rivaroxaban) in the form of film-coated tablets, in one of our eastern Europe markets. Marketing approvals were also granted for **Roxatenz-Inda** (perindopril/indapamide/rosuvastatin) film-coated tablets.

In the markets of south-eastern Europe we obtained additional marketing authorisations for our high profile combination product **Co-Roswera** (rosuvastatin/ezetimibe) in the form of film-coated tablets, used to treat resistant hyperlipidemias.

Non-Prescription Products

In the first quarter of 2023 we expanded marketing authorisations for our key product brands in new markets.

An additional marketing approval was granted for the nasal decongestant **Septanazal** (xylometazoline/dexpanthenol). The **Herbion** Iceland Moss syrup was approved for marketing in the overseas markets.

Animal Health Products

The first quarter of 2023 saw Krka expand animal health products for companion animals on new markets. We obtained marketing authorisations for **Cladaxxa** (amoxicillin/clavulanic acid) chewable tablets in three strengths, a single-pill combination used to treat bacterial infections of the skin, gums, respiratory tract, urinary tract, and intestines in cats and dogs.

Investments

In the first quarter of 2023 the Krka Group allocated €21.8 million to investments, of which the controlling company invested €18.1 million.

We have completed the €2.5 million investment in the Šentjernej, Slovenia Beta plant. It included an upgrade of the systems and equipment, and an increase of the production capacity for the preparation of dry granules. The investment has contributed to our decreasing water-soluble organic solvent emissions.

Development and Control Centres have undergone a €1.8 million refurbishment, now completed. The result is additional laboratory space and safe conditions for manipulating highly active ingredients.

The ongoing investment in the Notol plant is renovating the washing room, and replacing and upgrading packaging lines. The first four packaging lines have been installed and are already in use.

Another investment is ongoing in the Solid Dosage Form Products plant in Novo mesto, Slovenia. Additional capacities are being set up for compression mixture preparation and granulation in the tablet compression process, and logistic capacities. The works are interdependent and have thus been separated into stages, to be completed by the end of 2023.

In our Bršljin Powder and Liquid Products plant (Novo mesto, Slovenia) we are installing a new filling line to double the tube filling capacity.

In Novo mesto, Slovenia, construction works have also continued for a new multi-purpose building called Paviljon 3. It will house an extension for our microbiology laboratory and additional rooms for several organisational units.

In the production and distribution centre in Jastrebarsko, Croatia we are installing a new secondary packaging line, which will increase production capacities for solid forms of animal health products by one quarter. Other facilities and systems are also subject to ongoing upgrades.

New facilities for API development and production are planned in Krško, Slovenia. This is to be one of Krka's largest future projects. Based on project documentation and an environmental impact assessment we have obtained the integral building permit for the Sinteza 2 plant and laboratories for chemical analyses. The environmental permit has been granted, and construction works are scheduled to start after the permit becomes final. The investment estimated at €163 million pursues our strategy of vertical integration, whereby our products are made in-house from development to production.

Employees

At the end of March 2023 the Krka Group employed 11,692 staff, of whom 45% or 5,287 worked outside Slovenia. Of all Krka Group employees, 51% have at least university-level qualifications; of that, 203 hold a doctoral degree.

Including agency workers the Krka Group employs a 12,619-strong team.

Employees by Education

	31 Mar 2023		31 Dec 2022	
	Number of employees	Share (%)	Number of employees	Share (%)
PhD	203	1.7	200	1.7
Master of Science	403	3.4	389	3.4
University degree	5,388	46.1	5,355	46.2
Higher professional education	1,811	15.5	1,793	15.5
Vocational college education	306	2.6	306	2.6
Secondary school education	2,646	22.7	2,604	22.4
Other	935	8.0	951	8.2
Total	11,692	100.0	11,598	100.0

We provide for continuous recruitment of talented employees by awarding scholarships. At the end of March 2023, we listed 75 scholarship holders, primarily pharmacy and chemistry students. We also grant scholarships to exceptional students from other fields of interest to Krka. Our staff development and succession planning system ensures that the majority of our human resource needs for key professionals and managers are filled by existing Krka Group employees.

We invest in the 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, 327 employees were enrolled in part-time graduate studies co-funded by Krka, 47 of them in postgraduate studies.

Krka is also included in the national vocational qualification (NVQ) system. Between 2002 and the end of March 2023, we awarded 1,812 NVQ certificates to Krka employees for four vocational qualifications. At the end of March, 179 Krka employees were included in the process of obtaining a national vocational qualification.

