



# Unaudited Interim Report of the Krka Group and Krka, d. d. for the Period from January to September 2019

Novo mesto, November 2019



*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 (the Company) for the periods January–September 2019 and 2018 are unaudited, while the financial statements for the full 2018 business year are audited. Krka, d. d., Novo mesto has no authorised capital and has not made any conditional share capital increase.

The Company 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 November 2019, the Supervisory Board of the Company discussed the unaudited report of the Krka Group and the Company for the period January–September 2019.

## Business Performance Highlights January–September 2019

- The Krka Group sold €1,087.6 million worth of products and services, of which product sales accounted for just over 97%.
- Compared to the same period last year, Krka Group sales of products and services increased by €118.7 million or 12%.
- The Group generated 94% of product and service sales outside Slovenia. The proportion of export in product sales was 96%.
- Region East Europe recorded the highest absolute and relative sales growth, i.e. €52.1 million and 18% respectively.
- Accounting for a 31.2% share of total sales, the largest sales region of Krka was Region East Europe.
- The Krka Group generated operating profit in total of €191.6 million, up 17% compared to the same period last year. EBITDA amounted to €274.2 million, an 11% year-on-year increase.
- The Krka Group recorded net profit totalling €171.9 million or 42% more than in the same period last year.
- As at 30 September 2019, the Krka share traded at €62.40 on the Ljubljana Stock Exchange, an 8.0% increase compared to the 2018 year-end. Market capitalisation of the Company amounted to €2.0 billion.
- The Krka Group allocated €81.1 million to investments, of that €66.3 million to the controlling company.
- At the end of September 2019, the Krka Group had 11,481 regularly employed persons on payroll. Together with agency workers, the Krka Group had a total of 12,625 persons on payroll or 143 more than at the end of 2018.

## Financial Highlights

€ thousand	Krka Group		Company	
	Jan–Sept 2019	Jan–Sept 2018	Jan–Sept 2019	Jan–Sept 2018
Revenue	1,090,721	971,570	1,005,081	917,395
Operating profit (EBIT) <sup>1</sup>	191,580	163,821	186,363	154,136
EBITDA	274,233	246,434	247,380	216,071
Net profit	171,930	120,761	174,830	119,894
R&D expenses	110,839	95,144	113,850	99,928
Investments	81,143	65,959	66,338	51,956

€ thousand	30 Sept 2019	31 Dec 2018	30 Sept 2019	31 Dec 2018
Non-current assets	1,042,790	1,010,811	1,075,835	1,038,616
Current assets	1,087,073	974,258	971,178	877,449
Equity	1,614,316	1,540,270	1,613,028	1,552,300
Non-current liabilities	153,600	123,058	104,903	89,912
Current liabilities	361,947	321,741	329,082	273,853

RATIOS	Jan–Sept 2019	Jan–Sept 2018	Jan–Sept 2019	Jan–Sept 2018
EBIT margin	17.6%	16.9%	18.5%	16.8%
EBITDA margin	25.1%	25.4%	24.6%	23.6%
Net profit margin (ROS)	15.8%	12.4%	17.4%	13.1%
Return on equity (ROE) <sup>2</sup>	14.5%	10.8%	14.7%	10.6%
Return on assets (ROA) <sup>3</sup>	11.1%	8.4%	11.8%	8.7%
Liabilities/Equity	0.319	0.277	0.269	0.224
R&D expenses/Revenue	10.2%	9.8%	11.3%	10.9%

NUMBER OF EMPLOYEES	30 Sept 2019	31 Dec 2018	30 Sept 2019	31 Dec 2018
Balance as at	11,481	11,390	5,701	5,496

SHARE INFORMATION	Jan–Sept 2019	Jan–Sept 2018
Total number of shares issued	32,793,448	32,793,448
Earnings per share (EPS) in € <sup>4</sup>	7.33	5.03
Closing price at the end of the period in € <sup>5</sup>	62.40	55.00
Price/Earnings ratio (P/E)	8.51	10.93
Book value in € <sup>6</sup>	49.23	45.67
Price/Book value (P/B)	1.27	1.20
Market capitalisation in € thousand (end of period)	2,046,311	1,803,640

<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 assets in the period

<sup>4</sup> Net profit attributable to equity holders of the Krka Group, 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 (Krka, d. d., Krka, or the Company).

**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.

## Krka Group 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: Ningbo Krka Menovo Pharmaceutical Co. Ltd., where Krka holds a 60% and the Chinese partner, Ningbo Menovo Pharmaceutical Co. Ltd., a 40% stake; 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 Krka Belgium, SA, where Krka has a 95% stake and the subsidiary Krka France Eurl holds the remaining 5%.

In 2019, we established a subsidiary KRKA HELLAS E.P.E. in Athens, Greece, with share capital of €10,000, which is solely owned by the controlling company.

The Group is engaged in the development, production, marketing, and sales of human health products (prescription pharmaceuticals and non-prescription products), animal health products, and health resort and tourist services.

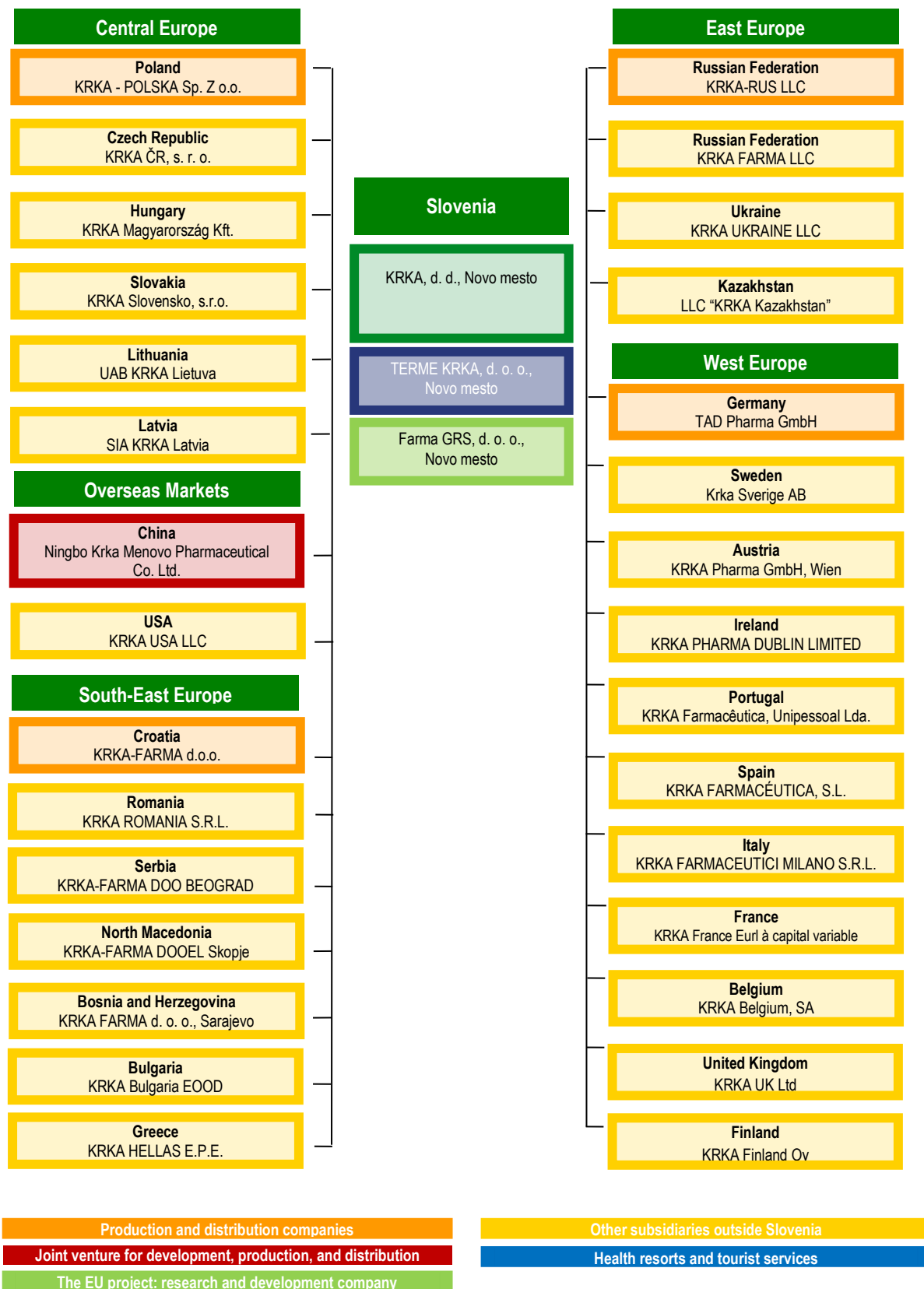
Production takes place in the controlling company in Slovenia and in Krka subsidiaries in the Russian

Federation, Poland, Croatia, Germany, and China. In addition to production, these subsidiaries, apart from Krka-Rus in the Russian Federation, 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 also the majority 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 in terms of energy, environment, and business operations. Farma GRS is the sole owner of six micro companies: GRS TEHFARMA, d. o. o., GRS VIZFARMA, d. o. o., GRS PREK FARMA, d. o. o., GRS EKO FARMA, d. o. o., GRS TREN FARMA, d. o. o., and GRS VRED FARMA, d. o. o.

## Organisation Chart



## Development Strategy

The Krka Group updates its development strategy every two years. In November 2019, the Management Board of Krka adopted the 2020–2024 development strategy for the Krka Group 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 performance criteria are

monitored by the Management Board, while criteria at the levels of product and service groups and business functions are monitored by the 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 the highest standards of product quality, efficiency, and safety.
- 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 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 target markets as the first generic pharmaceutical company.
- 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 markets, central Asian markets and Chinese market.
- To maximise sales potential in all sales regions (Slovenia, South-East Europe, East Europe, Central Europe, West Europe, Overseas Markets).
- To focus especially on key markets (the Russian Federation, 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 strengthen the pharmaceutical and chemical sectors and increase the range of medicines in the key therapeutic areas of prescription pharmaceuticals (medicines for the treatment of cardiovascular diseases, the alimentary tract, the central nervous system, and for pain relief) as well as in other therapeutic areas (medicines for the treatment of diabetes, medicines for antiaggregant therapy, oncology medicines, and medicines for the treatment of diseases of the urinary tract) while entering new therapeutic areas. We will introduce innovative products in key therapeutic areas (innovative combinations of two or three active ingredients, new strengths, pharmaceutical forms, and delivery systems).
- To strengthen the range of non-prescription products and animal health products, primarily products for companion animals, in selected therapeutic areas.

- To allocate R&D expenses up to 10% of annual revenue.
- To enter the area of developing similar biological medicines and complex peptides through partnerships.
- To further develop health resorts and tourist services, and seek strategic partners outside the Krka Group.
- To strengthen vertical integration from product development to manufacture.
- To ensure a permanent supply of incoming materials and optimise purchasing with the aim 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 strengthen all types of connections with external institutions and companies in the field of development and other fields.
- To seek opportunities for acquisition of pharmaceutical companies, business acquisitions, and various types of long-term partnerships (including joint ventures) in selected markets with the primary objective of attaining new products and thus entering new therapeutic areas and/or markets.
- 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 dividend payout each year, and to allocate at least 50% of net profit of major shareholders for dividends.
- To strengthen professional and cost synergies within the Krka Group and maximise utilisation of competitive advantages in 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 increase work efficiency through digitalisation of processes and information.
- To maintain our economic, social, and environmental responsibilities to environment in which we operate.
- To enhance the visibility and positive image of the Krka Group.
- To ensure corporate integrity, transparency, and corporate compliance.

### 2019 Performance Estimate of the Krka Group

- Annual sales of products and services are estimated at €1,430 million.
- The 2019 sales growth estimate is more than 7% above the 2018 figure.
- Sales outside Slovenia are expected to account for 94%.
- Region East Europe is expected to be the largest sales region. The Russian Federation is expected to remain the largest individual market. Region Central Europe with Poland as the second largest individual market of the Krka Group is expected to record second strongest sales. The third largest region in terms of sales is expected to be Region West Europe with third largest individual market – Germany. Regions South-East Europe, Slovenia, and Overseas Markets are expected to follow.
- Prescription pharmaceuticals are expected to remain the most important product group, comprising 83% of total sales.
- Net profit is estimated at just over €200 million
- In 2019, we plan to allocate €114 million to investments in our own development, production, and infrastructure facilities. The figure is below the initial plan due to technical and commercial optimisation. All planned investments will be completed.
- At the end of 2019, the Krka Group is expected to have more than 12,000 regular employees in total, half of them abroad.



## BUSINESS REPORT

### Financial Risks

#### Foreign Exchange Risk

The Krka Group operates in diverse international environments and is exposed to foreign exchange risks in certain sales and purchase markets. Currency exposure arises from the difference in value of assets and liabilities in a particular currency in the financial position statement of the Group and from the differences between operating income and expenses generated in individual currencies.

With regard to currency risk management, elimination of foreign currency exposure by natural hedging remains the key policy of the Krka Group. To a limited extent, we also use derivative financial instruments. In 2019, we have continued our policy of partial hedging against the Russian rouble-related risk.

From January to September, currency markets were impacted by gradually deteriorating global economic growth outlook as well as Brexit, global trade disputes, and rapidly changing oil prices.

At the beginning of the year, the rouble value increased strongly due to a reduced risk of additional economic sanctions against the Russian Federation. Over the following months, high interest rates in the Russian Federation, accompanied by faster-than-expected inflation decrease, positively

affected the rouble. The value of the rouble and other currencies of developing countries remains dependent also on activities of the world's main central banks, which have been implementing expansionary monetary measures lately.

With a recently somewhat decreased short-term impact on the rouble value compared to previous periods, the oil price has been additionally affected by geopolitical factors. Over the first three quarters of 2019, the Brent oil price in the US dollars rose by approximately 10%.

From the beginning of January until the end of September 2019, the value of the Russian rouble expressed in euros increased by 12.7%, while the average value of the rouble increased by 0.5% compared to the same period last year.

In the first nine months, we recorded no particularities in currency exposure of the Krka Group to other currencies.

Taking into account net foreign exchange differences, gains and losses relating to derivative financial instruments and interest rates, as well as other financial income and expenses, net financial result was positive and totalled €9.96 million in the period January–September 2019.

#### Interest Rate Risk

In the first nine months of 2019, the Krka Group was not exposed to changes in reference interest rates, because the Group had no non-current borrowings.

#### Credit Risk

The key credit risk of the Krka Group relates to receivables due from end customers; this is the risk that customers might fail to settle their liabilities by maturity dates.

The Krka Group has introduced a centralised credit control process for all customers to whom Krka sells products and services exceeding €100,000 annually. At the end of the period, there were more

than 400 customers of that kind, accounting for over 90% of trade receivables.

The Krka Group distributes receivables between many customers and sales markets, and the majority of outstanding receivables are due from customers with whom Krka has been doing business for years, so the value of receivable write-offs and impairments was low.

Our credit risk management policy remained unchanged in the first nine months of 2019. We especially closely monitored and adequately insured trade receivables from customers in the markets with less favourable macroeconomic environment and markets in which we detected increased risks relating to distribution of medicines.

At the end of the third quarter, more than 60% of trade receivables were insured with a credit insurance company, and only a small portion of trade receivables was insured with banking instruments.

### Liquidity risk

In the first nine months of 2019, risks related to liquidity of the Krka Group were managed by effective short-term cash flow planning. Short-term liquidity was ensured through a stable cash flow; the daily, rolling weekly, monthly, and long-term planning; and monitoring of cash inflows and

The trend of gradual decrease in trade receivables and an improved receivables turnover ratio continued in the third quarter of 2019 as well.

At the end of the third quarter, total value of trade receivables in euros decreased compared to the beginning of the year, which was primarily due to the annual sales dynamics.

The maturity structure of receivables remained stable. The percentage of overdue receivables over total trade receivables continued to be low.

outflows. We optimised cash balances in subsidiary bank accounts.

Liquidity risk was estimated as low. All our liabilities in the period were settled regularly and on time.

### Property, Liability and Business Interruption Insurance

In the first nine months of this year, no changes were made in relation to the Krka Group insurance policies. No important damages to property or damages arising from liability insurance were reported in the period. The extent of the property insured increased, but the fire insurance premium grew slower than the property value as a result of successful negotiations and insurance optimisation. In 2019, Krka insured cyber risks for the first time and is one of the first large companies in Slovenia

to have such insurance. In September, an insurance inspection was carried out at Krka with the intention of risk assessment in terms of security and exposure of information technologies for insurance purposes. Cyber insurance covers various types of damages, such as: direct financial costs arising from blackmailing, damages on the communication and information system, data losses and potential fines, and damages as a result of business interruption.

### Investor and Share Information

In the first nine months of 2019, the price of Krka share on the Ljubljana Stock Exchange rose by 8%. In this period, the proportion of treasury shares increased the most, stakes of legal entities and funds remained unchanged, while the holdings of

international investors and Slovenian natural persons slightly decreased. At the end of September 2019, Krka had a total of 49,136 shareholders.

## Shareholder structure (%)

	30 Sept 2019	31 Dec 2018
Individual Slovenian investors	38.8	39.2
Slovenski državni holding (Slovenian Sovereign Holding) and the Republic of Slovenia	16.2	16.2
Kapitalska družba (Pension Fund Management) and Prvi pokojninski sklad (First Pension Fund)	11.0	11.0
Slovenian legal entities and funds	7.7	7.7
International investors	22.9	23.2
Treasury shares	3.4	2.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

In the first three quarters of 2019, Krka acquired 209,991 treasury shares. As at 30 September 2019,

Krka held 1,103,438 treasury shares, accounting for 3.365% of share capital.

