



The Krka Group and Krka, d. d. Unaudited Quarterly Report, 1 January to 31 March 2022

Novo mesto, May 2022



Living a healthy life.

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INTRODUCTION

The condensed consolidated financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (hereinafter also Krka, the Company, or the controlling company) for the first quarters of 2022 and 2021 are unaudited, while financial statements for the full financial year 2021 are audited. Krka, d. d., Novo mesto has no authorised capital and has made no conditional share capital increase.

Krka promptly announces all significant data changes in its listing prospectus in the Ljubljana

Stock Exchange electronic information dissemination system (SEOnet) and in the Polish Financial Supervision Authority electronic information dissemination system (ESPI). Reports on the Krka Group and Krka performance are available on the Krka website www.krka.biz.

At its regular meeting of 18 May 2022, the Supervisory Board of Krka discussed the unaudited report of the Krka Group and Krka for the first quarter of 2022.

Q1 Business Performance Highlights

- Krka Group product and service sales totalled €430.6 million, of which product sales accounted for a good 98%.
- We recorded a 9% increase in product and service sales year on year.
- The Group generated 95% of product and service sales outside Slovenia. Export amounted to 96% of total product sales.
- Accounting for 34.1% of total sales, the Group's largest sales region was Region East Europe, followed by Region Central Europe and Region West Europe.
- We generated operating profit (EBIT) of €107.3 million, up 11% year on year. EBIT margin was recorded at 24.8%.
- Earnings before interest, tax, depreciation, and amortisation (EBITDA) amounted to €133.6 million, while EBITDA margin reached 30.9%.
- Net profit of the Krka Group totalled €90.7 million, a 5% year-on-year increase. Net profit margin (ROS) was recorded at 21.0%.
- Unlike the same period last year, we generated a negative net financial result of -€1.7 million, mainly owing to unfavourable exchange rate movements.
- As at 31 March 2022, the Krka share traded at €96.00 on the Ljubljana Stock Exchange, an 18.6% drop on year-end 2021. Market capitalisation amounted to €3.1 billion. In the first quarter of 2022, Krka repurchased treasury shares of €2.5 million.
- The Group allocated €22.7 million to investments, of that €14.8 million to the controlling company.
- At the end of March 2022, the Krka Group had 11,631 regularly employed persons on payroll, up 1% on year-end 2021. Total headcount, including agency workers, was 12,525, also a 1% increase on the end of the last year.
- We go to great lengths to protect health and safety of our employees in Ukraine in the current situation. In March, we donated medicines. We supply pharmaceutical products according to expectations and circumstances. In the Russian Federation, business activities have been fairly unhindered. This applies to product registrations, production at Krka-Rus, sales, distribution, and payments.

The situation in the region requires constant adaptation in different areas of our business. In these circumstances, it is difficult to assess the course of future events and their impact on Krka's annual operations, but the results of the first quarter are encouraging.
- Krka uses the European Central Bank (ECB) reference rate for the conversion of transactions and balances from foreign currencies to the euro. The ECB has decided to suspend its publication of a euro reference rate for the Russian rouble until further notice starting on 2 March 2022. Therefore, Krka began to use the Bloomberg exchange rate for any conversions. We intend to use this exchange rate until the ECB starts publishing the reference rate again.

Financial Highlights

€ thousand	Krka Group			Krka		
	Jan–Mar 2022	Jan–Mar 2021	Index	Jan–Mar 2022	Jan–Mar 2021	Index
Revenue	432,468	395,797	109	408,840	357,257	114
– Of that revenue from contracts with customers (products and services)	430,648	394,523	109	357,348	307,264	116
Gross profit	249,916	228,022	110	234,615	208,794	112
Earnings before interest, tax, depreciation and amortisation (EBITDA)	133,582	123,580	108	124,474	108,411	115
Operating profit (EBIT) ¹	107,299	96,260	111	104,022	87,049	119
Profit before tax (EBT)	105,623	101,147	104	102,893	91,595	112
Net profit	90,716	86,355	105	88,231	79,495	111
Effective tax rate	14.1%	14.6%		14.2%	13.2%	
R&D expenses	41,825	39,091	107	41,758	38,704	108
Investments	22,709	9,779	232	14,785	7,902	187