CONDENSED FINANCIAL STATEMENTS OF THE KRKA GROUP WITH NOTES

Consolidated Statement of Financial Position of the Krka Group

€ thousand	31 Mar 2023	31 Dec 2022	Index
Assets			
Property, plant and equipment	769,869	779,336	99
Intangible assets	101,694	102,550	99
Loans	77,478	77,539	100
Investments	111,357	110,770	101
Deferred tax assets	51,194	53,770	95
Other non-current assets	1,068	1,060	101
Total non-current assets	1,112,660	1,125,025	99
Assets held for sale	41	41	100
Inventories	573,911	553,332	104
Contract assets	699	946	74
Trade receivables	461,267	402,730	115
Other receivables	39,809	27,728	144
Loans	6,719	6,327	106
Investments	51,744	52,437	99
Cash and cash equivalents	515,914	518,934	99
Total current assets	1,650,104	1,562,475	106
Total assets	2,762,764	2,687,500	103
Equity			
Share capital	54,732	54,732	100
Treasury shares	-127,953	-124,566	103
Reserves	181,342	192,204	94
Retained earnings	2,081,875	1,996,246	104
Total equity holders of the controlling company	2,189,996	2,118,616	103
Non-controlling interests within equity	19,574	19,893	98
Total equity	2,209,570	2,138,509	103
Liabilities			
Provisions	107,442	107,235	100
Deferred revenue	5,913	6,048	98
Lease liabilities	7,958	8,089	98
Deferred tax liabilities	10,736	10,758	100
Total non-current liabilities	132,049	132,130	100
Trade payables	146,280	140,837	104
Lease liabilities	3,517	3,752	94
Income tax payable	30,340	28,194	108
Contract liabilities	158,932	157,710	101
Other current liabilities	82,076	86,368	95
Total current liabilities	421,145	416,861	101
Total liabilities	553,194	548,991	101
Total equity and liabilities	2,762,764	2,687,500	103

Consolidated Income Statement of the Krka Group

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Revenue	458,184	432,468	106
– Revenue from contracts with customers	456,409	431,544	106
– Other revenue	1,775	924	192
Cost of goods sold	-178,589	-182,552	98
Gross profit	279,595	249,916	112
Other operating income	1,184	1,733	68
Selling and distribution expenses	-88,914	-80,749	110
– Of that net impairments and write-offs of receivables	-1,321	1,563	
R&D expenses	-43,914	-41,825	105
General and administrative expenses	-27,857	-21,776	128
Operating profit	120,094	107,299	112
Financial income	4,510	8,968	50
Financial expenses	-18,084	-10,644	170
Net financial result	-13,574	-1,676	810
Profit before tax	106,520	105,623	101
Income tax	-17,509	-14,907	117
Net profit	89,011	90,716	98
Attributable to:			
– Equity holders of the controlling company	89,016	90,394	98
– Non-controlling interests	-5	322	
Basic earnings per share* (€)	2.87	2.91	99
Diluted earnings per share** (€)	2.87	2.91	99

* Net profit/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 2023	Jan–Mar 2022	Index
Net profit	89,011	90,716	98
Other comprehensive income for the period			
Other comprehensive income for the period reclassified to profit or loss at a future date			
Translation reserve	-16,892	-12,984	130
Net other comprehensive income for the period reclassified to profit or loss at a future date	-16,892	-12,984	130
Other comprehensive income for the period that will not be reclassified to profit or loss at a future date			
Change in fair value of financial assets	2,875	1,070	269
Restatement of post-employment benefits	0	-4	0
Deferred tax effect	-546	-203	269
Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date	2,329	863	270
Total other comprehensive income for the period (net of tax)	-14,563	-12,121	120
Total comprehensive income for the period (net of tax)	74,448	78,595	95
Attributable to:			
– Equity holders of the controlling company	74,767	77,848	96
– Non-controlling interests	-319	747	

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 31 Jan 2023	54,732	-124,566	124,566	105,897	14,990	30,000	2,670	-85,919	1,442,702	200,273	353,271	2,118,616	19,893	2,138,509
Net profit	0	0	0	0	0	0	0	0	0	0	89,016	89,016	-5	89,011
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	2,329	-16,578	0	0	0	-14,249	-314	-14,563
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	2,329	-16,578	0	0	89,016	74,767	-319	74,448
Transactions with owners, recognised in equity														
Transfer of previous period's profits to retained earnings	0	0	0	0	0	0	0	0	0	353,271	-353,271	0	0	0
Repurchase of treasury shares	0	-3,387	0	0	0	0	0	0	0	0	0	-3,387	0	-3,387
Formation of reserves for treasury shares	0	0	3,387	0	0	0	0	0	0	0	-3,387	0	0	0
Total transactions with owners, recognised in equity	0	-3,387	3,387	0	0	0	0	0	0	353,271	-356,658	-3,387	0	-3,387
At 31 Mar 2023	54,732	-127,953	127,953	105,897	14,990	30,000	4,999	-102,497	1,442,702	553,544	85,629	2,189,996	19,574	2,209,570

€ 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 2022	54,732	-114,541	114,541	105,897	14,990	30,000	-22,077	-98,274	1,370,902	155,083	293,952	1,905,205	13,880	1,919,085
Net profit	0	0	0	0	0	0	0	0	0	0	90,394	90,394	322	90,716
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	863	-13,409	0	0	0	-12,546	425	-12,121
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	863	-13,409	0	0	90,394	77,848	747	78,595
Transactions with owners, recognised in equity														
Transfer of previous period's profits to retained earnings	0	0	0	0	0	0	0	0	0	293,952	-293,952	0	0	0
Repurchase of treasury shares	0	-2,516	0	0	0	0	0	0	0	0	0	-2,516	0	-2,516
Formation of reserves for treasury shares	0	0	2,516	0	0	0	0	0	0	0	-2,516	0	0	0
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	3,281	3,281
Total transactions with owners, recognised in equity	0	-2,516	2,516	0	0	0	0	0	0	293,952	-296,468	-2,516	3,281	765
At 31 Mar 2022	54,732	-117,057	117,057	105,897	14,990	30,000	-21,214	-111,683	1,370,902	449,035	87,878	1,980,537	17,908	1,998,445