## Ten largest shareholders of Krka as at 30 September 2019

	Country	Number of shares	Equity share (%)	Share of voting rights (%)
Kapitalska družba, d. d.	Slovenia	3,493,030	10.65	11.02
Slovenski državni holding, d. d.	Slovenia	2,949,876	9.00	9.31
Republic of Slovenia	Slovenia	2,366,016	7.21	7.47
OTP banka d.d.*	Croatia	1,539,995	4.70	4.86
Addiko Bank d.d.*	Croatia	1,196,138	3.65	3.77
Clearstream Banking SA*	Luxembourg	597,569	1.82	1.89
UniCedit Bank Austria AG*	Austria	593,360	1.81	1.87
KDPW – fiduciary account	Poland	450,776	1.37	1.42
Luka Koper d. d.	Slovenia	433,970	1.32	1.37
Zavarovalnica Triglav, d. d.	Slovenia	388,300	1.18	1.23
<b>Total</b>		<b>14,009,030</b>	<b>42.72</b>	<b>44.21</b>

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

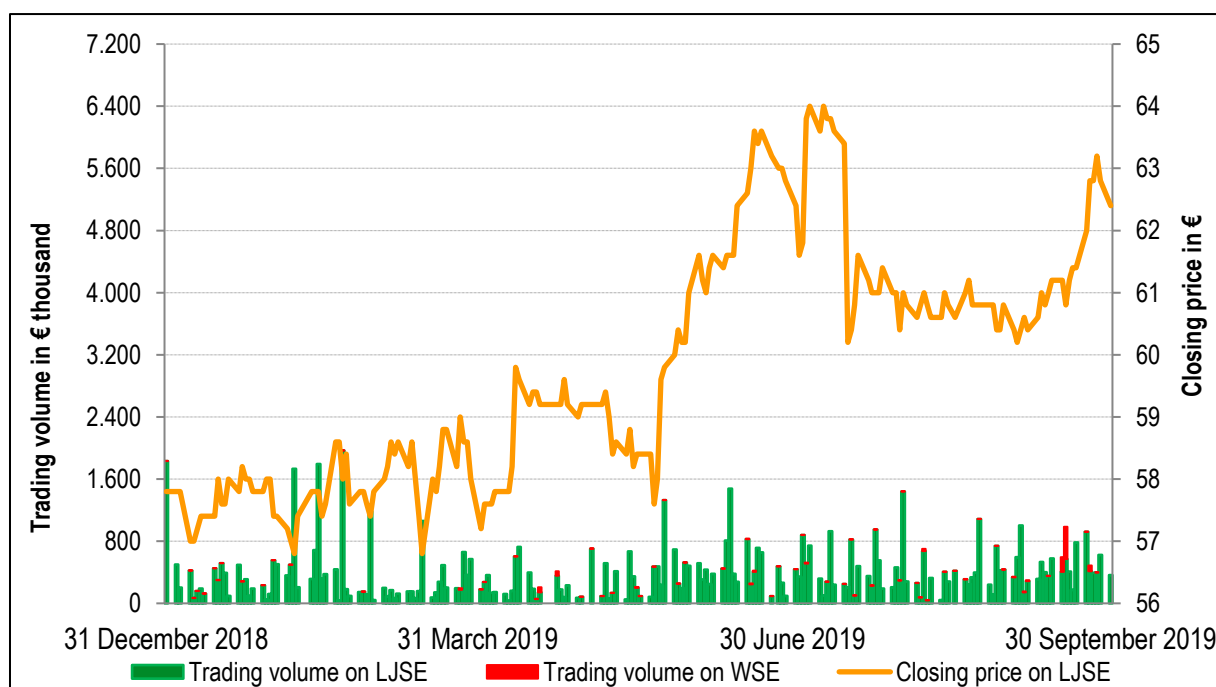
As at 30 September 2019, ten largest shareholders of Krka held 14,009,030 shares or 42.72% of total shares issued.

As at 30 September 2019, members of the Krka Management and Supervisory Boards held a total of 39,787 Krka shares or 0.12% of total shares issued.

## Proportion in equity and voting rights of the Krka Management and Supervisory Board members as at 30 September 2019

	Number of shares	Equity share (%)	Share of voting rights (%)
<b>Members of the Management Board</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 Members of the Management Board</b>	<b>37,040</b>	<b>0.113</b>	<b>0.117</b>
<b>Members of the Supervisory Board</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 Members of the Supervisory Board</b>	<b>2,747</b>	<b>0.009</b>	<b>0.009</b>

## Share trading January–September 2019



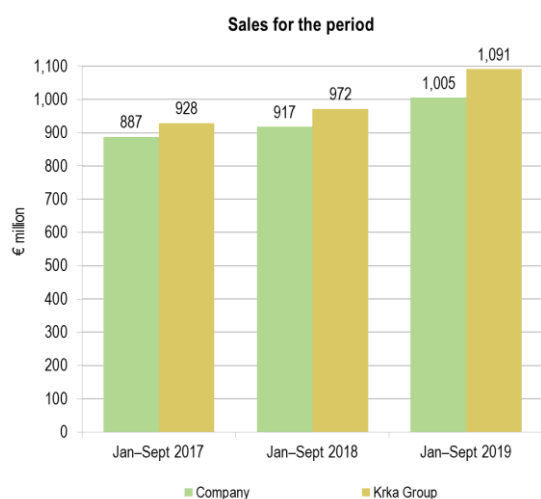
In the first nine months of the year, Krka share price on the Ljubljana Stock Exchange peaked at the beginning of July, when it traded at €64.00, and reached its low at the beginning of February, when it amounted to €56.80. On 30 September 2019, Krka shares traded at €62.40 per share.

On the same date, the market capitalisation of Krka on the Ljubljana Stock Exchange amounted to €2.0 billion. In that period, the average daily trading volume of Krka shares reached €0.4 million. Since April 2012, Krka shares have been listed on the Warsaw Stock Exchange as well.

## Business Performance

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

### Revenue



The Krka Group sales generated €1,090.7 million, of which revenue from contracts with customers on sales of products and services amounted to €1,087.6 million. Revenue from contracts with customers on sales of materials and other sales revenue constituted the difference. Sales increased by €119.2 million and were 12% higher than in the same period last year.

Other operating income amounted to €8.2 million, while financial income totalled €21.9 million. The Krka Group generated total revenue of €1,120.8 million, up 14% compared to 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'.

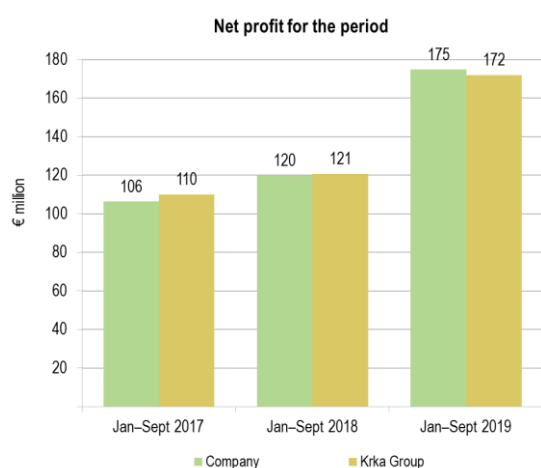
### Expenses

Total expenses of the Krka Group amounted to €919.3 million, up 9% compared to the same period last year.

The Group incurred operating expenses in total of €907.3 million or 11% more than in the first nine months of 2018. They comprised €474.6 million costs of goods sold, €261.4 million selling and distribution expenses, €110.8 million R&D expenses, and €60.5 million general and administrative expenses.

Year-on-year, the Krka Group recorded a 13% increase in costs of goods sold, accounting for 43.5% of revenue. Selling and distribution expenses increased by 7% and accounted for 24.0% of revenue. R&D expenses were recognised as expenses for the period in full as the Group does not capitalise them. They increased by 16%, and accounted for 10.2% of revenue. General and administrative expenses increased by 6% and accounted for 5.5% of revenue.

## Operating Results



The Krka Group recorded operating profit of €191.6 million, a 17% rise compared to the same period last year.

Profit before tax amounted to €201.5 million, up 41% compared to the same period last year. Income tax totalled €29.6 million, and the effective tax rate was 14.7%.

The Krka Group recorded net profit of €171.9 million, a 42% year-on-year increase.

## Assets

At the end of September 2019, the Krka Group assets amounted to €2,129.9 million, a 7% rise compared to the end of 2018.

Non-current assets represented 49.0% of total assets, down 1.9 percentage points from the beginning of the year. The most important item under non-current assets, which totalled €1,042.8 million, was property, plant and equipment at €870.8 million. Their value increased by 4% compared to the 2018 year-end and accounted for 40.9% of total Krka Group assets.

Intangible assets amounted to €107.8 million, a 2% drop compared to the end of 2018.

In the period January–September 2019, current assets increased by 12% to €1,087.1 million, while inventories also saw a 12% increase reaching €408,3 million. Receivables went down by 2% to €457.0 million, of which trade receivables amounted to €424.2 million or 3% less than at the end of 2018.

## Equity and Liabilities

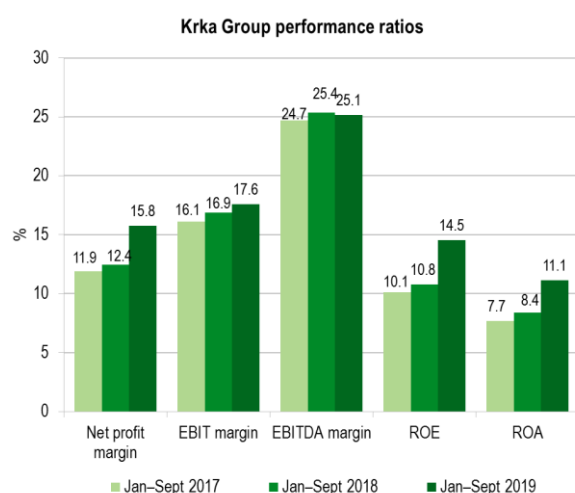
Equity of the Krka Group amounted to €1,614.3 million, a 5% increase compared to the 2018 year-end, and accounted for 75.8% of total equity and liabilities.

Amounting to €153.6 million, non-current liabilities accounted for 7.2% of the Krka Group balance sheet total and increased by 25% compared to the end of 2018. Provisions amounted to €101.8 million (of which post-employment and other non-current employee benefits accounted for €97.4 million, provisions for lawsuits €2.1 million, and other

provisions €2.3 million), a 1% rise over the 2018 year-end.

Current liabilities increased by 12% compared to the end of 2018 and totalled €361.9 million or 17.0% of the balance sheet total. Among current liabilities, trade payables amounted to €124.9 million or 9% less than at the 2018 year-end. Liabilities from contracts with customers increased by 21% and totalled €133.9 million, while other current liabilities rose by 25% to €88.2 million.

## Performance Ratios



The Krka Group net profit margin for the period January–September 2019 was 15.8%, EBIT margin 17.6%, and EBITDA margin 25.1%.

At the Group level, annualised ROE was 14.5% and annualised ROA 11.1%.

## Marketing and Sales

In the first nine months of 2019, Krka Group product and service sales from contracts with customers amounted to €1,087.6 million, i.e. €118.7 million or 12% more than in the same period last year. Sales

in markets outside Slovenia reached €1,017.7 million and accounted for 94% of total Krka Group sales. Product sales volume increased by 3% over the same period last year.

## Sales by Region

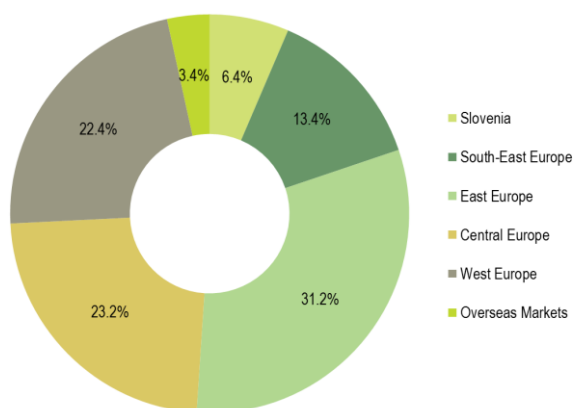
Sales increased in all sales regions and most individual markets. Region East Europe recorded the highest sales, €339.7 million, or 31.2% of total Krka Group sales and was followed by Region Central Europe, which generated €252.0 million or 23.2% of total Krka Group sales. The third region in terms of sales was Region West Europe with

€243.1 million or 22.4% of total Krka Group sales. Sales in Region South-East Europe totalled €145.6 million (13.4%) and in Region Overseas Markets €37.3 million (3.4%). Sales in Slovenia amounted to €69.9 million or 6.4% of total Krka Group sales.

## Sales by Region

€ thousand	Krka Group			Company		
	Jan-Sept 2019	Jan-Sept 2018	Index	Jan-Sept 2019	Jan-Sept 2018	Index
Slovenia	69,914	66,753	105	39,984	38,461	104
South-East Europe	145,558	132,287	110	143,983	129,137	111
East Europe	339,676	287,602	118	201,411	189,145	106
Central Europe	251,988	239,571	105	240,722	230,288	105
West Europe	243,091	209,963	116	203,350	189,202	107
Overseas Markets	37,343	32,665	114	33,447	29,989	112
<b>Total</b>	<b>1,087,570</b>	<b>968,841</b>	<b>112</b>	<b>862,897</b>	<b>806,222</b>	<b>107</b>

## Krka Group Sales by Region January–September 2019



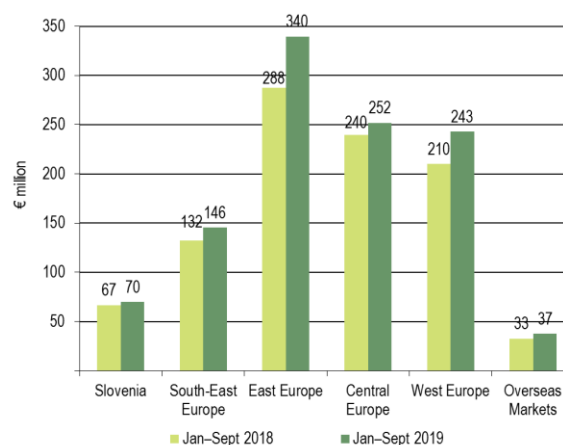
### Region Slovenia

Sales of products and services in Slovenia amounted to €69.9 million. Product sales of €40 million accounted for the major share of sales total and represented a 4% year-on-year increase. Sales of prescription pharmaceuticals grew by 2% to €29.5 million and accounted for 74% of product sales. Non-prescription products recorded a 7% increase and with €8.4 million represented 21% of product sales. Sales of animal health products grew by 14%, generating €2.1 million. Health resort and tourist services yielded €29.9 million.

Sales were driven by products from our key therapeutic classes promoted in marketing campaigns. Prenessa (perindopril) and three fixed-dose combinations, Prenewel (perindopril/indapamide), Amlessa (perindopril/amlodipine), which was extended with a new strength Amlessini, and Amlewel (perindopril/amlodipine/indapamide), were among key brands in our leading therapeutic class for the treatment of cardiovascular diseases strengthening our marketing position and earning us further recognition in the market of antihypertensives. We remained the leading provider of statins, of which Sorvasta (rosuvastatin) was most notable. We increased brand awareness of Roxiper (rosuvastatin/perindopril/indapamide), our newly launched fixed-combination tablets containing three established active substances indicated for the treatment of hypertension and hyperlipidemia.

Among medicines for the treatment of pain, our marketing activities were focused on

## Krka Group Sales by Region January–September 2018 and 2019



Pregabalin Krka (pregabalin) with a newly approved indication for the treatment of neuropathic pain, an anti-inflammatory medicine Roticox (etoricoxib), and two analgesics, Doreta (tramadol/paracetamol) and Nalgesin Forte (naproxen). We strengthened brand recognition of Nolpaza (pantoprazole) and Emozul (esomeprazole), two proton pump inhibitors from our range of medicines for the treatment of alimentary tract; Parmido (paliperidone) and Dulsevia (duloxetine), a new antipsychotic and an antidepressant from the range of medicines for central nervous system; and Gefitinib Krka (gefitinib), a newly launched medicine from our oncology portfolio.

Of our prescription pharmaceuticals, Nolpaza (pantoprazole), Prenewel (perindopril/indapamide), Nalgesin Forte (naproxen), Sorvasta (rosuvastatin), and Prenessa (perindopril) recorded strongest sales.

Of non-prescription products, we fostered brand recognition of Flebaven (diosmin), Magnezij Krka, and Nalgesin S (naproxen) and supplemented the Septabene range with lemon-and-honey lozenges at the end of September. Sales were driven by Nalgesin S (naproxen), Magnezij Krka, and the Septotele brand products. Of animal health products, we increased recognition of Selehold (selamectin) and products marketed under the From ears to tail brand. Our key products in terms of sales remained Amatib (amoxicillin) and the Fypryst brand products.



## Region South-East Europe

In the first nine months of 2019, product sales in Region South-East Europe amounted to €145.6 million, up 10% compared to the same period last year. Key markets Romania and Croatia contributed most to sales total. Bulgaria recorded the highest sales growth in relative terms and Romania in absolute terms, while Albania and Montenegro saw slightly lower sales year-on-year.

**Romania**, our key and leading market in the region, generated sales of €43.0 million, up 9%. We ranked first among foreign providers of generic prescription pharmaceuticals exceeding a 7% market share in terms of volume. Our leading products in terms of sales were Atoris (atorvastatin) and Co-Prenessa (perindopril/indapamide) from the therapeutic class of medicines for the treatment of cardiovascular diseases. They were followed by Doreta (tramadol/paracetamol) and Roswera (rosuvastatin). Sales of non-prescription products suffered a slight year-on-year slide. 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. We recorded 9% growth in sales of animal health products primarily due to strong sales of products for companion animals, of which the Fypryst brand products, Milprazon (milbemycin oxime/praziquantel), Ataxxa (permethrin/imidacloprid), and a new animal health product Selehold (selamectin) should be mentioned.

In **Croatia**, sales totalled €26.9 million, posting a 6% year-on-year increase. We ranked fourth among all providers of generic medicines and second among providers of medicines for veterinary use in the country. Prescription pharmaceuticals accounted for the majority of products sold and recorded 5% sales growth. Atoris (atorvastatin), Emanera (esomeprazole), Co-Perineva (perindopril/indapamide), Roswera (rosuvastatin), Helex (alprazolam), Ciprinol (ciprofloxacin), and Dalneva (perindopril/amlodipine) contributed most to sales. We posted the highest growth with two products supplied to hospitals, Nolpaza (pantoprazole) solution for injection and Ciprinol (ciprofloxacin) solution for injection, after winning an invitation to tender. Sales of non-prescription products climbed by 11% and were driven by Nalgesin (naproxen), the Septolete brand products, and B-Complex. Of animal health products, the Fypryst brand products,

Enroxil (enrofloxacin), and Floron (florfenicol) recorded highest sales.

In **Serbia**, sales reached €20.0 million, or a 20% year-on-year rise. Prescription pharmaceuticals accounted for 84% of sales, recording 19% sales growth. Nolpaza (pantoprazole), Roxera (rosuvastatin), Atoris (atorvastatin), Co-Amlessa (perindopril/amlodipine/indapamide), Ampril (ramipril), Co-Prenessa (perindopril/indapamide), and Valsacor (valsartan) saw strongest sales in the product group, and Co-Prenessa (perindopril/indapamide) and Co-Amlessa (perindopril/amlodipine/indapamide) recorded the highest growth rates. Sales of non-prescription products went up by 23%, with key products Bilobil (ginkgo leaf extract), Nalgesin (naproxen), and those sold under the Septolete brand. Year-on-year, sales of animal health products increased by 21%. Products sold under the Fypryst brand, Enroxil (enrofloxacin), Floron (florfenicol), and Dehinel were sales leaders in the product group.

