



# **Unaudited Interim Report for the Krka Group and Krka, d. d. for the First Quarter of 2019**

Novo mesto, May 2019

## CONTENTS

Introduction.....	3
Business Performance Highlights for the First Quarter of 2019 .....	3
Financial Highlights of the Krka Group and Krka .....	4
Information on the Controlling Company.....	5
ID Card of the Krka Group .....	5
Profile of the Krka Group.....	6
Krka Group Development Strategy .....	7
Business Report .....	9
Financial Risks.....	9
Investor and Share Information.....	10
Business Operations Analysis.....	12
Marketing and Sales .....	14
Research and Development.....	25
Investments.....	26
Employees .....	28
Condensed Consolidated Financial Statements of the Krka Group with Notes.....	30
Consolidated Statement of Financial Position of the Krka Group.....	30
Consolidated Income Statement of the Krka Group.....	31
Consolidated Statement of Other Comprehensive Income of the Krka Group.....	32
Consolidated Statement of Changes in Equity of the Krka Group.....	33
Consolidated Statement of Cash Flows of the Krka Group.....	35
Segment Reporting of the Krka Group .....	36
Notes to the Consolidated Financial Statements of the Krka Group .....	37
Condensed Financial Statements of Krka, d. d., Novo mesto, with Notes.....	45
Statement of Financial Position of Krka, d. d., Novo mesto .....	45
Income Statement of Krka, d. d., Novo mesto.....	46
Statement of Other Comprehensive Income of Krka, d. d., Novo mesto.....	46
Statement of Changes in Equity of Krka, d. d., Novo mesto .....	47
Statement of Cash Flows of Krka, d. d., Novo mesto.....	49
Segment Reporting of Krka, d. d., Novo mesto.....	50
Notes to the Financial Statements of Krka, d. d., Novo mesto .....	51
Statement of compliance .....	59

## INTRODUCTION

The condensed consolidated financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (the Company) for the first quarter of 2019 and the first quarter of 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 the 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 22 May 2019, the Company's supervisory board discussed the unaudited report of the Krka Group and the Company for the first quarter of 2019.

## Quarterly Business Performance Highlights

- The Krka Group sold €377.3 million worth of products and services, while the Company sales amounted to €288.5 million.
- The Krka Group increased sales of products and services by €39.9 million, or 12% in comparison to the same period of the previous year.
- The Krka Group generated just over 94% and the Company 95% of sales revenue in the markets outside Slovenia.
- Region East Europe recorded the highest absolute sales growth (€15.9 million), and Region Overseas Markets recorded the highest relative growth (16%).
- Accounting for a 32.4% of total sales, the largest sales region of the Krka Group was Region East Europe.
- The Krka Group generated operating profit in total of €72.2 million or 17% more than in the same period last year. Company's operating profit amounted to €63.8 million.
- The Krka Group recorded net profit totalling €70.3 million, a 42% increase compared to the same period last year, while the Company generated net profit of €65.3 million.
- As at 31 March 2019, the Krka share traded at €58.00 on the Ljubljana Stock Exchange, a 0.3% increase compared to the 2018 year-end. Company's market capitalisation amounted to €1.9 billion.
- The Krka Group allocated €23.7 million to investments, of which €19.6 million to the controlling company.
- At the end of March 2019, the Krka Group had 11,370 regularly employed persons on payroll. Together with agency workers, the Krka Group had a total of 12,509 persons on payroll or 27 more than at the end of 2018.

## Financial Highlights of the Krka Group and Krka

€ thousand	Krka Group		Company	
	Jan–Mar 2019	Jan–Mar 2018	Jan–Mar 2019	Jan–Mar 2018
Revenue	378,473	337,938	327,072	329,748
Operating profit (EBIT) <sup>1</sup>	72,232	61,920	63,775	63,169
EBITDA	99,913	90,408	84,274	84,569
Net profit	70,282	49,398	65,326	52,123
R&D expenses	36,493	31,273	37,714	32,998
Investments	23,703	19,262	19,591	16,288

€ thousand	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Non-current assets	1,039,990	1,010,811	1,027,067	1,038,616
Current assets	1,082,871	974,258	1,000,716	877,449
Equity	1,618,361	1,540,270	1,613,025	1,552,300
Non-current liabilities	156,080	123,058	105,792	89,912
Current liabilities	348,420	321,741	308,966	273,853

RATIOS	Jan–Mar 2019	Jan–Mar 2018	Jan–Mar 2019	Jan–Mar 2018
EBIT margin	19.1%	18.3%	19.5%	19.2%
EBITDA margin	26.4%	26.8%	25.8%	25.6%
Net profit margin (ROS)	18.6%	14.6%	20.0%	15.8%
Return on equity (ROE) <sup>2</sup>	17.8%	13.1%	16.5%	13.7%
Return on assets (ROA) <sup>3</sup>	13.7%	10.2%	13.3%	11.2%
Liabilities/Equity	0.312	0.285	0.257	0.232
R&D expenses/Revenue	9.6%	9.3%	11.5%	10.0%

NUMBER OF EMPLOYEES	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Balance as at	11,370	11,390	5,503	5,496

SHARE INFORMATION	Jan–Mar 2019	Jan–Mar 2018
Total number of shares issued	32,793,448	32,793,448
Earnings per share (EPS) in € <sup>4</sup>	8.96	6.18
Closing price at the end of the period in € <sup>5</sup>	58.00	57.00
Price/Earnings ratio (P/E)	6.48	9.23
Book value in € <sup>6</sup>	49.35	46.75
Price/Book value (P/B)	1.18	1.22
Market capitalisation in € thousand (end of period)	1,902,020	1,869,227

<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

## Information on the Controlling Company

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.

## ID Card of the Krka Group

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 has 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%.

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

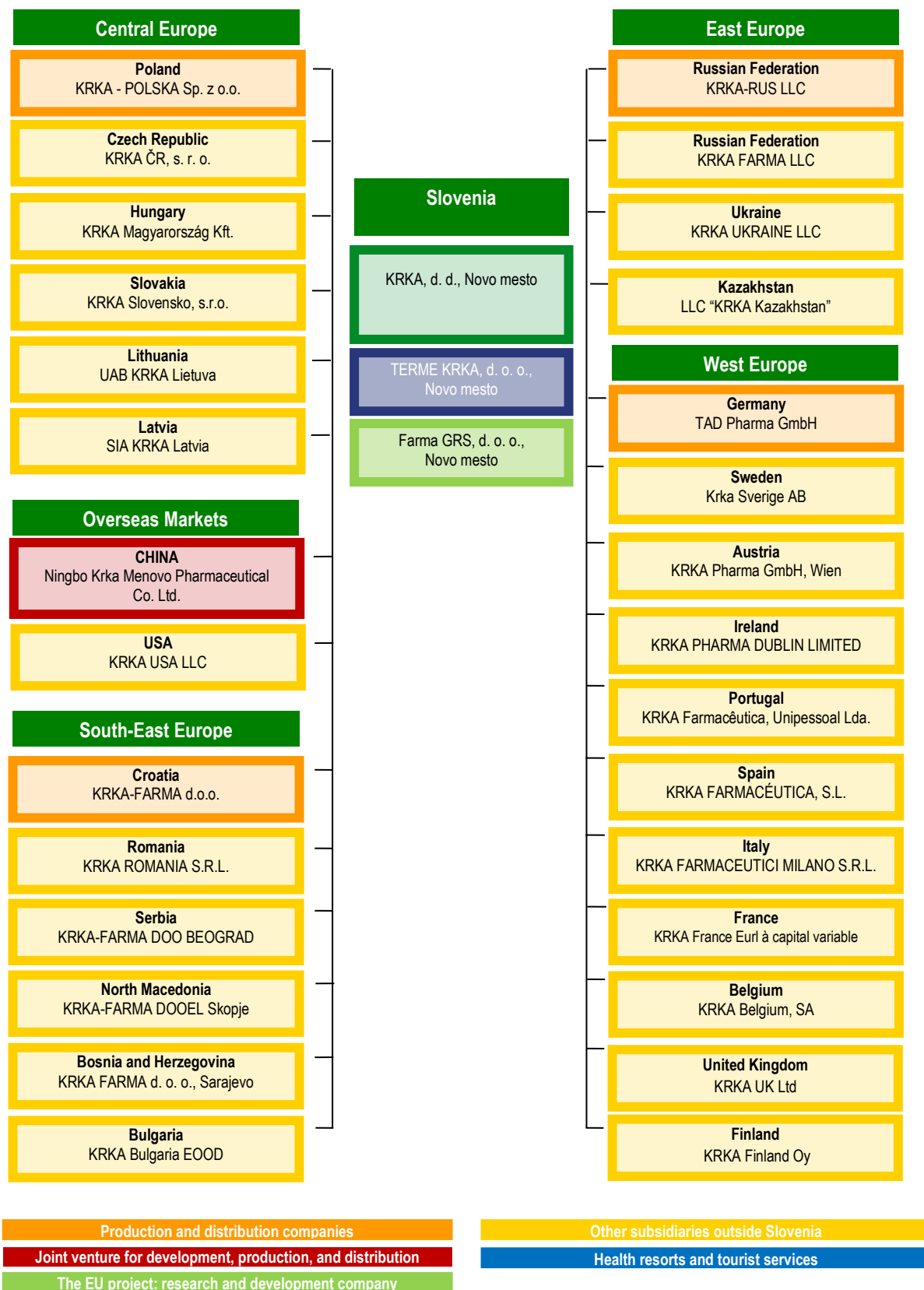
Production takes place in the controlling company in Slovenia and in Krka subsidiaries in the Russian Federation, Poland, Croatia, Germany, and China. In addition to production, these subsidiaries, apart

from Krka-Rus in the Russian Federation, deal with marketing and sales. Other subsidiaries outside Slovenia deal with 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; it 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 industry. 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.

## Profile of the Krka Group



## Krka Group Development Strategy

The Krka Group updates its development strategy every two years. In November 2018, the Management Board of Krka adopted the 2019–2022 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 also of individual companies within the Group.

The key Krka Group objectives and strategies up to 2022 are set out below.

### Key Strategic Objectives up to 2022

- To attain at least 5% average annual sales growth in terms of volume and/or value.
- To provide sufficient quantities of manufactured products through an efficient and optimised development-and-production chain in accordance with the required quality standards in a timely manner and in line with target sales growth and market needs.
- To keep the focus on maximising the long-term profitability of the products sold from development and production to sales of finished products, including all other functions within the Krka Group.
- To ensure growth by acquisitions and long-term partnerships (including joint ventures) in addition to organic growth, when interesting and available 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 in addition to the existing range of products, also referred to as 'the golden standard'.
- To maintain the largest possible proportion of vertically integrated products.
- To launch a selected product portfolio in selected key target markets as the first generic pharmaceutical company.
- To increase 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 2022

- To focus primarily on European, Chinese, and central Asian markets.
- To maximise sales potential in all sales regions (Slovenia, South-East Europe, East Europe, Central Europe, West Europe, Overseas Markets).
- To focus especially on key markets (the Russian Federation, Western Europe, Poland, Slovenia, Romania, Hungary, Ukraine, the Czech Republic, Slovakia, and Croatia), with an emphasis on key customers and key products.
- To include certain markets of the Region Overseas Markets among the key markets.
- To establish and strengthen our presence in Western European markets by operating through our own marketing-and-sales subsidiaries and by marketing products under our own brands (Krka and TAD Pharma).
- To seek opportunities for acquisitions of local pharmaceutical companies, business acquisitions, and various types of long-term partnerships (joint ventures) in selected markets with the primary objective of attaining new products and thus entering new therapeutic areas and/or markets.
- To strengthen the pharmaceutical and chemical sectors and increase the range of medicines in three key therapeutic areas of prescription pharmaceuticals (medicines for the treatment of cardiovascular diseases, the central nervous system, and the alimentary tract and metabolism) as well as in other promising therapeutic areas (analgesics and oncology medicines, antidiabetics, antivirals, and

antibiotics) while entering new therapeutic areas. We will introduce innovative products in key therapeutic areas (innovative fixed-dose combinations of two or three active ingredients, strengths, pharmaceutical forms, and new delivery systems).

- To strengthen the range of non-prescription products and animal health products (primarily products for companion animals) in selected therapeutic areas.
- To enter the market of similar biological medicines.
- 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 supply. Our aim is the continuous reduction of purchase prices.
- To increase the proportions of research, development, and production of certain active ingredients and finished products outside Krka (outsourcing).
- To develop generic medicines and prepare relevant registration documents before the product patent on the original medicine expires.
- To strengthen all types of connections in the field of development and other fields as well as with external institutions and companies.
- To ensure functioning and continuous improvement of the integrated management and quality systems, which provide for the manufacture of safe, effective, and quality products in accordance with cGXP guidelines and regulations on quality in the pharmaceutical industry.
- To invest in production, development, and infrastructure facilities in a stable and optimal manner.
- To reduce the impact of financial risks on the Krka Group operations.
- To pursue a stable dividend policy and also consider the Group's financial requirements for investments and acquisitions when determining the net profit share for dividend payout each year, and to allocate at least 50% of net profit of major shareholders for dividend payouts.
- To introduce information technology and provide high availability and information security of implemented IT solutions effectively and in accordance with the regulatory standards.
- To continue the digitisation of operations: introduce information (digital) technology in business processes due to automation and optimisation of processes and procedures, support or strengthen cooperation within the Krka Group and in the entire supply chain, and acquire relevant information for business decisions. Our aim is to offer customers added value.
- To strengthen professional and cost synergies within the Krka Group, and maximise the utilisation of competitive advantages in the business environments of Krka subsidiaries abroad.
- To strengthen internationalisation within the Krka Group by managing employee potential in an international environment and ensure the activation of all human resource potential.
- To meet our economic, social, and environmental responsibilities to the environments in which we operate.
- To strengthen corporate integrity and operate in accordance with legislation, rules, ethical principles and good practices.
- To ensure business coherence and transparency, and enhance the visibility and positive image of the Krka Group.

### Krka Group Business Objectives for 2019

- Sales of products and services are estimated at €1,375 million.
- Sales outside Slovenia are expected to account for over 93% of total sales.
- Prescription pharmaceuticals remain the most important product group, comprising 81% of overall sales.
- Profit is planned at €172 million.
- The total number of employees in Slovenia and abroad is projected to grow by 4%. This rise is partially expected due to transfers of agency workers to Krka.
- We plan to allocate more than €124 million to investments, primarily for expanding and modernising production facilities and infrastructure.
- The Management Board will be committed to Krka exceeding the planned objectives.



## BUSINESS REPORT

### Financial Risks

#### Foreign Exchange Risk

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

The key policy of the Krka Group remains to mitigate foreign currency exposure primarily by natural hedging. We also use derivative financial instruments; however, only to a limited extent. Krka intends to continue its policy of partial hedging against the rouble-related risk in 2019.

In the first quarter, the US central bank (the Federal Reserve) gradually reduced its forecasts about the interest rate increase in 2019, which positively impacted global capital markets and indirectly currency values of emerging markets as well as the oil price.

In addition to positive mood in global capital markets, the Russian rouble was also supported by the restrictive monetary policy of the Central Bank of

the Russian Federation and reduced geopolitical risks related to economic sanctions against Russia.

In the first quarter, the value of the Russian rouble expressed in euros increased by 9.4% compared to the beginning of 2019, while the average value of the rouble decreased by 6.6% compared to the same period last year.

In the first three months of this year, the Brent oil price in the US dollars rose by one fourth.

In this period, we generated net foreign exchange gains from currency exposure, primarily due to strengthening of the Russian rouble.

In the first quarter of 2019, we recorded no particularities in currency exposure of the Krka Group to other currencies.

Taking into account net foreign exchange differences, gains or losses relating to derivative financial instruments and interest rates, as well as other financial revenue and expenses, net financial result was positive and totalled €9.3 million in the first quarter of 2019.

#### Interest Rate Risk

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

#### Credit Risk

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

The Krka Group introduced a centralised credit control process, which involves all clients with whom annual sales of Krka exceed €100,000. At the end of the first quarter of 2019, trade receivables included in the credit control process accounted for

more than 90% of total trade receivables and involved more than 400 clients.

The Krka Group recorded a low value of receivable write-offs and impairments also because receivables are dispersed across a large number of clients and sales markets, and the majority of outstanding receivables are payable by clients with whom Krka has been doing business for years.