Consolidated Statement of Cash Flows of the Krka Group

€ thousand	Jan–Mar 2023	Jan–Mar 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	89,011	90,716
Adjustments for:	36,102	23,767
– Amortisation/Depreciation	26,098	26,283
– Net foreign exchange differences	-8,942	-14,549
– Inventory write-offs and allowances (net)	2,763	2,775
– Receivable impairments and write-offs (net)	-1,321	1,563
– Investment income	-5,254	-9,206
– Investment expenses	1,699	1,402
– Financial income	0	-10
– Interest expense and other financial expenses	3,550	602
– Income tax	17,509	14,907
Operating profit before changes in net current assets	125,113	114,483
Change in trade receivables	-68,260	-19,151
Change in inventories	-23,342	-16,563
Change in trade payables	13,416	14,716
Change in provisions	-648	123
Change in deferred revenue	-135	-207
Change in other current liabilities	-4,292	2,433
Income tax paid	-15,279	-13,008
Net cash from operating activities	26,573	82,826
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,682	354
Proceeds from sale of property, plant and equipment	343	412
Purchase of property, plant and equipment	-27,195	-17,245
Purchase of intangible assets	-1,410	-1,572
Proceeds from non-current loans	1,025	0
Payments for non-current loans	-995	-36,196
Net payments for current loans	-297	-20,087
Proceeds from sale of non-current investments	1,249	1,130
Payments for non-current investments	-17	-29,772
Proceeds from sale of current investments	0	52,062
Proceeds from derivatives	662	8,170
Net cash from investing activities	-22,953	-42,744
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-2,677	-212
Lease liabilities paid	-1,055	-991
Dividends and other profit shares paid	0	-19
Repurchase of treasury shares	-3,387	-2,516
Proceeds from payment of non-controlling interests	0	3,281
Net cash from financing activities	-7,119	-457
Net decrease/increase in cash and cash equivalents	-3,499	39,625
Cash and cash equivalents at beginning of period	518,934	159,838
Effect of foreign exchange rate fluctuations on cash held	479	6,122
Closing balance of cash and cash equivalents	515,914	205,585

Segment Reporting of the Krka Group

€ thousand	European Union		South-East Europe		East Europe		Total segment reporting		Other		Eliminations		Total	
	Jan-Mar 2023	Jan-Mar 2022	Jan-Mar 2023	Jan-Mar 2022	Jan-Mar 2023	Jan-Mar 2022	Jan-Mar 2023	Jan-Mar 2022	Jan-Mar 2023	Jan-Mar 2022	Jan-Mar 2023	Jan-Mar 2022	Jan-Mar 2023	Jan-Mar 2022
Revenue from sales to non-group customers	261,428	236,061	26,311	24,694	143,532	146,723	431,271	407,478	26,913	24,990			458,184	432,468
Revenue from sales to intra-group customers	107,849	93,492	15,486	14,681	169,499	142,672	292,834	250,845	7,477	7,961	-300,311	-258,806	0	0
Total revenue	369,277	329,553	41,797	39,375	313,031	289,395	724,105	658,323	34,390	32,951	-300,311	-258,806	458,184	432,468
Other operating income	1,028	848	4	0	152	169	1,184	1,017	0	716			1,184	1,733
Operating expenses	-219,375	-189,632	-16,204	-15,028	-84,150	-105,687	-319,729	-310,347	-19,545	-16,555			-339,274	-326,902
Intra-group operating expenses, including elimination of profits	-107,849	-93,492	-15,486	-14,681	-169,499	-142,672	-292,834	-250,845	-7,477	-7,961	300,311	258,806	0	0
Operating profit	43,081	47,277	10,111	9,666	59,534	41,205	112,726	98,148	7,368	9,151	0	0	120,094	107,299
Interest income	2,992	244	0	1	400	175	3,392	420	456	138			3,848	558
Interest income from Group companies	640	142	0	0	0	0	640	142	0	0	-640	-142	0	0
Interest expense	-45	-358	-3	-3	-26	-28	-74	-389	-1	-2			-75	-391
Interest expense to Group companies	-640	-142	0	0	0	0	-640	-142	0	0	640	142	0	0
Net financial result	1,208	-759	-221	43	-13,010	-3,369	-12,023	-4,085	-1,551	2,409			-13,574	-1,676
Income tax	-6,521	-5,737	-1,323	-1,359	-8,959	-7,422	-16,803	-14,518	-706	-389			-17,509	-14,907
Net profit	37,768	40,781	8,567	8,350	37,565	30,414	83,900	79,545	5,111	11,171	0	0	89,011	90,716
Investments	20,157	17,659	883	126	752	4,865	21,792	22,650	51	59			21,843	22,709
Depreciation of property, plant and equipment	17,002	17,311	511	481	5,202	5,200	22,715	22,992	718	674			23,433	23,666
Depreciation of right-of-use assets	748	683	27	27	150	151	925	861	19	15			944	876
Amortisation	1,057	1,041	79	85	514	539	1,650	1,665	71	76			1,721	1,741
	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
Total assets	2,138,842	2,069,151	67,409	64,802	464,488	463,008	2,670,739	2,596,961	92,025	90,539		0	2,762,764	2,687,500
Non-current assets exclusive of deferred tax assets	921,191	922,872	6,022	5,357	91,407	99,916	1,018,620	1,028,145	42,846	43,110		0	1,061,466	1,071,255
Total liabilities	380,018	360,495	15,206	15,854	109,707	129,136	504,931	505,485	48,263	43,506		0	553,194	548,991