€ thousand	31 Mar 2022	31 Dec 2021	Index	31 Mar 2022	31 Dec 2021	Index
Non-current assets	1,135,637	1,075,747	106	1,152,292	1,095,419	105
Current assets	1,505,152	1,461,936	103	1,377,614	1,332,521	103
– Inventories	469,496	455,707	103	398,741	394,323	101
– Trade receivables	485,721	467,764	104	462,879	424,588	109
– Cash and cash equivalents	205,585	159,838	129	182,608	144,981	126
Equity	1,998,445	1,919,085	104	1,962,724	1,876,142	105
Non-current liabilities	162,585	162,674	100	129,685	128,783	101
Current liabilities	479,759	455,924	105	437,497	423,015	103
– Trade payables	130,219	130,011	100	177,892	178,143	100

RATIOS	Jan–Mar 2022	Jan–Mar 2021	Jan–Mar 2022	Jan–Mar 2021
Gross profit margin	57.8%	57.6%	57.4%	58.4%
EBITDA margin	30.9%	31.2%	30.4%	30.3%
EBIT margin	24.8%	24.3%	25.4%	24.4%
EBT margin	24.4%	25.6%	25.2%	25.6%
Net profit margin (ROS)	21.0%	21.8%	21.6%	22.3%
Return on equity (ROE) ²	18.5%	19.2%	18.4%	17.4%
Return on assets (ROA) ³	14.0%	15.1%	14.2%	14.2%
Liabilities/Equity	0.321	0.263	0.289	0.220
R&D expenses/Revenue	9.7%	9.9%	10.2%	10.8%

NUMBER OF EMPLOYEES	31 Mar 2022	31 Dec 2021	Index	31 Mar 2022	31 Dec 2021	Index
Balance at	11,631	11,511	101	6219	6228	100

SHARE INFORMATION	Jan–Mar 2022	Jan–Mar 2021	Index
Total number of shares issued	32,793,448	32,793,448	100
Earnings per share (EPS) in € ⁴	11.63	11.08	105
Closing price at end of period in € ⁵	96.00	94.60	101
Price/Earnings ratio (P/E)	8.26	8.54	97
Book value in € ⁶	60.94	56.16	109
Price/Book value (P/B)	1.58	1.68	94
Market capitalisation in € thousand (end of period)	3,148,171	3,102,260	101

¹ The difference between operating income and expenses

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

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

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

⁵ Share price on the Ljubljana Stock Exchange

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

ID Card

Krka, tovarna zdravil, d. d., Novo mesto is the controlling company of the Krka Group.