Our credit risk management policy remained unchanged in the first quarter of 2019. We

especially closely monitored and adequately insured trade receivables from clients 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 first quarter of 2019, 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 quarter 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, by pre-agreed short-term revolving and fixed borrowings from banks, and the daily, rolling weekly, monthly and

At the end of the first quarter, total value of trade receivables in euros increased by 8% compared to the beginning of the year, which is primarily due to sales growth in the period.

The maturity structure of receivables remained stable. The percentage of overdue receivables relative to total trade receivables remained low at the end of the first quarter.

longer-term planning and monitoring of cash inflows and outflows. We optimised cash balances on subsidiaries' bank accounts.

Liquidity risk is estimated to be low. All our liabilities in the period were settled regularly and on time.

### Property, Liability and Business Interruption Insurance

In the observed period, Krka concluded new insurance contracts for 2019 and extended liability insurance for Management and Supervisory Board members at the end of March. Although the extent of property insured increased, the fire insurance

premium grew slower than the property increased, which is the result of successful negotiations and insurance optimisation. In 2019, Krka included cyber insurance for the first time.

### Investor and Share Information

In the first three months of 2019, the price of Krka share on the Ljubljana Stock Exchange rose by 0.3%. In this period, the proportion of treasury shares increased, Slovenian natural persons and

international investors slightly decreased their holdings, while the stakes of the Slovenian legal entities remained unchanged. At the end of March 2019, Krka had a total of 49.971 shareholders.

#### Shareholder structure (%)

	31 Mar 2019	31 Dec 2018
Slovenian natural persons	39.1	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
Domestic legal entities and funds	7.7	7.7
International investors	23.0	23.2
Treasury shares	3.0	2.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

In the first quarter of 2019, Krka acquired 76,346 treasury shares. At the end of March 2019, Krka

held 969,793 treasury shares, accounting for 2.957% of share capital.

### Ten largest Krka shareholders as at 31 March 2019

	Country	Number of shares	Equity share (%)	Share of voting rights (%)
Kapitalska družba, d. d.	Slovenia	3,493,030	10.65	10.98
Slovenski državni holding, d. d.	Slovenia	2,949,876	9.00	9.27
Republic of Slovenia	Slovenia	2,366,016	7.21	7.43
OTP banka, d. d.	Croatia	1,539,995	4.70	4.84
Addiko Bank d. d.	Croatia	1,196,138	3.65	3.76
Clearstream Banking SA	Luxembourg	689,352	2.10	2.17
KDPW – fiduciary account	Poland	467,344	1.43	1.47
Luka Koper d. d.	Slovenia	433,970	1.32	1.36
Unicredit Bank Austria AG	Austria	424,699	1.30	1.33
Zavarovalnica Triglav, d. d.	Slovenia	388,300	1.18	1.22
<b>Total</b>		<b>13,948,720</b>	<b>42.54</b>	<b>43.83</b>

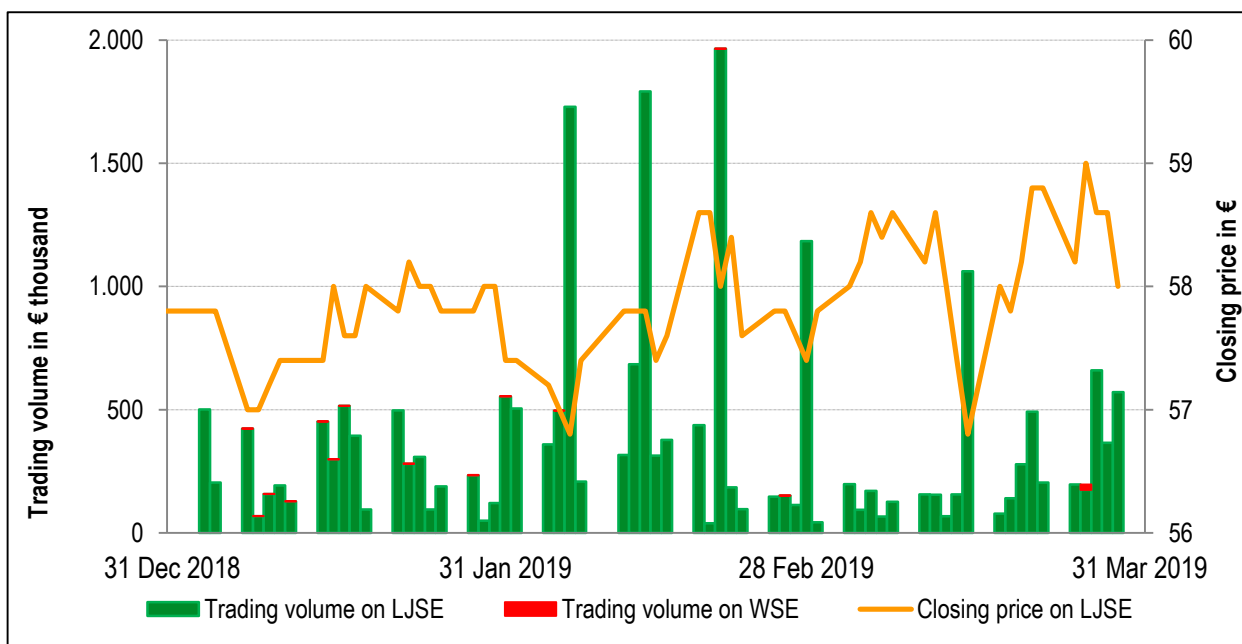
As at 31 March 2019, ten largest shareholders of Krka held 13,948,720 shares or 42.54% of total shares issued.

As at 31 March 2019, members of the Krka Management and Supervisory Boards held a total of 39,170 Krka shares, or 0.12% of total shares issued. Since the end of 2018, their shareholdings have not changed.

### Shares in equity and voting rights of the Krka Management and Supervisory Board members as at 31 March 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>0.116</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
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>2,130</b>	<b>0.007</b>	<b>0.007</b>

## Share trading in the first quarter of 2019



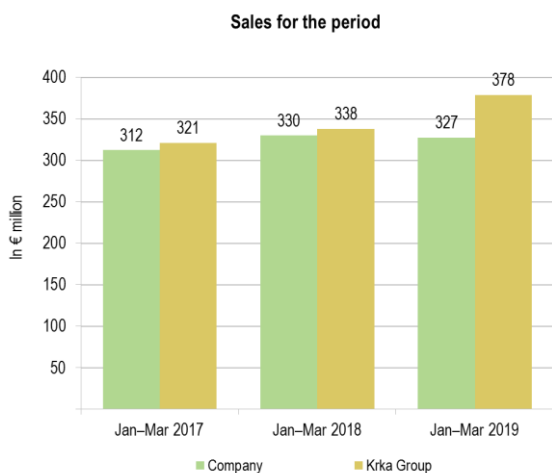
In the first quarter of the year, the Krka share price on the Ljubljana Stock Exchange peaked at the end of March, when it traded at €59.00, and reached its low at the beginning of February, when it amounted to €56.80. On 31 March 2019, Krka shares traded at €58.00 per share.

On 31 March 2019, the market capitalisation of Krka on the Ljubljana Stock Exchange amounted to €1.9 billion. In that period, deals in Krka share generated an average daily trading volume of €0.4 million. Since April 2012, Krka shares have been listed on the Warsaw Stock Exchange as well.

## Business Operations Analysis

The 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 generated revenue in total of €378.5 million, of which revenue from contracts with customers on sales of products and services amounted to €377.3 million. Revenue from contracts with customers on sales of materials and other sales revenue constituted the difference. Revenue increased by €40.5 million and was 12% higher than in the same period last year.

Other operating income amounted to €3.7 million, while financial income totalled €15.6 million. The Krka Group generated total revenue in the amount of €397.7 million, up 15% compared to the same period last year.

See chapter 'Marketing and Sales' for a more detailed analysis of product sales by individual markets and product groups.

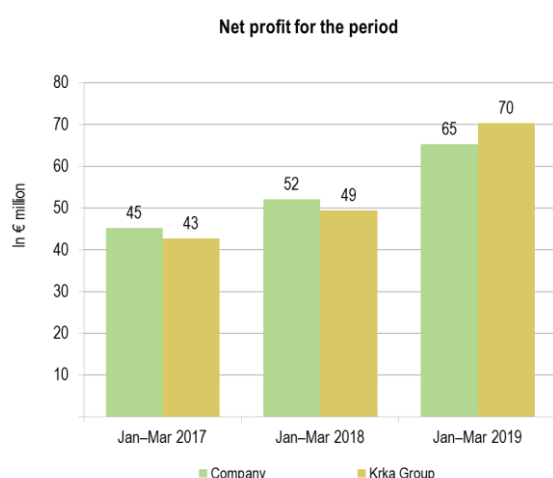
## Expenses

Total expenses of the Krka Group amounted to €316.2 million, up 10% compared to the same period last year.

The Group incurred operating expenses in total of €309.9 million, or 11% more than in the first quarter of the last year, which comprised: costs of goods sold totalling €162.9 million, selling and distribution expenses totalling €90.9 million, R&D expenses totalling €36.5 million, and general and administrative expenses totalling €19.6 million.

Compared to the same period last year, the Krka Group recorded a 13% increase in costs of goods sold, accounting for 43.1% of revenue. Selling and distribution expenses increased by 8% and accounted for 24.0% of revenue. R&D expenses are recognised as expenses for the period in full as the Group does not capitalise them. They increased by 17% and accounted for 9.6% of revenue. General and administrative expenses increased by 3% and accounted for 5.2% of revenue.

## Operating Results



The Krka Group recorded operating profit of €72.2 million, a 17% year-on-year increase.

Profit before tax amounted to €81.5 million, up 43% compared to the same period last year. Income tax totalled €11.2 million, and the effective tax rate was 13.8%.

The Krka Group recorded net profit of €70.3 million, a 42% year-on-year increase.

## Assets

At the end of March 2019, the Krka Group assets amounted to €2,122.9 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 €1,040.0 million, was property, plant and equipment at €868.5 million. Their value increased by 3% compared to the 2018 year-end and accounted for 40.9% of total Krka Group assets.

Intangible assets amounted to €109.3 million, a 1% decline compared to the 2018 year-end.

In the first three months of 2019, current assets increased by 11% to €1,082.9 million, while inventories saw a 2% increase reaching €372.8 million. Receivables went up by 8% to €503.3 million (of which trade receivables amounted to €471.2 million, or 8% more than at the end of 2018).

## Equity and Liabilities

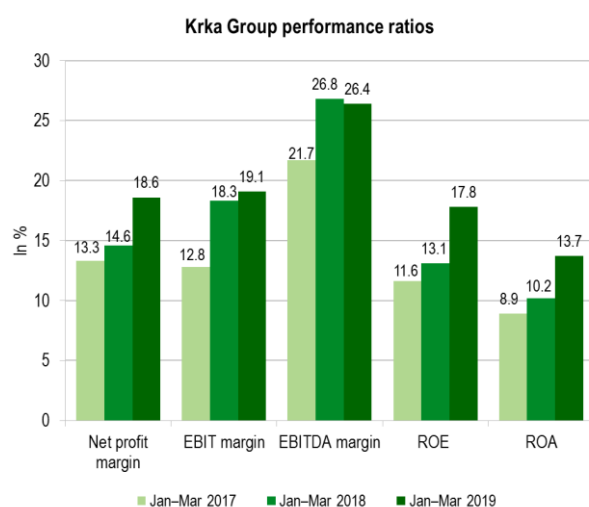
Equity of the Krka Group saw a 5% increase compared to the 2018 year-end, to €1,618.4 million, and accounted for 76.2% of total equity and liabilities.

Amounting to €156.1 million, non-current liabilities accounted for 7.4% of the Krka Group balance sheet total and increased by 27% compared to the beginning of the year. At the end of the period, provisions amounted to €102.2 million (of which post-employment and other non-current employee benefits accounted for €95.9 million, provisions for

lawsuits €4.1 million, and other provisions €2.2 million), a 1% rise over the end of 2018.

Current liabilities increased by 8% compared to the end of 2018 and totalled €348.4 million or 16.4% of the Krka Group balance sheet total. Among current liabilities, trade payables amounted to €139.0 million or 2% more than at the 2018 year-end. Liabilities from contracts with customers increased by 7% and totalled €118.0 million, while other current liabilities rose by 15% to €81.7 million.

## Performance Ratios



The Krka Group net profit margin for the first quarter of 2019 was 18.6%, EBIT margin 19.1%, and EBITDA margin 26.4%.

At the level of the Krka Group, annualised ROE was 17.8% and annualised ROA 13.7%.

## Marketing and Sales

In the first quarter of 2019, the Krka Group product and service sales amounted to €377.3 million, i.e. €39.9 million or 12% more than in the same period last year. Sales in markets outside Slovenia

reached €355.3 million and accounted for 94% of total Group sales. In terms of quantity, we increased sales by 5% over the same period last year.

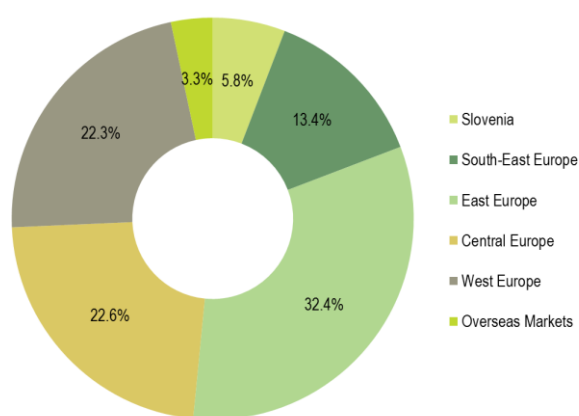
## Sales of Products and Services by Region

Region East Europe recorded the highest sales, €122.1 million or 32.4% of total Krka Group sales. In terms of sales, the next largest region was Region Central Europe with sales revenue of €85.9 million or 22.8% of total Krka Group sales. Region West Europe, the third largest region, generated €84.3 million or 22.3% of total Krka Group sales. Sales of Region South-East Europe totalled €50.4 million and accounted for 13.4% of total sales, while Region Overseas Markets generated €12.6 million or 3.3% of total sales. Sales in the

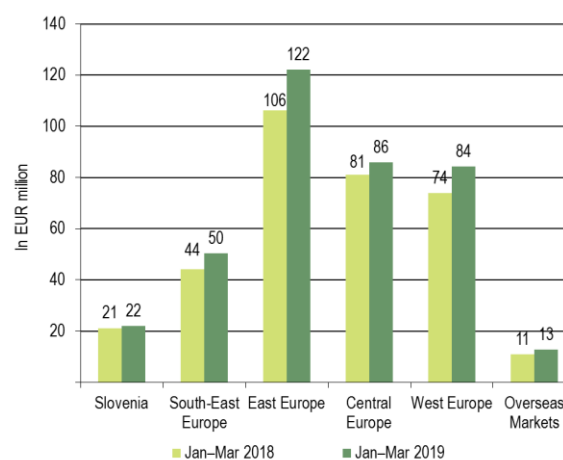
domestic market of Slovenia amounted to €22.0 million or 5.8% of total Krka Group sales.

€ thousand	Krka Group			Company		
	Jan–Mar 2019	Jan–Mar 2018	Index	Jan–Mar 2019	Jan–Mar 2018	Index
Slovenia	22,006	21,108	104	13,505	13,101	103
South-East Europe	50,409	44,174	114	48,795	42,617	114
East Europe	122,091	106,209	115	69,058	71,225	97
Central Europe	85,862	81,160	106	81,194	79,163	103
West Europe	84,285	73,848	114	64,858	72,392	90
Overseas Markets	12,635	10,868	116	11,075	10,458	106
<b>Total</b>	<b>377,288</b>	<b>337,367</b>	<b>112</b>	<b>288,485</b>	<b>288,956</b>	<b>100</b>

### Krka Group Sales by Region First Quarter of 2019



### Krka Group Sales by Region First Quarters of 2018 and 2019



### Region Slovenia

Sales of products and services in our domestic market amounted to €22.0 million. Product sales accounted for the major part of sales total, i.e. €13.5 million, a 3% year-on-year increase. With respect to value, sales of prescription pharmaceuticals amounted to €9.6 million, or a good 71% of product sales. Non-prescription products constituted 23% of product sales and amounted to €3.0 million. Sales of animal health products made up €0.8 million, or a good 6% of product sales in Slovenia. Holding slightly less than a 9% market share, we maintained the leading position among medicine providers in Slovenia. Health resorts and tourist services yielded €8.5 million.