Notes to Consolidated Financial Statements of the Krka Group

Costs by nature

€339,274 thousand

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Cost of goods and materials	123,334	126,843	97
Cost of services	66,833	62,694	107
Employee benefits	127,020	111,558	114
Amortisation and depreciation	26,098	26,283	99
Inventory write-offs and allowances (net)	2,763	2,775	100
Receivable impairments and write-offs (net)	-1,321	1,563	
Other operating expenses	10,423	7,989	130
Total costs	355,150	339,705	105
Change in the value of inventories of finished products and work in progress	-15,876	-12,803	124
Total	339,274	326,902	104

Employee benefits

€127,020 thousand

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Gross wages and salaries and continued pay	98,414	85,764	115
Social security contributions	7,518	7,016	107
Pension insurance contributions	13,381	11,362	118
Payroll tax	174	170	102
Post-employment benefits and other non-current employee benefits	1,243	1,812	69
Other employee benefits	6,290	5,434	116
Total employee benefits	127,020	111,558	114

Other operating expenses

€10,423 thousand

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Grants and assistance for humanitarian and other purposes	426	381	112
Environmental protection expenditures	1,605	1,491	108
Other taxes and levies	6,470	4,464	145
Loss on sale and write-offs of property, plant and equipment and intangible assets	553	426	130
Other operating expenses	1,369	1,227	112
Total other operating expenses	10,423	7,989	130

Other taxes and levies include various taxes and levies on pharmaceuticals, and fees paid for promotional activities pursued by associates in individual countries other than Slovenia.

Financial income and expenses

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Interest income	3,848	558	690
Derivatives income	662	8,170	8
– Realised revenue	662	8,170	8
Other financial income	0	240	0
Total financial income	4,510	8,968	50
Net foreign exchange differences	-13,338	-8,870	150
Interest expense	-75	-391	19
– Interest paid	-1	-319	0
– Interest expense on lease liabilities	-74	-72	103
Derivatives expenses	-1,196	-894	134
– Fair value change	-1,196	-894	134
Other financial expenses	-3,475	-489	711
Total financial expenses	-18,084	-10,644	170
Net financial result	-13,574	-1,676	810

Income tax

€17,509 thousand

Current income tax amounted to €16,621 thousand, which is 15.6% of profit before tax. Taking into account €888 thousand of deferred tax, the tax expensed in the income statement totals €17,509 thousand. The effective tax rate was 16.4%.

Property, plant and equipment

€769,869 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Land	40,672	40,721	100
Buildings	347,266	356,784	97
Equipment	281,360	294,308	96
Property, plant and equipment being acquired	89,457	76,139	117
Right-of-use assets	11,114	11,384	98
Total property, plant and equipment	769,869	779,336	99

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

Intangible assets

€101,694 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Goodwill	42,644	42,644	100
Trademark	33,829	34,047	99
Concessions, trademarks and licences	13,908	14,685	95
Other intangible assets	7,976	7,468	107
– Long-term deferred operating costs	640	715	90
– Development-related projects	5,289	5,738	92
– Emission coupons	2,047	1,015	202
Intangible assets being acquired	3,337	3,706	90
Total intangible assets	101,694	102,550	99

Loans

€84,197 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Non-current loans	77,478	77,539	100
– Loans to others	47,478	47,539	100
– Deposits granted to banks	30,000	30,000	100
Current loans	6,719	6,327	106
– Portion of non-current loans maturing next year	4,501	4,559	99
– Loans to others	13	23	57
– Deposits granted to banks	3	2	150
– Current interest receivables	2,202	1,743	126
Total loans	84,197	83,866	100

Investments

€163,101 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Non-current investments	111,357	110,770	101
– Investments at fair value through OCI (equity instruments)	18,864	15,989	118
– Investments at amortised cost (debt instruments)	92,493	94,781	98
Current investments including derivatives	51,744	52,437	99
– Investments at amortised cost (debt instruments)	50,733	50,697	100
– Derivatives	1,011	1,740	58
Total investments	163,101	163,207	100

Investments at fair value through OCI include €940 thousand of shares and interests in companies in Slovenia, and €17,924 thousand of shares and interests in companies outside Slovenia.

Investments at amortised cost include €6,260 thousand of investments in Slovenian government bonds, and €136,967 thousand of investments in foreign government bonds.