Sales in **Bulgaria** saw 25% growth and totalled €16.4 million. Prescription pharmaceuticals contributed most to sales figures, especially Co-Valsacor (valsartan/hydrochlorothiazide), Valsacor (valsartan), Roswera (rosuvastatin), Emanera (esomeprazole), Nolpaza (pantoprazole), Co-Amlessa (perindopril/amlodipine/indapamide), Co-Prenessa (perindopril/indapamide), and Wamlox (amlodipine/valsartan). Sales of non-prescription products saw a slight year-on-year decline, whereas sales of animal health products increased by 30%. As regards prescription pharmaceuticals sales volume, we ranked second among all pharmaceutical companies in the country, exceeding a 5.6% market share in terms of volume.

In **Bosnia and Herzegovina**, product sales generated €15.6 million. Prescription pharmaceuticals and non-prescription products contributed most to a 13% year-on-year increase. We retained the first place among foreign providers of generic medicines in the country. Of prescription pharmaceuticals, Enap H/HL (enalapril/hydrochlorothiazide), Roswera (rosuvastatin), Lexaurin (bromazepam), Atoris (atorvastatin), Enap (enalapril), and Naklofen (diclofenac) generated strongest sales. Nalgesin (naproxen), B-Complex, and Bilobil (ginkgo leaf extract) were our leading non-prescription products. Sales growth was also

achieved in the animal health product group, where products sold under the Fypryst brand recorded the strongest sales figures.

In **North Macedonia**, sales amounted to €15.6 million and grew by 3% year-on-year. We retained the first place among foreign providers of generic medicines in the country. Prescription pharmaceuticals contributed most to sales and, by exceeding 85% of country sales, remained the leading product group. Our most important prescription pharmaceuticals were Roswera (rosuvastatin), Enap (enalapril), Atoris (atorvastatin), Nolpaza (pantoprazole), and Tanyz (tamsulosin). Sales of non-prescription products advanced by 1%, with Bilobil (ginkgo leaf extract), Septanazal

## Region East Europe

Product sales in Region East Europe totalled €339.7 million, up 18% compared to the same period last year. Sales results were achieved primarily through good performance in the two key markets, the Russian Federation and Ukraine. Sales growth was the highest in Turkmenistan in relative terms and in the Russian Federation in absolute terms. While we recorded double-figure growth in most regional markets, Kazakhstan and Mongolia lagged behind last year's sales figures.

In the **Russian Federation**, which remained our largest individual market, product sales reached €218.2 million, up 15% compared to the same period last year. This year, our sales growth dynamics surpassed the average market dynamics in the Russian Federation enabling us to further increase our market share. According to recent data, this placed us third among foreign providers of generic medicines.

Prescription pharmaceuticals recorded the highest (19%) sales growth and accounted for 83% of total Krka sales in the country. Lorista (losartan), Lorista H/HD (losartan/hydrochlorothiazide), Valsacor (valsartan), Valsacor H/HD (valsartan/hydrochlorothiazide), Vamloset (valsartan/amlodipine), Perineva (perindopril), Co-Perineva (perindopril/indapamide), Co-Dalneva (perindopril/amlodipine/indapamide), Atoris (atorvastatin), Roxera (rosuvastatin), Nolpaza (pantoprazole), Enap (enalapril), Enap H/HL (enalapril/hydrochlorothiazide), and Zyllt (clopidogrel) generated strongest sales. Among them, product families of Valsacor/Vamloset and Perineva/Dalneva and Roxera (rosuvastatin)

(xylometazoline/dexpanthenol), and Daleron (paracetamol) as sales drivers. Animal health products also recorded sales growth, of which products sold under the Fypryst brand sold best.

In **Kosovo**, we generated €4.7 million in sales, placing us among the leading providers of medicines in the country.

Product sales in **Albania** were valued at €2.1 million, representing a slight year-on-year decline.

In **Montenegro**, product sales amounted to €1.2 million, down 7% compared to the same period last year.

presented the highest absolute and relative sales growth. Sales of our new medicines Telmista (telmisartan) and Telmista H (telmisartan/hydrochlorothiazide) also went up. We consolidated our position of the leading provider of medicines for the treatment of cardiovascular diseases in the Russian Federation.

Among non-prescription products, Septolete Total (benzylamine chloride/cetylpyridinium chloride) and products sold under the Herbion brand were at the forefront. We also successfully marketed Nalgesin (naproxen) and two new products Flebaven (diosmin/hesperidin) and Panatus (butamirat) introduced on the market in recent years. Sales of animal health products grew by 6%, and our leading product was Floron (florfenicol).

In the first nine months of 2019, we manufactured 72% of all products intended for the Russian market in our Russian subsidiary Krka-Rus, owing to its increased production capacities. This helped us consolidate our position of a domestic manufacturer in the Russian Federation.

In **Ukraine**, we generated €54.5 million in sales representing a 43% year-on-year increase. The growth rate significantly outpaced the dynamics of the Ukrainian pharmaceutical market and further strengthened our market share. According to recent data, we ranked sixth among all providers of generic medicines in the country. Prescription pharmaceuticals contributed most to sales increase, in particular Valsacor (valsartan), Valsacor H and Valsacor HD (valsartan/hydrochlorothiazide), Co-Prepressa (perindopril/indapamide), and

Co-Amlessa (perindopril/indapamide/amlodipine) from the therapeutic class of medicines for the treatment of cardiovascular diseases. Sales of non-prescription products saw 14% growth. Products of the Herbion and Septotele brands and Nalgesin (naproxen) were sales leaders in the product group. Year-on-year, sales of animal health products went up by 2%.

### Subregion East Europe B

In East Europe B, which includes Belarus, Mongolia, Azerbaijan, and Armenia, sales of our products generated €24 million, up 12% compared to the same period last year. Sales increased in all countries of the subregion, except Mongolia, and were most notable in Belarus in absolute and relative terms.

In **Belarus**, product sales were valued at €11.1 million, representing a 30% year-on-year increase. We retained the third place among foreign providers of generic medicines in the country. Prescription pharmaceuticals contributed most to sales total, in particular Nolpaza (pantoprazole), Valsacor H/HD (valsartan/hydrochlorothiazide), Valsacor (valsartan), and Co-Amlessa (perindopril/amlodipine/indapamide). The Septotele and Duovit brand products were at the forefront among non-prescription products.

In **Mongolia**, we generated €6.2 million, 6% less than in the same period last year. Prescription pharmaceuticals accounted for the major part of sales, especially Lorista (losartan), Nolpaza (pantoprazole), and Fromilid (clarithromycin). We introduced our antibiotic Betaklav (amoxicillin/clavulanic acid) in the market. Among non-prescription products, the Septotele brand products, Nalgesin (naproxen), and the Pikovit brand products sold best.

In **Azerbaijan**, sales of prescription pharmaceuticals increased by 9%, while sales of non-prescription products and animal health products dropped. Nevertheless, we generated €3.8 million and recorded a 3% year-on-year sales rise. Most important prescription pharmaceuticals were Co-Amlessa (perindopril/amlodipine/indapamide), Amlessa (perindopril/amlodipine), Co-Prenessa (perindopril/indapamide), Nolpaza (pantoprazole), and Atoris (atorvastatin).

Sales in **Armenia** totalled €2.8 million, a 13% year-on-year increase. Prescription pharmaceuticals

contributed most to sales, most notably Atoris (atorvastatin), Co-Amlessa (perindopril/amlodipine/indapamide), and Nolpaza (pantoprazole). Products of the Herbion and Septotele brands were leading non-prescription products.

### Subregion East Europe K

Our Subregion East Europe K includes Kazakhstan, Moldova, and Kyrgyzstan. The subregional sales in the first nine months of 2019 totalled €20.7 million, representing a 4% year-on-year rise. Sales increase was most notable in Moldova in absolute terms and in Kyrgyzstan in relative terms.

In **Kazakhstan**, sales amounted to €10.8 million. Despite diminishing tender sales of medicines, prescription pharmaceuticals represented 72% of sales in the country. Nolpaza (pantoprazole), Atoris (atorvastatin), Enap (enalapril), Valsacor (valsartan), and Valodip (amlodipine/valsartan) generated strongest sales. Non-prescription products accounted for 25% of sales, with the Herbion, Duovit, and Septotele brand products as the sales leaders. Animal health products generated €0.3 million and exceeded 2% in total sales.

In the first nine months of 2019, product sales in **Moldova** were valued at €7.1 million, representing a 23% year-on-year increase. Sales of prescription pharmaceuticals grew by 21%, and Lorista (losartan), Rawel (indapamide), and Ampril (ramipril) contributed most to sales. Non-prescription products saw 30% growth, primarily due to strong sales of Septanazal (xylometazoline/dexpanthenol), products sold under the Septotele brand, and Nalgesin (naproxen).

In **Kyrgyzstan**, product sales amounted to €2.8 million. The country's 29% sales growth was driven mainly by sales of prescription pharmaceuticals, which increased by 33% compared to the same period last year. Lorista (losartan), Atoris (atorvastatin), and Nolpaza (pantoprazole) contributed most to sales of prescription pharmaceuticals, while products sold under the Pikovit, Septotele, and Herbion brands were the leading non-prescription products in terms of sales.

### Subregion East Europe U

Subregion East Europe U consists of Uzbekistan, Georgia, Tajikistan, and Turkmenistan. Year-on-year, our product sales increased by 18% to

€22.2 million. We recorded growth in all countries of the region; in Uzbekistan in terms of value and in Turkmenistan in relative terms.

Year-on-year, sales in **Uzbekistan** climbed by 17% to €16.2 million, with prescription pharmaceuticals, especially Lorista (losartan), Nolpaza (pantoprazole), Amlessa (perindopril/amlodipine), Co-Amlessa (perindopril/amlodipine/indapamide), and Hiconcil (amoxicillin), contributing most. Sales of our non-prescription products were driven by products sold under the Pikovit, Septolete, and Herbion brands.

In **Georgia**, our product sales advanced by 8% to €3.2 million. In the leading group of prescription

### Region Central Europe

Region Central Europe generated sales of €252.0 million or 5% more than in the same period last year. In terms of value, growth was most substantial in Poland and in relative terms in Lithuania. Sales also increased in other markets of the region, except in the Czech Republic, where we recorded slightly lower sales compared to the same period last year.

**Poland** remained our leading and key market in the region. Product sales reached €119.2 million, representing a 6% year-on-year increase. We ranked fourth among foreign providers of generic medicines in the country.

Main sales drivers were prescription pharmaceuticals, which also presented the highest growth. Sales growth dynamics in most key therapeutic classes was above the average also due to strong sales of our new products introduced to the market in the past years. With respect to value, medicines from the reimbursement list contributed most substantially to sales total, especially Valsacor (valsartan), Co-Valsacor (valsartan/hydrochlorothiazide), Atoris (atorvastatin), Roswera (rosuvastatin), Doreta (tramadol/paracetamol), Karbis (candesartan), and Karbicombi (candesartan/hydrochlorothiazide). We remained one of the leading producers of prescription pharmaceuticals from the reimbursement list free for patients aged 75 years plus.

Sales of non-prescription products dropped in comparison to the same period last year due to diminished seasonal product sales. Our leading

pharmaceuticals, the most important contributors were Enap H/HL (enalapril/hydrochlorothiazide), Lorista H/HD (losartan/hydrochlorothiazide), and Co-Amlessa (perindopril/amlodipine/indapamide). Products of the Herbion brand and Nalgesin (naproxen) drove sales of non-prescription products.

In **Turkmenistan**, product sales amounted to €1.5 million, recording a 48% year-on-year increase. Our sales leaders were Nolpaza (pantoprazole) and Pikovit.

In **Tajikistan**, sales increased by 19% to €1.3 million year-on-year.

non-prescription products were those sold under the Septolete brand and Bilobil (ginkgo leaf extract). Sales of animal health products were approximately the same as in the same period last year, with Milprazon (milbemycin oxime/praziquantel), Floron (florfenicol), and products of the Fypryst brand recording strongest sales.

In **Hungary**, also our key market, product sales advanced by 13% to €38.9 million, ranking us fifth among all providers of generic medicines in the country. Prescription pharmaceuticals accounted for the major part of sales total, in particular Co-Prenessa (perindopril/indapamide), Roxera (rosuvastatin), Atoris (atorvastatin), Valsacor (valsartan), Co-Valsacor (valsartan/hydrochlorothiazide), Zyllt (clopidogrel), Co-Dalnessa (perindopril/amlodipine/indapamide), Prenessa (perindopril), and Nolpaza (pantoprazole).

Sales of non-prescription products generated €2.6 million, up 18% year-on-year. Flebaven (diosmin), Bilobil (ginkgo leaf extract), products sold under the Septolete brand, and Venter (sucralfate) sold best. Sales of animal health products declined compared to the same period last year. Milprazon (milbemycin oxime/praziquantel), and products of the Fypryst brand generated strongest sales.

In the **Czech Republic**, we ranked fourth among all providers of generic medicines. Owing to tighter competition and further price reductions, product sales dipped by 11% to €33.7 million. Prescription pharmaceuticals remained most important in terms of sales, especially Atoris (atorvastatin), Lexaurin (bromazepam), Valsacombi (valsartan/

hydrochlorothiazide), and Asentra (sertraline). They were followed by Tonanda (perindopril/amlodipine/indapamide), Doreta (tramadol/paracetamol), Valsacor (valsartan), Sorvasta (rosuvastatin), and Mirzaten (mirtazapine).

Non-prescription product sales fell by 2%. Nalgesin S (naproxen) and the Septotele brand products generated strongest sales in the group. Animal health products recorded sales close to levels observed in the same period last year. Products of the Fypryst and Dehinel Plus (praziquantel, pyrantel embonate, febantel) presented strongest sales.

In **Slovakia**, our product sales generated €29.7 million, and growth reached 7%. All three product groups presented above average sales growth dynamics ranking us third among all providers of generic medicines in the country. Prescription pharmaceuticals accounted for the major part of sales total. Parnido (paliperidone), Valsacor (valsartan), Co-Valsacor (valsartan/hydrochlorothiazide), Lexaurin (bromazepam), Co-Amlessa (perindopril/amlodipine/indapamide), Lamegon (agomelatine), Prenessa (perindopril), Co-Prenessa (perindopril/indapamide), and Amlessa (perindopril/amlodipine) contributed most significantly to the 6% increase.

Flebaven (diosmin) contributed most to a 28% increase in sales of non-prescription products. In terms of value, Nalgesin S (naproxen), Flebaven (diosmin), and products sold under the Septotele brand were at the forefront. Our animal health products presented 5% growth. Key products were those sold under the Fypryst brand, Enroxil (enrofloxacin), and Milprazon (milbemycin oxime/praziquantel).

In **Lithuania**, sales saw 26% growth and totalled €15.3 million. Prescription pharmaceuticals accounted for 85% of total country sales, and key

## Region West Europe

We consider all Western European markets as a single key market. Product sales in the region reached €243.1 million in the first three quarters of 2019, a 16% rise compared to the same period last year. Sales figures were the highest in Germany, the Scandinavian countries, and Spain. In absolute and relative terms, we recorded the steepest sales growth in the Scandinavian countries. Sales of our own product brands through subsidiaries increased

products were Valsacor (valsartan), Valsacombi (valsartan/hydrochlorothiazide), Roswera (rosuvastatin), Nolpaza (pantoprazole), Prenewel (perindopril/indapamide), and Atoris (atorvastatin). Year-on-year, non-prescription products presented a 4% slide. The leading products were Septabene (benzylamine chloride/cetylpyridinium chloride) and Nalgesin S (naproxen).

Sales of animal health products went down by 4% compared to the same period last year. Products sold under the Fypryst brand and Milprazon (milbemycin oxime/praziquantel) were at the forefront.

In **Latvia**, we made €9.3 million by sales, and recorded a 1% increase compared to the same period last year. Prescription pharmaceuticals accounted for the largest share in sales, especially Atoris (atorvastatin), Rosuvastatin Krka (rosuvastatin), Prenewel (perindopril/indapamide), Co-Amlessa (perindopril/amlodipine/indapamide), and Nolpaza (pantoprazole). Sales of non-prescription products amounted to €1.2 million, exceeding sales by 14% year on year. Our leading products were Septanazal (xylometazoline/dexpanthenol), Septabene (benzylamine chloride/cetylpyridinium chloride), and Daleron COLD3 (paracetamol/pseudoephedrine/dextromethorphan). Year-on-year, sales of animal health products increased by 18%. Key animal health products were those of the Fypryst brand.

Sales in **Estonia** totalled €5.9 million, or 5% more than in the same period last year. Prescription pharmaceuticals constituted the largest portion of total sales, with strongest sales of Co-Prenessa (perindopril/indapamide), Roswera (rosuvastatin), Co-Dalnessa (perindopril/amlodipine/indapamide), Atoris (atorvastatin), Escadra (esomeprazole), and Dexamethason Krka (dexamethasone). Of non-prescription products those of the Septotele brand, and Fypryst from the animal health range sold best.

by 23%, and accounted for 75% of total regional sales. Sales through unrelated parties amounted to €61.1 million.

Prescription pharmaceuticals were again the leading product group accounting for more than 90% of total regional sales, an 18% year-on-year sales growth. Medicines containing esomeprazole, valsartan, and clopidogrel were at the forefront. Year on year, we

recorded a 4% decline in sales of animal health products primarily due to 22% lower sales to unrelated parties. Sales of animal health products through our own sales network went up by 31% and accounted for 45% of total animal health sales in the region. In all subsidiaries, sales of animal health products presented double-figure growth. In terms of sales, products containing the combination of milbemyacin oxime and praziquantel remained the leaders. Non-prescription product sales grew by 11% and accounted for just shy of 2% of the regional sales.

**Germany** remained our most important regional market, where we made €55.4 million by product sales. The 9% sales rise compared to the same period last year resulted primarily from new product launches. Product sales through our subsidiary TAD Pharma generated €52.2 million. Prescription pharmaceuticals accounted for the major part of sales, above all those containing valsartan, ezetimibe, darunavir, valsartan in combination with amlodipine, ezetimibe in combination with simvastatin, esomeprazole, ramipril in combination with amlodipine, candesartan, and etoricoxib.

In **Scandinavia**, sales saw 63% growth and totalled €47.4 million. Our leading market remained Sweden, and was followed by Finland, Denmark, Norway, and Iceland. The most notable 91% growth was recorded by Denmark. We increased sales through our subsidiary Krka Sverige by 66% and through our subsidiary Krka Finland by 67%. Overall sales through subsidiaries reached 97%. Sales were driven by medicines containing esomeprazole, losartan, pantoprazole, and valsartan. In Norway, we retained our marketing position by many medicines, of which we would like to point out those containing esomeprazole, valsartan, and enalapril.