Registered office Šmarješka cesta 6, 8501 Novo mesto, Slovenia

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Fax +386 (0) 7 332 15 37

E-mail info@krka.biz

Website www.krka.biz

Core business Manufacture of pharmaceutical preparations

Business classification code 21,200

Year established 1954

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

Tax number 82646716

VAT number SI82646716

Company ID number 5043611000

Share capital €54,732,264.71

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

At a Glance

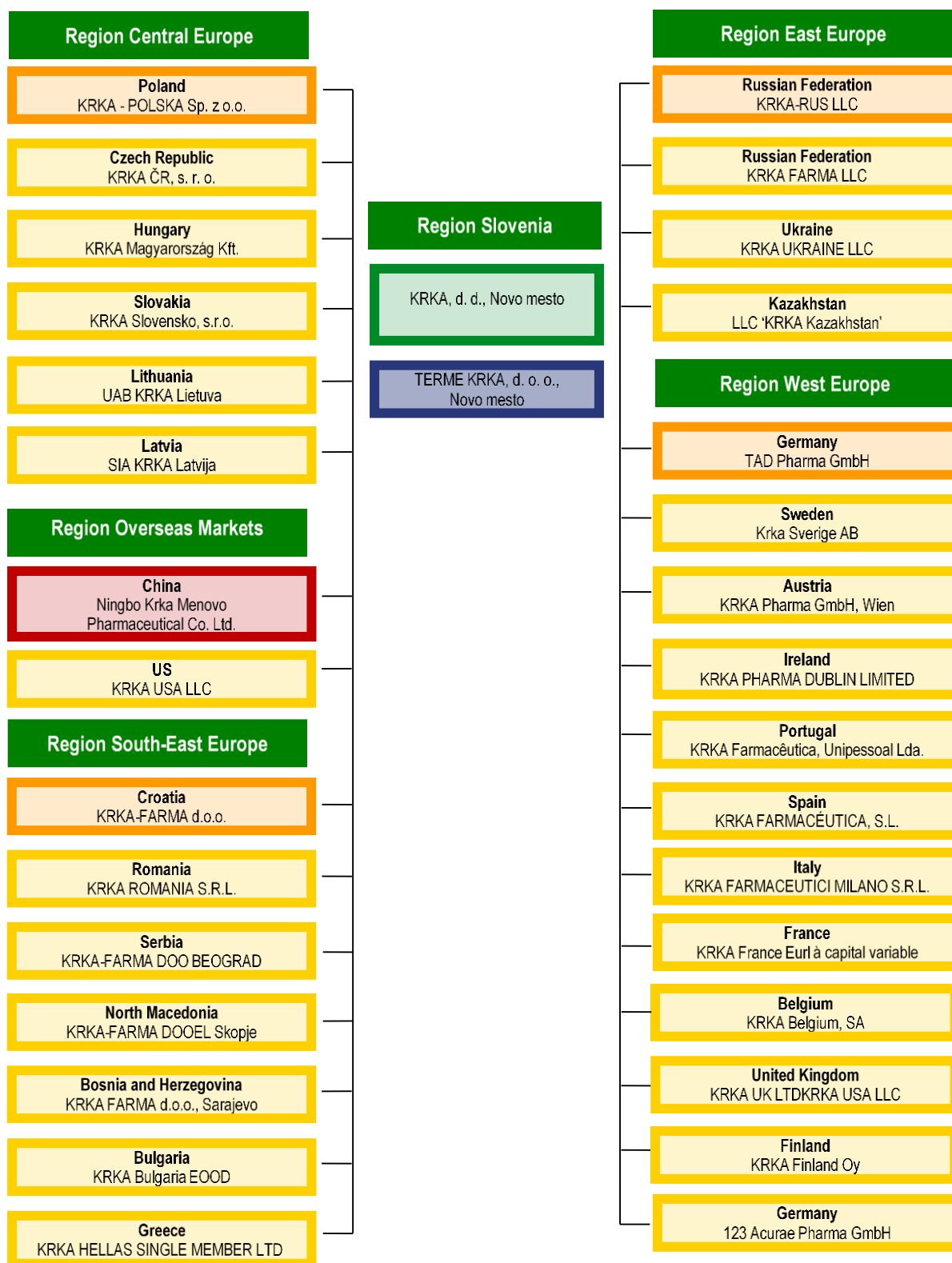
The Krka Group consists of the controlling company, Krka, d. d., Novo mesto, a subsidiary in Slovenia, Terme Krka, d. o. o., Novo mesto, and 31 subsidiaries abroad. The controlling company, Krka, d. d., Novo mesto, owns a 100% stake in all subsidiaries except in Ningbo Krka Menovo Pharmaceutical Co. Ltd., where Krka holds a 60% stake and the Chinese partner, Ningbo Menovo Pharmaceutical Co. Ltd., a 40% stake.

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

Production takes place in the controlling company in Slovenia and in Krka subsidiaries in the Russian Federation, Poland, Croatia, and Germany. In addition to production, these subsidiaries, apart from Krka-Rus in the Russian Federation, also deal with marketing and sales. In China, production takes place in long-term leased production facilities. Other subsidiaries outside Slovenia carry out marketing and/or sales of Krka products but do not have production capacities.

The subsidiary Terme Krka deals with health resorts and tourist services, and is the owner of Golf Grad Otočec.

Organisational Chart



The chart includes companies in operation as at 31 March 2022.



Krka Group Development Strategy

The Krka Group updates its development strategy every two years. In November 2021, the Management Board of Krka adopted the *2022–2026 Krka Group Development Strategy* and presented it to the Supervisory Board.

We measure the achievement of strategic objectives through performance criteria at three levels: i) the Krka Group, ii) product and service groups, and iii) business functions.