Sales were driven by products from our key therapeutic classes promulgated in our marketing

campaigns. Prepressa (perindopril) and two fixed-dose combinations, Prenewel (perindopril/indapamide) and Amlewel (perindopril/amlodipine/indapamide), were among key brands of medicines 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, among them Sorvasta (rosuvastatin) was most notable. We added Enplerasa (eplerenone) to our range of medicines for the treatment of chronic heart failure.

Among medicines for the treatment of pain, we paid special attention to marketing our new anti-inflammatory medicine, Roticox (etoricoxib), and an analgesic, Doreta (tramadol/paracetamol). From our range of central nervous system medicines, we

further strengthened recognition of our new atypical antipsychotic, Parnido (paliperidone), and an antidepressant, Dulsevia (duloxetine). We added Viavardis (vardenafil) to our range of medicines for the treatment of erectile dysfunction.

Of our prescription pharmaceuticals, Nalgesin Forte (naproxen), Prenewel (perindopril/indapamide), Sorvasta (rosuvastatin), Nolpaza (pantoprazole),

## Region South-East Europe

In the first quarter of 2019, product sales in Region South-East Europe amounted to €50.4 million, a 14% year-on-year increase. Key markets Romania and Croatia contributed most to sales total. Bulgaria and Serbia attained the highest sales growth, while Croatia, Montenegro, and Albania saw slightly lower sales than the year before.

**Romania** remained our key and leading market in the region, generating sales of €13.8 million, an 11% increase. We ranked first among foreign providers of generic prescription pharmaceuticals holding a 7.5% market share in terms of volume.

We recorded the strongest sales with two medicines for the treatment of cardiovascular diseases, Co-Prenessa (perindopril/indapamide) and Atoris (atorvastatin). They were followed by Doreta (tramadol/paracetamol) and Co-Amlessa (perindopril/amlodipine/indapamide).

Sales of non-prescription products saw a 6% rise. Septanazal (xylometazoline/dexpanthenol) and products sold under the Septotele brand presented the fastest sales growth, while Bilobil (ginkgo leaf extract) sales were the strongest in terms of value. We recorded 30% growth in sales of animal health products primarily due to strong sales of products for companion animals, of which products sold under the Fypryst brand, Milprazon (milbemycin oxime/praziquantel), and Ataxxa (permethrin/imidacloprid) should be mentioned.

In **Croatia**, year-on-year sales declined by 4% and totalled €9.0 million. We ranked fourth among all manufacturers of generic medicines and second among manufacturers of medicines for veterinary use in the country.

Prescription pharmaceuticals constituted the major part of sales, above all Atoris (atorvastatin), Co-Perineva (perindopril/indapamide), Emanera (esomeprazole), Dalneva (perindopril/amlodipine),

Prenessa (perindopril), and Doreta (tramadol/paracetamol) recorded strongest sales. Among non-prescription products, Nalgesin S (naproxen), the Septotele brand products, and Daleron (paracetamol) recorded strongest sales. We extended our animal health product range by a new antiparasitic Selehold (selamectin). Our key animal health products remained Amatib (amoxicillin), Grovit, and the Fypryst brand products.

and Roswera (rosuvastatin). We won an invitation to tender and in the second half of the first quarter started supplying Nolpaza (pantoprazole) solution for injection and Ciprinol (ciprofloxacin) solution for injection to hospitals. Non-prescription products Nalgesin (naproxen) and those sold under the Septotele brand, and animal health products Fypryst (fipronil) and Floron (florfenicol) recorded strongest sales.

In **Serbia**, sales reached €7.0 million, a 34% rise compared to the same period last year. Prescription pharmaceuticals accounted for 84% of country sales recording 32% sales growth. Nolpaza (pantoprazole), Roxera (rosuvastatin), Co-Amlessa (perindopril/amlodipine/indapamide), Atoris (atorvastatin), Valsacombi (valsartan/hydrochlorothiazide), and Ampril (ramipril) saw strongest sales in this product group. The highest growth was recorded with a fixed-dose combination Co-Amlessa (perindopril/amlodipine/indapamide). Sales of non-prescription products advanced by almost 50%. Key products included those sold under the Septotele brand, Bilobil (ginkgo leaf extract), and Nalgesin (naproxen). Year-on-year, sales of animal health products went up by 48%. Floron (florfenicol), Fypryst (fipronil), and Enroxil (enrofloxacin) recorded highest sales figures.

In **Bulgaria**, we recorded the highest sales growth in the region, 72%. Sales totalled €6.1 million primarily due to strong sales of prescription pharmaceuticals: Co-Valsacor (valsartan/hydrochlorothiazide), Valsacor (valsartan), Roswera (rosuvastatin), Co-Prenessa (perindopril/indapamide), Nolpaza (pantoprazole), and Emanera (esomeprazole). Non-prescription product sales saw a slight year-on-year decline, whereas sales of animal health products doubled.

In **Bosnia and Herzegovina**, product sales reached €5.8 million. Prescription pharmaceuticals and non-prescription products contributed the most to a 13%



year-on-year increase. Krka has retained the first place among foreign providers of generic medicines in the country. Our prescription pharmaceuticals Roswera (rosuvastatin), Enap H and Enap HL (enalapril/hydrochlorothiazide), Atoris (atorvastatin), and Nolpaza (pantoprazole) conjured highest sales. Nalgesin (naproxen), Panatus (butamirate), and the Septolete brand products were the leading non-prescription products.

For fifteen consecutive years, we have been recording sales growth in the **Republic of North Macedonia**. Sales amounted to €5.7 million and represented year-on-year growth of 10%. Prescription pharmaceuticals contributed the most to the increase, remained the leading product group, and accounted for 87% of country sales. Our most important prescription pharmaceuticals were Roswera (rosuvastatin), Enap (enalapril), Atoris (atorvastatin), Nolpaza (pantoprazole), and Lorista

### Region East Europe

Region East Europe generated product sales of €122.1 million, or 15% more than in the same period a year ago. The two key markets in the region, the Russian Federation and Ukraine, contributed essentially to the increase and advanced the most in terms of value. We recorded two-figure growth also in most other regional markets.

The **Russian Federation** is our key market and the largest individual market. Sales growth dynamics remained above the average further strengthening our market share in the country. Product sales amounted to €77.5 million, a 4% increase in terms of value. Sales increase expressed in the Russian rouble reached 13%.

Prescription pharmaceuticals were again the leading product group, recorded the fastest growth, and accounted for 83% of sales. Lorista (losartan), Valsacor (valsartan), Lorista H and Lorista HD (losartan/hydrochlorothiazide), Nolpaza (pantoprazole), Atoris (atorvastatin), Valsacor H and Valsacor HD (valsartan/hydrochlorothiazide), and Co-Perineva (perindopril/indapamide) generated strongest sales. Medicines from the Lorista and Valsacor product groups and Co-Dalneva (a triple fixed-dose combination) presented the highest relative growth and value increase. Sales of our new medicine, Telmista (telmisartan), also went up, and we extended the range by a telmisartan/hydrochlorothiazide combination in the

(losartan). Sales of non-prescription products advanced by 22%, with Septanazol (xylometazoline/dexpanthenol), Daleron (paracetamol), and products marketed under the Septolete brand as the leading products. Sales of our animal health products also went up. Entemulin (tiamulin), products under the Fypryst brand and Ecocid sold best.

In **Kosovo**, we remained among the leading medicine providers recording sales growth of slightly more than 2%. Sales were valued at €1.8 million. In **Albania**, we generated €0.9 million by product sales, or 2% less than in the same period last year. Our key medicines were Ultop (omeprazole), Atoris (atorvastatin), and Zalasta (olanzapine). In **Montenegro**, we put on the market Nalgesin (naproxen) in March and generated sales in total of €0.4 million.

first quarter of 2019. We have been strengthening our position of the leading provider of medicines for the treatment of cardiovascular diseases in the Russian Federation.

Of our non-prescription products, Septolete Total (benzylamine chloride/cetylpyridinium chloride) generated strongest sales recording a 43% increase. Products marketed under the Herbion brand took the second place among non-prescription products. A lower seasonal demand influenced their sales. We also successfully marketed our new products Flebaven (diosmin/hesperidin) and Panatus (butamirate) introduced on the market in the past two years. Our key animal health product was Floron (florfenicol), which recorded a 50% year-on-year rise in sales.

We have increased production capacities of our Russian subsidiary, and in the first three months of 2019 manufactured in Krka-Rus 70% of all products intended for the Russian market. This helped us further strengthen our position of a domestic manufacturer in the country.

In **Ukraine**, sales reached €18.9 million, a 76% rise compared to the same period last year. This growth rate notably exceeded dynamics of the Ukrainian market and further strengthened our market share in the country. Prescription pharmaceuticals, our leading product group, accounted for a 77% rise in sales. Medicines for the treatment of cardiovascular

diseases were sales leaders, especially Valsacor (valsartan), Valsacor H and Valsacor HD (valsartan/hydrochlorothiazide), Co-Amlessa (perindopril/amlodipine/indapamide), Co-Prenessa (perindopril/indapamide), and Atoris (atorvastatin). Non-prescription products were our next strongest product group presenting an increase of 64%. Products of the Herbion and Septotele brands were non-prescription product sales leaders. Of all product groups, animal health products presented the highest, more than double, sales growth.

### Subregion East Europe B

In addition to the leading market of Belarus, Subregion East Europe B comprises Mongolia, Azerbaijan, and Armenia. Total subregional sales amounted to €9.3 million, a rise of 19% compared to the same period of the year before.

At the beginning of 2019, **Belarus** passed a new pharmaceutical reimbursement act resulting in an average 18% slide in prices of medicines. Even so, our product sales generated €4.5 million, a 49% year-on-year rise. We ranked second among foreign providers of generic medicines in the country. Prescription pharmaceuticals contributed most to the sales total, especially Valsacor (valsartan), Nolpaza (pantoprazole), and Co-Amlessa (perindopril/amlodipine/indapamide). Septotele and Herbion brand products led the sales of non-prescription products.

In **Mongolia**, competition increased, but we maintained our market share (slightly less than 9%) and the position of the leading foreign provider of medicines in the country. Country sales of our products reached €2.4 million, 5% less than in the same period last year. Prescription pharmaceuticals constituted the major part of sales, most notably Nolpaza (pantoprazole), Lorista (losartan), Fromilid (clarithromycin), Lorista H and Lorista HD (losartan/hydrochlorothiazide). We put our antibiotic Betaklav (amoxicillin/clavulanic acid) on the market. Products marketed under the Septotele and Herbion brands were leading non-prescription products in terms of sales.

In **Azerbaijan**, sales growth continued and reached 13% year-on-year. Product sales amounted to €1.5 million. The leading product group of prescription pharmaceuticals contributed most to the country sales total and recorded a 22% year-on-year increase in terms of value. Dexamethason (dexamethasone), Nolpaza (pantoprazole), and

Amlessa (perindopril/amlodipine) were best-selling medicines of that product group. Year-on-year, sales of non-prescription products were lower than in 2018.

The sales in **Armenia** totalled €1.0 million, a 4% year-on-year slide. The following prescription pharmaceuticals accounted for the largest proportion in sales: Co-Amlessa (perindopril/amlodipine/indapamide), Atoris (atorvastatin), 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 total in the first quarter of 2019 amounted to €8.5 million, a 25% rise compared to the same period last year.

In **Kazakhstan**, the leading market of this subregion, sales amounted to €4.6 million, a 16% increase. The leading product group of prescription pharmaceuticals accounted for 72% of the country sales total, and in terms of value exceeded year-on-year prescription pharmaceuticals sales by 21%. Nolpaza (pantoprazole), Enap (enalapril), Atoris (atorvastatin), Valsacor (valsartan), and Vamloset (valsartan/amlodipine) were key medicines. Sales of non-prescription products amounted to €1.2 million, and were comparable to the same period last year. The Herbion, Duovit, and Pikovit brand products recorded strongest sales. Animal health products also recorded sales growth, and their sales amounted to €0.1 million.

In **Moldova**, we generated sales in total of €2.9 million and recorded 41% growth. The leading product group, prescription pharmaceuticals, accounted for 65% of sales. Ampril (ramipril), Lorista (losartan), and Rawel SR (indapamide) generated strongest sales of all prescription pharmaceuticals. Sales of non-prescription products doubled also due to seasonal impact. Leading products were Septanazal (xylometazoline/dexpanthenol) and products sold under the Septotele and Herbion brands. Sales of animal health products reached €0.1 million.

In **Kyrgyzstan**, product sales reached €0.9 million. The country recorded 26% sales growth. Prescription pharmaceuticals saw a 25% year-on-year increase and contributed the most to country

sales. Of prescription pharmaceuticals, Atoris (atorvastatin), Lorista (losartan), and Nolpaza (pantoprazole) were the leaders. Products of the Pikovit, Herbion and Septolete brands drove sales of non-prescription products.

### Subregion East Europe U

Subregion East Europe U consists of Uzbekistan, Georgia, Tajikistan, and Turkmenistan. We generated €7.9 million by sales of our products there and recorded a 24% increase compared to the same period last year. We recorded growth in all countries of the region, and it was highest in Uzbekistan.

In **Uzbekistan**, sales were valued at €5.8 million, a 24% increase compared to the first quarter of 2018. Our prescription pharmaceuticals Hiconcil (amoxicillin), Lorista (losartan), Nolpaza (pantoprazole), Amlessa (perindopril/amlodipine), and Co-Amlessa (perindopril/amlodipine/indapamide) were the leaders in terms of sales. Of our non-prescription products, products under

### Region Central Europe

Region Central Europe generated product sales of €85.9 million, a 6% advance compared to the year before. In terms of value, growth was most substantial in Poland and in relative terms in Hungary. We also recorded growth in Slovakia and Lithuania, while in the Czech Republic, Latvia, and Estonia sales declined slightly in comparison to the same period last year.

**Poland** remained our leading and key regional market. Product sales reached €39.8 million, a 9% year-on-year increase. Krka ranked fourth among foreign providers of generic medicines in the country.

Prescription pharmaceuticals generated most substantial sales and also presented the highest growth. Sales growth dynamics in most therapeutic areas 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 the most to sales total, especially Atoris (atorvastatin), Co-Valsacor (valsartan/hydrochlorothiazide), Valsacor (valsartan), Roswera (rosuvastatin), Doreta (tramadol/paracetamol), and Nolpaza (pantoprazole). We retained the leading position among all providers as far as prescription

the Pikovit, Septolete, and Herbion brands sold best.

In **Georgia**, we ranked second among foreign providers of generic medicines, and generated €1.2 million by sales of our products, or 37% more than in the same period last year. Prescription pharmaceuticals contributed most to sales total, especially Lorista H and Lorista HD (losartan/hydrochlorothiazide), Enap H and Enap HL (enalapril/hydrochlorothiazide), and Co-Amlessa (perindopril/amlodipine/indapamide). Products of the Herbion and Septolete brands drove sales of non-prescription products.

In **Turkmenistan**, the situation remained challenging due to the national currency policy. Sales of our products amounted to €0.5 million, 11% year-on-year growth. Nolpaza (pantoprazole) and Pikovit were leading products in terms of sales. Sales in **Tajikistan** totalled €0.4 million, or 16% more than in the same period last year. Products marketed under the Pikovit brand and Tramadol (tramadol) led in terms of sales.

pharmaceuticals from the reimbursement list free for patients aged 75 years and more were regarded, as we had more medicines on the reimbursement list than any other producer.

Seasonal product sales saw a decline, and consequently sales of our non-prescription products dropped slightly in comparison to the same period last year. Our leading non-prescription products were those sold under the Septolete brand and Bilobil (ginkgo leaf extract). Sales of our animal health products went up by 5%. Milprazon (milbemycin oxime/praziquantel), Floron (florfenicol), and products under the Fypryst brand sold best.

**Hungary** is also our key market, where we recorded a 20% rise in product sales generating €13.9 million. As expected, prescription pharmaceuticals contributed most to sales, especially Co-Prenessa (perindopril/indapamide), Atoris (atorvastatin), Valsacor (valsartan), Co-Valsacor (valsartan/hydrochlorothiazide), Roxera (rosuvastatin), Emozul (esomeprazole), and Fromilid (clarithromycin).

Sales of non-prescription products amounted to €1.1 million, 15% higher than in the first quarter last

year. Flebaven (diosmin), Venter (sucralfate), Septanazal (xylometazoline/dexpanthenol), products marketed under the Herbion brand, and Bilobil (ginkgo leaf extract) sold best. Sales of animal health products dropped compared to the first quarter last year. Milprazon (milbemycin oxime/praziquantel), and products marketed under the Fypryst brand sold best.