In **Spain**, our product sales generated €33.5 million, a 20% advance. Our subsidiary, Krka Farmaceutica, was awarded tenders for medicine supplies to Andalusia, where we increased the share of our products sold under our own brand names. Their share amounted to 88% of total Krka sales in Spain. Medicines containing donepezil, bisoprolol, quetiapine, and paliperidone generated strongest sales.

In **Italy**, sales increased by 10% compared to the same period last year and amounted to €24.6 million. Sales through our subsidiary, Krka Farmaceutici Milano, grew by 17% and accounted for 69% of our total sales in the country.

We increased sales through our subsidiary in all our product groups, but prescription pharmaceuticals recorded the highest absolute growth. Medicines containing clopidogrel, esomeprazole, and pantoprazole generated most substantial sales.

In **France**, product sales amounted to €22.7 million, an 11% year-on-year decline. The proportion of products marketed under our own brands reached 25% and was lower than in most other regional markets, but is expected to rise. The milbemyacin oxime/praziquantel combination, clopidogrel, esomeprazole, and gliclazide led in terms of sales.

In **Portugal**, products sold under our own brands accounted for more than 70% of sales, and we recorded 13% growth and sales total of €17.6 million. In this way, we maintained more than a 6% generic pharmaceutical market share in the country. The leading prescription pharmaceuticals were products containing active substances darunavir, paliperidone, esomeprazole, olanzapine, and the combination of perindopril and indapamide.

Sales in the **United Kingdom** totalled €14.7 million, a 16% year-on-year climb. Prescription pharmaceuticals, especially those containing active substances losartan and candesartan, contributed to the increase the most. Sales through our Krka UK subsidiary increased by 25%.

In **Benelux**, sales amounted to €9.0 million, a 36% rise. Our subsidiary Krka Belgium contributed the most to the increase due to its good performance that resulted in a 121% upsurge of sales. Medicines containing clopidogrel, valsartan, esomeprazole, venlafaxine, and milbemyacin oxime/praziquantel combination stood out in terms of sales.

In **Ireland**, our product sales generated €7.3 million, which was slightly less than in the third quarter of 2018. Sales through our subsidiary, Krka Pharma Dublin accounted for 89% of total sales in Ireland. We remained among the leading providers of generic medicines containing active substances valsartan, esomeprazole, tadalafil, venlafaxine, duloxetine, and pregabalin.

In **Austria**, our sales saw a 7% drop and totalled €6.0 million. Sales were driven by medicines containing pregabalin, duloxetine, and valsartan. Sales through our subsidiary Krka Pharma Wien accounted for 94%.

In **other European countries**, we made most of our sales through unrelated parties. Sales reached

€5.0 million, or 6% less than in the same period last year.

### Overseas Markets

Region Overseas Markets generated product sales in the amount of €37.3 million, or 14% more than in the same period a year ago. Absolute and relative sales growth was the highest in countries of the Middle East. Prescription pharmaceuticals sold under our own brand names in most regional markets accounted for the major part of the overall sales.

In the countries of the **Far East** and **Africa**, we made €17.2 million by sales, and recorded 10% growth. Our product sales were the highest in Vietnam, the Republic of South Africa, Malaysia, China, and Ghana. Sales of Emanera (esomeprazole), Lanzul (lansoprazole), Tolura (telmisartan), Kamiren (doxazosin), Tenox (amlodipine), and Palprostes (fruit extract of dwarf fan palm) were the strongest.

When doing business in the countries of the **Middle East**, we still encounter challenges posed by the economic and security circumstances in the area. Even so, sales were valued at €19.3 million, up 19% compared to the same period last year. We recorded the highest sales figures in Iran, Iraq, Saudi Arabia, and Lebanon. Asentra (sertraline), Vizarsin (sildenafil), Nolpaza (pantoprazole), Valsacor (valsartan), Emanera (esomeprazole), and Zyllt (clopidogrel) drove our sales.

The smallest of the three regional offices is the one that operates in the **Americas**. Especially in the countries of Central America our product sales generated €0.8 million, comparable to the same period last year. Valsacor (valsartan), Valsaden (valsartan/hydrochlorothiazide), and Yasnal (donepezil) were our medicines in highest demand

### Product and Service Sales

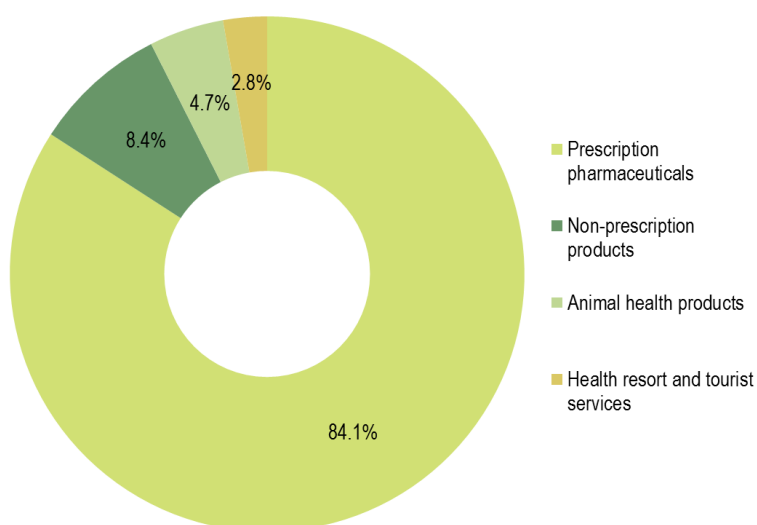
In the period from January to September 2019, human health medicines were the most important product group in the sales structure of the Krka Group, and accounted for 92.5% of overall sales in the period. Prescription pharmaceuticals constituted 84.1% of the Krka Group total sales, and were followed by non-prescription products and animal health products.

Sales increased in all product and service groups. Year-on-year, sales of prescription pharmaceuticals increased by 14%, non-prescription products by 5%, and animal health products by 1%. Sales of health resort and tourist services constituted 2.8% of total Krka Group sales, a 6% increase over the last year.

### Product and Service Sales

€ thousand	Krka Group			Company		
	Jan–Sept 2019	Jan–Sept 2018	Index	Jan–Sept 2019	Jan–Sept 2018	Index
Human health medicines	1,006,584	890,148	113	814,839	755,317	108
– Prescription pharmaceuticals	914,865	802,844	114	729,530	674,949	108
– Non-prescription products	91,719	87,304	105	85,309	80,368	106
Animal health products	51,056	50,400	101	48,058	50,905	94
Health resorts and tourist services	29,930	28,293	106			
<b>Total</b>	<b>1,087,570</b>	<b>968,841</b>	<b>112</b>	<b>862,897</b>	<b>806,222</b>	<b>107</b>

## Krka Group Product and Service Sales, January–September 2019



### Prescription Pharmaceuticals

The Krka Group recorded 14% growth in sales of prescription pharmaceuticals generating a total of €914.9 million.

All regions saw higher sales: Region East Europe 22%, Region West Europe 18%, Region Overseas Markets 15%, Region South-East Europe 11%, Region Central Europe 5%, and Region Slovenia 2%.

Of our major markets, sales went up most notably in: the Russian Federation (19%), Germany (8%), and Poland (6%). Compared to the same period last year, other major markets presented stronger sales as follows: the Scandinavian countries 66%, Ukraine 51%, Spain 20%, Hungary 14%, Italy 12%, and Romania 11%.

Medium-sized markets recorded sales growth as follows: Lithuania 33%, Bulgaria 26%, Serbia 19%, Bosnia and Herzegovina 15%, Uzbekistan 14%, the United Kingdom 13%, and Portugal 13%.

Of small markets, Krka prescription pharmaceuticals presented the steepest growth in: Benelux 57%, Belarus 37%, Kyrgyzstan 33%, Turkmenistan 33%, Moldova 21%, Tajikistan 21%, and Armenia 17%.

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

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

- Valsacor (valsartan);
- Co-Valsacor\* (valsartan/hydrochlorothiazide);
- Co-Amlessa\* (perindopril/indapamide/amlodipine);
- Vamloset\* (valsartan/amlodipine);
- Lorista (losartan);
- Darunavir Krka (darunavir);
- Co-Prenessa\* (perindopril/indapamide);
- Parnido\* (paliperidone) launched on first markets last year,
- Roswera\* (rosuvastatin); and
- Tolura\* (telmisartan).

In the first nine months of 2019, we launched the following completely new medicines:

- Roxiper\* (perindopril/indapamide/rosuvastatin), used for concomitant lowering of increased



- blood pressure and increased levels of cholesterol, launched in Slovenia, Lithuania, Latvia, Poland, Slovakia, Hungary and Portugal;
- Co-Roswera\* (rosuvastatin/ezetimibe), indicated for lowering increased levels of cholesterol, put on the markets of Poland, the Czech Republic, Slovakia, Bulgaria, Latvia, and Romania;
  - Ezesimin\* (simvastatin/ezetimibe), indicated for lowering increased levels of cholesterol, put on the markets of Germany, France, Spain, Italy, Austria, Benelux, the Scandinavian countries, Ireland and Portugal;
  - Eliskardia\* (prasugrel), indicated for prevention of atherothrombotic events in patients with acute coronary syndrome, launched in Germany, France, Spain, the Scandinavian countries, the United Kingdom, Austria, Hungary, and Slovakia;
  - Lamegom\* (agomelatine), an antidepressant, launched in Germany, France, Spain, Lithuania, Estonia, Poland, Portugal, Hungary, the Czech Republic, and Slovakia;
  - Gefitinib, indicated for the treatment of certain types of tumours, launched in Germany, Slovenia, France, and the Czech Republic;
  - Everofin\* (everolimus), indicated for the treatment of certain types of tumours, launched in Germany, France, Austria, Bulgaria, Estonia, and the Scandinavian countries, which we stopped selling because an additional patent entry for therapeutic indications was granted;
  - Febuxodor\* (febuxostat), indicated for hyperuricaemia (high levels of uric acid in the blood), put on the markets of Germany, Spain, the Scandinavian countries, Latvia, Estonia, Ireland, Poland, and Hungary.

We launched several pharmaceuticals on new markets:

- Wamlox\* (valsartan/amlodipine) in Germany, Austria, France, Spain, the Scandinavian countries, Ireland, Portugal, Poland, and Slovakia;

### Non-Prescription Products

Sales of non-prescription products totalled €91.7 million, 5% more than in the same period last year.

All regions saw sales increases as follows: Region Overseas Markets 15%, Region West Europe 11%, Region Central Europe 8%, Region Slovenia 7% Region East Europe 4%, and Region South-East Europe 3%.

- Telmista H\* (telmisartan/hydrochlorothiazide) in the Russian Federation and Ukraine;
- Amlessa\* (perindopril/amlodipine) in Serbia and Kosovo;
- Co-Amlessa\* (perindopril/amlodipine/indapamide) in Kazakhstan and Kosovo;
- Aperia\* (eplerenone) in Slovenia, Spain, France, Austria, Italy, Lithuania, Slovakia, and Croatia;
- Parnido\* (paliperidone) in Austria, Romania, and Ireland;
- Alprazolam in Spain and Portugal;
- Yasnal\* (donepezil) in Bosnia and Herzegovina;
- Doreta\* (tramadol/paracetamol) in the Scandinavian countries and Serbia;
- Pragiola\* (pregabalin) in Hungary;
- Adolax\* (oxycodone/naloxone) in the Republic of North Macedonia and Latvia;
- Roticox\* (etoricoxib) in Moldova and Bosnia and Herzegovina;
- Dekenor\* (dexketoprofen) in Ukraine;
- Asolfena\* (solifenacin) in Germany, France, Spain, the Scandinavian countries, Italy, the United Kingdom, Benelux, Ireland, Hungary, and Poland;
- Viavardis\* (vardenafil) in Slovenia and Poland;
- Emanera\* (esomeprazole) in Azerbaijan;
- Ulcavis\* (bismuth subcitrate) in Albania and Belarus;
- Darunavir Krka\* (darunavir) in Germany, France, the Scandinavian countries, Benelux, Italy, Austria, Ireland, and Portugal;
- efavirenz/emtricitabine/tenofovir disoproxil in Italy and Portugal;
- emtricitabine/tenofovir disoproxil in Austria and the Scandinavian countries;
- capecitabine in Ukraine and the Scandinavian countries;
- Desradin\* (desloratadine) in Ukraine and Benelux.

Sales generated by Region East Europe accounted for more than 50% of total non-prescription product sales.

Sales generated in our major market, the Russian Federation, remained close to the 2018 figure. In most other markets of the region, we recorded growth rates as follows: Turkmenistan 88%, Georgia

44%, Uzbekistan 30%, Moldova 30%, Belarus 17%, Kyrgyzstan 17%, Tajikistan 16%, and Ukraine 14%.

Most markets of other regions recorded growth rates as follows: Albania 40%, Slovakia 28%, Germany 26%, Serbia 23%, and Hungary 18%

### Animal Health Products

Sales of our animal health products amounted to €51.1 million, and were 1% higher than in the same period last year.

By Region, sales increased the most in Slovenia (14%) and South-East Europe (15%), followed by East Europe (4%). Sales by Region Central Europe matched those generated in the first three quarters of 2018, while Region West Europe recorded a slight drop in sales.

Of our major markets, sales presented the most notable advances in: the United Kingdom 28%, Germany 11%, and the Russian Federation 6%. Of other major markets, sales presented growth in: Spain 25%, Portugal 16%, Slovenia 14%, Romania 9%, and Croatia 8%.

### Health Resorts and Tourist Services

In the first nine months of 2019, Terme Krka business units generated €29.9 million in sales, or 6% more compared to the same period last year. All business units recorded sales growth. In all our accommodation facilities together, we recorded

The leading non-prescription product brands were: Septolete\*, Herbion\*, Nalgesin\* (naproxen), Bilobil, and Flebaven\* (diosmin). Septolete\*, Nalgesin\* (naproxen), Bilobil, Flebaven\*(diosmin), Pikovit, and Septanazal contributed most to growth of sales.

Our top-ranking animal health products in terms of sales were Milprazon\* (milbemycin oxime/praziquantel), Fypryst\* (fipronil), Floron\* (florfenicol), Enroxil\* (enrofloxacin), and Dehinel\* (praziquantel, pyrantel embonate, febantel). Sales of those five products accounted for more than 60% of animal health sales total. Products for companion animals constituted 53% of total animal health sales.

We launched two new products, an antiparasitic product Selehold\* (selamectin) indicated for the treatment of internal and external parasites in companion animals, and Catobevit\* (butafosfan/cyanocobalamin), used as supportive treatment and prevention of metabolic or reproductive disorders in cattle, horses, dogs, and cats.

274,586 overnight stays. Of foreign guests, Italians prevailed, but the number of overnight stays of our guests from Belgium, Sweden, and Croatia increased the most.

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

## Research and Development

In first three quarters of 2019, we obtained marketing authorisations for 13 new products in 30 dosage forms and strengths. These included: i) prescription pharmaceuticals – a triple combination **perindopril/amlodipine/rosuvastatin**, **nebivolol**, **Dasatinib Krka** (dasatinib), **Atazanavir Krka** (atazanavir), **Tadusta** (dutasteride/tamsulosin), **Sidarsa/Silbesan**

### Prescription Pharmaceuticals

In first three quarters of 2019, we added eight new products to our portfolio of prescription pharmaceuticals.

The range of Krka cardiovascular medicines was extended by two new pharmaceuticals. We obtained marketing authorisations under the European decentralised procedure for our new **perindopril/amlodipine/rosuvastatin** film-coated tablets in six strengths for lowering increased blood pressure and cholesterol levels. It is indicated as substitution therapy for the treatment of adult patients already controlled with rosuvastatin and perindopril/amlodipine, given concurrently at the same dose level as in the combination.

We also introduced our new pharmaceutical, **nebivolol** tablets, for the treatment of hypertension in adults. The medicine can also be used for the treatment of stable mild and moderate chronic heart failure in addition to standard therapies in elderly patients 70 years of age and older.

We also obtained marketing authorisations for our new oncology pharmaceutical, **Dasatinib Krka** (dasatinib) film-coated tablets in six strengths. Dasatinib is used to treat Philadelphia chromosome-positive (Ph+) acute lymphoblastic leukemia (ALL) in adults, adolescents, and children aged one year and older.

We extended the range of our antivirals by **Atazanavir Krka** (atazanavir) hard capsules in three strengths. It is indicated for the treatment of human immunodeficiency virus (HIV) infection, as it reduces the viral load in a body and chances for development of the disease. It is used in combination with other antiretrovirals for the treatment of infected adults and children 6 years of age and older. It is taken once daily. We obtained

(silodosin), **cinacalcet**, and **Paracetamol Krka 1000**; ii) non-prescription products – **Vitamin D3 Krka** (cholecalciferol), **Herbion Ivy** (ivy leaf dry extract), and **KontrDiar** (nifuroxazide); and iii) animal health products **Awazom** (amoxicillin) and **Milprazon CHEWABLE/Milpragold/Aderexa/Amcofen Sabor/Milprazon Plus/Mektix/Milgusto Chewable** (milbemycin oxime/praziquantel).

marketing authorisations under the centralised procedure in the European countries.

We introduced our two new pharmaceuticals used for treating the symptoms of an enlarged prostate. A fixed-dose combination **Tadusta** (dutasteride/tamsulosin) in hard capsules is used to treat moderate to severe symptoms of benign prostatic hyperplasia. It reduces the chance of developing acute urinary retention and the chance that prostate surgery will be needed. We also obtained marketing authorisations for our new product **Sidarsa/Silbesan** (silodosin) hard capsules for the treatment of symptoms of an enlarged prostate. The medicine is taken once daily and does not cause adverse cardiovascular reactions, so it can also be used in the elderly and in patients with cardiovascular disease.

We obtained marketing authorisations under the European decentralised procedure for **cinacalcet** film-coated tablets in three strengths. The medicine regulates levels of parathyroid hormone, calcium, and phosphorus in the body. It is used for the treatment of secondary hyperparathyroidism in patients with kidney disease on dialysis therapy and for reducing high blood calcium levels in patients with cancer of the parathyroid glands or with primary hyperparathyroidism.

We extended our range of pain relievers by a new strength of the established medicine, **Paracetamol Krka 1000** (paracetamol) 1 000 mg tablets. The medicine is indicated for the symptomatic treatment of mild to moderate pain and fever in adults and children weighing more than 50 kg.

In the European countries, we also obtained new marketing authorisations for our established

medicines. Registration procedures for our cardiovascular products were completed for: fixed-dose combinations **Amlodipin/Valsartan Krka** (amlodipine/valsartan), **Valtricom/Valsamtrio** (amlodipine/valsartan/hydrochlorothiazide), **Roxera Plus** (rosuvastatin/ezetimibe), **olmesartan/amlodipine**, and two products, **Atorvastatin Krka** (atorvastatin) and **Sorvasta** (rosuvastatin), all available as film-coated tablets.