Key Strategic Objectives up to 2026

- To attain at least 5% average annual sales growth in terms of volume and/or value, achieve above-average sales growth against market dynamics, and remain or rank among the leading generic pharmaceutical companies with our brands in individual markets and selected therapeutic categories.
- To strengthen and optimise the vertically integrated business model, proven to be an effective strategic guideline and a comparative advantage. To ensure high standards of product quality, safety, and efficacy.
- To keep the focus on the long-term profitability of the products sold, from development and production to marketing and sales, including all other functions within the Krka Group, and to achieve an average EBITDA margin of at least 25%.
- To ensure that new products and vertically integrated products account for the largest possible proportion in total sales in addition to the existing range of products, also referred to as 'the golden standard'. To enter new therapeutic categories and specialities as an innovative generic pharmaceutical company, and develop complex products, including biosimilars.
- To ensure growth through long-term business partnerships and targeted acquisitions in addition to organic growth. The primary goal is to increase sales by entering new markets and adding new products.
- To allocate 10% of revenue to research and development and an approximate amount of calculated amortisation, i.e. €110 million annually on average, to investments.
- To pursue a stable dividend policy and consider the Group's financial requirements for investments and acquisitions when determining the net profit share for dividend payout each year, and to allocate at least 50% of net profit of majority shareholders for dividends.
- To upgrade the Krka Group's sustainability culture, integrate sustainability aspects into corporate governance and business decisions, and maintain our economic, social and environmental responsibility to the environments in which we operate. To disclose sustainability topics in accordance with the GRI standards in 2022 and obtain an ESG rating in 2023.
- To exploit digitalisation potentials in all business phases.
- To maintain independence.

Krka Group Business Objectives for 2022

- Sales of products and services are expected to reach €1,610 million.
- The proportion of sales in markets outside Slovenia is estimated at 94%.
- Prescription pharmaceuticals are set to remain the most important product group, composing 84% of overall sales.
- Profit is planned at approximately €300 million.
- The total number of employees in Slovenia and abroad is projected to increase by 2%.
- We plan to allocate €130 million to investments, primarily for expanding and modernising production facilities and infrastructure.

BUSINESS REPORT

Financial Risks

Foreign Exchange Risk

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

Currency exposure arises from the difference in the value of assets and liabilities in a particular currency in the financial position statement of the Group and from differences between operating income and expenses generated in individual currencies.

Krka's key policy with regard to currency risk management remains to mitigate foreign currency exposure by natural hedging. To a limited extent, we also use financial instruments. In 2021, we continued our policy of partial hedging against the Russian rouble and US dollar-related risks with financial instruments. Since April 2022, it is no longer possible to hedge the Russian rouble with financial instruments.

The tense situation in Ukraine, the Russian Federation, and Belarus is the reason for the Group's negative financial result from currency exposure. The fall in the value of the Russian rouble in the first half of March was the biggest contributor to this. Over the first quarter of 2022, the value of the rouble expressed in the euro fell by 7.3%. In the same period, the average value of the Russian rouble was down by 9.6% year-on-year. Since mid-March, the rouble exchange rate has been strengthening, especially in April and May. At the beginning of May,

Interest Rate Risk

In the first quarter of 2022, the Krka Group had no non-current borrowings and was not exposed to the reference interest rate risk.

Credit Risk

The key credit risk of the Krka Group arises from trade receivables. This is the risk of customers failing to settle their liabilities by maturity dates. The Krka Group introduced a centralised credit control process, which includes all customers with credit limits exceeding €20,000. Numbering over 650 at the end of the first quarter of 2022, they accounted for more than 95% of total trade receivables. Control over small customers is decentralised in the sales

it reached the level comparable to the beginning of 2020.

In the first three months of 2022, the Krka Group generated foreign exchange losses from the long position in the Russian rouble, which were partially offset by income from forward contracts.

The situation in the region also led to slightly increased exchange rate volatility of the Polish zloty, Hungarian forint, and Czech koruna. We generated foreign exchange losses from these currencies totalling less than €1 million. Krka's other important currencies on the sell-side remained stable in the first quarter of 2022.

The value of the US dollar expressed in the euro went up by 2% during the first quarter. The average value of the dollar was 7.4% above the 2021 level. The Krka Group accrued a surplus of liabilities over assets from exposure to the US dollar and a short currency position. As a result, the strengthening of the dollar value has negatively affected the Group's operating profit. The negative impact of the strong dollar was offset by financial instruments.