Inventories

€573,911 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Material	226,985	230,094	99
Work in progress	133,715	125,925	106
Finished products	184,783	169,510	109
Merchandise	8,263	8,297	100
Advances for inventories	20,165	19,506	103
Total inventories	573,911	553,332	104

Trade and other receivables

€501,076 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Current trade receivables	461,267	402,730	115
– Trade receivables	463,488	405,226	114
– Deferred revenue from contracts with customers	-2,221	-2,496	89
Other current receivables	39,809	27,728	144
Total trade and other receivables	501,076	430,458	116

Cash and cash equivalents

€515,914 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Cash in hand	36	64	56
Bank balances	515,878	518,870	99
Total cash and cash equivalents	515,914	518,934	99

Equity

€2,209,570 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Share capital	54,732	54,732	100
Treasury shares	-127,953	-124,566	103
Reserves	181,342	192,204	94
– Reserves for treasury shares	127,953	124,566	103
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	4,999	2,670	187
– Translation reserve	-102,497	-85,919	119
Retained earnings	2,081,875	1,996,246	104
Total equity holders of the controlling company	2,189,996	2,118,616	103
Non-controlling interests within equity	19,574	19,893	98
Total equity	2,209,570	2,138,509	103

Trade payables

€146,280 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Current trade payables	146,280	140,837	104
Payables to domestic suppliers	65,536	55,799	117
Payables to foreign suppliers	80,744	85,038	95
Total trade payables	146,280	140,837	104

Provisions

€107,442 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Provisions for lawsuits	10,583	10,597	100
Provisions for post-employment benefits	79,694	79,750	100
Provisions for other non-current employee benefits	16,541	16,209	102
Other provisions	624	679	92
Total provisions	107,442	107,235	100

Deferred revenue

€5,913 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Grants received from the European Regional Development Fund and budget of the Republic of Slovenia intended for the production of pharmaceuticals in the new Notol 2 plant	803	843	95
Grants received from the budget for the Dolenjske and Šmarješke Toplice health resort and Golf Grad Otočec	3,210	3,231	99
Grants received from the European Regional Development Fund (Farma GRS)	1,783	1,855	96
Subsidy for acquisition of electric drive vehicles	3	2	150
Property, plant and equipment received free of charge	11	13	85
Emission coupons	10	10	100
Subsidy for purchase of joinery	91	92	99
Subsidy for acquisition of other equipment	2	2	100
Total deferred revenue	5,913	6,048	98

Current contract liabilities

€158,932 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Refund liabilities	150,444	146,853	102
– Bonuses and volume rebates	149,274	145,924	102
– Rights of return	1,170	929	126
Contract liabilities	8,488	10,857	78
– Deferred revenue	1,328	1,290	103
– Advances from other customers	7,160	9,567	75
Total current contract liabilities	158,932	157,710	101

Other current liabilities

€82,076 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Payables to employees – gross salaries, other receipts and charges	71,174	69,812	102
Other	10,902	16,556	66
Total other current liabilities	82,076	86,368	95

Contingent liabilities

€19,359 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Guarantees issued	17,578	17,291	102
Other	1,781	1,935	92
Total contingent liabilities	19,359	19,226	101

Fair value

€ thousand	31 Mar 2023		31 Dec 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial assets				
Loans	77,478		77,539	
Investments at fair value through OCI	18,864	18,864	15,989	15,989
Investments at amortised cost	92,493		94,781	
Current financial assets				
Loans	6,719		6,327	
Investments at amortised cost	50,733		50,697	
Derivatives	1,011	1,011	1,740	1,740
Trade receivables	461,267		402,730	
Cash and cash equivalents	515,914		518,934	
Non-current financial liabilities				
Lease liabilities	-7,958		-8,089	
Current financial liabilities				
Lease liabilities	-3,517		-3,752	
Trade payables excluding advances	-146,280		-140,837	
Contract liabilities excluding advances	-149,274		-145,924	
Other liabilities excluding amounts owed to the state, to employees, and advances	-12,719		-7,478	
Total	904,731	19,875	862,657	17,729

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 observable market data;
- Level 3 – Assets the value of which cannot be determined using market data.

Assets at fair value

€ thousand	31 Mar 2023				31 Dec 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Investments at fair value through OCI	17,477	0	1,387	18,864	14,602	0	1,387	15,989
Derivatives	0	0	1,011	1,011	0	0	1,740	1,740
Total assets at fair value	17,477	0	2,398	19,875	14,602	0	3,127	17,729

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

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

€ thousand	31 Mar 2023	31 Dec 2022	Index
Assets			
Property, plant and equipment	564,989	566,780	100
Intangible assets	24,425	24,960	98
Investments in subsidiaries	355,773	355,763	100
Loans	55,873	56,013	100
Investments	111,356	110,769	101
Deferred tax assets	7,967	8,666	92
Other non-current assets	645	643	100
Total non-current assets	1,121,028	1,123,594	100
Assets held for sale	41	41	100
Inventories	499,474	492,978	101
Trade receivables	422,968	357,889	118
Other receivables	26,206	12,639	207
Loans	5,194	6,669	78
Investments	51,744	52,437	99
Cash and cash equivalents	481,789	470,297	102
Total current assets	1,487,416	1,392,950	107
Total assets	2,608,444	2,516,544	104
Equity			
Share capital	54,732	54,732	100
Treasury shares	-127,953	-124,566	103
Reserves	285,476	279,760	102
Retained earnings	1,923,058	1,850,866	104
Total equity	2,135,313	2,060,792	104
Liabilities			
Provisions	96,975	96,608	100
Deferred revenue	2,703	2,816	96
Lease liabilities	2,710	2,909	93
Total non-current liabilities	102,388	102,333	100
Trade payables	204,060	194,143	105
Borrowings	62,642	53,524	117
Lease liabilities	967	1,033	94
Income tax payable	29,146	25,660	114
Contract liabilities	17,936	21,687	83
Other current liabilities	55,992	57,372	98
Total current liabilities	370,743	353,419	105
Total liabilities	473,131	455,752	104
Total equity and liabilities	2,608,444	2,516,544	104