We also obtained marketing authorisations for our two antipsychotic agents, **Paliperidone Krka** (paliperidone) prolonged-release tablets and **Kventiax/Quetiapin Krka** (quetiapine) film-coated tablets and prolonged-release tablets.

We delivered one non-prescription product, **Rabeprazole Krka** (rabeprazole) gastroresistant tablets for the treatment of certain stomach problems. In Finland, the only rabeprazole with the status of a non-prescription product is the one supplied by Krka. Under the centralised procedure, the marketing authorisation procedure was concluded for **Febuxostat Krka** (febuxostat) film-coated tablets indicated for the treatment of gout. We obtained new marketing authorisations for our analgesic **paracetamol/tramadol** film-coated tablets, a non-steroidal anti-inflammatory drug (NSAID), **Dekenor** (dexketoprofen) solution for injection, and **tamsulosin** modified-release capsules and prolonged-release tablets indicated for improving symptoms of benign prostate hyperplasia.

In Eastern Europe, we introduced established medicines of various therapeutic classes to new markets, above all cardiovascular therapeutic agents. We introduced:

- **Niperten Combi** (amlodipine/bisoprolol) tablets in Kazakhstan,
- **Valodip** (valsartan/amlodipine) film-coated tablets and **Ramladio** (ramipril/amlodipine) capsules in Kyrgyzstan,
- **Roxera Combi** (rosuvastatin/amlodipine) film-coated tablets in Azerbaijan,
- **Co-Vamloset** (valsartan/amlodipine/hydrochlorothiazide) film-coated tablets in Georgia,
- **Teldipin** (telmisartan/amlodipine) tablets in Ukraine,
- **Valaroks** (valsartan/rosuvastatin) film-coated tablets and **Bravadin** (ivabradine) film-coated tablets in Uzbekistan.

From the therapeutic class of antibiotics, we obtained marketing authorisations for **Azibiot** (azithromycin) powder for oral suspension in Armenia, Kyrgyzstan, and Uzbekistan, and film-coated tablets in Kyrgyzstan. We were granted marketing authorisations for **Betaklav/Hiconcil Combi** (amoxicillin/clavulanic acid) powder for oral suspension in Armenia, Kazakhstan, Kyrgyzstan, and Uzbekistan, and film-coated tablets in Armenia, Belarus, Kazakhstan, Kyrgyzstan, Uzbekistan, and Azerbaijan. We received a marketing authorisation for **Furocef** (cefuroxime) film-coated tablets in Mongolia. In the Russian Federation, we obtained marketing authorisations for two antibiotics, **Levofloksacin Krka** (levofloxacin) solution for infusion and film-coated tablets, and **Moflaxya** (moxifloxacin) solution for infusion.

We introduced our oncology medicines to new markets as follows:

- **Pemetrexed Krka** (pemetrexed) powder for solution for infusion in Ukraine;
- **Neopax** (imatinib) dispersible tablets, **Tolnexa** (docetaxel) powder for solution for infusion, and **Tezalom** (temozolomide) capsules in Azerbaijan.

In Kazakhstan, we introduced a new formulation and four new strengths of **Deksametazon Krka** (dexamethasone) tablets.

In new markets, we were granted marketing authorisations for anti-diabetics as follows: **Glypivilo** (vildagliptin) tablets in Ukraine, and **Glimepirid Krka** (glimepiride) tablets in Azerbaijan.

We introduced our medicines for the treatment of symptoms of benign prostate hyperplasia **Tanyz** (tamsulosin) modified-release capsules in Moldova, and **Tanyz Eras** (tamsulosin) prolonged-release tablets in Ukraine.

In the Russian Federation, Uzbekistan, and Ukraine we introduced our new medicine for the treatment of occasional insomnia **Sleepzone** (doxylamine) film-coated tablets.

We also expanded marketing opportunities for our medicines for the treatment of HIV infection. In Ukraine and Kazakhstan, we introduced a fixed-dose combination **Efavirenz/Emtricitabine/Tenofovir dizoproksil Krka** (efavirenz/emtricitabine/tenofovir disoproxil) film-coated tablets

and **Darunavir Krka** (darunavir) film-coated tablets in Ukraine.

We obtained marketing authorisations for our non-steroidal anti-inflammatory drug (NSAID) **Dekenor** (dexketoprofen) solution for injection in Ukraine, and an antirheumatic **Etoriax/Etoxib** (etoricoxib) film-coated tablets in the Russian Federation, Azerbaijan and Uzbekistan. We obtained marketing authorisations for medicines for the treatment of the alimentary tract: **Emanera** (esomeprazole) gastroresistant capsules in Azerbaijan and **Ulcavis** (bismuth subcitrate) film-coated tablets in Belarus.

In the markets of South-Eastern Europe, we extended marketing opportunities for our key products from various therapeutic classes. Our cardiovascular products received new marketing authorisations in:

- Serbia – a fixed-dose combination **Roxiper** (perindopril/indapamide/rosuvastatin) film-coated tablets;
- Serbia and the Republic of North Macedonia – a medicine indicated for inhibition of platelet aggregation and formation of blood clots **Eliskardia** (prasugrel) film-coated tablets;
- Montenegro – **Tenox** (amlodipine) tablets, **Atordapin** (atorvastatin/amlodipine) film-coated tablets, and **Sobycor** (bisoprolol) film-coated tablets;
- the Republic of North Macedonia – **Apleria** (eplerenone) film-coated tablets.

Of the central nervous system medicines, we introduced:

- an anxiolytic, **Helex** (alprazolam) tablets, in Montenegro;
- **Helex SR** (alprazolam) prolonged-release tablets in Albania;
- an antipsychotic, **Zalasta** (olanzapine) tablets, in Bosnia and Herzegovina;
- an antipsychotic, **Zylaxera** (aripiprazole) tablets, in Serbia;
- a medicine for the treatment of occasional insomnia, **Calmesan** (doxylamine) film-coated tablets, in Serbia and the Republic of North Macedonia.

In Montenegro, we received marketing authorisations for antibiotics **Betaklav** (amoxicillin/clavulanic acid) film-coated tablets and powder for oral suspension, and **Furocef** (cefuroxime) film-coated tablets.

We introduced **Deksametazon Krka** (dexamethasone) corticosteroid tablets in Kosovo and Montenegro, and solution for injection in Kosovo.

We obtained new marketing authorisations for our analgesic **Dekenor** (dexketoprofen) solution for injection in Kosovo and Bosnia and Herzegovina, and an antirheumatic, **Etoxib** (etoricoxib) film-coated tablets in Serbia.

We introduced:

- the oncology medicine **Pemetrexed Krka** (pemetrexed) powder for solution for infusion and the anti-diabetic **Glypviso** (vildagliptin) tablets in Bosnia and Herzegovina;
- the medicine for protection of the gastric lining **Ulcamed** (bismuth) film-coated tablets in Montenegro;
- the medicine for the treatment of symptoms of benign prostate hyperplasia **Tanyz ERAS** (tamsulosin) prolonged-release tablets in Kosovo.

We obtained new marketing authorisations for our medicines for the treatment of HIV infection **Darunavir Krka** (darunavir) film-coated tablets and **Efavirenz/Emtricitabine/Tenofovir dizoproksil Krka** (efavirenz/emtricitabine/tenofovir disoproxil) film-coated tablets in the Republic of North Macedonia.

We introduced a number of established brand medicines in our markets overseas. Of all obtained marketing authorisations, most were for medicines for the treatment of cardiovascular diseases:

- **Tolucombi** (telmisartan/hydrochlorothiazide) tablets;
- **Amlessa** (perindopril/amlodipine) tablets;
- **Prenewel** (perindopril/indapamide) tablets;
- **Ifirmasta** (irbesartan) film-coated tablets;
- **Irbesartan + Hidroklorotiazid Krka** (irbesartan/hydrochlorothiazide) film-coated tablets;
- **Roswera/Rosuvastatin TAD** (rosuvastatin) film-coated tablets;
- **Rawel SR** (indapamide) prolonged-release tablets;
- **Enap** (enalapril) tablets;
- **Enap-CO** (enalapril/hydrochlorothiazide) tablets;
- **Carzin XL** (doxazosin) prolonged-release tablets; and
- **Clopidogrel Krka** (clopidogrel) film-coated tablets.

We obtained marketing authorisations in various overseas countries for several medicines from other therapeutic classes:

- **Rewisca/Pragiola** (pregabalin) capsules;
- **Marixino** (memantine) film-coated tablets;
- **Ciprinol** (ciprofloxacin) film-coated tablets;
- **Levolox** (levofloxacin) film-coated tablets;
- **Etoxib/Roticox** (etoricoxib) film-coated tablets;
- **Aclexa** (celecoxib) capsules;
- **Emanera** (esomeprazole) gastroresistant capsules;
- **Gelbra** (rabeprazole) gastroresistant tablets;
- **Lanzul** (lansoprazole) film-coated tablets;

### Non-Prescription Products

We extended our range of non-prescription products with three new products.

In the European countries, we obtained marketing authorisations for **Vitamin D3 Krka** (cholecalciferol) tablets in two strengths. The product contains bioactive form of vitamin D and is indicated for prevention of vitamin D deficiency in adults, adolescents and children aged 6 years or more, for the treatment of vitamin D deficiency in adults and adolescents, and as adjunctive therapy in specific treatment of osteoporosis in adults. It does not contain gluten, gelatine, sweeteners or sugar, and can be taken by patients with diabetes.

We obtained marketing authorisation under the European decentralised procedure for **Herbion Ivy** (ivy leaf dry extract) lozenges. The product thins the mucus in the respiratory tract and facilitates expectoration in wet cough. It is intended for adults and children aged 6 years and older.

In the Russian Federation, we initiated our new medicine, **KontrDiar** (nifuroxazide) oral suspension. It is used for treating acute diarrhoea if it is

### Animal Health Products

We added two new products to our animal health range for farm animals and companion animals.

We obtained marketing authorisations under the European decentralised procedure for our new medicine **Awazom** (amoxicillin) powder for use in drinking water. The medicine is indicated for the treatment of bacterial infections in poultry, ducks, and turkeys.

- **Ultop** (omeprazole) hard gastroresistant capsules;
- **Gliclada** (gliclazide) prolonged-release tablets and modified-release tablets;
- **Doreta** (tramadol/paracetamol) (a fixed-dose combination) film-coated tablets;
- **Naklofen** (diclofenac sodium) solution for injection;
- **Naklofen Duo** (diclofenac sodium) hard capsules;
- **Desloratadin Krka** (desloratadine) film-coated tablets;
- **Texamer** (levocetirizine) tablets; and
- **montelukast** film-coated tablets.

presumed to be of bacterial origin and is without complications. An oral syringe is supplied with the medicine for precise measuring of doses, also for children one month of age and older.

We increased marketing opportunities for our cough and flu product **Septotele Total** (benzylamine chloride/cetylpyridinium chloride). We obtained marketing authorisations for honey-and-lemon flavour lozenges in Uzbekistan, Kyrgyzstan, and the Republic of North Macedonia, and for elder-and-lemon flavour lozenges in Belarus, Kyrgyzstan, Uzbekistan, and Azerbaijan.

In Albania and Kosovo, we received marketing authorisations for **Flebaven** (diosmin) 500 mg film-coated tablets and 1000 mg tablets used for the treatment of chronic venous insufficiency.

We introduced products of key product brands **Bilobil**, **Duovit**, and **Pikovit** in overseas markets.

In the EU countries, we completed the registration procedure for our new broad-spectrum wormer, **Milprazon CHEWABLE/Milpragold/Aderexa/Amcofen Sabor/Milprazon Plus/Mektix/Milgusto Chewable** (milbemycin oxime/praziquantel) film-coated tablets for the treatment of mixed infections in cats. Naturally flavoured tablets are palatable and therefore easy to apply. Easy application is most

important for pet owners in addition to efficacy of the product, which is essential.

We also expanded marketing opportunities for our established antiparasitics. In the United Kingdom, we obtained marketing authorisations for:

- **Fleaway Combo** (fipronil/S-methoprene) spot-on solution for dogs, cats, and ferrets;
- **WormScreen** (febantel/pyrantel embonate/praziquantel) tablets for dogs; and
- **WormScreen** (pyrantel embonate/praziquantel) film-coated tablets for cats.

In Serbia and Kazakhstan, we introduced **Selafort** (selamectin) spot-on solution indicated for the treatment of mixed infestations in dogs and cats. We obtained marketing authorisations for **Dehinel Plus Flavour** (febantel/pyrantel embonate/praziquantel) tablets for dogs in Bosnia and Herzegovina. The product is indicated for the treatment of gastrointestinal infestations.

We also extended our products indicated for the treatment of farm animals to new markets. In Germany, we obtained a marketing authorisation for

**Catobevit** (butafosfan/cyanocobalamin) solution for injection indicated for the treatment and prevention of metabolic or reproductive disorders in cattle. In Kazakhstan, we introduced a combination of vitamins and minerals (including selenium) **Solvimin Selen** oral powder indicated for the treatment of hypovitaminosis or as a supportive therapy for infections caused by stress in all farm animals. We received marketing authorisations for:

- **Floron** (florfenicol), premix for medicated feed indicated for the treatment of infections of the respiratory tract in pigs in Serbia;
- **Tuloxin** (tulathromycin) solution for injection indicated for bacterial infections of the respiratory tract in cattle and pigs and infectious pododermatitis (foot rot) in sheep in Serbia and the Republic of North Macedonia;
- **Santiola** (closantel) solution for injection indicated for the treatment of parasitic gastrointestinal infestations in cattle and sheep in Bosnia and Herzegovina and Serbia; and
- **Flimabend** (flubendazole) oral suspension for the treatment of infections with internal parasites in chicken and pigs in the Republic of North Macedonia.

## Investments

From January to September 2019, the Krka Group allocated €81.1 million to investments, of that €66.3 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.

At the beginning of October 2019, an opening ceremony was held for the product development and quality control facility, Razvojno-kontrolni center 4 (hereafter RKC 4). The €55.6 million investment allowed us to almost double our R&D and analytical capacities for quality assurance. Another important phase in the technological development of Krka has been completed, providing for coordinated operations of research and development, and production and control, essential advantages of our vertically integrated business model.

We started building RKC 4 in July 2015 at the central location of Krka in Ločna, Novo mesto. The eight-storey building with 18,000 m<sup>2</sup> of usable area was built at the end of 2016. Krka received the operating permit in September 2018. This year, we finished installing the state-of-the-art laboratory, analytical, and technological equipment, allowing in-depth research work in the initial stages of product development.

At the end of 2017, Krka started building a multipurpose warehouse at the same location to ensure additional storage room for incoming materials and finished products. This will increase the speed and flexibility of production as well as improve product availability and market supply. The transport system and warehouse will become operational in January 2020. The entire investment was estimated at €36 million.

Notol 2, the state-of-the-art facility for manufacturing solid dosage forms, is also in Ločna, Novo mesto. In order to meet the increasing demand for additional

production facilities, Krka has been purchasing additional technological equipment. In 2019, we started to equip the new packaging facility, and we will have installed seven new highly automated and robotised packaging lines. In the next two years, we plan to purchase and start up seven additional lines, a total of fourteen. The investment was estimated at €41 million. After moving the small-scale and installing the large-scale production equipment, the plant will be technologically equipped in 2021 and we will be able to manufacture 5 billion tablets per year.

We increased manufacturing capacities for animal health products with biocidal effect at our Bršljin plant in Novo mesto. This investment amounted to €4.2 million.

By purchasing an inspection machine, we increased the capacities for production of lozenges in the Ljutomer plant. We are also upgrading systems and machines in one part of the production plant. The investments were estimated at €2 million.

In Krško, construction of a new warehouse for hazardous materials started in June. The facility will provide warehousing of raw materials for chemical and pharmaceutical production in compliance with the guidelines of the *Technical Rules for Hazardous Substances* (TRGS). Completion of the €8.2 million building is planned for July 2020.

In February 2019, the European Union introduced new rules regarding the protection of public health by preventing the entry of falsified medicinal products into the pharmaceutical supply chain. In compliance with the Directive, we introduced obligatory safety features on the outer packaging of medicines, which prevent falsified medicines from reaching patients; we also performed numerous upgrades of technological equipment and production procedures. Over the past three years, we allocated approximately €20 million for the new

equipment and technology. Safety measures required by Russian legislation as of 2020 are also part of this investment.

We constructed a new office building in Ljubljana, which was officially opened in mid-September. Our investment amounted to €12 million.

One of the most important investments in Krka subsidiaries abroad is investment in the Krka-Rus plant in the industrial zone of the town of Istra, north-west of Moscow, where we manufacture just over 2 billion tablets or 72% of products that Krka currently sells on the Russian market. With additional investments in the next three years, we will increase the plant capacities to its maximum, i.e. 3.5 billion tablets annually. We have the status of a domestic producer in the Russian Federation.

The €1.7 million investment in production of solid forms of animal health products at the production-and-distribution centre of Krka in Jastrebarsko, Croatia, has entered its final stage.

We invested a total of €0.5 million in optimisation of production equipment in our subsidiary TAD Pharma, Germany, and €0.6 million in Krka-Polska, Poland.

Several small investments are in progress in business units of the subsidiary Terme Krka.

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 leased production facilities. 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 on the Chinese market. In 2019, we started filing registration documents for another five marketing authorisations for our products in China.



## Employees

At the end of September 2019, the Krka Group had 11,481 employees, of that 5683 abroad, which accounts for just over 49% of the total Krka Group headcount. The proportion of Krka Group employees with at least university-level

qualifications was 53%. This includes 195 employees with a doctoral degree.

Together with agency workers, the Krka Group had 12,625 persons on payroll or 143 more than at the end of 2018.

### Educational structure of the Krka Group

	30 Sept 2019		31 Dec 2018	
	Number of employees	%	Number of employees	%
PhD	195	1.7	187	1.6
Master of Science	387	3.4	384	3.4
University degree	5491	47.8	5555	48.8
Higher professional education	1666	14.5	1622	14.2
Vocational college education	284	2.5	282	2.5
Secondary school education	2362	20.6	2231	19.6
Other	1096	9.5	1129	9.9
<b>Krka Group</b>	<b>11,481</b>	<b>100.0</b>	<b>11,390</b>	<b>100.0</b>

We provide continuous recruitment of talented employees by awarding scholarships. At the end of September, there were 88 Krka scholarship holders, primarily pharmacy and chemistry students. We also grant scholarships to exceptional students from other fields of interest for Krka. We awarded 48 new scholarships this year. 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. Most training courses are organised in-house and adjusted to the needs of our employees, technological processes, market situations, and

development needs of the Krka Group. The courses are constantly updated and upgraded with new training methods to better suit the contemporary work modes.