Total net financial result for the first quarter of 2022 was negative and amounted to -€1.7 million, taking into account net foreign exchange differences, financial instruments income and expenses, interest income and expenses, and other financial income and expenses.

network and under the constant supervision of the controlling company.

The amount of Krka Group receivable write-offs and impairments is low because receivables are dispersed across many customers and sales markets, and the majority of outstanding receivables are due from customers with whom Krka has been doing business for several years.

Our credit risk management policy remained unchanged in the first quarter of 2022. At the end of this period, more than 95% of Krka Group trade receivables were insured with a credit insurance company.

Only a small portion of trade receivables was secured by bank instruments. Due to the tense situation in Ukraine, the Russian Federation and Belarus, we paid special attention to these markets in the first quarter and further strengthened our activities for trade receivables management.

Liquidity Risk

The Krka Group exposure to liquidity risk was low in the first quarter of 2022. We employed cash flows from operating activities to provide for adequate short-term liquidity. In the first quarter, the Krka Group recorded excess liquid assets, primarily as cash at bank and deposits with commercial banks. We did not draw any additional funds from

Property, Liability, and Business Interruption Insurance

At the end of March, Krka extended liability insurance for Management and Supervisory Board members. In the observed period, we also entered into a few international insurance contracts for our subsidiaries abroad. Despite the demanding conditions in the global insurance market, we managed to maintain a

Investor and Share Information

In the first three months of 2022, the Krka share price dropped by 18.6% on the Ljubljana Stock Exchange and traded at €96.00 per share on 31 March 2022. In the same period, holdings of Slovenian retail

At the end of the first quarter, total value of trade receivables denominated in euros increased by 4% compared to the beginning of the year. Despite the COVID-19-related risks and the situation in the Russian federation and in Ukraine, receivables were well managed in the first three months of 2022.

The maturity structure of receivables remained stable. At the end of the first quarter, the percentage of overdue receivables compared to total trade receivables remained within limits acceptable for Krka. Credit control guarantees permanent control over the quality of the trade receivables portfolio.

pre-approved short-term revolving and fixed bank credit lines. We monitor cash flows from operating activities by daily, rolling weekly, and monthly planning. We maintain optimal cash balances in subsidiary bank accounts. All Krka Group liabilities were settled on time.

low premium share in revenue. We continued with our activities to increase the competitiveness of insurance providers by acquiring new international insurance providers. We also continued to reduce the number of property damages and optimise the insurance programme.

investors, legal entities, and treasury shares increased. Holdings of foreign investors declined by 0.9 percentage points. At the end of March 2022, Krka had 46,898 shareholders.

Shareholder structure (%)

	31 Mar 2022	31 Dec 2021
Slovenian retail investors	39.5	38.8
Slovenski državni holding (SDH, Slovenian Sovereign Holding) and the Republic of Slovenia	16.2	16.2
Kapitalska družba, d. d. (Pension Fund Management) and Prvi pokojninski sklad (First Pension Fund)	10.9	10.9
Slovenian legal entities and institutional investors	6.9	6.8
Foreign investors	21.3	22.2
Treasury shares	5.2	5.1
Total	100.0	100.0

In the first quarter of 2022, Krka acquired 21,689 treasury shares. As at 31 March 2022, Krka

held 1,705,597 treasury shares, accounting for 5.201% of share capital.

Ten largest shareholders as at 31 Mar 2022

	Country	No. of shares	Equity (%)	Voting rights (%)
Kapitalska družba, d. d.	Slovenia	3,493,030	10.65	11.24
Slovenski državni holding, d. d. (SDH)	Slovenia	2,949,876	9.00	9.49
Republic of Slovenia	Slovenia	2,366,105	7.22	7.61
OTP banka d.d.*	Croatia	1,567,329	4.78	5.04
Erste Group Bank AG – PZB Croatia Osiguranje*	Austria	1,204,638	3.67	3.87
Clearstream Banking S.A.*	Luxembourg	1,087,695	3.32	3.50
State Street Bank and Trust*	US	498,994	1.52	1.61
Luka Koper, d. d.	Slovenia	433,970	1.32	1.40
KDPW*	Poland	324,979	0.99	1.05
Privredna banka Zagreb d. d.*	Croatia	318,434	0.97	1.02
Total		14,245,050	43.44	45.82