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

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Revenue	443,241	408,840	108
– Revenue from contracts with customers	440,197	406,989	108
– Other revenue	3,044	1,851	164
Cost of goods sold	-195,835	-174,225	112
Gross profit	247,406	234,615	105
Other operating income	265	363	73
Selling and distribution expenses	-76,441	-70,752	108
– Of that net impairments and write-offs of receivables	-1,387	1,602	
R&D expenses	-42,851	-41,758	103
General and administrative expenses	-24,193	-18,446	131
Operating profit	104,186	104,022	100
Financial income	3,727	8,701	43
Financial expenses	-18,438	-9,830	188
Net financial result	-14,711	-1,129	1,303
Profit before tax	89,475	102,893	87
Income tax	-13,896	-14,662	95
Net profit	75,579	88,231	86
Basic earnings per share* (€)	2.44	2.84	86
Diluted earnings per share** (€)	2.44	2.84	86

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

** All shares issued by the 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 2023	Jan–Mar 2022	Index
Net profit	75,579	88,231	86
Other comprehensive income for the period			
Other comprehensive income for the period that will not be reclassified to profit or loss at a future date			
Change in fair value of financial assets	2,875	1,070	269
Deferred tax effect	-546	-203	269
Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date	2,329	867	269
Total other comprehensive income for the period (net of tax)	2,329	867	269
Total comprehensive income for the period (net of tax)	77,908	89,098	87

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
At 31 Jan 2023	54,732	-124,566	124,566	105,897	14,990	30,000	4,307	1,442,702	69,974	338,190	2,060,792
Net profit	0	0	0	0	0	0	0	0	0	75,579	75,579
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	2,329	0	0	0	2,329
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	2,329	0	0	75,579	77,908
Transactions with owners, recognised in equity											
Transfer of previous period's profits to retained earnings	0	0	0	0	0	0	0	0	338,190	-338,190	0
Repurchase of treasury shares	0	-3,387	0	0	0	0	0	0	0	0	-3,387
Formation of reserves for treasury shares	0	0	3,387	0	0	0	0	0	0	-3,387	0
Total transactions with owners, recognised in equity	0	-3,387	3,387	0	0	0	0	0	338,190	-341,577	-3,387
At 31 Mar 2023	54,732	-127,953	127,953	105,897	14,990	30,000	6,636	1,442,702	408,164	72,192	2,135,313

€ 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	
At 1 Jan 2022	54,732	-114,541	114,541	105,897	14,990	30,000	-19,004	1,370,902	88,671	229,954	1,876,142
Net profit	0	0	0	0	0	0	0	0	0	88,231	88,231
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	867	0	0	0	867
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	867	0	0	88,231	89,098
Transactions with owners, recognised in equity											
Transfer of previous period's profits to retained earnings	0	0	0	0	0	0	0	0	229,954	-229,954	0
Repurchase of treasury shares	0	-2,516	0	0	0	0	0	0	0	0	-2,516
Formation of reserves for treasury shares	0	0	2,516	0	0	0	0	0	0	-2,516	0
Total transactions with owners, recognised in equity	0	-2,516	2,516	0	0	0	0	0	229,954	-232,470	-2,516
At 31 Mar 2022	54,732	-117,057	117,057	105,897	14,990	30,000	-18,137	1,370,902	318,625	85,715	1,962,724

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

€ thousand	Jan–Mar 2023	Jan–Mar 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	75,579	88,231
Adjustments for:	33,175	24,555
– Amortisation/Depreciation	19,894	20,452
– Net foreign exchange differences	1,036	-7,736
– Inventory write-offs and allowances (net)	878	2,323
– Receivable impairments and write-offs (net)	-1,387	1,602
– Investment income	-4,261	-8,740
– Investment expenses	1,679	1,398
– Financial income	-1	0
– Interest expense and other financial expenses	1,441	594
– Income tax	13,896	14,662
Operating profit before changes in net current assets	108,754	112,786
Change in trade receivables	-77,253	-35,844
Change in inventories	-7,376	-6,741
Change in trade payables	12,234	1,536
Change in provisions	-487	693
Change in deferred revenue	-113	-183
Change in other current liabilities	-1,379	-8,861
Income tax paid	-10,257	-9,874
Net cash from operating activities	24,123	53,512
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,859	93
Proceeds from sale of property, plant and equipment	83	176
Purchase of property, plant and equipment	-22,732	-10,593
Purchase of intangible assets	-1,373	-1,524
Acquisition of subsidiaries and non-controlling interest net of cash acquired	-9	-5,028
Proceeds from non-current loans	2,104	563
Payments for non-current loans	-323	-30,348
Net payments for current loans	-62	-19,735
Proceeds from sale of non-current investments	1,244	1,128
Payments for non-current investments	-5	-29,767
Proceeds from sale of current investments	0	52,055
Proceeds from derivatives	662	8,170
Net cash from investing activities	-17,552	-34,810
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-575	-256
Net proceeds from current loans	9,068	15,937
Lease liabilities paid	-296	-289
Dividends and other profit shares paid	0	-19
Repurchase of treasury shares	-3,387	-2,516
Net cash flow from financing activities	4,810	12,857
Net increase in cash and cash equivalents	11,381	31,559
Cash and cash equivalents at beginning of period	470,297	144,981
Effect of foreign exchange rate fluctuations on cash held	111	6,068
Closing balance of cash and cash equivalents	481,789	182,608