The **Czech Republic** is also one of our key markets. Our product sales in the country amounted to €11.9 million, a 10% decline compared to the first quarter last year. Prescription pharmaceuticals led in terms of sales, especially Atoris (atorvastatin), Valsacombi (valsartan/hydrochlorothiazide), and Doreta (tramadol/paracetamol). They were followed by Asentra (sertraline), Lexaurin (bromazepam), Valsacor (valsartan), Tonanda (perindopril/amlodipine/indapamide), Zalasta (olanzapine), and Fromilid (clarithromycin).

Sales of non-prescription products saw a 13% increase. In terms of sales, the leading non-prescription products remained those marketed under the Septotele brand and Nalgesin S (naproxen). Sales of our animal health products saw 12% growth. Sales were driven by products marketed under the Fypryst and Dehinel plus (febantel/pirantel embonat/praziquantel).

**Slovakia** is also our key regional market. Our product sales generated €10.4 million and achieved 10% growth. All three product groups presented above average sales growth dynamics ranking us third among the providers of generic medicines in the country. Prescription pharmaceuticals were main contributors, in particular Co-Prenessa (perindopril/indapamide), Atoris (atorvastatin), Nolpaza (pantoprazole), Valsacor (valsartan), Prenessa (perindopril), Co-Valsacor (valsartan/hydrochlorothiazide), and Amlessa (perindopril/amlodipine).

Flebaven (diosmin) contributed most to a 23% increase in sales of non-prescription products. In terms of value, Nalgesin S (naproxen) and products

## Region West Europe

We consider all Western European markets as our single key market. Product sales in the region reached €84.3 million in the first quarter of 2019, a 14% rise compared to the same period last year. Sales were the strongest in Germany, the Scandinavian countries, and Spain. Sales of

sold under the Septotele brand remained the leaders. Animal health product sales rose by 11%. Key products included those sold under the Fypryst brand and Enroxil (enrofloxacin).

In **Lithuania**, sales reached €5.2 million, an 8% rise compared to the same period last year. Prescription pharmaceuticals accounted for the major part of sales in terms of value, especially Valsacor (valsartan), Nolpaza (pantoprazole), Atoris (atorvastatin), Dexamethason Krka (dexamethasone), and Renewel (perindopril/indapamide). Year-on-year, sales of non-prescription products presented a drop. The leading products remained Septabene (benzylamine chloride/cetylpyridinium chloride) and Nalgesin (naproxen). We increased sales of animal health products by 4%, with products sold under the Fypryst brand and Milprazon (milbemycin oxime/praziquantel) at the forefront.

In **Latvia**, sales reached €2.9 million representing a 19% decline compared to the same period last year. Sales were generated mostly by prescription pharmaceuticals, especially Atoris (atorvastatin), Renewel (perindopril/indapamide), Rosuvastatin Krka (rosuvastatin), Co-Amlessa (perindopril/amlodipine/indapamide), and Nolpaza (pantoprazole). Non-prescription products followed, with sales leaders Daleron COLD3 (dextromethorphan hydrobromide/paracetamol/pseudoephedrine hydrochloride), products marketed under the Herbion brand, and Septanazal (xylometazoline/dexpanthenol). Year-on-year, sales of our animal health products remained the same.

Sales in **Estonia** totalled €1.9 million, which was an 11% year-on-year drop. Prescription pharmaceuticals again constituted the largest part of total sales, especially Co-Prenessa (perindopril/indapamide), Co-Dalnessa (perindopril/amlodipine/indapamide), Roswera (rosuvastatin), Atoris (atorvastatin), and Escadra (esomeprazole). Products marketed under the Septotele brand were best-selling non-prescription products and our best-selling products in the country.

products under our own brand name through subsidiaries accounted for 72% and grew by 23%. Sales through unrelated parties totalled €23.6 million.

Prescription pharmaceuticals were again the leading product group accounting for 90% of total regional

sales, 15% year-on-year sales growth. Medicines containing valsartan, esomeprazole, and candesartan were at the forefront. Animal health products recorded an 11% increase and accounted for 9% of total sales. Sales of non-prescription products comprised 1% of total sales.

**Germany** remained our largest regional market, where we made €17.1 million product sales. The 12% sales slide compared to the same period last year resulted primarily from diminishing tender sales of medicines. Product sales through our subsidiary TAD Pharma generated €16.5 million. Prescription pharmaceuticals accounted for the major part of sales, above all those containing valsartan, candesartan, ezetimibe, and ramipril in combination with amlodipine. We successfully launched medicines containing everolimus, darunavir, prasugrel, and agomelatine.

In the **Scandinavian countries**, our sales saw 57% growth and totalled €14.3 million. Our product sales were most substantial in Sweden, followed by Finland, Norway, Denmark, and Iceland. The most notable 125% growth was recorded in Norway. We increased sales through our subsidiary Krka Sverige by 71%, and sales through our subsidiary Krka Finland by 36%. Sales through subsidiaries reached 96%. Medicines containing esomeprazole, clopidogrel, valsartan, and candesartan sold best. In Norway, many of our medicines retained the leading marketing position, above all those containing valsartan, enalapril, and esomeprazole.

**Spain** recorded 50% growth and sales totalled €13.7 million. The country ranked third among our regional markets. Tender sales in Andalusia awarded to our subsidiary Krka Farmaceutica contributed to an increase in sales of products under our own brand names. They accounted for 89% of our sales in Spain. Medicines containing donepezil; bisoprolol; a combination of tramadol and paracetamol; and paliperidone were sales leaders.

In **Italy**, sales increased by 21% compared to the same period last year and amounted to €8.7 million. Sales through our subsidiary, Krka Farmaceutici Milano, grew by 48% and accounted for 71% of our total sales in the country. We increased sales through our subsidiary in all our product groups, but prescription pharmaceuticals recorded highest growth. Medicines containing clopidogrel, esomeprazole, and pantoprazole generated most substantial sales.

In **France**, product sales amounted to €8.3 million, a 17% year-on-year decline. The proportion of products marketed under our own brands reached 23% and was lower than in most other regional markets, but rising. The combination of milbemyacin oxime and praziquantel, clopidogrel, esomeprazole, and gliclazide were the leading medicines in terms of sales.

In the **United Kingdom**, sales totalled €7.3 million, a 27% year-on-year rise. Prescription pharmaceuticals, especially those containing active substances losartan and candesartan, contributed to the increase the most. Our Krka UK subsidiary increased sales by 43%.

In **Portugal**, products marketed under our own brands accounted for more than 70% of sales. We recorded a 12% growth and sales totalled €5.6 million. In this way, we maintained more than a 6% generic market share in the country. The leading prescription pharmaceuticals were products containing active substances paliperidone, esomeprazole, olanzapine, and the combination of perindopril and indapamide.

Our sales in **Benelux** amounted to €2.7 million, and saw a 17% increase. Our subsidiary Krka Belgium is to be merited for the increase as its sales went up by 82%. Sales through unrelated parties slightly lagged behind the figure recorded in the same period last year.

In **Ireland**, our product sales reached €2.6 million, a 9% year-on-year rise. Sales through our subsidiary Krka Pharma Dublin went up by 11% accounting for 85% of our sales in Ireland. We remained among the leading providers of generic medicines containing active substances valsartan, esomeprazole, tadalafil, ezetimibe, and pregabalin.

In **Austria**, our sales saw 12% growth and totalled €2.1 million. Sales were driven by medicines containing pregabalin, duloxetine, and valsartan. Sales of our subsidiary Krka Pharma Wien accounted for 95%.

In **other European countries**, we made most of our sales through unrelated parties. Our product sales totalled €1.8 million, or 8% more than in the same period last year.

## Region Overseas Markets

Region Overseas Markets generated product sales of €12.6 million, 16% more than in the first quarter last year. Prescription pharmaceuticals sold under our own brand names in most regional markets accounted for the major part of the amount.

Product sales in the countries of the **Far East and Africa** rose to €6.4 million, representing 58% year-on-year growth. Our markets in the region were ranked as follows: Vietnam, the Republic of South Africa, China, Malaysia, and Ghana. Our key products included Emanera (esomeprazole), Palprostes (fruit extract of dwarf fan palm), Lanzul (lansoprazole), Tolura (telmisartan), and Kamiren (doxazosin).

The economic situation in markets of the **Middle East** remained complex affecting our business operations. Sales totalled €6.0 million, 8% down compared to the same period last year. Devaluation of certain local currencies affected our sales. Iran, Iraq, and Saudi Arabia were our key markets in the region. Vizarsin (sildenafil), Asentra (sertraline), Nolpaza (pantoprazole), Emanera (esomeprazole), and Yasnal (donepezil) recorded strongest sales.

The smallest of the three regional offices is the one that operates in the **Americas**. In the countries of Central America, our sales amounted to €0.3 million.

## Sales of Products and Services by Groups

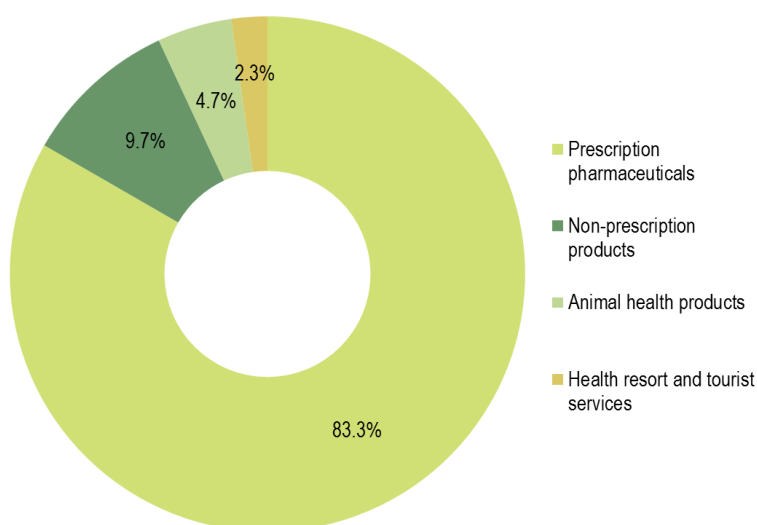
In the period from January to March 2019, human health medicines were the most important product group in the Krka Group sales structure and accounted for 93.1% of overall sales in the period. Prescription pharmaceuticals constituted 83.3% of the Krka Group total sales and were followed by non-prescription products and animal health products.

Year-on-year, sales of prescription pharmaceuticals increased by 13%, non-prescription products by 8%, and animal health products by 7%.

Sales by health resorts constituted 2.2% of total Krka Group sales, a 6% increase over the first quarter last year.

€ thousand	Krka Group			Company		
	Jan–Mar 2019	Jan–Mar 2018	Index	Jan–Mar 2019	Jan–Mar 2018	Index
Human health medicines	351,142	312,934	112	271,899	272,251	100
– Prescription pharmaceuticals	314,367	278,734	113	240,325	239,091	101
– Non-prescription products	36,775	34,200	108	31,574	33,160	95
Animal health products	17,646	16,427	107	16,586	16,705	99
Health resorts and tourist services	8,500	8,006	106			
<b>Total</b>	<b>377,288</b>	<b>337,367</b>	<b>112</b>	<b>288,485</b>	<b>288,956</b>	<b>100</b>

## Krka Group Sales by Product and Service Group, First Quarter of 2019



### Prescription Pharmaceuticals

The Krka Group recorded 13% growth in sales of prescription pharmaceuticals generating a total of €314.4 million. All regions saw an increase in sales, but the increment was most notable in East Europe (18%), West Europe (15%), and South-East Europe (14%).

Among our largest markets, sales went up the most in Poland (11%) and in the Russian Federation (8%). Compared to the first quarter of 2018, sales of prescription pharmaceuticals in other major markets increased as follows: Ukraine (77%); the Scandinavian countries (59%), Spain (48%), Italy (26%), Hungary (22%), and Romania (11%).

The medium-sized markets recorded sales increases as follows: Bulgaria (75%), Serbia (32%), the United Kingdom (23%), Kazakhstan (21%), Portugal (16%), Lithuania (14%), Ireland (13%), Austria (12%), and Uzbekistan (10%).

In small markets, our prescription pharmaceuticals presented the following growth rates: Belarus (66%), Georgia (28%), Kyrgyzstan (25%), Azerbaijan (22%), Moldova (22%), Benelux (20%), Turkmenistan (19%), Tajikistan (15%), and Kosovo (12%).

Ten leading prescription pharmaceuticals in terms of sales were pharmaceuticals 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\*); esomeprazole (Emanera\*); rosuvastatin (Roswera\*); enalapril (Enap, Enap H\*, Enap HL\*, Elnap\*); clopidogrel (Zyllt\*); and candesartan (Karbisi\* and Karbicombi\*).

Valsacor (valsartan), Co-Valsacor\* (valsartan/amlodipine), Lorista (losartan), Co-Amlessa\* (perindopril/indapamide/amlodipine), Lorista H\* and Lorista HD\* (losartan/hydrochlorothiazide), Ezoleta\* (ezetimibe), Parnido\* (paliperidone) launched on markets last year, Co-Prenessa\* (perindopril/indapamide), Emanera\* (esomeprazole), and Darunavir presented highest absolute sales growth in year-on-year comparison.

In the first quarter of 2019, our very new medicines included:

- Eliskardia\* (prasugrel) indicated for prevention of atherothrombotic events in patients with acute coronary syndrome (launched in Germany, France, Spain, the Scandinavian countries, and Hungary);
- Lamegom\* (agomelatine), an antidepressant (launched in Germany, France, Spain, Lithuania, Estonia, Portugal, Hungary, the Czech Republic, and Slovakia);
- Everofin\* (everolimus) indicated for the treatment of certain types of tumours (launched

in Germany, France, Austria, Bulgaria, Estonia, and the Scandinavian countries).

In addition to these, we also launched several existing medicines on new markets:

- Darunavir in Germany, France, the Scandinavian countries, and Portugal;
- Aperia\* (eplerenone) in Slovenia, Spain, France, Lithuania, and Slovakia;
- Viavardis\* (vardenafil) in Slovenia and Poland;

### Non-Prescription Products

Sales of non-prescription products totalled €36.8 million, 8% more than in the same period last year.

Sales increased in Slovenia (9%), South-East Europe (14%), and East Europe (4%).

Sales generated by Region East Europe accounted for more than 50% of total non-prescription product sales. All major markets in the region recorded sales growth, except the Russian Federation. The increase was most substantial in Ukraine (64%), Uzbekistan (71%), and Moldova, where sales doubled.

### Animal Health Products

Sales of our animal health products amounted to €17.6 million and were 7% higher than in the same period last year. Sales rose most substantially in South-East Europe (28%), Slovenia (19%), West Europe (11%), and Central Europe (4%).

Sales in Ukraine more than doubled, and went up also in the United Kingdom (57%) and Romania (30%). Among our major markets, sales more than doubled in Spain and rose also in Serbia (48%),

### Health Resorts and Tourist Services

Terme Krka generated €8.5 million from sales of services, or 6% more than in the same period last year. Terme Krka recorded 78,365 overnight stays. Among foreign guests, Italians tallied most overnight stays (more than 33%), while guests from

- Roticox\* (etoricoxib) in Moldova and Bosnia and Herzegovina;
- Telmista H\* (telmisartan/hydrochlorothiazide) in the Russian Federation and Ukraine;
- Amlessa\* (perindopril/amlodipine) and Co-Amlessa\* (perindopril/amlodipine/indapamide) in Kosovo;
- Kapecitabin (capecitabine) in Ukraine;
- Ulcavis\* (bismuth subcitrate) in Albania.

Major markets of other regions also recorded growth: Serbia (49%), the Republic of North Macedonia (22%), Bosnia and Herzegovina (34%), Romania (6%), the Czech Republic (13%), Slovakia (23%), and Hungary (15%).

Our leading non-prescription product brands were Septolete, Herbion, and Nalgesin\* (naproxen). The latter saw more than a 50% year-on-year sales increase. In addition to strong sales of Nalgesin\*, Septolete and one of our newest non-prescription products Flebaven\* (diosmin) contributed the most to the sales increase.

Germany (18%), the Czech Republic (12%), and Benelux (10%).