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

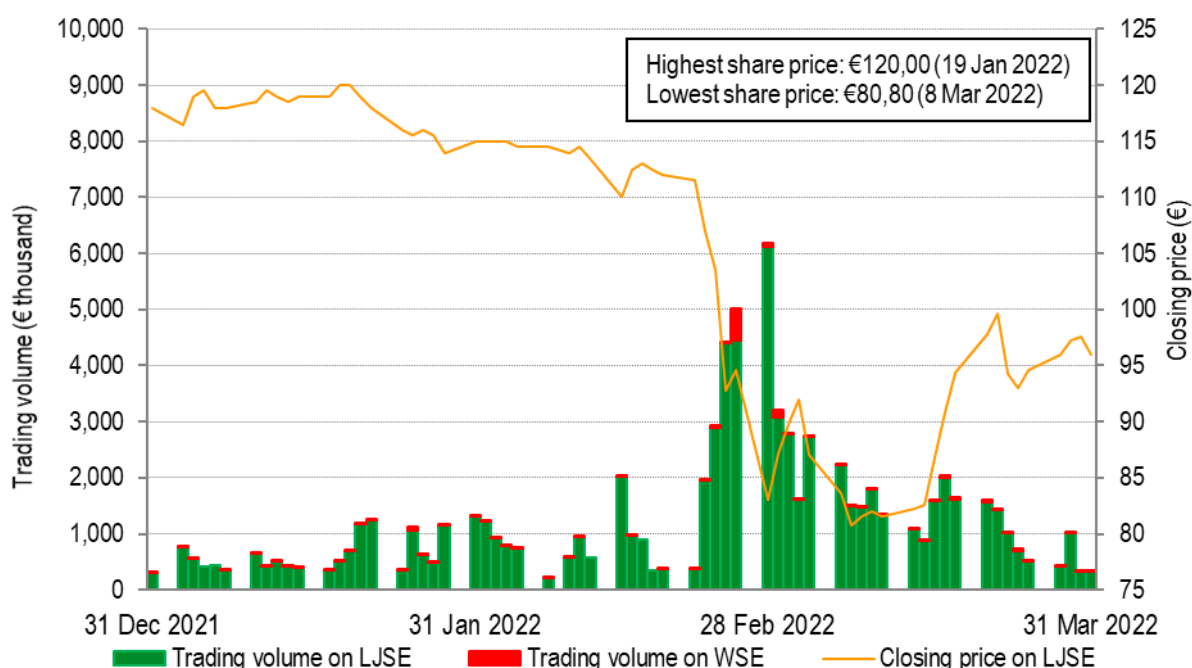
As at 31 March 2022, ten largest Krka shareholders held 14,245,050 shares or 43.44% of total shares issued.

As at 31 March 2022, members of the Management and the Supervisory Boards held a total of 40,387 Krka shares or 0.12% of total shares issued.

Equity holdings and voting rights of Management and Supervisory Board members as at 31 March 2022

	No. of shares	Equity (%)	Voting rights (%)
Management Board members			
Jože Colarič	22,500	0.069	0.072
David Bratož	0	0.000	0.000
Aleš Rotar	13,915	0.042	0.045
Vinko Zupančič	120	0.000	0.000
Milena Kastelic	505	0.002	0.002
Total Management Board members	37,040	0.113	0.119
Supervisory Board members			
Jože Mermal	0	0.000	0.000
Julijana Kristl	230	0.001	0.001
Boris Žnidarič	0	0.000	0.000
Matej Lahovnik	600	0.002	0.002
Borut Jamnik	0	0.000	0.000
Mojca Osolnik Videmšek	617	0.002	0.002
Franc Šašek	1,400	0.004	0.004
Tomaž Sever	500	0.002	0.002
Mateja Vrečer	0	0.000	0.000
Total Supervisory Board members	3,347	0.011	0.011