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

Costs by nature

€339,320 thousand

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Cost of goods and materials	143,867	123,232	117
Cost of services	87,974	82,347	107
Employee benefits	88,221	76,589	115
Amortisation and depreciation	19,894	20,452	97
Inventory write-offs and allowances (net)	878	2,323	38
Receivable impairments and write-offs (net)	-1,387	1,602	
Other operating expenses	7,653	5,766	133
Total costs	347,100	312,311	111
Change in the value of inventories of finished products and work in progress	-7,780	-7,130	109
Total	339,320	305,181	111

Employee benefits

€88,221 thousand

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Gross wages and salaries and continued pay	68,360	58,698	116
Social security contributions	5,523	4,608	120
Pension insurance contributions	8,250	7,344	112
Post-employment benefits and other non-current employee benefits	1,116	1,653	68
Other employee benefits	4,972	4,286	116
Total employee benefits	88,221	76,589	115

Other operating expenses

€7,653 thousand

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Grants and assistance for humanitarian and other purposes	368	339	109
Environmental protection expenditures	1,187	1,128	105
Other taxes and levies	4,621	3,024	153
Loss on sale and write-offs of property, plant and equipment and intangible assets	535	421	127
Other operating expenses	942	854	110
Total other operating expenses	7,653	5,766	133

Other taxes and levies include various taxes and levies on pharmaceuticals, and fees paid for promotional activities pursued by associates in individual countries other than Slovenia.

Financial income and expenses

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Interest income	3,065	301	1,018
Derivatives income	662	8,170	8
– Realised revenue	662	8,170	8
Other financial income	0	230	0
Total financial income	3,727	8,701	43
Net foreign exchange differences	-15,800	-8,064	196
Interest expense	-555	-412	135
– Interest paid	-539	-399	135
– Interest expense on lease liabilities	-16	-13	123
Derivatives expenses	-1,196	-894	134
– Fair value change	-1,196	-894	134
Other financial expenses	-887	-460	193
Total financial expenses	-18,438	-9,830	188
Net financial result	-14,711	-1,129	1,303

Income tax

€13,896 thousand

Current income tax amounted to €13,744 thousand, which is 15.4% of profit before tax. Taking into account €152 thousand of deferred tax, the tax expensed in the income statement totals €13,896 thousand. The effective tax rate was 15.5%.

Property, plant and equipment

€564,989 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Land	28,010	28,010	100
Buildings	238,977	243,918	98
Equipment	229,400	238,871	96
Property, plant and equipment being acquired	49,679	37,256	133
Advances for property, plant and equipment	15,280	14,851	103
Right-of-use assets	3,643	3,874	94
Total property, plant and equipment	564,989	566,780	100

The value of property, plant and equipment accounted for 22% of the Krka balance sheet total. See the 'Investments' section in the business report for details on Krka's major investments.

Intangible assets

€24,425 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Concessions, trademarks and licences	13,545	14,334	94
Other intangible assets	7,577	7,007	108
– Long-term deferred operating costs	265	282	94
– Development-related projects	5,265	5,710	92
– Emission coupons	2,047	1,015	202
Intangible assets being acquired	3,303	3,619	91
Total intangible assets	24,425	24,960	98

Intangible assets refer to software and registration documents for new pharmaceuticals.

Loans

€61,067 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Non-current loans	55,873	56,013	100
– Loans to subsidiaries	14,100	14,100	100
– Loans to others	11,773	11,913	99
– Deposits granted to banks	30,000	30,000	100
Current loans	5,194	6,669	78
– Portion of non-current loans maturing next year	3,501	5,140	68
– Loans to subsidiaries	959	888	108
– Loans to others	13	23	57
– Current interest receivables	721	618	117
Total loans	61,067	62,682	97

Investments

€163,100 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Non-current investments	111,356	110,769	101
– Investments at fair value through OCI (equity instruments)	18,863	15,988	118
– Investments at amortised cost (debt instruments)	92,493	94,781	98
Current investments including derivatives	51,744	52,437	99
– Investments at amortised cost (debt instruments)	50,733	50,697	100
– Derivatives	1,011	1,740	58
Total investments	163,100	163,206	100

Investments at fair value through OCI include €939 thousand of shares and interests in companies in Slovenia, and €17,924 thousand of shares and interests in companies outside Slovenia.

Investments at amortised cost include €6,260 thousand of investments in Slovenian government bonds, and €136,967 thousand of investments in foreign government bonds.