Our top-ranking animal health products in terms of sales were Milprazon\* (milbemycin oxime/praziquantel), Fypryst\* (fipronil), Floron\* (florfenicol), Enroxil\* (enrofloxacin), and Dehinel\* (febantel/pirantel embonat/praziquantel). The five products accounted for more than 60% of animal health product sales, and Milprazon\* attained the highest growth of all products.

Austria and Croatia contributed most significantly to the increase in overnight stays. Sales advanced in all business units: Talaso Strunjan (11%), Dolenjske Toplice (8%), Šmarješke Toplice (3%).

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



## Research and Development

In the first quarter of 2019, we introduced two new medicines, a prescription medicine **Atazanavir Krka** (atazanavir) hard capsules and an animal health

### Prescription Pharmaceuticals

We extended the range of prescription pharmaceuticals by our new antiviral **Atazanavir Krka** (atazanavir) hard capsules in three strengths. The medicine is used for the treatment of human immunodeficiency virus (HIV) infection as it reduces the viral burden in a body and chances for development of the disease. It is used in combination with other antiretroviral agents for the treatment of infected adults and paediatric patients 6 years of age and older. It is taken once daily. Marketing authorisations for the medicine were obtained under the European decentralised procedures in several European countries.

In the European markets, we obtained marketing authorisations for our established medicines. We completed the decentralised procedures for two our cardiovascular medicines, **Amlodipine/Valsartan Krka** (amlodipine/valsartan) film-coated tablets and **Valtricom** (amlodipine/valsartan/hydrochlorothiazide) film-coated tablets. Additionally, we obtained marketing authorisations for two antipsychotic agents, **Paliperidone Krka** (paliperidone) prolonged-release tablets and **Kventiax/Quetiapin Krka** (quetiapine) film-coated tablets and prolonged-release tablets. We introduced a non-prescription product **Rabeprazole Krka** (rabeprazole) gastroresistant tablets for the treatment of certain stomach problems. In Finland, we are the only provider of this medicine sold as a non-prescription product. **Febuxostat Krka** (febuxostat) film-coated tablets indicated for the treatment of chronic hyperuricaemia received a marketing authorisation under the centralised procedure.

We introduced our established medicines from various therapeutic classes in certain new Eastern European markets. We expanded marketing opportunities for medicines for the treatment of cardiovascular diseases. We introduced fixed-dose combinations **Niperten Combi** (amlodipine/bisoprolol) tablets in Kazakhstan, and **Valodip** (valsartan/amlodipine) film-coated tablets in Kyrgyzstan.

product **Awazom** (amoxicillin) powder. We expanded marketing opportunities for many products in all our regions.

We also obtained marketing authorisations for our antibiotics: **Azibiot** (azithromycin) powder for oral suspension in Armenia, **Hiconcil Combi** (amoxicillin/clavulanic acid) powder for oral solution in Armenia and Kazakhstan and film-coated tablets in Armenia, Kazakhstan, Kyrgyzstan, and Azerbaijan.

We expanded marketing opportunities for our medicines for the treatment of HIV infections, and introduced a fixed-dose combination **Efavirenz/Emtricitabine/Tenofovir disoproxil Krka** (efavirenz/emtricitabine/tenofovir disoproxil) film-coated tablets and **Darunavir Krka** (darunavir) film-coated tablets in Ukraine.

Additionally, we obtained a marketing authorisation for a non-steroidal anti-inflammatory drug (NSAID) **Dekenor** (dexketoprofen) solution for injection in Ukraine. In Azerbaijan, we introduced a non-steroidal anti-inflammatory agent **Etoriax** (etoricoxib) film-coated tablets. 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. We received marketing authorisations for pharmaceuticals from the central nervous system range: **Helex** (alprazolam) tablets in Montenegro, **Helex SR** (alprazolam) prolonged-release tablets in Albania, and **Zalastan** (olanzapine) tablets in Bosnia and Herzegovina.

In Kosovo and Montenegro, we also introduced **Deksametazon Krka** (dexamethasone) corticosteroid tablets of various strengths. We expanded marketing opportunities for our analgesic **Dekenor** (dexketoprofen) solution for injection in Kosovo, and a non-steroidal anti-inflammatory drug (NSAID) **Etoxib** (etoricoxib) film-coated tablets in Serbia.

## Non-Prescription Products

We expanded marketing opportunities for our key non-prescription product brands.

We expanded marketing opportunities for our cold and flu products **Septotele Total** (benzylamine chloride/cetylpyridinium chloride). We obtained marketing authorisations for honey-and-lemon flavour lozenges in Uzbekistan and the Republic of

North Macedonia, and for elder-and-lemon flavour lozenges in Kyrgyzstan and Uzbekistan.

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

## Animal Health Products

We expanded our portfolio of animal health products for farm 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 pheasant.

We increased marketing opportunities for our animal health product for companion animals, **Fleaway Combo** (fipronil/S-methoprene) spot-on solution for protection against and treatment of external parasite infections in dogs, cats, and ferrets. We obtained a marketing authorisation for the product in the United Kingdom.

In Kazakhstan, we expanded our product portfolio for farm animals by the approval for 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. In Serbia, we obtained marketing authorisations for **Floron** (florfenicol) premix for medicated feed indicated for the treatment of infections of the respiratory tract in pigs and **Santiola** (closantel) solution for injection indicated for the treatment of parasitic gastrointestinal infestations in cattle and sheep.

## Investments

In the first quarter of 2019, the Krka Group allocated €23.7 million to investments, of which €19.6 million to the controlling company. We invested primarily in the increase and technological upgrade of production and development, and in quality assurance. Investments were also made in our own production and distribution centres around the world.

Key investment in development and quality assurance in the upcoming years is the €54 million product-development-and-quality-control facility, Razvojno-kontrolni center 4 (Slovene abbreviation: RKC 4), at the production site in Novo mesto. Construction of the 18,000-square-metre building was completed at the end of 2016. Setting-up of the laboratory rooms was finished in 2017, while additional furnishing of the rooms intended for development is in its final stage. Equipment installation will continue to be installed in the first half of 2019.

At the end of 2017, Krka started building a multipurpose warehouse at the same location to provide for 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 start-up of the entire transport system and warehouse is planned for January 2020. The entire investment is estimated at €36 million.

Notol 2, the state-of-the-art facility for manufacturing solid dosage forms and Slovenian 2018 Factory-of-the-Year winner, is also located in Ločna, Novo mesto. In order to meet the increasing demand and manufacture new products, Krka purchases additional technological equipment, in 2019 planned at total of €16 million. When the plant is fully equipped, it will be able to operate at its planned volume, i.e. 5 billion tablets per year.

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

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

In Krško, preparations for construction of a new warehouse for hazardous materials have started. The new building will store raw materials for chemical and pharmaceutical production. We will invest in capacities for storing and sampling raw materials. Storage will be arranged in compliance with the guidelines of the *Technical Rules for Hazardous Substances* (TRGS). Thanks to the technical and technological building design, technological operations will be carried out in accordance with the *Rules on Technical and Organizational Measures for the Storage of Hazardous Chemicals*, regulations on working in explosive environments and on environmental protection. The construction of the €8.2 million building will be finished in July 2020.

In February 2019, the European Union introduced new rules for protection of public health by preventing the entry of falsified medicinal products into the pharmaceutical supply chain. The Directive introduces obligatory safety features on the outer packaging of medicines, which prevent falsified medicines from reaching patients. In accordance with these requirements, we have upgraded the technological equipment and manufacturing procedures on many levels. Over the last three years, we allocated approximately €20 million for the new equipment and technology. Safety measures required by the Russian legislation from 2020 onwards are also a part of this investment.

Construction of a new office building in Ljubljana is in progress. The four-storey building will be connected to the current business premises and will

be ready for use in mid-2019. The investment is estimated at over €10 million.

The Krka-Rus plant, located in the industrial area of the town of Istra, north-west of Moscow, is one of the key investments in Krka subsidiaries. In 2017, the second stage of technological equipment installation was finished, increasing the capacity of the plant to 1.8 billion tablets and capsules a year. Another project for new manufacturing and laboratory capacities is already underway and will mark the upcoming five-year investment period in the Russian Federation. The investment is estimated at €32 million and will increase manufacturing capacities of the Krka-Rus plant to 3 billion tablets per year. Krka-Rus manufactures 70% of products intended for the Russian market, giving Krka 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 plan to allocate €0.5 million for the optimisation of production equipment in TAD Pharma, Germany, and €0.4 million for Krka Polska.

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

At the end of 2017, we established a joint venture Ningbo Krka Menovo with a local partner Menovo in the city of Ningbo, China. In 2018, we paid in the initial capital, provided the necessary equipment, and obtained a GMP certificate for leased production facilities. At the end of 2018, we started to commercially manufacture the first product for the markets outside China and submitted all registration documents required to obtain a marketing authorisation for the Chinese market. In 2019, additional five marketing authorisation applications for products for the Chinese market will be filed. Our product portfolio will be adapted according to market needs and opportunities.

## Employees

At the end of March 2019, the Krka Group had 11,370 employees, of that 5,765 abroad, accounting for just under 51% of the total Krka Group headcount. The proportion of Krka Group employees with at least university-level

qualifications amounted to 54%; of whom 190 held a doctoral degree.

Together with the agency workers, the Krka Group had 12,509 persons on payroll or 27 more than at the end of 2018.

### Educational structure of the Krka Group

	31 Mar 2019		31 Dec 2018	
	Number of employees	Share (%)	Number of employees	Share (%)
PhD	190	1.7	187	1.6
Master of Science	384	3.4	384	3.4
University degree	5551	48.8	5555	48.8
Higher professional education	1637	14.4	1622	14.2
Vocational college education	280	2.5	282	2.5
Secondary school education	2231	19.6	2231	19.6
Other	1097	9.6	1129	9.9
<b>Krka Group</b>	<b>11,370</b>	<b>100.0</b>	<b>11,390</b>	<b>100.0</b>

We award scholarships and in this way guarantee continuous recruitment of new talented employees. At the end of March, Krka had 63 students on grants, primarily pharmacy and chemistry students. Krka also awards grants to exceptional students from other fields of interest for the Company. We granted 24 new scholarships this year. Through a staff development and succession planning system, we make sure that most of key personnel requirements of Krka for field experts and managers alike are catered for within the Krka Group.

We also invest in the knowledge and development of our employees. They undergo additional training, both in Slovenia and abroad, related to their fields of expertise, quality, management, informatics, personal growth, and attend foreign language courses. Most training courses are organised in-house and adjusted to the needs of our employees, the technological process, the market situation, and the development needs of the Krka Group. We constantly update them and introduce new types that are better adjusted to the contemporary way of working.

At the end of March, a total of 147 employees were enrolled into part-time graduate studies co-funded by Krka, of whom 52 in postgraduate studies.

Krka is also included in the national vocational qualification (NVQ) system. Between 2002 and

March 2019, we awarded 1,414 NVQ certificates to Krka employees and 142 to participants from other organisations in the pharmaceutical industry, total of 1,556 certificates for four vocational qualifications. At the end of March, 120 Krka employees were included in the process of obtaining NVQ.

Since its foundation 65 years ago, Krka has supported volunteering, which has now become an integral part of our organisational culture. We have held a socially responsible campaign Krka Week of Charity and Volunteering since 2012. Over the past eight years, our acts of kindness and the spirit of volunteering have brought us together in 8,331 acts of charity.

In April, 1,250 Krka volunteers – approximately 20% of all Krka employees in Slovenia – participated in various activities. New volunteers join our cause every year. This year, more than 100 participants in the campaign were first-time volunteers. Our colleagues from subsidiaries and representatives offices in the Russian Federation, Poland, the Czech Republic, Ukraine, Hungary, Germany, Serbia, Turkmenistan, Spain, North Macedonia, Kazakhstan, Azerbaijan, Kyrgyzstan, Latvia, Slovakia, Belarus, Bosnia and Herzegovina, Mongolia, Croatia, the Republic of Kosovo, Armenia, Bulgaria, UK, and India also joined in.

In the eight years of Krka Week of Charity and

Volunteering, Krka employees donated 933 litres of blood. We regularly engage in charity, as over 1,500 Krka employees donate blood twice a year on average, and every year, new blood donors join their ranks. This year, 15% of Krka employees who donated blood did so for the first time in their lives. During this year's charity campaign, 298 volunteers donated 131 litres of blood in Slovenia.

We were also collecting clothes, food, and children's and other necessities. Over the past eight years, we collected 27 tonnes of such necessities for the Red Cross and Karitas.

During the course of the week, we collected 400 kg of packaged pet food that will be donated to animal shelters. A few volunteers also decided to help with landscaping at the Ljubljana Zoo.

Krka volunteers were preparing food packages and sorting clothes at regional centres of the Red Cross in Novo mesto and Ljutomer, the Humanitarian Centre in Ljubljana, and Karitas. In collaboration with the Red Cross, some volunteers helped the elderly with cleaning their homes, and another group of volunteers painted the walls of an

apartment of a disabled person in the region of Dolenjska.

The volunteers kept company to the elderly at 28 retirement homes across Slovenia. We also visited 12 occupational activity centres and other institutions, where we joined the wards and pupils at various creative workshops.

We rounded off the week of Charity and Volunteering with an open-door day at the central production site of Krka. We hosted 2,040 University of the Third Age participants, Krka employees and their family members. They were taken on a tour of our state-of-the-art solid dosage form production plant Notol 2 and had the opportunity to listen to informative lectures on healthy living. During the eight campaigns, we hosted more than 17,000 visitors at Krka Open-Door Day alone: children from socially disadvantaged families, pupils from special education schools, Slovenian mountaineers, Slovenian fire fighters, members of pensioner's organisations and organisations connecting patients with various illnesses, members of the University of the Third Age, and others.

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

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

€ thousand	31 Mar 2019	31 Dec 2018	Index
<b>Assets</b>			
Property, plant and equipment	868,508	839,448	103
Intangible assets	109,263	110,329	99
Loans	10,902	10,810	101
Investments	9,164	9,389	98
Deferred tax assets	41,687	40,376	103
Other non-current assets	466	459	102
<b>Total non-current assets</b>	<b>1,039,990</b>	<b>1,010,811</b>	<b>103</b>
Assets held for sale	41	41	100
Inventories	372,788	365,149	102
Contract assets	142	395	36
Trade receivables	471,235	438,291	108
Other receivables	32,107	26,370	122
Loans	21,609	21,491	101
Investments	0	4,720	0
Cash and cash equivalents	184,949	117,801	157
<b>Total current assets</b>	<b>1,082,871</b>	<b>974,258</b>	<b>111</b>
<b>Total assets</b>	<b>2,122,861</b>	<b>1,985,069</b>	<b>107</b>
<b>Equity</b>			
Share capital	54,732	54,732	100
Treasury shares	-56,495	-52,076	108
Reserves	120,631	104,062	116
Retained earnings	1,496,817	1,430,817	105
<b>Total equity holders of the controlling company</b>	<b>1,615,685</b>	<b>1,537,535</b>	<b>105</b>
Non-controlling interests within equity	2,676	2,735	98
<b>Total equity</b>	<b>1,618,361</b>	<b>1,540,270</b>	<b>105</b>
<b>Liabilities</b>			
Trade payables	10,000	0	
Lease liabilities	22,145	-	
Provisions	102,179	100,989	101
Deferred revenue	9,524	9,798	97
Deferred tax liabilities	12,232	12,271	100
<b>Total non-current liabilities</b>	<b>156,080</b>	<b>123,058</b>	<b>127</b>
Trade payables	139,048	136,806	102
Lease liabilities	2,088	-	
Income tax payable	7,598	3,842	198
Current contract liabilities	117,964	110,225	107
Other current liabilities	81,722	70,868	115
<b>Total current liabilities</b>	<b>348,420</b>	<b>321,741</b>	<b>108</b>
<b>Total liabilities</b>	<b>504,500</b>	<b>444,799</b>	<b>113</b>
<b>Total equity and liabilities</b>	<b>2,122,861</b>	<b>1,985,069</b>	<b>107</b>

## Consolidated Income Statement of the Krka Group

€ thousand	Jan–Mar 2019	Jan–Mar 2018	Index
<b>Revenue</b>	<b>378,473</b>	<b>337,938</b>	<b>112</b>
– Revenue from contracts with customers	377,394	337,382	112
– Other revenue	1,079	556	194
Cost of goods sold	-162,947	-144,806	113
<b>Gross profit</b>	<b>215,526</b>	<b>193,132</b>	<b>112</b>
Other operating income	3,654	3,264	112
Selling and distribution expenses	-90,896	-84,130	108
– Net impairment and write-off	-176	331	
R&D expenses	-36,493	-31,273	117
General and administrative expenses	-19,559	-19,073	103
<b>Operating profit</b>	<b>72,232</b>	<b>61,920</b>	<b>117</b>
Financial income	15,558	3,125	498
Financial expenses	-6,278	-7,923	79
<b>Net financial result</b>	<b>9,280</b>	<b>-4,798</b>	<b>-193</b>
<b>Profit before tax</b>	<b>81,512</b>	<b>57,122</b>	<b>143</b>
Income tax	-11,230	-7,724	145
<b>Net profit</b>	<b>70,282</b>	<b>49,398</b>	<b>142</b>
<b>Attributable to:</b>			
– Equity holders of the controlling company	70,419	49,492	142
– Non-controlling interest	-137	-94	146
<b>Basic earnings per share (€)</b>	<b>2.24</b>	<b>1.54</b>	<b>145</b>
<b>Diluted earnings per share (€)</b>	<b>2.24</b>	<b>1.54</b>	<b>145</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 the basic earnings per share.