At the end of September, 169 employees were enrolled in part-time study programmes co-funded by Krka, of whom 56 were postgraduate students.

Krka is also included in the national vocational qualification (NVQ) system. Since 2002, we have awarded 1,353 NVQ certificates to Krka employees and 142 to participants from other organisations in the pharmaceutical industry, i.e. a total of 1,495 certificates for four vocational qualifications. At the end of September 2019, 139 Krka employees were 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	30 Sept 2019	31 Dec 2018	Index
<b>Assets</b>			
Property, plant and equipment	870,834	839,448	104
Intangible assets	107,814	110,329	98
Loans	11,086	10,810	103
Investments	9,632	9,389	103
Deferred tax assets	42,939	40,376	106
Other non-current assets	485	459	106
<b>Total non-current assets</b>	<b>1,042,790</b>	<b>1,010,811</b>	<b>103</b>
Assets held for sale	41	41	100
Inventories	408,341	365,149	112
Contract assets	200	395	51
Trade receivables	424,172	438,291	97
Other receivables	32,838	26,370	125
Loans	31,676	21,491	147
Investments	0	4,720	0
Cash and cash equivalents	189,805	117,801	161
<b>Total current assets</b>	<b>1,087,073</b>	<b>974,258</b>	<b>112</b>
<b>Total assets</b>	<b>2,129,863</b>	<b>1,985,069</b>	<b>107</b>
<b>Equity</b>			
Share capital	54,732	54,732	100
Treasury shares	-64,716	-52,076	124
Reserves	132,547	104,062	127
Retained earnings	1,490,033	1,430,817	104
<b>Total equity holders of the controlling company</b>	<b>1,612,596</b>	<b>1,537,535</b>	<b>105</b>
Non-controlling interests within equity	1,720	2,735	63
<b>Total equity</b>	<b>1,614,316</b>	<b>1,540,270</b>	<b>105</b>
<b>Liabilities</b>			
Non-current trade payables	10,000	0	
Lease liabilities	20,959	-	
Provisions	101,788	100,989	101
Deferred revenue	8,980	9,798	92
Deferred tax liabilities	11,873	12,271	97
<b>Total non-current liabilities</b>	<b>153,600</b>	<b>123,058</b>	<b>125</b>
Current trade payables	124,906	136,806	91
Lease liabilities	1,900	-	
Income tax payable	13,004	3,842	338
Current contract liabilities	133,900	110,225	121
Other current liabilities	88,237	70,868	125
<b>Total current liabilities</b>	<b>361,947</b>	<b>321,741</b>	<b>112</b>
<b>Total liabilities</b>	<b>515,547</b>	<b>444,799</b>	<b>116</b>
<b>Total equity and liabilities</b>	<b>2,129,863</b>	<b>1,985,069</b>	<b>107</b>

## Consolidated Income Statement of the Krka Group

€ thousand	Jan–Sept 2019	Jan–Sept 2018	Index
<b>Revenue</b>	<b>1,090,721</b>	<b>971,570</b>	<b>112</b>
– Revenue from contracts with customers	1,088,119	968,953	112
– Other revenue	2,602	2,617	99
Cost of goods sold	-474,558	-418,684	113
<b>Gross profit</b>	<b>616,163</b>	<b>552,886</b>	<b>111</b>
Other operating income	8,199	7,627	107
Selling and distribution expenses	-261,423	-244,223	107
– Net impairment and write-off of receivables	-702	281	
R&D expenses	-110,839	-95,144	116
General and administrative expenses	-60,520	-57,325	106
<b>Operating profit</b>	<b>191,580</b>	<b>163,821</b>	<b>117</b>
Financial income	21,906	4,000	548
Financial expenses	-11,945	-24,832	48
<b>Net financial result</b>	<b>9,961</b>	<b>-20,832</b>	
<b>Profit before tax</b>	<b>201,541</b>	<b>142,989</b>	<b>141</b>
Income tax	-29,611	-22,228	133
<b>Net profit</b>	<b>171,930</b>	<b>120,761</b>	<b>142</b>
<b>Attributable to:</b>			
– Equity holders of the controlling company	172,616	120,836	143
– Non-controlling interest	-686	-75	915
<b>Basic earnings per share* (€)</b>	<b>5.50</b>	<b>3.77</b>	<b>146</b>
<b>Diluted earnings per share** (€)</b>	<b>5.50</b>	<b>3.77</b>	<b>146</b>

\* Net profit for the period/Average number of shares issued in the period exclusive of 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–Sept 2019	Jan–Sept 2018	Index
<b>Net profit</b>	<b>171,930</b>	<b>120,761</b>	<b>142</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	16,328	-13,639	-120
<b>Net other comprehensive income for the period reclassified to profit or loss at a future date</b>	<b>16,328</b>	<b>-13,639</b>	<b>-120</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	243	823	30
Restatement of post-employment benefits	-2	-1	200
Deferred tax effect	-46	-157	29
<b>Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date</b>	<b>195</b>	<b>665</b>	<b>29</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>16,523</b>	<b>-12,974</b>	<b>-127</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>188,453</b>	<b>107,787</b>	<b>175</b>
Attributable to:			
– Equity holders of the controlling company	189,111	107,894	175
– Non-controlling interest	-658	-107	615

## 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 within equity	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other profit reserves	Retained earnings	Profit for the period			
<b>Balance at 1 Jan 2019</b>	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
<b>Net profit</b>	0	0	0	0	0	0	0	0	0	0	172,616	172,616	-686	171,930
<b>Total other comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	195	16,300	0	0	0	16,495	28	16,523
<b>Total comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	195	16,300	0	0	172,616	189,111	-658	188,453
<b>Transactions with owners recognised in equity</b>														
Formation of other profit reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	0	43,904	-43,904	0	0	0	0
Transfer of profit from previous periods to retained earnings	0	0	0	0	0	0	0	0	0	163,097	-163,097	0	0	0
Other – TAD Pharma	0	0	0	0	0	0	-650	0	0	650	0	0	0	0
Acquisition of a stake in Golf Grad Otočec	0	0	0	0	0	0	0	0	0	249	0	249	-357	-108
Purchase of treasury shares	0	-12,640	0	0	0	0	0	0	0	0	0	-12,640	0	-12,640
Formation of reserves for treasury shares	0	0	12,640	0	0	0	0	0	0	0	-12,640	0	0	0
Dividends and other profit shares paid	0	0	0	0	0	0	0	0	0	-101,659	0	-101,659	0	-101,659
<b>Total transactions with owners recognised in equity</b>	0	-12,640	12,640	0	0	0	-650	0	43,904	18,433	-175,737	-114,050	-357	-114,407
<b>Balance at 30 Sept 2019</b>	54,732	-64,716	64,716	105,897	14,990	30,000	-12,373	-70,683	1,211,292	118,765	159,976	1,612,596	1,720	1,614,316

€ thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the controlling company	Non-controlling interests within equity	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other profit reserves	Retained earnings	Profit for the period			
<b>Balance at 1 Jan 2018</b>	54,732	-40,588	40,588	105,897	14,990	30,000	-12,523	-67,475	1,129,172	90,233	141,702	1,486,728	971	1,487,699
<b>Net profit</b>	0	0	0	0	0	0	0	0	0	0	120,836	120,836	-75	120,761
<b>Total other comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	665	-13,607	0	0	0	-12,942	-32	-12,974
<b>Total comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	665	-13,607	0	0	120,836	107,894	-107	107,787
<b>Transactions with owners recognised in equity</b>														
Formation of other profit reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	0	38,216	-38,216	0	0	0	0
Transfer of profit from previous periods to retained earnings	0	0	0	0	0	0	0	0	0	141,702	-141,702	0	0	0
Purchase of treasury shares	0	-7,387	0	0	0	0	0	0	0	0	0	-7,387	0	-7,387
Formation of reserves for treasury shares	0	0	7,387	0	0	0	0	0	0	0	-7,387	0	0	0
Dividends and other profit shares paid	0	0	0	0	0	0	0	0	0	-92,798	0	-92,798	0	-92,798
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	2,343	2,343
<b>Total transactions with owners recognised in equity</b>	0	-7,387	7,387	0	0	0	0	0	38,216	10,688	-149,089	-100,185	2,343	-97,842
<b>Balance at 30 Sept 2018</b>	54,732	-47,975	47,975	105,897	14,990	30,000	-11,858	-81,082	1,167,388	100,921	113,449	1,494,437	3,207	1,497,644

## Consolidated Statement of Cash Flows of the Krka Group

€ thousand	Jan–Sept 2019	Jan–Sept 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit</b>	<b>171,930</b>	<b>120,761</b>
<b>Adjustments for:</b>	<b>130,766</b>	<b>99,722</b>
– Amortisation/Depreciation	82,653	82,613
– Foreign exchange differences	5,185	–4,585
– Investment income	–2,453	–5,454
– Investment expenses	13,439	3,098
– Financial income	–14	–82
– Interest expense and other financial expenses	2,344	1,904
– Income tax	29,612	22,228
<b>Operating profit before changes in net current assets</b>	<b>302,696</b>	<b>220,483</b>
Change in trade receivables	9,420	73,671
Change in inventories	–43,192	–30,296
Change in trade payables	18,560	–4,713
Change in provisions	–706	968
Change in deferred revenue	–818	–867
Change in other current liabilities	15,555	–3,072
Income tax paid	–24,798	–36,322
<b>Net cash from operating activities</b>	<b>276,717</b>	<b>219,852</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,055	349
Dividends received	317	975
Proceeds from sale of property, plant and equipment	2,100	3,217
Purchase of intangible assets	–2,627	–3,352
Purchase of property, plant and equipment	–76,417	–61,883
Purchase of subsidiaries and minority interests without acquired financial assets	–108	0
Non-current loans	–1,717	–1,978
Proceeds from repayment of non-current loans	1,548	951
Payments to acquire non-current investments	–51	–156
Proceeds from sale of non-current investments	26	24
Payments for current investments and loans	–7,109	–24,746
Payments for derivative financial instruments	–5,939	–2,278
Proceeds from derivative financial instruments	0	2,386
<b>Net cash from investing activities</b>	<b>–88,922</b>	<b>–86,491</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	–283	–748
Lease payments	–2,233	0
Dividends and other profit shares paid	–101,665	–92,809
Purchase of treasury shares	–12,640	–7,387
Proceeds from payment of non-controlling interests	0	2,343
<b>Net cash from financing activities</b>	<b>–116,821</b>	<b>–98,601</b>
<b>Net increase in cash and cash equivalents</b>	<b>70,974</b>	<b>34,760</b>
Cash and cash equivalents at the beginning of the period	117,801	45,948
Effect of foreign exchange rate fluctuations on cash held	1,030	–768
<b>Cash and cash equivalents at the end of the period</b>	<b>189,805</b>	<b>79,940</b>

## Segment Reporting of the Krka Group

€ thousand	European Union		South-East Europe		East Europe		Other		Elimination		Total	
	Jan–Sept 2019	Jan–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Jan–Sept 2019	Jan–Sept 2018
<b>Revenue from external customers</b>	<b>648,646</b>	<b>591,425</b>	<b>59,216</b>	<b>54,164</b>	<b>339,754</b>	<b>287,640</b>	<b>43,105</b>	<b>38,341</b>	<b>0</b>	<b>0</b>	<b>1,090,721</b>	<b>971,570</b>
– Revenue from contracts with customers	646,435	589,231	59,216	54,164	339,683	287,602	42,785	37,956	0	0	1,088,119	968,953
– Other revenue	2,211	2,194	0	0	71	38	320	385	0	0	2,602	2,617
<b>Sales between Group companies</b>	<b>170,848</b>	<b>156,120</b>	<b>34,589</b>	<b>29,914</b>	<b>190,795</b>	<b>168,300</b>	<b>0</b>	<b>0</b>	<b>–396,232</b>	<b>–354,334</b>	<b>0</b>	<b>0</b>
Other operating income	6,599	4,263	11	–17	1,589	3,381	0	0	0	0	8,199	7,627
Operating expenses	–551,504	–510,135	–40,715	–37,124	–286,277	–244,870	–28,844	–23,247	0	0	–907,340	–815,376
Operating expenses to Group companies	–278,552	–267,479	–37,884	–32,880	–367,913	–341,447	–2,980	–251	687,329	642,057	0	0
<b>Operating profit</b>	<b>103,741</b>	<b>85,553</b>	<b>18,512</b>	<b>17,023</b>	<b>55,066</b>	<b>46,151</b>	<b>14,261</b>	<b>15,094</b>	<b>0</b>	<b>0</b>	<b>191,580</b>	<b>163,821</b>
Interest income	804	149	1	1	247	194	3	4	0	0	1,055	348
Interest income from Group companies	364	190	–1	0	–4	2	0	0	–359	–192	0	0
Interest expense	–312	–24	–32	0	–309	–556	–18	0	0	0	–671	–580
Interest expense to Group companies	–240	–235	0	0	–59	–39	0	0	299	274	0	0
<b>Net financial result</b>	<b>–3,069</b>	<b>–2,112</b>	<b>–220</b>	<b>–353</b>	<b>11,761</b>	<b>–18,676</b>	<b>1,489</b>	<b>309</b>	<b>0</b>	<b>0</b>	<b>9,961</b>	<b>–20,832</b>
Income tax	–16,039	–10,771	–2,397	–1,936	–9,736	–8,187	–1,439	–1,334	0	0	–29,611	–22,228
<b>Net profit</b>	<b>84,633</b>	<b>72,670</b>	<b>15,895</b>	<b>14,734</b>	<b>57,091</b>	<b>19,288</b>	<b>14,311</b>	<b>14,069</b>	<b>0</b>	<b>0</b>	<b>171,930</b>	<b>120,761</b>
Investments	72,304	62,238	188	316	6,023	2,969	2,628	436	0	0	81,143	65,959
Depreciation	52,724	54,371	1,590	1,609	20,617	20,788	587	440	0	0	75,518	77,208
Depreciation – right-of-use assets	1,405	–	67	–	436	–	20	–	0	–	1,928	–
Amortisation	8	–	0	–	4	–	0	–	–12	–	0	–
	<b>30 Sept 2019</b>	<b>31 Dec 2018</b>	<b>30 Sept 2019</b>	<b>31 Dec 2018</b>	<b>30 Sept 2019</b>	<b>31 Dec 2018</b>	<b>30 Sept 2019</b>	<b>31 Dec 2018</b>	<b>30 Sept 2019</b>	<b>31 Dec 2018</b>	<b>30 Sept 2019</b>	<b>31 Dec 2018</b>
<b>Total assets</b>	<b>1,625,998</b>	<b>1,552,922</b>	<b>50,526</b>	<b>48,132</b>	<b>434,657</b>	<b>367,867</b>	<b>18,682</b>	<b>16,148</b>	<b>0</b>	<b>0</b>	<b>2,129,863</b>	<b>1,985,069</b>
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	36,877	37,530	0	0	0	0	0	0	0	0	36,877	37,530
<b>Total liabilities</b>	<b>350,359</b>	<b>325,099</b>	<b>13,599</b>	<b>10,877</b>	<b>122,222</b>	<b>84,514</b>	<b>29,367</b>	<b>24,309</b>	<b>0</b>	<b>0</b>	<b>515,547</b>	<b>444,799</b>



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

### Costs by nature

€907,340 thousand

€ thousand	Jan–Sept 2019	Jan–Sept 2018	Index
Cost of goods and material	309,757	259,214	119
Cost of services	195,719	176,322	111
Employee benefit costs	310,769	278,807	111
Amortisation and depreciation	82,653	82,613	100
Inventory write-off and allowances	14,003	15,204	92
Receivable impairments and write-off (net)	-702	281	
Formation of provisions for lawsuits	0	45	0
Other operating expenses	31,887	28,468	112
<b>Total costs</b>	<b>944,086</b>	<b>840,954</b>	<b>112</b>
Change in the value of inventories of finished products and work in progress	-36,746	-25,578	144
<b>Total</b>	<b>907,340</b>	<b>815,376</b>	<b>111</b>

### Employee benefit costs

€310,769 thousand

€ thousand	Jan–Sept 2019	Jan–Sept 2018	Index
Gross wages and salaries and continued pay	240,617	216,785	111
Social security contributions	18,716	17,533	107
Pension insurance contributions	32,413	29,277	111
Payroll tax	722	779	93
Post-employment benefits and other non-current employee benefits	3,820	3,629	105
Other employee benefit costs	14,481	10,804	134
<b>Total employee benefit costs</b>	<b>310,769</b>	<b>278,807</b>	<b>111</b>

### Other operating expenses

€31,887 thousand

€ thousand	Jan–Sept 2019	Jan–Sept 2018	Index
Grants and assistance for humanitarian and other purposes	1,285	1,314	98
Environmental protection expenditure	3,235	3,066	106
Other taxes and levies	19,815	20,617	96
Loss on sale of property, plant and equipment and intangible assets	4,357	820	531
Other operating expenses	3,195	2,651	121
<b>Total other operating expenses</b>	<b>31,887</b>	<b>28,468</b>	<b>112</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–Sept 2019	Jan–Sept 2018	Index
Net foreign exchange differences	20,521	0	
Interest income	1,055	348	303
Derivative financial instruments income	0	3,553	0
– Realised revenue	0	2,386	0
– Change in fair value	0	1,167	0
Income from dividends and other profit shares	317	17	1,865
Other financial income	13	82	16
<b>Total financial income</b>	<b>21,906</b>	<b>4,000</b>	<b>548</b>
Net foreign exchange differences	0	-20,651	0
Interest expense	-671	-580	116
Derivative financial instruments expense	-9,570	-2,278	420
– Incurred expenses	-5,939	-2,278	261
– Change in fair value	-3,631	0	
Other financial expenses	-1,704	-1,323	129
<b>Total financial expenses</b>	<b>-11,945</b>	<b>-24,832</b>	<b>48</b>
<b>Net financial result</b>	<b>9,961</b>	<b>-20,832</b>	

### Income tax

€29,611 thousand

Current income tax amounted to €32,386 thousand or 16.1% of profit before tax. Taking into account deferred tax in the amount of

-€2,775 thousand, tax in total of €29,611 thousand was expensed in the income statement. The effective tax rate was 14.7%.

### Property, plant and equipment

€870,834 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Land	40,148	39,996	100
Buildings	391,533	390,638	100
Equipment	339,292	352,931	96
Property, plant and equipment being acquired	72,167	52,359	138
Advances for property, plant and equipment	5,142	3,524	146
Right-of-use assets	22,552	–	
<b>Total property, plant and equipment</b>	<b>870,834</b>	<b>839,448</b>	<b>104</b>

Value of property, plant, and equipment accounted for 41% of the Group balance sheet total. Please see section 'Investments' in the business report for details on major investments of Krka.