Inventories

€499,474 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Material	212,880	215,961	99
Work in progress	124,804	122,864	102
Finished products	127,488	122,144	104
Merchandise	14,378	12,711	113
Advances for inventories	19,924	19,298	103
Total inventories	499,474	492,978	101

Trade and other receivables

€449,174 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Current trade receivables	422,968	357,889	118
– Receivables due from subsidiaries	231,384	196,166	118
– Receivables due from customers other than Group companies	197,018	164,208	120
– Deferred revenue from contracts with customers	-5,434	-2,485	219
Current receivables for dividends	171	171	100
Other current receivables	26,035	12,468	209
Total trade and other receivables	449,174	370,528	121

Cash and cash equivalents

€481,789 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Bank balances	481,789	470,297	102
Total cash and cash equivalents	481,789	470,297	102

Equity

€2,135,313 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Share capital	54,732	54,732	100
Treasury shares	-127,953	-124,566	103
Reserves	285,476	279,760	102
– Reserves for treasury shares	127,953	124,566	103
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	6,636	4,307	154
Retained earnings	1,923,058	1,850,866	104
Total equity	2,135,313	2,060,792	104

Trade payables

€204,060 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Current trade payables	204,060	194,143	105
Payables to subsidiaries	88,991	87,559	102
Payables to domestic suppliers	61,563	52,271	118
Payables to foreign suppliers	53,506	54,313	99
Total trade payables	204,060	194,143	105

Provisions

€96,975 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Provisions for lawsuits	10,543	10,543	100
Provisions for post-employment benefits	70,970	70,898	100
Provisions for other non-current employee benefits	15,462	15,167	102
Total provisions	96,975	96,608	100

Deferred revenue

€2,703 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Grants received from the European Regional Development Fund and budget of the Republic of Slovenia intended for the production of pharmaceuticals in the new Notol 2 plant	803	843	95
Subsidy for acquisition of electric drive vehicles	3	2	150
Property, plant and equipment received free of charge	11	12	92
Emission coupons	10	10	100
Subsidy for purchase of joinery	91	92	99
Subsidy for acquisition of other equipment	2	2	100
Grants received from the European Regional Development Fund (Farma GRS)	1,783	1,855	96
Total deferred revenue	2,703	2,816	96

Borrowings

€62,642 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Current borrowings	62,642	53,524	117
– Borrowings from subsidiaries	62,442	53,375	117
– Current interest payable	200	149	134
Total borrowings	62,642	53,524	117

Current contract liabilities

€17,936 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Refund liabilities	11,498	13,094	88
– Bonuses and volume rebates	11,498	13,094	88
Contract liabilities	6,438	8,593	75
– Advances from other customers	6,438	8,593	75
Total current contract liabilities	17,936	21,687	83

Other current liabilities

€55,992 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Payables to employees – gross salaries, other receipts and charges	53,611	55,304	97
Other	2,381	2,068	115
Total other current liabilities	55,992	57,372	98

Contingent liabilities

€16,987 thousand

€ thousand	31 Mar 2023	31 Dec 2022	Index
Guarantees issued	15,206	15,195	100
Other	1,781	1,935	92
Total contingent liabilities	16,987	17,130	99

Fair value

€ thousand	31 Mar 2023		31 Dec 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial assets				
Loans	55,873		56,013	
Investments at fair value through OCI	18,863	18,863	15,988	15,988
Investments at amortised cost	92,493		94,781	
Current financial assets				
Loans	5,194		6,669	
Investments at amortised cost	50,733		50,697	
Derivatives	1,011	1,011	1,740	1,740
Trade receivables	422,968		357,889	
Cash and cash equivalents	481,789		470,297	
Non-current financial liabilities				
Lease liabilities	-2,710		-2,909	
Current financial liabilities				
Borrowings	-62,642		-53,524	
Lease liabilities	-967		-1,033	
Trade payables excluding advances	-204,060		-194,143	
Contract liabilities excluding advances	-11,498		-13,094	
Other liabilities excluding amounts owed to the state, to employees, and advances	-1,700		-1,328	
Total	845,347	19,874	788,043	17,728

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 observable market data;
- Level 3 – Assets the value of which cannot be determined using market data.

Assets at fair value

€ thousand	31 Mar 2023				31 Dec 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Investments at fair value through OCI	17,477	0	1,386	18,863	14,602	0	1,386	15,988
Derivatives	0	0	1,011	1,011	0	0	1,740	1,740
Total assets at fair value	17,477	0	2,397	19,874	14,602	0	3,126	17,728

STATEMENT OF COMPLIANCE

The Management Board of Krka, d. d., Novo mesto hereby states that the condensed financial statements of Krka d. d. and the condensed consolidated financial statements of the Krka Group for the period ended 31 March 2023 have been prepared so as to provide a true and fair view of the financial position and operating results of the Krka Group and Krka d. d. The condensed statements for the first quarter of 2023 have been prepared using the same accounting policies as for the 2022 annual financial statements of the Krka Group and Krka d. d.

The condensed financial statements for the period ended 31 March 2023 have been prepared pursuant to *IAS 34 – Interim Financial Reporting* and have to be read in conjunction with the annual financial statements prepared for the financial year ended 31 December 2022.

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

The Management Board states that all transactions between 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 other related parties.

Novo mesto, 8 May 2023



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