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

€ thousand	Jan–Mar 2019	Jan–Mar 2018	Index
<b>Net profit</b>	<b>70,282</b>	<b>49,398</b>	<b>142</b>
<b>Other comprehensive income for the period</b>			
<i>Other comprehensive income for the period reclassified to profit or loss at a future date</i>			
Translation reserves	12,410	-3,266	
Change in fair value of available-for-sale financial assets	-225	1,026	
Deferred tax effect	43	-195	
<b>Net other comprehensive income for the period reclassified to profit or loss at a future date</b>	<b>12,228</b>	<b>-2,435</b>	
<b>Total other comprehensive income for the period (net of tax)</b>	<b>12,228</b>	<b>-2,435</b>	
<b>Total comprehensive income for the period (net of tax)</b>	<b>82,510</b>	<b>46,963</b>	<b>176</b>
Attributable to:			
– Equity holders of the controlling company	82,570	47,057	175
– Non-controlling interest	-60	-94	64



## 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 reserve	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	163,097	100,332	1,537,535	2,735	1,540,270
<b>Profit for the year</b>	0	0	0	0	0	0	0	0	0	70,418	0	70,418	-137	70,282
<b>Total other comprehensive income for the period</b>	0	0	0	0	0	0	-182	12,333	0	0	0	12,151	77	12,228
<b>Total comprehensive income for the period</b>	0	0	0	0	0	0	-182	12,333	0	70,418	0	82,569	-60	82,509
<b>Transactions with owners recognised in equity</b>														
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
Formation of reserves for treasury shares	0	0	4,419	0	0	0	0	0	0	-4,419	0	0	0	0
Purchase of treasury shares	0	-4,419	0	0	0	0	0	0	0	0	0	-4,419	0	-4,419
<b>Total transactions with owners recognised in equity</b>	0	-4,419	4,419	0	0	0	0	0	0	-167,516	163,097	-4,419	0	-4,419
<b>Balance at 31 Mar 2019</b>	54,732	-56,495	56,495	105,897	14,990	30,000	-12,100	-74,651	1,167,388	66,000	263,429	1,615,685	2,676	1,618,361

€ 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 reserve	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	49,492	49,492	-94	49,398
<b>Total other comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	831	-3,266	0	0	0	-2,435	0	-2,435
<b>Total comprehensive income for the year (net of tax)</b>	0	0	0	0	0	0	831	-3,266	0	0	49,492	47,057	-94	46,963
<b>Transactions with owners recognised in equity</b>														
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	-3,877	0	0	0	0	0	0	0	0	0	-3,877	0	-3,877
Formation of reserves for treasury shares	0	0	3,877	0	0	0	0	0	0	0	-3,877	0	0	0
Purchase of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	2,375	2,375
<b>Total transactions with owners recognised in equity</b>	0	-3,877	3,877	0	0	0	0	0	0	141,702	-145,579	-3,877	2,375	-1,502
<b>Balance at 31 Mar 2018</b>	54,732	-44,465	44,465	105,897	14,990	30,000	-11,692	-70,741	1,129,172	231,935	45,615	1,529,908	3,252	1,533,160

## Consolidated Statement of Cash Flows of the Krka Group

€ thousand	Jan–Mar 2019	Jan–Mar 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit</b>	<b>70,282</b>	<b>49,398</b>
<b>Adjustments for:</b>	<b>49,143</b>	<b>34,417</b>
– Amortisation/Depreciation	27,681	28,488
– Foreign exchange differences	4,478	-983
– Investment income	-659	-3,935
– Investment expense	5,601	2,679
– Financial income	-12	0
– Interest expense and other financial expenses	824	444
– Income tax	11,230	7,724
<b>Operating profit before changes in net operating current assets</b>	<b>119,425</b>	<b>83,815</b>
Change in trade receivables	-39,994	16,701
Change in inventories	-7,639	-19,676
Change in trade payables	19,506	11,245
Change in provisions	688	830
Change in deferred revenue	-274	-268
Change in other current liabilities	7,214	-12,989
Income tax paid	-7,042	-3,591
<b>Net cash flows from operating activities</b>	<b>91,884</b>	<b>76,067</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	133	1,696
Dividends received	0	958
Proceeds from sale of property, plant and equipment	1,339	-26
Purchase of intangible assets	-638	-436
Purchase of property, plant and equipment	-23,474	-18,224
Non-current loans	-508	-412
Proceeds from repayment of non-current loans	646	301
Payments to acquire non-current investments	-20	-117
Proceeds from sale of non-current investments	13	3
Payments in connection with current investments and loans	2,862	-25,072
Payments of derivative financial instruments	0	-2,278
<b>Net cash flows from investing activities</b>	<b>-19,647</b>	<b>-43,607</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-130	-59
Lease payments	-757	0
Dividends and other profit shares paid	-2	0
Purchase of treasury shares	-4,419	-3,877
Proceeds from payments from non-controlling interests	0	2,375
<b>Net cash flows from financing activities</b>	<b>-5,308</b>	<b>-1,561</b>
<b>Net increase in cash and cash equivalents</b>	<b>66,929</b>	<b>30,899</b>
Cash and cash equivalents at the beginning of the period	117,801	45,948
Effect of exchange rate fluctuations on cash held	219	-315
<b>Net cash and cash equivalents at the end of the period</b>	<b>184,949</b>	<b>76,532</b>

## Segment Reporting of the Krka Group

€ thousand	European Union		South-East Europe		East Europe		Other		Elimination		Total	
	Jan–Mar 2019	Jan–Mar 2018	Jan–Mar 2019	Jan–Mar 2018	Jan–Mar 2019	Jan–Mar 2018	Jan–Mar 2019	Jan–Mar 2018	Jan–Mar 2019	Jan–Mar 2018	Jan–Mar 2019	Jan–Mar 2018
<b>Revenue from external customers</b>	<b>220,234</b>	<b>200,130</b>	<b>21,569</b>	<b>18,887</b>	<b>122,109</b>	<b>106,218</b>	<b>14,561</b>	<b>12,703</b>	<b>0</b>	<b>0</b>	<b>378,473</b>	<b>337,938</b>
– Revenue from contracts with customers	219,232	199,748	21,569	18,887	122,097	106,209	14,496	12,538	0	0	377,394	337,382
– Other revenue	1,002	382	0	0	12	9	65	165	0	0	1,079	556
<b>Revenue from Group companies</b>	<b>52,310</b>	<b>60,201</b>	<b>11,573</b>	<b>9,992</b>	<b>55,231</b>	<b>64,741</b>	<b>0</b>	<b>0</b>	<b>-119,114</b>	<b>-134,934</b>	<b>0</b>	<b>0</b>
Other operating income	2,987	1,960	3	1	664	1,303	0	0	0	0	3,654	3,264
Operating expenses	-187,130	-172,873	-13,120	-12,557	-100,337	-85,972	-9,308	-7,880	0	0	-309,895	-279,282
Operating expenses to Group companies	-78,821	-91,040	-12,792	-10,369	-126,777	-121,592	-819	-1	219,209	223,002	0	0
<b>Operating profit</b>	<b>36,091</b>	<b>29,217</b>	<b>8,452</b>	<b>6,331</b>	<b>22,436</b>	<b>21,549</b>	<b>5,253</b>	<b>4,823</b>	<b>0</b>	<b>0</b>	<b>72,232</b>	<b>61,920</b>
Interest income	51	51	0	0	80	1,646	2	1	0	0	133	1,698
Interest income from Group companies	107	80	0	0	1	1	0	0	-108	-81	0	0
Interest expense	-153	-5	-9	0	-85	1	-2	0	0	0	-249	-4
Interest expense within the Group	-74	-79	0	0	-32	-10	0	0	106	89	0	0
<b>Net financial result</b>	<b>-1,434</b>	<b>-709</b>	<b>-270</b>	<b>-273</b>	<b>10,972</b>	<b>-3,681</b>	<b>12</b>	<b>-135</b>	<b>0</b>	<b>0</b>	<b>9,280</b>	<b>-4,798</b>
Income tax	-6,024	-3,181	-1,014	-604	-3,720	-3,501	-472	-438	0	0	-11,230	-7,724
<b>Net profit</b>	<b>28,633</b>	<b>25,327</b>	<b>7,168</b>	<b>5,454</b>	<b>29,688</b>	<b>14,367</b>	<b>4,793</b>	<b>4,250</b>	<b>0</b>	<b>0</b>	<b>70,282</b>	<b>49,398</b>
Investments	20,542	18,420	42	94	1,798	747	1,321	1	0	0	23,703	19,262
Depreciation of property, plant and equipment	17,898	18,429	537	522	6,680	7,511	153	164	0	0	25,268	26,626
Depreciation – right to use assets	482	-	22	-	142	-	7	-	0	-	653	-
Amortisation	1,107	1,150	87	79	513	582	53	51	0	0	1,760	1,862
	<b>31 Mar 2019</b>	<b>31 Dec 2018</b>	<b>31 Mar 2019</b>	<b>31 Dec 2018</b>	<b>31 Mar 2019</b>	<b>31 Dec 2018</b>	<b>31 Mar 2019</b>	<b>31 Dec 2018</b>	<b>31 Mar 2019</b>	<b>31 Dec 2018</b>	<b>31 Mar 2019</b>	<b>31 Dec 2018</b>
<b>Total assets</b>	<b>1,626,438</b>	<b>1,552,922</b>	<b>51,837</b>	<b>48,132</b>	<b>427,116</b>	<b>367,867</b>	<b>17,470</b>	<b>16,148</b>	<b>0</b>	<b>0</b>	<b>2,122,861</b>	<b>1,985,069</b>
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	37,312	37,530	0	0	0	0	0	0	0	0	37,312	37,530
<b>Total liabilities</b>	<b>361,557</b>	<b>325,099</b>	<b>13,073</b>	<b>10,877</b>	<b>100,634</b>	<b>84,514</b>	<b>29,236</b>	<b>24,309</b>	<b>0</b>	<b>0</b>	<b>504,500</b>	<b>444,799</b>

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

### Costs by nature

€309,895 thousand

€ thousand	Jan–Mar 2019	Jan–Mar 2018	Index
Cost of goods and material	107,404	93,003	115
Cost of services	69,088	61,331	113
Employee benefit costs	99,174	90,886	109
Amortisation	27,681	28,488	97
Inventory write-off and allowances	5,684	4,638	123
Net impairment and write-off	-176	331	
Other operating expenses	11,221	9,604	117
<b>Total cost</b>	<b>320,076</b>	<b>288,281</b>	<b>111</b>
Change in the value of inventories of products and work in progress	-10,181	-8,999	113
<b>Total</b>	<b>309,895</b>	<b>279,282</b>	<b>111</b>

### Employee benefit costs

€99,175 thousand

€ thousand	Jan–Mar 2019	Jan–Mar 2018	Index
Gross wages and salaries and continued pay	77,198	70,737	109
Social security contributions	6,195	5,146	120
Pension insurance contributions	10,306	9,431	109
Payroll tax	245	256	96
Post-employment benefits and other non-current employee benefits	1,279	1,203	106
Other employee benefit costs	3,952	4,113	96
<b>Total employee benefit costs</b>	<b>99,175</b>	<b>90,886</b>	<b>109</b>

### Other operating expenses

€11,221 thousand

€ thousand	Jan–Mar 2019	Jan–Mar 2018	Index
Grants and assistance for humanitarian and other purposes	354	328	108
Environmental protection expenses	1,119	981	114
Other taxes and levies	7,760	6,307	123
Loss on sale of property, plant and equipment and intangible assets	147	402	37
Other operating expenses	1,841	1,586	116
<b>Total other operating expenses</b>	<b>11,221</b>	<b>9,604</b>	<b>117</b>

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

## Financial income and expenses

€ thousand	Jan–Mar 2019	Jan–Mar 2018	Index
Net foreign exchange differences	15,413	0	
Interest income	133	1,698	8
Derivative financial instruments income	0	1,427	0
– Change in fair value	0	1,427	0
Other financial income	12	0	
<b>Total financial income</b>	<b>15,558</b>	<b>3,125</b>	<b>498</b>
Net foreign exchange differences	0	-5,201	0
Interest expense	-249	-4	6,225
Derivative financial instruments expense	-5,454	-2,278	239
– Incurred expenses	0	-2,278	0
– Change in fair value	-5,454	0	
Other financial expenses	-575	-440	131
<b>Total financial expenses</b>	<b>-6,278</b>	<b>-7,923</b>	<b>79</b>
<b>Net financial result</b>	<b>9,280</b>	<b>-4,798</b>	

### Income tax

€11,230 thousand

Current income tax amounted to €12,384 thousand, or 15.2% of profit before tax. Taking into account deferred tax in the amount of -€1,154 thousand, tax

in total of €11,230 thousand was expensed in the income statement. The effective tax rate was 13.8%.

### Property, plant and equipment

€868,508 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Land	40,045	39,996	100
Buildings	389,387	390,638	100
Equipment	347,451	352,931	98
Property, plant and equipment being acquired	62,210	52,359	119
Advances for property, plant and equipment	5,267	3,524	149
Right to use assets	24,148	-	
<b>Total property, plant and equipment</b>	<b>868,508</b>	<b>839,448</b>	<b>103</b>

The value of property, plant and equipment accounted for just short of 41% of the Krka Group balance sheet total. Please see the section 'Investments' in the business report for details on

major investments by Krka.

## Intangible assets

€109,263 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Goodwill	42,644	42,644	100
Trademark	37,312	37,530	99
Concessions, trademarks and licences	24,920	26,345	95
Intangible assets being acquired	4,387	3,810	115
<b>Total intangible assets</b>	<b>109,263</b>	<b>110,329</b>	<b>99</b>

## Loans

€32,511 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
<b>Non-current loans</b>	<b>10,902</b>	<b>10,810</b>	<b>101</b>
– Loans to others	10,902	10,810	101
<b>Current loans</b>	<b>21,609</b>	<b>21,491</b>	<b>101</b>
Portion of non-current loans maturing next year	1,409	1,468	96
– Loans to others	20,200	20,023	101
<b>Total loans</b>	<b>32,511</b>	<b>32,301</b>	<b>101</b>

Non-current loans constituted 34% of total loans.

of housing facilities.

Non-current loans to others include loans that the Krka Group extends in accordance with its internal acts to its employees for the purchase or renovation

Non-current loans to others include bank deposits with a maturity exceeding 90 days in total of €20,000 thousand.

## Investments

€9,164 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
<b>Non-current investments</b>	<b>9,164</b>	<b>9,389</b>	<b>98</b>
Financial assets at fair value through OCI (equity instruments)	9,164	9,389	98
<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 and loss	0	2,920	0
<b>Total investments</b>	<b>9,164</b>	<b>14,109</b>	<b>65</b>

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

€813 thousand and €8,351 thousand of investments in shares and interests in companies abroad.

## Inventories

€372,788 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Material	147,396	152,087	97
Work in progress	99,209	94,964	104
Finished products	105,112	99,835	105
Goods	7,975	8,203	97
Advances for inventories	13,096	10,060	130
<b>Total inventories</b>	<b>372,788</b>	<b>365,149</b>	<b>102</b>

## Trade and other receivables

€503,342 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Current trade receivables	471,235	438,291	108
Other current receivables	32,107	26,370	122
<b>Total receivables</b>	<b>503,342</b>	<b>464,661</b>	<b>108</b>

## Cash and cash equivalents

€184,949 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Cash on hand	86	75	115
Bank balances	184,863	117,726	157
<b>Total cash and cash equivalents</b>	<b>184,949</b>	<b>117,801</b>	<b>157</b>

Cash and cash equivalents also included bank deposits with maturity up to 30 days in total of €9,202 thousand.