## Intangible assets

€107,814 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Goodwill	42,644	42,644	100
Trademark	36,877	37,530	98
Concessions, trademarks and licences	23,704	26,345	90
Intangible assets being acquired	4,589	3,810	120
<b>Total intangible assets</b>	<b>107,814</b>	<b>110,329</b>	<b>98</b>

## Loans

€42,762 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
<b>Non-current loans</b>	<b>11,086</b>	<b>10,810</b>	<b>276</b>
– Loans to others	11,086	10,810	276
<b>Current loans</b>	<b>31,676</b>	<b>21,491</b>	<b>10,185</b>
– Portion of non-current loans maturing next year	1,483	1,468	15
– Loans to others	30,193	20,023	10,170
<b>Total loans</b>	<b>42,762</b>	<b>32,301</b>	<b>10,461</b>

Non-current loans constituted 26% 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 in total of €30,000 thousand.

## Investments

€9,632 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
<b>Non-current investments</b>	<b>9,632</b>	<b>9,389</b>	<b>103</b>
– Financial assets at fair value through OCI (equity instruments)	9,632	9,389	103
<b>Current investments including derivative financial instruments</b>	<b>0</b>	<b>4,720</b>	<b>0</b>
– Derivative financial instruments	0	1,800	0
– Financial assets at fair value through profit or loss	0	2,920	0
<b>Total investments</b>	<b>9,632</b>	<b>14,109</b>	<b>68</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 €8,812 thousand.

## Inventories

€408,341 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Material	167,787	152,087	110
Work in progress	105,628	94,964	111
Finished products	118,135	99,835	118
Goods	8,876	8,203	108
Advances for inventories	7,915	10,060	79
<b>Total inventories</b>	<b>408,341</b>	<b>365,149</b>	<b>112</b>

## Trade and other receivables

€457,010 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Current trade receivables	424,172	438,291	97
Other current receivables	32,838	26,370	125
<b>Total receivables</b>	<b>457,010</b>	<b>464,661</b>	<b>98</b>

## Cash and cash equivalents

€189,805 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Cash on hand	52	75	69
Bank balances	189,753	117,726	161
<b>Total cash and cash equivalents</b>	<b>189,805</b>	<b>117,801</b>	<b>161</b>

Bank balances also included bank deposits of the controlling company with maturity up to 30 days in total of €19,145 thousand.

## Equity

€1,614,316 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Share capital	54,732	54,732	100
Treasury shares	-64,716	-52,076	124
Reserves	132,547	104,062	127
– Reserves for treasury shares	64,716	52,076	124
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	-12,373	-11,918	104
– Translation reserve	-70,683	-86,983	81
Retained earnings	1,490,033	1,430,817	104
<b>Total equity holders of the controlling company</b>	<b>1,612,596</b>	<b>1,537,535</b>	<b>105</b>
Non-controlling interests within equity	1,720	2,735	63
<b>Total equity</b>	<b>1,614,316</b>	<b>1,540,270</b>	<b>105</b>

## Trade payables

€134,906 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
<b>Non-current trade payables</b>	<b>10,000</b>	<b>0</b>	
Other non-current trade payables	10,000	0	
<b>Current trade payables</b>	<b>124,906</b>	<b>136,806</b>	<b>91</b>
Payables to domestic suppliers	49,933	45,805	109
Payables to foreign suppliers	74,973	91,001	82
<b>Total trade payables</b>	<b>134,906</b>	<b>136,806</b>	<b>99</b>

Other non-current trade payables included liabilities to the European Commission. According to the 2014 findings of the European Commission, Krka allegedly violated Article 101 of the *Treaty on the Functioning of the European Union* causing distortion of competition in the perindopril market of the European Union. As a result, the European Commission imposed a €10 million fine on Krka. The Company settled the imposed fine within the deadline set by the Commission but decided to bring an action before the General Court against the decision of the European Commission on the grounds that there

was no breach of the EU competition rules, and in December 2018, the court ruled in favour of Krka. The decision of the General Court has not yet become final, and the European Commission filed an appeal against the decision within the provided time limit, on which the Court of Justice of the European Union will rule. At the beginning of 2019, the European Commission refunded Krka the €10 million fine, but in compliance with legal opinion, Krka decided to post the refund under deferred revenue. Krka formed non-current liabilities in the said amount.

## Provisions

€101,788 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Provisions for lawsuits	2,129	4,217	50
Provisions for post-employment benefits and other non-current employee benefits	97,391	94,794	103
Other provisions	2,268	1,978	115
<b>Total provisions</b>	<b>101,788</b>	<b>100,989</b>	<b>101</b>

## Deferred revenue

€8,980 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Grants received from the European Regional Development Fund and budget of the Republic of Slovenia intended for the production of pharmaceuticals in the new Notol 2 plant	1,650	1,850	89
Grants received from the budget for the Dolenjske and Šmarješke Toplice health resorts and for Golf Grad Otočec	3,549	3,645	97
Grants received from the European Regional Development Fund for development of new technologies (FBD project)	81	151	54
Grants received from the European Regional Development Fund for setting up the energy supply IT system (GEN-I)	2	6	33
Grants received from the European Regional Development Fund for the Slovenian economy development centres	3,680	4,121	89
Subsidy for acquisition of electric vehicles	6	6	100
Property, plant and equipment received free of charge	12	18	67
Emission coupons	0	1	0
<b>Total deferred revenue</b>	<b>8,980</b>	<b>9,798</b>	<b>92</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 framework of the Operational Programme

“Strengthening Regional Development Potentials” for the 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

€133,900 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
<b>Refund liabilities</b>	<b>123,619</b>	<b>106,166</b>	<b>116</b>
– Accrued discounts on products sold	123,601	106,070	117
– Right of return	18	96	19
<b>Contract liabilities</b>	<b>10,281</b>	<b>4,059</b>	<b>253</b>
– Contract liabilities – advances from other customers	4,820	4,059	119
– Contract liabilities – deferred revenue	5,461	0	
<b>Total current contract liabilities</b>	<b>133,900</b>	<b>110,225</b>	<b>121</b>

### Other current liabilities

€88,237 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Payables to employees – gross salaries, other receipts and charges	50,311	47,725	105
Derivative financial instruments	1,831	0	
Other	36,095	23,143	156
<b>Total other current liabilities</b>	<b>88,237</b>	<b>70,868</b>	<b>125</b>

### Contingent liabilities

€19,745 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Guarantees issued	19,125	18,893	101
Other	620	620	100
<b>Total contingent liabilities</b>	<b>19,745</b>	<b>19,513</b>	<b>101</b>

## Fair value

€ thousand	30 Sept 2019		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans	11,086	11,086	10,810	10,810
Financial assets at fair value through OCI (equity instruments)	9,632	9,632	9,389	9,389
Current loans	31,676	31,676	21,491	21,491
Current investments	0	0	4,720	4,720
– Financial assets at fair value through profit or loss	0	0	2,920	2,920
– Derivative financial instruments	0	0	1,800	1,800
Contract assets	200	200	395	395
Trade receivables	424,172	424,172	438,291	438,291
Cash and cash equivalents	189,805	189,805	117,801	117,801
Non-current lease liabilities	-20,959	-20,959	0	0
Non-current trade payables	-10,000	-10,000	0	0
Current lease liabilities	-1,900	-1,900	0	0
Payables to suppliers excluding advances	-124,906	-124,906	-136,806	-136,806
Contract liabilities excluding advances	-123,601	-123,601	-106,070	-106,070
Other liabilities excluding amounts owed to the state, employees, and advances	-30,732	-30,732	-11,319	-11,319
Other current liabilities	-1,831	-1,831	0	0
– Derivative financial instruments	-1,831	-1,831	0	0
<b>Total</b>	<b>352,642</b>	<b>352,642</b>	<b>348,702</b>	<b>348,702</b>

In terms of fair value, financial assets are classified in three levels:

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

## Assets at fair value

€ thousand	30 Sept 2019				31 Dec 2018			
	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)	8,246	0	1,386	9,632	8,002	0	1,387	9,389
Financial assets at fair value through profit or loss	0	0	0	0	2,920	0	0	2,920
Derivative financial instruments	0	0	0	0	0	0	1,800	1,800
<b>Total assets at fair value</b>	<b>8,246</b>	<b>0</b>	<b>1,386</b>	<b>9,632</b>	<b>10,922</b>	<b>0</b>	<b>3,187</b>	<b>14,109</b>
<b>Assets for which fair value is disclosed</b>								
Non-current loans	0	0	11,086	11,086	0	0	10,810	10,810
Current loans	0	0	31,676	31,676	0	0	21,491	21,491
Contract assets			200				395	395
Trade receivables	0	0	424,172	424,172	0	0	438,291	438,291
Cash and cash equivalents	0	0	189,805	189,805	0	0	117,801	117,801
<b>Total assets for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>656,939</b>	<b>656,939</b>	<b>0</b>	<b>0</b>	<b>588,788</b>	<b>588,788</b>
<b>Total</b>	<b>8,246</b>	<b>0</b>	<b>658,325</b>	<b>666,571</b>	<b>10,922</b>	<b>0</b>	<b>591,975</b>	<b>602,897</b>

## Liabilities at fair value

€ thousand	30 Sept 2019				31 Dec 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Liabilities at fair value</b>								
Derivative financial instruments	0	0	1,831	1,831	0	0	0	0
<b>Total liabilities at fair value</b>	<b>0</b>	<b>0</b>	<b>1,831</b>	<b>1,831</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities for which fair value is disclosed</b>								
Non-current lease liabilities	0	0	20,959	20,959	0	0	-	0
Non-current trade payables	0	0	10,000	10,000	0	0	0	0
Current lease liabilities	0	0	1,900	1,900	0	0	-	0
Payables to suppliers excluding advances	0	0	124,906	124,906	0	0	136,806	136,806
Contract liabilities excluding advances	0	0	123,601	123,601	0	0	106,070	106,070
Other liabilities excluding amounts owed to the state, employees, and advances	0	0	30,732	30,732	0	0	11,319	11,319
<b>Total liabilities for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>312,098</b>	<b>312,098</b>	<b>0</b>	<b>0</b>	<b>254,195</b>	<b>254,195</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>313,929</b>	<b>313,929</b>	<b>0</b>	<b>0</b>	<b>254,195</b>	<b>254,195</b>



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

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

€ thousand	30 Sept 2019	31 Dec 2018	Index
<b>Assets</b>			
Property, plant and equipment	614,012	604,923	102
Intangible assets	26,965	28,842	93
Investments in subsidiaries	325,512	325,502	100
Trade receivables due from subsidiaries	48,520	38,885	125
Loans	39,377	19,238	205
Investments	9,632	9,388	103
Deferred tax assets	11,740	11,780	100
Other non-current assets	77	58	133
<b>Total non-current assets</b>	<b>1,075,835</b>	<b>1,038,616</b>	<b>104</b>
Assets held for sale	41	41	100
Inventories	346,759	317,499	109
Contract assets	7,539	1,464	515
Trade receivables	391,454	390,948	100
Other receivables	18,555	15,404	120
Loans	34,084	51,819	66
Investments	0	1,800	0
Cash and cash equivalents	172,746	98,474	175
<b>Total current assets</b>	<b>971,178</b>	<b>877,449</b>	<b>111</b>
<b>Total assets</b>	<b>2,047,013</b>	<b>1,916,065</b>	<b>107</b>
<b>Equity</b>			
Share capital	54,732	54,732	100
Treasury shares	-64,716	-52,076	124
Reserves	205,625	192,788	107
Retained earnings	1,417,387	1,356,856	104
<b>Total equity</b>	<b>1,613,028</b>	<b>1,552,300</b>	<b>104</b>
<b>Liabilities</b>			
Non-current trade payables	10,000	0	
Lease liabilities	4,756	/	
Provisions	88,396	87,882	101
Deferred revenue	1,751	2,030	86
<b>Total non-current liabilities</b>	<b>104,903</b>	<b>89,912</b>	<b>117</b>
Current trade payables	163,335	170,354	96
Borrowings	61,219	40,435	151
Lease liabilities	607	/	
Income tax payable	10,710	1,570	682
Current contract liabilities	25,523	17,340	147
Other current liabilities	67,688	44,154	153
<b>Total current liabilities</b>	<b>329,082</b>	<b>273,853</b>	<b>120</b>
<b>Total liabilities</b>	<b>433,985</b>	<b>363,765</b>	<b>119</b>
<b>Total equity and liabilities</b>	<b>2,047,013</b>	<b>1,916,065</b>	<b>107</b>

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

€ thousand	Jan–Sept 2019	Jan–Sept 2018	Index
<b>Revenue</b>	<b>1,005,081</b>	<b>917,395</b>	<b>110</b>
– Revenue from contracts with customers	1,000,183	911,620	110
– Other revenue	4,898	5,775	85
Cost of goods sold	-433,680	-398,199	109
<b>Gross profit</b>	<b>571,401</b>	<b>519,196</b>	<b>110</b>
Other operating income	3,384	606	558
Selling and distribution expenses	-223,759	-217,324	103
– Net impairment and write-off of receivables	-577	264	
R&D expenses	-113,850	-99,928	114
General and administrative expenses	-50,813	-48,414	105
<b>Operating profit</b>	<b>186,363</b>	<b>154,136</b>	<b>121</b>
Financial income	23,539	6,206	379
Financial expenses	-11,682	-23,309	50
<b>Net financial result</b>	<b>11,857</b>	<b>-17,103</b>	
<b>Profit before tax</b>	<b>198,220</b>	<b>137,033</b>	<b>145</b>
Income tax	-23,390	-17,139	136
<b>Net profit</b>	<b>174,830</b>	<b>119,894</b>	<b>146</b>
Basic earnings per share* (in €)	<b>5.57</b>	<b>3.74</b>	<b>149</b>
Diluted earnings per share** (in €)	<b>5.57</b>	<b>3.74</b>	<b>149</b>

\* Net profit for the period/Average number of shares issued in the period exclusive of 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–Sept 2019	Jan–Sept 2018	Index
<b>Net profit</b>	<b>174,830</b>	<b>119,894</b>	<b>146</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	243	823	
Deferred tax effect	-46	-157	29
<b>Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date</b>	<b>197</b>	<b>666</b>	<b>30</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>197</b>	<b>666</b>	<b>30</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>175,027</b>	<b>120,560</b>	<b>145</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>Balance at 1 Jan 2019</b>	54,732	-52,076	52,076	105,897	14,990	30,000	-10,175	1,167,388	37,627	151,841	1,552,300
<b>Net profit</b>	0	0	0	0	0	0	0	0	0	174,830	174,830
<b>Total other comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	197	0	0	0	197
<b>Total comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	197	0	0	174,830	175,027
<b>Transactions with owners recognised in equity</b>											
Formation of other profit reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	43,904	-43,904	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	151,841	-151,841	0
Purchase of treasury shares	0	-12,640	0	0	0	0	0	0	0	0	-12,640
Formation of reserves for treasury shares	0	0	12,640	0	0	0	0	0	0	-12,640	0
Dividends paid	0	0	0	0	0	0	0	0	-101,659	0	-101,659
<b>Total transactions with owners recognised in equity</b>	0	-12,640	12,640	0	0	0	0	43,904	6,278	-164,481	-114,299
<b>Balance at 30 Sept 2019</b>	54,732	-64,716	64,716	105,897	14,990	30,000	-9,978	1,211,292	43,905	162,190	1,613,028

€ 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>Balance at 1 Jan 2018</b>	<b>54,732</b>	<b>-40,588</b>	<b>40,588</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-10,696</b>	<b>1,129,172</b>	<b>26,398</b>	<b>142,832</b>	<b>1,493,325</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>119,894</b>	<b>119,894</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>666</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>666</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>666</b>	<b>0</b>	<b>0</b>	<b>119,894</b>	<b>120,560</b>
<b>Transactions with owners recognised in equity</b>											
Formation of other profit reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	38,216	-38,216	0	0
Transfer of profit from previous periods to retained earnings	0	0	0	0	0	0	0	0	142,832	-142,832	0
Purchase of treasury shares	0	-7,387	0	0	0	0	0	0	0	0	-7,387
Formation of reserves for treasury shares	0	0	7,387	0	0	0	0	0	0	-7,387	0
Dividends paid	0	0	0	0	0	0	0	0	-92,798	0	-92,798
<b>Total transactions with owners recognised in equity</b>	<b>0</b>	<b>-7,387</b>	<b>7,387</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>38,216</b>	<b>11,818</b>	<b>-150,219</b>	<b>-100,185</b>
<b>Balance at 30 Sept 2018</b>	<b>54,732</b>	<b>-47,975</b>	<b>47,975</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-10,030</b>	<b>1,167,388</b>	<b>38,216</b>	<b>112,507</b>	<b>1,513,700</b>

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

€ thousand	Jan–Sept 2019	Jan–Sept 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit</b>	<b>174,830</b>	<b>119,894</b>
<b>Adjustments for:</b>	<b>95,141</b>	<b>77,331</b>
– Amortisation/Depreciation	61,017	61,935
– Foreign exchange differences	-1,264	741
– Investment income	-3,386	-6,466
– Investment expenses	13,272	2,540
– Interest expense and other financial expenses	2,112	1,442
– Income tax	23,390	17,139
<b>Operating profit before changes in net current assets</b>	<b>269,971</b>	<b>197,225</b>
Change in trade receivables	-17,403	52,536
Change in inventories	-29,259	-22,101
Change in trade payables	22,985	-10,013
Change in provisions	-990	734
Change in deferred revenue	-279	-285
Change in other current liabilities	6,785	10,764
Income tax paid	-14,256	-27,719
<b>Net cash from operating activities</b>	<b>237,554</b>	<b>201,141</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,071	405
Dividends received	317	975
Proportionate profit of subsidiaries	-521	2,210
Proceeds from sale of property, plant and equipment	584	350
Purchase of intangible assets	-2,156	-2,835
Payments for acquisition of property, plant and equipment	-60,982	-46,690
Acquisition of subsidiaries and non-controlling interest net of cash acquired	-10	-3,603
Non-current loans	-3,797	-4,463
Proceeds from repayment of non-current loans	-16,507	925
Payments to acquire non-current investments	-44	-18
Proceeds from sale of non-current investments	27	21
Proceeds from/Payments for current investments and loans	18,141	-17,941
Payments for derivative financial instruments	-5,939	-2,278
Proceeds from derivative financial instruments	0	2,386
<b>Net cash from investing activities</b>	<b>-69,816</b>	<b>-70,556</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-503	-315
Proceeds from current borrowings	20,752	980
Lease payments	-543	0
Dividends and other profit shares paid	-101,665	-92,809
Purchase of treasury shares	-12,640	-7,387
<b>Net cash from financing activities</b>	<b>-94,599</b>	<b>-99,531</b>
<b>Net increase in cash and cash equivalents</b>	<b>73,139</b>	<b>31,054</b>
Cash and cash equivalents at the beginning of the year	98,474	34,117
Effect of foreign exchange rate fluctuations on cash held	1,133	-721
<b>Cash and cash equivalents at the end of the period</b>	<b>172,746</b>	<b>64,450</b>