Krka share trades in the first quarter of 2022



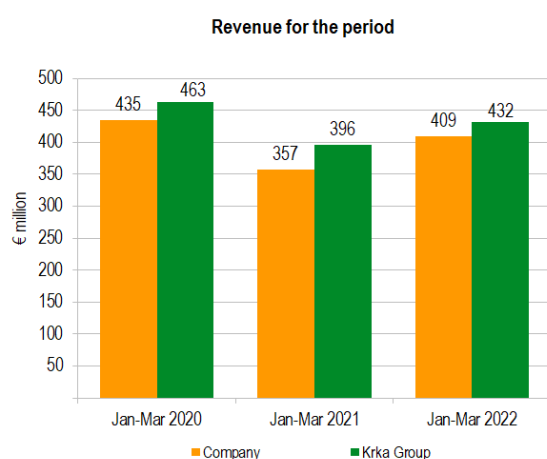
On 31 March 2022, market capitalisation of Krka on the Ljubljana Stock Exchange amounted to €3.1 billion. In this period, the average daily trading

volume of Krka shares reached €1.2 million. Since April 2012, Krka shares have been listed on the Warsaw Stock Exchange as well.

Business Performance

Business performance analysis includes data for the Krka Group and the controlling company Krka, whereas notes primarily relate to the Krka Group.

Revenue



The Krka Group generated sales revenue totalling €432.5 million, of which revenue from contracts with customers on sales of products and services amounted to €430.6 million. Revenue from contracts with customers on sales of materials and other sales revenue constituted the difference. Sales grew by €36.7 million, up 9% year on year.

Other operating income amounted to €1.7 million, while financial income totalled €9.0 million. The Krka Group generated total revenue of €443.2 million, up 10% on the same period last year.

Detailed analysis of product and service sales by markets and product groups is presented in the 'Marketing and Sales' section.

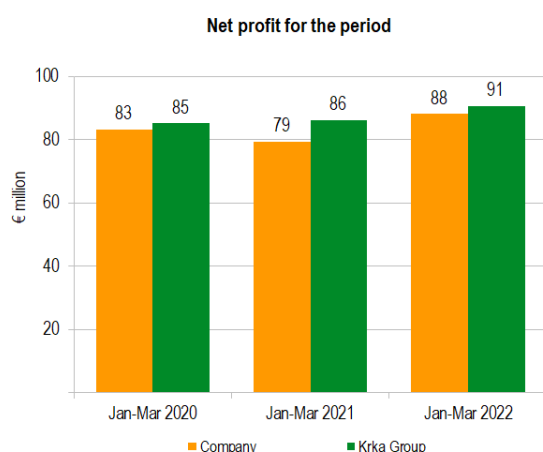
Expenses

The Krka Group's total expenses amounted to €337.5 million, up 12% year on year.

The Group incurred operating expenses of €326.9 million, up 8% on the same period last year. They comprised cost of goods sold amounting to €182.6 million, selling and distribution expenses of €80.7 million, R&D expenses of €41.8 million, and general and administrative expenses totalling €21.8 million.

Cost of goods sold accounted for 42.2% of sales revenue, up 9% year on year. Selling and distribution expenses rose by 12% and accounted for 18.7% of revenue. R&D expenses increased by 7% and were recognised as expenses for the period in full as the Krka Group does not capitalise them. They accounted for 9.7% of revenue. General and administrative expenses went down by 3% and amounted to 5.0% of revenue.

Operating Results



The Krka Group's operating profit (EBIT) amounted to €107.3 million, up 11% year on year. Earnings before interest, tax, depreciation and amortisation (EBITDA) totalled €133.6 million, up 8% on the first quarter of 2021.

Profit before tax rose by 4% year on year to €105.6 million. Income tax totalled €14.9 million, and effective tax rate was 14.1%.

The Krka Group recorded net profit of €90.7 million, a 5% climb year on year.

Assets

At the end of March 2022, the Krka Group's assets were valued at €2,640.8 million, up 4% on year-end 2021.

Non-current assets increased by 0.6 percentage points on the beginning of the year, accounting for 43.0% of total assets. The most important item under non-current assets totalling €1,135.6 million was property, plant and equipment (PP&E) valued at €764.7 million. Its value decreased by 1% on year-end 2021, accounting for 29.0% of total Krka Group assets.

Intangible assets were worth €103.8 million and remained at the level of year-end 2021.

Current assets increased by 3% to €1,505.2 million. In the same period, inventories saw a rise of 3% to €469.5 million. Receivables went up 3% to €513.6 million, of which trade receivables totalled €485.7 million, up 4% on year-end 2021.