## Equity

€1,618,361 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Share capital	54,732	54,732	100
Treasury shares	-56,495	-52,076	108
Reserves	120,632	104,062	116
– Reserves for treasury shares	56,495	52,076	108
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserves	-12,100	-11,918	102
– Translation reserves	-74,650	-86,983	86
Retained earnings	1,496,817	1,430,817	105
<b>Total equity holders of the controlling company</b>	<b>1,615,686</b>	<b>1,537,535</b>	<b>105</b>
Non-controlling interests within equity	2,675	2,735	98
<b>Total equity</b>	<b>1,618,361</b>	<b>1,540,270</b>	<b>105</b>



## Trade payables

€149,048 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
<b>Non-current liabilities</b>	<b>10,000</b>	<b>0</b>	
Other non-current liabilities	10,000	0	
<b>Current liabilities</b>	<b>139,048</b>	<b>136,806</b>	<b>102</b>
Payables to domestic suppliers	48,956	45,805	107
Payables to foreign suppliers	90,092	91,001	99
<b>Total trade payables</b>	<b>149,048</b>	<b>136,806</b>	<b>109</b>

Other non-current liabilities 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 the competition in the perindopril market of the European Union, and imposed Krka to pay a fine in total of €10.0 million. Krka paid the imposed fine within the deadline set by the Commission. Krka brought an action before the General Court against the decision of the European Commission on the grounds that there was no

breach of 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 €10.0 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

€102,179 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Provisions for lawsuits	4,129	4,217	98
Provisions for post-employment benefits and other non-current employee benefits	95,874	94,794	101
Other provisions	2,176	1,978	110
<b>Total provisions</b>	<b>102,179</b>	<b>100,989</b>	<b>101</b>

## Deferred revenue

€9,524 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Grants from the European Regional Development Fund and budget of the Republic of Slovenia intended for the <i>Production of pharmaceuticals in the new Notol 2 plant project</i>	1,784	1,850	96
Grants from the budget for Dolenjske Toplice and Šmarješke Toplice health resorts and for Golf Grad Otočec	3,613	3,645	99
Grants from the European Regional Development Fund for developing new technologies (a FBD project)	127	151	84
Grants from the European Regional Development Fund for setting up the GEN-I information and technology solutions system	4	6	67
Grants from the European Regional Development Fund for the Development Centres of the Slovene Economy	3,974	4,121	96
Subsidy for acquisition of electric drive vehicles	6	6	100
Property, plant and equipment received for free	15	18	83
Emission coupons	1	1	100
<b>Total deferred revenue</b>	<b>9,524</b>	<b>9,798</b>	<b>97</b>

The Development Centres of the Slovene Economy 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 for*

*Strengthening Regional Development Potentials for Period 2007–2013; Priority axis 1: Competitiveness and Research Excellence: main type of activity 1.1: Improvement of competitiveness and research excellence.*

### Current contract liabilities

€117,964 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
<b>Refund liabilities</b>	<b>110,682</b>	<b>106,166</b>	<b>104</b>
– Accrued contractual discounts on products sold	110,572	106,070	104
– Right of return	110	96	115
<b>Contract liabilities</b>	<b>7,282</b>	<b>4,059</b>	<b>179</b>
– Contract liabilities – other customer advances	7,282	4,059	179
<b>Total current contract liabilities</b>	<b>117,964</b>	<b>110,225</b>	<b>107</b>

### Other current liabilities

€81,722 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Payables to employees – gross salaries, other receipts and charges	47,858	47,725	100
Derivative financial instruments	3,654	0	
Other	30,210	23,143	131
<b>Total other current liabilities</b>	<b>81,722</b>	<b>70,868</b>	<b>115</b>

### Contingent liabilities

€19,798 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Guarantees issued	19,178	18,893	102
Other	620	620	100
<b>Total contingent liabilities</b>	<b>19,798</b>	<b>19,513</b>	<b>101</b>

## Fair value

€ thousand	31 Mar 2019		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans	10,902	10,902	10,810	10,810
Financial assets at fair value through OCI (equity instruments)	9,164	9,164	9,389	9,389
Current loans	21,609	21,609	21,491	21,491
Current investments	0	0	4,720	4,720
– Financial assets at fair value through profit and loss	0	0	2,920	2,920
– Derivative financial instruments	0	0	1,800	1,800
Contract assets	142	142	395	395
Trade receivables	471,235	471,235	438,291	438,291
Cash and cash equivalents	184,949	184,949	117,801	117,801
Payables to suppliers excluding advances	-149,048	-149,048	-136,806	-136,806
Contract liabilities excluding advances	-110,572	-110,572	-106,070	-106,070
Other liabilities excluding amounts owed to the state, employees and advances	-17,205	-17,205	-11,319	-11,319
Other current liabilities	-3,654	-3,654	0	0
– Derivative financial instruments	-3,654	-3,654	0	0
<b>Total</b>	<b>417,522</b>	<b>417,522</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 observable market data;
- Level 3 – Assets the value of which cannot be determined using observable market data.

## Fair value of assets

€ thousand	31 Mar 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)	7,777	0	1,387	9,164	8,002	0	1,387	9,389
Financial assets at fair value through profit and loss	0	0	0	0	2,920	0	0	2,920
Derivative financial instruments	0	0	0	0	0	0	1,800	1,800
Contract assets	0	0	142	142	0	0	395	395
<b>Total assets at fair value</b>	<b>7,777</b>	<b>0</b>	<b>1,529</b>	<b>9,306</b>	<b>10,922</b>	<b>0</b>	<b>3,582</b>	<b>14,504</b>
<b>Assets for which fair value is disclosed</b>								
Non-current loans	0	0	10,902	10,902	0	0	10,810	10,810
Current loans	0	0	21,609	21,609	0	0	21,491	21,491
Trade receivables	0	0	471,235	471,235	0	0	438,291	438,291
Cash and cash equivalents	0	0	184,949	184,949	0	0	117,801	117,801
<b>Total assets for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>688,695</b>	<b>688,695</b>	<b>0</b>	<b>0</b>	<b>588,393</b>	<b>588,393</b>
<b>Total</b>	<b>7,777</b>	<b>0</b>	<b>690,224</b>	<b>698,001</b>	<b>10,922</b>	<b>0</b>	<b>591,975</b>	<b>602,897</b>

## Liabilities at fair value

€ thousand	31 Mar 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	3,654	3,654	0	0	0	0
<b>Total liabilities at fair value</b>	<b>0</b>	<b>0</b>	<b>3,654</b>	<b>3,654</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities for which fair value is disclosed</b>								
Payables to suppliers excluding advances	0	0	149,048	149,048	0	0	136,806	136,806
Contract liabilities excluding advances	0	0	110,572	110,572	0	0	106,070	106,070
Other liabilities excluding amounts owed to the state, employees and advances	0	0	17,205	17,205	0	0	11,319	11,319
<b>Total liabilities for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>276,825</b>	<b>276,825</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>280,479</b>	<b>280,479</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	31 Mar 2019	31 Dec 2018	Index
<b>Assets</b>			
Property, plant and equipment	610,213	604,923	101
Intangible assets	28,083	28,842	97
Investments in subsidiaries	325,502	325,502	100
Trade receivables from subsidiaries	26,935	38,885	69
Loans	15,256	19,238	79
Investments	9,163	9,388	98
Deferred tax assets	11,855	11,780	101
Other non-current assets	60	58	103
<b>Total non-current assets</b>	<b>1,027,067</b>	<b>1,038,616</b>	<b>99</b>
Assets held for sale	41	41	100
Inventories	322,745	317,499	102
Contract assets	5,683	1,464	388
Trade receivables	436,184	390,948	112
Other receivables	16,493	15,404	107
Loans	51,685	51,819	100
Investments	0	1,800	0
Cash and cash equivalents	167,885	98,474	170
<b>Total current assets</b>	<b>1,000,716</b>	<b>877,449</b>	<b>114</b>
<b>Total assets</b>	<b>2,027,783</b>	<b>1,916,065</b>	<b>106</b>
<b>Equity</b>			
Share capital	54,732	54,732	100
Treasury shares	-56,495	-52,076	108
Reserves	197,025	192,788	102
Retained earnings	1,417,763	1,356,856	104
<b>Total equity</b>	<b>1,613,025</b>	<b>1,552,300</b>	<b>104</b>
<b>Liabilities</b>			
Lease liabilities	4,976	-	
Provisions	88,879	87,882	101
Deferred revenue	1,937	2,030	95
Trade payables	10,000	0	
<b>Total non-current liabilities</b>	<b>105,792</b>	<b>89,912</b>	<b>118</b>
Trade payables	173,834	170,354	102
Borrowings	58,626	40,435	145
Lease liabilities	448	-	
Income tax payable	4,661	1,570	297
Current contract liabilities	21,658	17,340	125
Other current liabilities	49,739	44,154	113
<b>Total current liabilities</b>	<b>308,966</b>	<b>273,853</b>	<b>113</b>
<b>Total liabilities</b>	<b>414,758</b>	<b>363,765</b>	<b>114</b>
<b>Total equity and liabilities</b>	<b>2,027,783</b>	<b>1,916,065</b>	<b>106</b>

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

€ thousand	Jan–Mar 2019	Jan–Mar 2018	Index
<b>Revenue</b>	<b>327,072</b>	<b>329,748</b>	<b>99</b>
– Revenue from contracts with customers	325,224	327,977	99
– Other revenue	1,848	1,771	104
Cost of goods sold	-136,640	-142,968	96
<b>Gross profit</b>	<b>190,432</b>	<b>186,780</b>	<b>102</b>
Other operating income	1,721	225	765
Selling and distribution expenses	-74,256	-74,842	99
– Net impairment and write-off	-22	423	
R&D expenses	-37,714	-32,998	114
General and administrative expenses	-16,408	-15,996	103
<b>Operating profit</b>	<b>63,775</b>	<b>63,169</b>	<b>101</b>
Financial income	15,512	2,814	551
Financial expenses	-6,174	-7,615	81
<b>Net financial result</b>	<b>9,338</b>	<b>-4,801</b>	<b>-195</b>
<b>Profit before tax</b>	<b>73,113</b>	<b>58,368</b>	<b>125</b>
Income tax	-7,787	-6,245	125
<b>Net profit</b>	<b>65,326</b>	<b>52,123</b>	<b>125</b>
<b>Basic earnings per share (€)</b>	<b>2.08</b>	<b>1.63</b>	<b>128</b>
<b>Diluted earnings per share (€)</b>	<b>2.08</b>	<b>1.63</b>	<b>128</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 the basic earnings per share.

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

€ thousand	Jan–Mar 2019	Jan–Mar 2018	Index
<b>Net profit</b>	<b>65,326</b>	<b>52,123</b>	<b>125</b>
<b>Other comprehensive income for the period</b>			
<i>Other comprehensive income for the period reclassified to profit or loss at a future date</i>			
Change in fair value of available-for-sale financial assets	-225	1,026	
Deferred tax effect	43	-195	
<b>Net other comprehensive income for the period reclassified to profit or loss at a future date</b>	<b>-182</b>	<b>831</b>	
<b>Total other comprehensive income for the period (net of tax)</b>	<b>-182</b>	<b>831</b>	
<b>Total comprehensive income for the period (net of tax)</b>	<b>65,144</b>	<b>52,954</b>	<b>123</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 reserve	Fair value reserve	Other profit reserves	Retained earnings		Profit for the period
<b>Balance at 1 Jan 2019</b>	<b>54,732</b>	<b>-52,076</b>	<b>52,076</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-10,175</b>	<b>1,167,388</b>	<b>37,627</b>	<b>151,841</b>	<b>1,552,300</b>
<b>Net profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65,326</b>	<b>65,326</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-182</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-182</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-182</b>	<b>0</b>	<b>0</b>	<b>65,326</b>	<b>65,144</b>
<b>Transactions with owners recognised in equity</b>											
Transfer of profit from previous periods to retained earnings	0	0	0	0	0	0	0	0	151,841	-151,841	0
Purchase of treasury shares	0	-4,419	0	0	0	0	0	0	0	0	-4,419
Formation of reserves for treasury shares	0	0	4,419	0	0	0	0	0	0	-4,419	0
<b>Total transactions with owners recognised in equity</b>	<b>0</b>	<b>-4,419</b>	<b>4,419</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>151,841</b>	<b>-156,260</b>	<b>-4,419</b>
<b>Balance at 31 Mar 2019</b>	<b>54,732</b>	<b>-56,495</b>	<b>56,495</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-10,357</b>	<b>1,167,388</b>	<b>189,468</b>	<b>60,907</b>	<b>1,613,025</b>

	Share capital	Treasury shares	Reserves				Retained earnings			Total equity	
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserve	Fair value reserve	Other profit reserves	Retained earnings		Profit for the period
€ thousand											
<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>52,123</b>	<b>52,123</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>831</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>831</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>831</b>	<b>0</b>	<b>0</b>	<b>52,123</b>	<b>52,954</b>
<b>Transactions with owners recognised in equity</b>											
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	-3,877	0	0	0	0	0	0	0	0	-3,877
Formation of reserves for treasury shares	0	0	3,877	0	0	0	0	0	0	-3,877	0
<b>Total transactions with owners recognised in equity</b>	<b>0</b>	<b>-3,877</b>	<b>3,877</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>142,832</b>	<b>-146,709</b>	<b>-3,877</b>
<b>Balance at 31 Mar 2018</b>	<b>54,732</b>	<b>-44,465</b>	<b>44,465</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-9,865</b>	<b>1,129,172</b>	<b>169,230</b>	<b>48,246</b>	<b>1,542,402</b>



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

€ thousand	Jan–Mar 2019	Jan–Mar 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit</b>	<b>65,326</b>	<b>52,123</b>
<b>Adjustments for:</b>	<b>33,658</b>	<b>28,030</b>
– Amortisation/Depreciation	20,499	21,400
– Foreign exchange differences	-490	341
– Investment income	-404	-2,838
– Investment expense	5,546	2,386
– Interest expense and other financial expenses	720	496
– Income tax	7,787	6,245
<b>Operating profit before changes in net operating current assets</b>	<b>98,984</b>	<b>80,153</b>
Change in trade receivables	-38,562	-5,274
Change in inventories	-5,245	-4,946
Change in trade payables	32,347	606
Change in provisions	496	693
Change in deferred revenue	-93	-72
Change in other current liabilities	-12,989	10,053
Income tax paid	-4,728	-924
<b>Net cash flows from operating activities</b>	<b>70,210</b>	<b>80,289</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	150	132
Dividends received	0	2,211
Proportionate profit of subsidiaries	0	-772
Proceeds from sale of property, plant and equipment	260	69
Purchase of intangible assets	-605	-339
Purchase of property, plant and equipment	-18,442	-15,314
Acquisition of subsidiaries and non-controlling interest net of cash acquired	0	-3,515
Non-current loans	-793	-1,426
Proceeds from repayment of non-current loans	5,029	298
Payments to acquire non-current investments	-9	-6
Proceeds from sale of non-current investments	8	1
Payments of/Proceeds from current investments and loans	173	-20,002
Payments of derivative financial instruments	0	-2,278
<b>Net cash flows from investing activities</b>	<b>-14,229</b>	<b>-40,941</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-180	-105
Payments of/Proceeds from current borrowings	17,988	-3,312
Lease payments	-173	-
Dividends and other profit shares paid	-2	0
Purchase of treasury shares	-4,419	-3,877
<b>Net cash flows from financing activities</b>	<b>13,214</b>	<b>-7,294</b>
<b>Net increase in cash and cash equivalents</b>	<b>69,195</b>	<b>32,054</b>
Cash and cash equivalents at the beginning of the period	98,474	34,117
Effect of exchange rate fluctuations on cash held	216	-322
<b>Net cash and cash equivalents at the end of the period</b>	<b>167,885</b>	<b>65,849</b>