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

€ thousand	European Union		South-East Europe		East Europe		Other		Total	
	Jan–Sept 2019	Jan–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Jan–Sept 2019	Jan–Sept 2018
<b>Revenue</b>	<b>584,658</b>	<b>551,078</b>	<b>58,326</b>	<b>52,390</b>	<b>323,453</b>	<b>278,887</b>	<b>38,644</b>	<b>35,040</b>	<b>1,005,081</b>	<b>917,395</b>
– Revenue from contracts with customers	580,100	545,711	58,326	52,390	323,433	278,864	38,324	34,655	1,000,183	911,620
– Other revenue	4,558	5,367	0	0	20	23	320	385	4,898	5,775
Other operating income	3,384	606	0	0	0	0	0	0	3,384	606
Operating costs	-493,729	-466,814	-39,718	-36,117	-261,478	-237,891	-27,177	-23,043	-822,102	-763,865
<b>Operating profit</b>	<b>94,313</b>	<b>84,870</b>	<b>18,608</b>	<b>16,273</b>	<b>61,975</b>	<b>40,996</b>	<b>11,467</b>	<b>11,997</b>	<b>186,363</b>	<b>154,136</b>
Interest income	992	370	0	0	59	38	0	0	1,051	408
Interest expense	-483	-213	-8	0	-24	0	-12	0	-527	-213
<b>Net financial result</b>	<b>-1,563</b>	<b>-383</b>	<b>465</b>	<b>689</b>	<b>11,489</b>	<b>-17,694</b>	<b>1,466</b>	<b>285</b>	<b>11,857</b>	<b>-17,103</b>
Income tax	-11,837	-9,437	-2,336	-1,809	-7,778	-4,559	-1,439	-1,334	-23,390	-17,139
<b>Net profit</b>	<b>80,913</b>	<b>75,050</b>	<b>16,737</b>	<b>15,153</b>	<b>65,686</b>	<b>18,743</b>	<b>11,494</b>	<b>10,948</b>	<b>174,830</b>	<b>119,894</b>
Investments	66,338	51,956	0	0	0	0	0	0	66,338	51,956
Depreciation	40,766	42,169	1,368	1,409	13,875	13,837	481	438	56,490	57,853
Depreciation – right-of-use assets	355	-	12	-	123	-	4	-	494	-
Amortisation	2,346	2,452	234	233	1,298	1,241	155	156	4,033	4,082
	<b>30 Sept 2019</b>	<b>31 Dec 2018</b>	<b>30 Sept 2019</b>	<b>31 Dec 2018</b>	<b>30 Sept 2019</b>	<b>31 Dec 2018</b>	<b>30 Sept 2019</b>	<b>31 Dec 2018</b>	<b>30 Sept 2019</b>	<b>31 Dec 2018</b>
<b>Total assets</b>	<b>1,473,457</b>	<b>1,399,815</b>	<b>50,479</b>	<b>48,990</b>	<b>504,829</b>	<b>449,542</b>	<b>18,248</b>	<b>17,718</b>	<b>2,047,013</b>	<b>1,916,065</b>
<b>Total liabilities</b>	<b>271,344</b>	<b>235,848</b>	<b>12,320</b>	<b>11,254</b>	<b>121,999</b>	<b>92,743</b>	<b>28,322</b>	<b>23,920</b>	<b>433,985</b>	<b>363,765</b>

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

### Costs by nature

€822,102 thousand

€ thousand	Jan–Sept 2019	Jan–Sept 2018	Index
Cost of goods and material	295,085	268,124	110
Cost of services	261,939	251,623	104
Employee benefit costs	201,042	174,435	115
Amortisation and depreciation	61,017	61,935	99
Inventory write-off and allowances	8,391	9,398	89
Receivable impairments and write-off (net)	-577	264	
Other operating expenses	22,958	17,885	128
<b>Total costs</b>	<b>849,855</b>	<b>783,664</b>	<b>108</b>
Change in the value of inventories of finished products and work in progress	-27,753	-19,799	140
<b>Total</b>	<b>822,102</b>	<b>763,865</b>	<b>108</b>

### Employee benefit costs

€201,042 thousand

€ thousand	Jan–Sept 2019	Jan–Sept 2018	Index
Gross wages and salaries and continued pay	155,849	136,060	115
Social security contributions	11,817	10,508	112
Pension insurance contributions	19,459	17,287	113
Post-employment benefits and other non-current employee benefits	3,452	3,268	106
Other employee benefit costs	10,465	7,312	143
<b>Total employee benefit costs</b>	<b>201,042</b>	<b>174,435</b>	<b>115</b>

### Other operating expenses

€22,958 thousand

€ thousand	Jan–Sept 2019	Jan–Sept 2018	Index
Grants and assistance for humanitarian and other purposes	994	1,026	97
Environmental protection expenditure	2,033	1,977	103
Other taxes and levies	13,866	13,038	106
Loss on sale and write-off of property, plant and equipment and intangible assets	4,190	262	1599
Other operating expenses	1,875	1,582	119
<b>Total other operating expenses</b>	<b>22,958</b>	<b>17,885</b>	<b>128</b>

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

## Financial income and expenses

€ thousand	Jan–Sept 2019	Jan–Sept 2018	Index
Net foreign exchange differences	20,656	0	
Interest income	1,051	408	258
Derivative financial instruments income	0	3,553	0
– Realised revenue	0	2,386	0
– Change in fair value	0	1,167	0
Income from dividends and other profit shares	1,832	2,245	82
– Dividends	317	17	1,865
– Profits of subsidiaries	1,515	2,228	68
<b>Total financial income</b>	<b>23,539</b>	<b>6,206</b>	<b>379</b>
Net foreign exchange differences	0	-19,590	0
Interest expense	-527	-213	247
Derivative financial instruments expense	-9,570	-2,278	420
– Incurred expenses	-5,939	-2,278	261
– Change in fair value	-3,631	0	
Other financial expenses	-1,585	-1,228	129
<b>Total financial expenses</b>	<b>-11,682</b>	<b>-23,309</b>	<b>50</b>
<b>Net financial result</b>	<b>11,857</b>	<b>-17,103</b>	<b>-69</b>

### Income tax

€23,390 thousand

Current income tax amounted to €23,397 thousand or 11.8% of profit before tax. Taking into account deferred tax in the amount of -€7 thousand, tax in

total of €23,390 thousand was expensed in the income statement. The effective tax rate was 11.8%.

### Property, plant and equipment

€614,012 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Land	27,074	26,984	100
Buildings	252,638	255,758	99
Equipment	262,846	276,268	95
Property, plant and equipment being acquired	63,737	42,773	149
Advances for property, plant and equipment	2,441	3,140	78
Right-of-use assets – leases	5,276	–	
<b>Total property, plant and equipment</b>	<b>614,012</b>	<b>604,923</b>	<b>102</b>

Value of property, plant, and equipment accounted for 30% of the Company balance sheet total. Please see section 'Investments' in the business report for details on major investments of Krka.



## Intangible assets

€26,965 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Concessions, trademarks and licences	13,804	25,262	55
Intangible assets being acquired	13,161	3,580	368
<b>Total intangible assets</b>	<b>26,965</b>	<b>28,842</b>	<b>93</b>

Intangible assets comprised registration documents for new pharmaceuticals and software.

## Loans

€73,461 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
<b>Non-current loans</b>	<b>39,377</b>	<b>19,238</b>	<b>205</b>
– Loans to subsidiaries	28,600	8,685	329
– Loans to others	10,777	10,553	102
<b>Current loans</b>	<b>34,084</b>	<b>51,819</b>	<b>66</b>
– Portion of non-current loans maturing next year	3,185	2,755	116
– Loans to subsidiaries	714	29,008	2
– Loans to others	30,163	20,014	151
– Current interest receivables	22	42	52
<b>Total loans</b>	<b>73,461</b>	<b>71,057</b>	<b>103</b>

Non-current loans constituted 54% of total loans.

Non-current loans to others included loans which the Company 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 in total of €30,000 thousand.

## Investments

€9,632 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
<b>Non-current investments</b>	<b>9,632</b>	<b>9,388</b>	<b>103</b>
– Financial assets at fair value through OCI (equity instruments)	9,632	9,388	103
<b>Current investments including derivative financial instruments</b>	<b>0</b>	<b>1,800</b>	<b>0</b>
– Derivative financial instruments	0	1,800	0
<b>Total investments</b>	<b>9,632</b>	<b>11,188</b>	<b>86</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 €8,812 thousand.

## Inventories

€346,759 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Material	154,104	144,326	107
Work in progress	98,296	89,716	110
Finished products	77,370	63,317	122
Goods	9,155	10,146	90
Advances for inventories	7,834	9,994	78
<b>Total inventories</b>	<b>346,759</b>	<b>317,499</b>	<b>109</b>

## Trade and other receivables

€410,009 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Current trade receivables	391,454	390,948	100
– Current receivables due from subsidiaries	212,996	204,692	104
– Current trade receivables due from customers other than subsidiaries	178,458	186,256	96
Current receivables relating to dividends of subsidiaries	1,967	0	
Other current receivables	16,588	15,404	108
<b>Total receivables</b>	<b>410,009</b>	<b>406,352</b>	<b>101</b>

## Cash and cash equivalents

€172,746 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Cash on hand	0	1	0
Bank balances	172,746	98,473	175
<b>Total cash and cash equivalents</b>	<b>172,746</b>	<b>98,474</b>	<b>175</b>

Bank balances also comprised bank deposits with maturity up to 30 days in total of €19,145 thousand.

## Equity

€1,613,028 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Share capital	54,732	54,732	100
Treasury shares	-64,716	-52,076	124
Reserves	205,625	192,788	107
– Reserves for treasury shares	64,716	52,076	124
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	-9,978	-10,175	98
Retained earnings	1,417,387	1,356,856	104
<b>Total equity</b>	<b>1,613,028</b>	<b>1,552,300</b>	<b>104</b>

## Trade payables

€173,335 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
<b>Non-current trade payables</b>	<b>10,000</b>	<b>0</b>	
Other non-current trade payables	10,000	0	
<b>Current trade payables</b>	<b>163,335</b>	<b>170,354</b>	<b>96</b>
Payables to subsidiaries	77,861	73,202	106
Payables to domestic suppliers	46,536	41,624	112
Payables to foreign suppliers	38,938	55,528	70
<b>Total trade payables</b>	<b>173,335</b>	<b>170,354</b>	<b>102</b>

Other non-current trade payables included liabilities to the European Commission, According to the 2014 findings of the European Commission, Krka allegedly violated Article 101 of the *Treaty on the Functioning of the European Union* causing distortion of competition in the perindopril market of the European Union. As a result, the European Commission imposed a €10 million fine on Krka. The Company settled the imposed fine within the deadline set by the Commission but decided to bring an action before the General Court against the decision of the European Commission on the grounds that there

was no breach of the EU competition rules, and in December 2018, the court ruled in favour of Krka. The decision of the General Court has not yet become final, and the European Commission filed an appeal against the decision within the provided time limit, on which the Court of Justice of the European Union will rule. At the beginning of 2019, the European Commission refunded Krka the €10 million fine, but in compliance with legal opinion, Krka decided to post the refund under deferred revenue. Krka formed non-current liabilities in the said amount.

## Provisions

€88,396 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Provisions for lawsuits	2,100	4,100	51
Provisions for post-employment benefits and other non-current employee benefits	86,296	83,782	103
<b>Total provisions</b>	<b>88,396</b>	<b>87,882</b>	<b>101</b>

## Deferred revenue

€1,751 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Grants received from the European Regional Development Fund and budget of the Republic of Slovenia intended for the production of pharmaceuticals in the new Notol 2 plant	1,650	1,850	89
Grants received from the European Regional Development Fund for development of new technologies (FBD project)	81	151	54
Grants received from the European Regional Development Fund for setting up the energy supply IT system (GEN-I)	2	6	33
Subsidy for acquisition of electric vehicles	6	6	100
Property, plant and equipment received free of charge	12	16	75
Emission coupons	0	1	0
<b>Total deferred revenue</b>	<b>1,751</b>	<b>2,030</b>	<b>86</b>

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

Fund. The projects are carried out within the framework of the Operational Programme

“Strengthening Regional Development Potentials” for the 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

€61,219 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
<b>Current borrowings</b>	<b>61,219</b>	<b>40,435</b>	<b>151</b>
– Borrowings from subsidiaries	61,142	40,383	151
– Current interest payable	77	52	148
<b>Total borrowings</b>	<b>61,219</b>	<b>40,435</b>	<b>151</b>

## Current contract liabilities

€25,523 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
<b>Refund liabilities</b>	<b>9,612</b>	<b>14,923</b>	<b>64</b>
– Accrued discounts on products sold to other customers	9,612	14,923	64
<b>Contract liabilities</b>	<b>15,911</b>	<b>2,417</b>	<b>658</b>
– Contract liabilities – advances from other customers	2,698	2,417	112
– Contract liabilities – deferred revenue	13,213	0	
<b>Total current contract liabilities</b>	<b>25,523</b>	<b>17,340</b>	<b>147</b>

## Other current liabilities

€67,688 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Payables to employees – gross salaries, other receipts and charges	36,931	36,631	101
Derivative financial instruments	1,831	0	
Other	28,926	7,523	385
<b>Total other current liabilities</b>	<b>67,688</b>	<b>44,154</b>	<b>153</b>

## Contingent liabilities

€15,383 thousand

€ thousand	30 Sept 2019	31 Dec 2018	Index
Guarantees issued	14,763	16,517	89
Other	620	620	100
<b>Total contingent liabilities</b>	<b>15,383</b>	<b>17,137</b>	<b>90</b>

## Fair value

€ thousand	30 Sept 2019		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables due from subsidiaries	48,520	48,520	38,885	38,885
Non-current loans	39,377	39,377	19,238	19,238
Financial assets at fair value through OCI (equity instruments)	9,632	9,632	9,388	9,388
Current loans	34,084	34,084	51,819	51,819
Current investments	0	0	1,800	1,800
– Derivative financial instruments	0	0	1,800	1,800
Contract assets	7,539	7,539	1,464	1,464
Trade receivables	391,454	391,454	390,948	390,948
Cash and cash equivalents	172,746	172,746	98,474	98,474
Non-current trade payables	-10,000	-10,000	0	0
Non-current lease liabilities	-4,756	-4,756	–	–
Current lease liabilities	-607	-607	–	–
Current borrowings	-61,219	-61,219	-40,435	-40,435
Payables to suppliers and subsidiaries excluding advances	-163,136	-163,136	-170,099	-170,099
Contract liabilities excluding advances	-22,825	-22,825	-14,923	-14,923
Other liabilities excluding amounts owed to the state, employees, and advances	-15,842	-15,842	-1,519	-1,519
Other current liabilities	-1,831	-1,831	0	0
– Derivative financial instruments	-1,831	-1,831	0	0
<b>Total</b>	<b>423,136</b>	<b>423,136</b>	<b>385,040</b>	<b>385,040</b>

In terms of fair value, financial assets are classified in three levels:

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

## Assets at fair value

€ thousand	30 Sept 2019				31 Dec 2018			
	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)	8,246	0	1,386	9,632	8,002	0	1,386	9,388
Derivative financial instruments	0	0	0	0	0	0	1,800	1,800
<b>Total assets at fair value</b>	<b>8,246</b>	<b>0</b>	<b>1,386</b>	<b>9,632</b>	<b>8,002</b>	<b>0</b>	<b>3,186</b>	<b>11,188</b>
<b>Assets for which fair value is disclosed</b>								
Trade receivables due from subsidiaries	0	0	48,520	48,520	0	0	38,885	38,885
Non-current loans	0	0	39,377	39,377	0	0	19,238	19,238
Current loans	0	0	34,084	34,084	0	0	51,819	51,819
Contract assets	0	0	7,539	7,539	0	0	1,464	1,464
Trade receivables	0	0	391,454	391,454	0	0	390,948	390,948
Cash and cash equivalents	0	0	172,746	172,746	0	0	98,474	98,474
<b>Total assets for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>693,720</b>	<b>693,720</b>	<b>0</b>	<b>0</b>	<b>600,828</b>	<b>600,828</b>
<b>Total</b>	<b>8,246</b>	<b>0</b>	<b>695,106</b>	<b>703,352</b>	<b>8,002</b>	<b>0</b>	<b>604,014</b>	<b>612,016</b>

## Liabilities at fair value

€ thousand	30 Sept 2019				31 Dec 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Liabilities at fair value</b>								
Derivative financial instruments	0	0	1,831	1,831	0	0	0	0
<b>Total liabilities at fair value</b>	<b>0</b>	<b>0</b>	<b>1,831</b>	<b>1,831</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities for which fair value is disclosed</b>								
Non-current trade payables	0	0	10,000	10,000	0	0	0	0
Non-current lease liabilities	0	0	4,756	4,756	–	–	–	–
Current lease liabilities	0	0	607	607	–	–	–	–
Current borrowings	0	0	61,219	61,219	0	0	40,435	40,435
Payables to suppliers and subsidiaries excluding advances	0	0	163,136	163,136	0	0	170,099	170,099
Contract liabilities excluding advances	0	0	22,825	22,825	0	0	14,923	14,923
Other liabilities excluding amounts owed to the state, employees, and advances	0	0	15,842	15,842	0	0	1,519	1,519
<b>Total liabilities for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>278,385</b>	<b>278,385</b>	<b>0</b>	<b>0</b>	<b>226,976</b>	<b>226,976</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>280,216</b>	<b>280,216</b>	<b>0</b>	<b>0</b>	<b>226,976</b>	<b>226,976</b>

## STATEMENT OF COMPLIANCE

The Management Board of Krka, d. d., Novo mesto hereby states that the condensed financial statements of Krka and the condensed consolidated financial statements of the Krka Group for the period ended 30 September 2019 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 period January–September 2019 have been prepared using the same accounting policies as for the annual financial statements of Krka and the Krka Group for 2018.

The condensed financial statements for the period ended 30 September 2019 have been prepared pursuant to IAS 34 – *Interim Financial Reporting*,

Novo mesto, 21 October 2019

and have to be read in conjunction with the annual financial statements prepared for the business year ended 31 December 2018.

The Management Board is responsible for implementing measures to maintain the value of Krka and the Krka Group assets, and to prevent and detect frauds or other forms of misconduct.

The Management Board states that all transactions between the Krka Group subsidiaries were 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