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

€ thousand	European Union		South-East Europe		East Europe		Other		Total	
	Jan–Mar 2019	Jan–Mar 2018	Jan–Mar 2019	Jan–Mar 2018	Jan–Mar 2019	Jan–Mar 2018	Jan–Mar 2019	Jan–Mar 2018	Jan–Mar 2019	Jan–Mar 2018
<b>Revenue</b>	<b>194,875</b>	<b>195,127</b>	<b>20,477</b>	<b>18,476</b>	<b>98,896</b>	<b>104,049</b>	<b>12,824</b>	<b>12,096</b>	<b>327,072</b>	<b>329,748</b>
– Revenue from contracts with customers	193,099	193,524	20,477	18,476	98,888	104,046	12,760	11,931	325,224	327,977
– Other revenue	1,776	1,603	0	0	8	3	64	165	1,848	1,771
Other operating income	1,721	225	0	0	0	0	0	0	1,721	225
Operating expenses	-158,409	-162,186	-12,695	-12,082	-84,959	-84,865	-8,955	-7,671	-265,018	-266,804
<b>Operating profit</b>	<b>38,187</b>	<b>33,166</b>	<b>7,782</b>	<b>6,394</b>	<b>13,937</b>	<b>19,184</b>	<b>3,869</b>	<b>4,425</b>	<b>63,775</b>	<b>63,169</b>
Interest income	121	125	0	0	32	9	0	0	153	134
Interest expense	-190	-85	0	0	0	0	0	0	-190	-85
<b>Net financial result</b>	<b>-1,327</b>	<b>-25</b>	<b>-37</b>	<b>733</b>	<b>10,690</b>	<b>-5,434</b>	<b>12</b>	<b>-75</b>	<b>9,338</b>	<b>-4,801</b>
Income tax	-4,663	-3,279	-950	-632	-1,702	-1,897	-472	-437	-7,787	-6,245
<b>Net profit</b>	<b>32,197</b>	<b>29,862</b>	<b>6,795</b>	<b>6,495</b>	<b>22,925</b>	<b>11,853</b>	<b>3,409</b>	<b>3,913</b>	<b>65,326</b>	<b>52,123</b>
Investments	19,591	16,288	0	0	0	0	0	0	19,591	16,288
Depreciation of property, plant and equipment	13,877	14,355	465	458	4,494	5,032	142	164	18,978	20,009
Depreciation – right to use assets	115	-	4	-	39	-	1	-	159	-
Amortisation	812	823	85	78	412	439	53	51	1,362	1,391
	<b>31 Mar 2019</b>	<b>31 Dec 2018</b>	<b>31 Mar 2019</b>	<b>31 Dec 2018</b>	<b>31 Mar 2019</b>	<b>31 Dec 2018</b>	<b>31 Mar 2019</b>	<b>31 Dec 2018</b>	<b>31 Mar 2019</b>	<b>31 Dec 2018</b>
<b>Total assets</b>	<b>1,479,030</b>	<b>1,399,815</b>	<b>50,706</b>	<b>48,990</b>	<b>482,043</b>	<b>449,542</b>	<b>16,004</b>	<b>17,718</b>	<b>2,027,783</b>	<b>1,916,065</b>
<b>Total liabilities</b>	<b>274,574</b>	<b>235,848</b>	<b>12,000</b>	<b>11,254</b>	<b>99,611</b>	<b>92,743</b>	<b>28,573</b>	<b>23,920</b>	<b>414,758</b>	<b>363,765</b>

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

### Costs by nature

€265,018 thousand

€ thousand	Jan–Mar 2019	Jan–Mar 2018	Index
Cost of goods and material	95,492	98,938	97
Cost of services	89,057	86,328	103
Employee benefit costs	62,304	56,119	111
Amortisation	20,499	21,400	96
Inventory write-off and allowances	2,359	1,801	131
Net impairment and write-off	-22	423	
Other operating expenses	6,198	6,410	97
<b>Total cost</b>	<b>275,887</b>	<b>271,419</b>	<b>102</b>
Change in the value of inventories of products and work in progress	-10,869	-4,615	236
<b>Total</b>	<b>265,018</b>	<b>266,804</b>	<b>99</b>

### Employee benefit costs

€62,304 thousand

€ thousand	Jan–Mar 2019	Jan–Mar 2018	Index
Gross wages and salaries and continued pay	48,591	44,275	110
Social security contributions	3,856	2,731	141
Pension insurance contributions	5,943	5,362	111
Post-employment benefits and other non-current employee benefits	1,151	1,089	106
Other employee benefit costs	2,763	2,662	104
<b>Total employee benefit costs</b>	<b>62,304</b>	<b>56,119</b>	<b>111</b>

### Other operating expenses

€6,198 thousand

€ thousand	Jan–Mar 2019	Jan–Mar 2018	Index
Grants and assistance for humanitarian and other purposes	188	248	76
Environmental protection expenses	643	637	101
Other taxes and levies	4,351	4,182	104
Loss on sale of property, plant and equipment and intangible assets	93	108	86
Other operating expenses	923	1,235	75
<b>Total other operating expenses</b>	<b>6,198</b>	<b>6,410</b>	<b>97</b>

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

## Financial income and expenses

€ thousand	Jan–Mar 2019	Jan–Mar 2018	Index
Net foreign exchange differences	15,359	0	
Interest income	153	134	114
Derivative financial instruments income	0	1,427	0
– Change in fair value	0	1,427	0
Income from dividends and other shares of profit	0	1,253	0
– Profit of subsidiaries	0	1,253	0
<b>Total financial income</b>	<b>15,512</b>	<b>2,814</b>	<b>551</b>
Net foreign exchange differences	0	-4,840	0
Interest expense	-190	-85	224
Derivative financial instruments expense	-5,454	-2,278	239
– Incurred expenses	0	-2,278	0
– Change in fair value	-5,454	0	
Other financial expenses	-530	-412	129
<b>Total financial expenses</b>	<b>-6,174</b>	<b>-7,615</b>	<b>81</b>
<b>Net financial result</b>	<b>9,338</b>	<b>-4,801</b>	<b>-195</b>

### Income tax

€7,787 thousand

Current income tax amounted to €7,820 thousand, or 10.7% of profit before tax. Taking into account deferred tax in the amount of -€33 thousand, tax in

total of €7,787 thousand was expensed in the income statement. The effective tax rate was 10.7%.

### Property, plant and equipment

€610,213 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Land	26,971	26,984	100
Buildings	256,806	255,758	100
Equipment	269,384	276,268	98
Property, plant and equipment being acquired	52,725	42,773	123
Advances for property, plant, and equipment	4,327	3,140	138
<b>Total property, plant and equipment</b>	<b>610,213</b>	<b>604,923</b>	<b>101</b>

The value of property, plant and equipment accounted for 33% of the Company's total assets.

Please see the section 'Investments' in the business report for details on major investments of Krka.

## Intangible assets

€28,083 thousand

€ thousand	31 Mar 19	31 Dec 18	Index
Concessions, trademarks, and licences	23,939	25,262	95
Intangible assets being acquired	4,144	3,580	116
<b>Total intangible assets</b>	<b>28,083</b>	<b>28,842</b>	<b>97</b>

Intangible assets comprised registration documentation for new pharmaceuticals and software.

## Loans

€66,941 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
<b>Non-current loans</b>	<b>15,256</b>	<b>19,238</b>	<b>79</b>
– Loans to subsidiaries	4,600	8,685	53
– Loans to others	10,656	10,553	101
<b>Current loans</b>	<b>51,685</b>	<b>51,819</b>	<b>100</b>
– Portion of non-current loans maturing next year	2,785	2,755	101
– Loans to subsidiaries	28,730	29,008	99
– Loans to others	20,125	20,014	101
– Current interest receivable	45	42	107
<b>Total loans</b>	<b>66,941</b>	<b>71,057</b>	<b>94</b>

Non-current loans constituted 23% of total loans.

of housing facilities.

Non-current loans to others included loans that the Company extends in accordance with its internal acts to its employees for the purchase or renovation

Non-current loans to other entities comprised bank deposits with maturity exceeding 90 days in total of €20,000 thousand.

## Investments

€9,163 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
<b>Non-current investments</b>	<b>9,163</b>	<b>9,388</b>	<b>98</b>
Financial assets at fair value through OCI (equity instruments)	9,163	9,388	98
<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>9,163</b>	<b>11,188</b>	<b>82</b>

Available-for-sale financial assets comprised shares and interests in companies in Slovenia in total of €812 thousand, and €8,351 thousand of

investments in shares and interests in companies abroad.

## Inventories

€322,745 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Material	137,954	144,326	96
Work in progress	94,015	89,716	105
Finished products	68,146	63,317	108
Goods	9,600	10,146	95
Advances for inventories	13,030	9,994	130
<b>Total inventories</b>	<b>322,745</b>	<b>317,499</b>	<b>102</b>

## Trade and other receivables

€452,677 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Current trade receivables	436,184	390,948	112
– Current trade receivables due from subsidiaries	234,417	204,692	115
– Current trade receivables due from customers other than subsidiaries	201,767	186,256	108
Other current receivables	16,493	15,404	107
<b>Total receivables</b>	<b>452,677</b>	<b>406,352</b>	<b>111</b>

## Cash and cash equivalents

€167,885 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Cash on hand	1	1	100
Bank balances	167,884	98,473	170
<b>Total cash and cash equivalents</b>	<b>167,885</b>	<b>98,474</b>	<b>170</b>

Bank balances also comprised bank deposits with maturity up to 30 days in total of €9,202 thousand.

## Equity

€1,613,025 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Share capital	54,732	54,732	100
Treasury shares	-56,495	-52,076	108
Reserves	197,025	192,788	102
– Reserves for treasury shares	56,495	52,076	108
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserves	-10,357	-10,175	102
Retained earnings	1,417,763	1,356,856	104
<b>Total equity</b>	<b>1,613,025</b>	<b>1,552,300</b>	<b>104</b>

## Trade payables

€183,834 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
<b>Non-current liabilities</b>	<b>10,000</b>	<b>0</b>	
Other non-current liabilities	10,000	0	
<b>Current liabilities</b>	<b>173,834</b>	<b>170,354</b>	<b>102</b>
Payables to subsidiaries	83,656	73,202	114
Payables to domestic suppliers	45,615	41,624	110
Payables to foreign suppliers	44,563	55,528	80
<b>Total trade payables</b>	<b>183,834</b>	<b>170,354</b>	<b>108</b>

Other non-current liabilities 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 the competition in the perindopril market of the European Union, and imposed Krka to pay a fine in total of €10.0 million. Krka paid the imposed fine within the deadline set by the Commission. Krka brought an action before the General Court against the decision of the European Commission on the grounds that there was no

breach of 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 €10.0 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

€88,879 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Provisions for lawsuits	4,100	4,100	100
Provisions for post-employment benefits and other non-current employee benefits	84,779	83,782	101
<b>Total provisions</b>	<b>88,879</b>	<b>87,882</b>	<b>101</b>

## Deferred revenue

€1,937 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Grants from the European Regional Development Fund and budget of the Republic of Slovenia intended for the <i>Production of pharmaceuticals in the new Notol 2 plant project</i>	1,784	1,850	96
Grants from the European Regional Development Fund for developing new technologies (a FBD project)	127	151	84
Grants from the European Regional Development Fund for setting up the GEN-I information and technology solutions system	4	6	67
Subsidy for acquisition of electric drive vehicles	6	6	100
Property, plant and equipment received for free	15	16	94
Emission coupons	1	1	100
<b>Total deferred revenue</b>	<b>1,937</b>	<b>2,030</b>	<b>95</b>

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

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

## Borrowings

€58,626 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
<b>Current borrowings</b>	<b>58,626</b>	<b>40,435</b>	<b>145</b>
– Borrowings from subsidiaries	58,561	40,383	145
– Current interest payable	65	52	125
<b>Total borrowings</b>	<b>58,626</b>	<b>40,435</b>	<b>145</b>

## Current contract liabilities

€21,658 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
<b>Refund liabilities</b>	<b>15,185</b>	<b>14,923</b>	102
– Accrued discounts on products sold to other customers	15,185	14,923	102
<b>Contract liabilities</b>	<b>6,473</b>	<b>2,417</b>	268
Contract liabilities – other customer advances	2,973	2,417	123
Contract liabilities – deferred revenue	3,500	0	
<b>Total current contract liabilities</b>	<b>21,658</b>	<b>17,340</b>	<b>125</b>

## Other current liabilities

€49,739 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Payables to employees – gross salaries, other receipts and charges	33,937	36,631	93
Derivative financial instruments	3,654	0	
Other	12,148	7,523	161
<b>Total other current liabilities</b>	<b>49,739</b>	<b>44,154</b>	<b>113</b>

## Contingent liabilities

€17,084 thousand

€ thousand	31 Mar 2019	31 Dec 2018	Index
Guarantees issued	16,464	16,517	100
Other	620	620	100
<b>Total contingent liabilities</b>	<b>17,084</b>	<b>17,137</b>	<b>100</b>



## Fair value

€ thousand	31 Mar 2019		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables from subsidiaries	26,935	26,935	38,885	38,885
Non-current loans	15,256	15,256	19,238	19,238
Financial assets at fair value through OCI (equity instruments)	9,163	9,163	9,388	9,388
Current loans	51,685	51,685	51,819	51,819
Current investments	0	0	1,800	1,800
– Derivative financial instruments	0	0	1,800	1,800
Contract assets	5,683	5,683	1,464	1,464
Trade receivables	436,184	436,184	390,948	390,948
Cash and cash equivalents	167,885	167,885	98,474	98,474
Non-current liabilities	-10,000	-10,000	0	0
Current borrowings	-58,626	-58,626	-40,435	-40,435
Payables to suppliers and subsidiaries excluding advances	-173,546	-173,546	-170,099	-170,099
Contract liabilities excluding advances	-15,185	-15,185	-14,923	-14,923
Other liabilities excluding amounts owed to the state, employees and advances	-7,044	-7,044	-1,519	-1,519
Other current liabilities	-3,654	-3,654	0	0
– Derivative financial instruments	-3,654	-3,654	0	0
<b>Total</b>	<b>444,736</b>	<b>444,736</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 observable market data;
- Level 3 – Assets the value of which cannot be determined using observable market data.

## Fair value of assets

€ thousand	31 Mar 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)	7,777	0	1,386	9,163	8,002	0	1,386	9,388
Derivative financial instruments	0	0	0	0	0	0	1,800	1,800
Contract assets	0	0	5,683	5,683	0	0	1,464	1,464
<b>Total assets at fair value</b>	<b>7,777</b>	<b>0</b>	<b>7,069</b>	<b>14,846</b>	<b>8,002</b>	<b>0</b>	<b>4,650</b>	<b>12,652</b>
<b>Assets for which fair value is disclosed</b>								
Trade receivables from subsidiaries	0	0	26,935	26,935	0	0	38,885	38,885
Non-current loans	0	0	15,256	15,256	0	0	19,238	19,238
Current loans	0	0	51,685	51,685	0	0	51,819	51,819
Trade receivables	0	0	436,184	436,184	0	0	390,948	390,948
Cash and cash equivalents	0	0	167,885	167,885	0	0	98,474	98,474
<b>Total assets for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>697,945</b>	<b>697,945</b>	<b>0</b>	<b>0</b>	<b>599,364</b>	<b>599,364</b>
<b>Total</b>	<b>7,777</b>	<b>0</b>	<b>705,014</b>	<b>712,791</b>	<b>8,002</b>	<b>0</b>	<b>604,014</b>	<b>612,016</b>

## Liabilities at fair value

€ thousand	31 Mar 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	3,654	3,654	0	0	0	0
<b>Total liabilities at fair value</b>	<b>0</b>	<b>0</b>	<b>3,654</b>	<b>3,654</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities for which fair value is disclosed</b>								
Non-current liabilities	0	0	10,000	10,000	0	0	0	0
Current borrowings	0	0	58,626	58,626	0	0	40,435	40,435
Payables to suppliers and subsidiaries excluding advances	0	0	173,546	173,546	0	0	170,099	170,099
Contract liabilities excluding advances	0	0	15,185	15,185	0	0	14,923	14,923
Other liabilities excluding amounts owed to the state, employees and advances	0	0	7,044	7,044	0	0	1,519	1,519
<b>Total liabilities for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>264,401</b>	<b>264,401</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>268,055</b>	<b>268,055</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 31 March 2019 were drawn up so as to provide a true and fair view of the financial standing and operating results of Krka and the Krka Group. The condensed statements for the period January–March 2019 were drawn up using the same accounting principles as for the annual financial statements of Krka and the Krka Group for 2018.

The condensed financial statements for the period ended 31 March 2019 were drawn up pursuant to IAS 34 – *Interim Financial Reporting*, and must be

Novo mesto, 23 April 2019

read in conjunction with the annual financial statements drawn up 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 for 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