Equity and Liabilities

The Krka Group equity totalled €1,998.4 million, a 4% increase on year-end 2021, and accounted for 75.7% of total equity and liabilities.

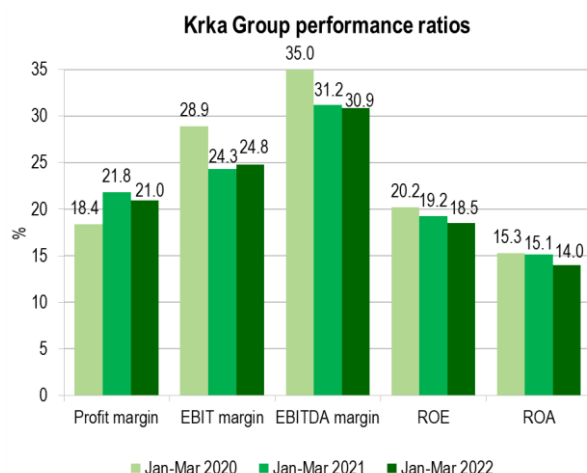
lawsuits €0.6 million, and other provisions €1.5 million) and remained at the level of year-end 2021.

Amounting to €162.6 million, non-current liabilities accounted for 6.2% of the Krka Group balance sheet total and remained at the level of year-end 2021. Provisions totalled €126.6 million (of which post-employment and other non-current employee benefits accounted for €124.6 million, provisions for

Current liabilities increased by 5% on year-end 2021 and amounted to €479.8 million, i.e. 18.2% of balance sheet total. Among current liabilities, trade payables amounted to €130.2 million and remained at the level of year-end 2021. Liabilities from contracts with customers totalled €141.9 million, up

14% on year-end 2021. Other current liabilities rose by 1% to €192.9 million.

Performance Ratios



The Krka Group net profit margin (ROS) for the first quarter of 2022 was 21.0%, EBIT margin 24.8%, and EBITDA margin 30.9%.

At the Group level, annualised return on equity (ROE) was 18.5% and annualised return on assets (ROA) 14.0%.

Marketing and Sales

In the first quarter of 2022, the Krka Group generated sales revenue in total of €432.5 million, a 9% year-on-year rise. Of that, revenue from contracts with customers (products and services) amounted to €430.6 million. Compared to the first quarter of 2021,

sales went up by 9%. Sales in countries outside Slovenia reached €407.2 million, accounting for 95% of total Krka Group sales. Product sales volume increased by 8% year on year.

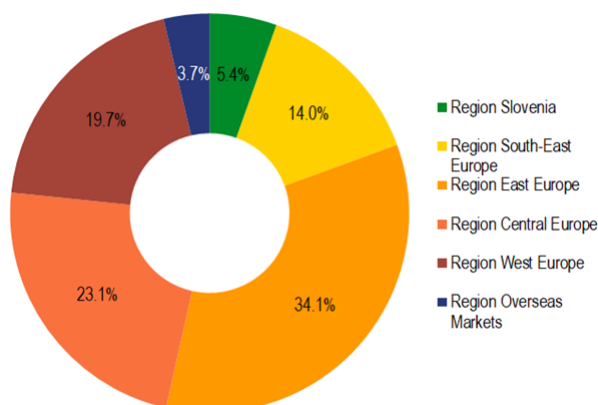
Product and Service Sales by Region

Sales increased in all sales regions and most markets.

Product and Service Sales by Region

€ thousand	Krka Group			Krka		
	Jan-Mar 2022	Jan-Mar 2021	Index	Jan-Mar 2022	Jan-Mar 2021	Index
Region Slovenia	23,432	18,270	128	15,058	13,413	112
Region South-East Europe	60,310	53,276	113	59,613	51,113	117
Region East Europe	146,700	132,122	111	101,384	80,088	127
Region Central Europe	99,620	97,805	102	97,262	93,389	104
Region West Europe	84,595	80,535	105	73,039	57,991	126
Region Overseas Markets	15,991	12,515	128	10,992	11,270	98
Total	430,648	394,523	109	357,348	307,264	116

Structure of Q1 2022 Krka Group Product and Service Sales by Region



Region Slovenia

Region Slovenia generated €23.4 million by sales of products and services. The major portion of sales total, €15.1 million, was generated by product sales, up 12%.

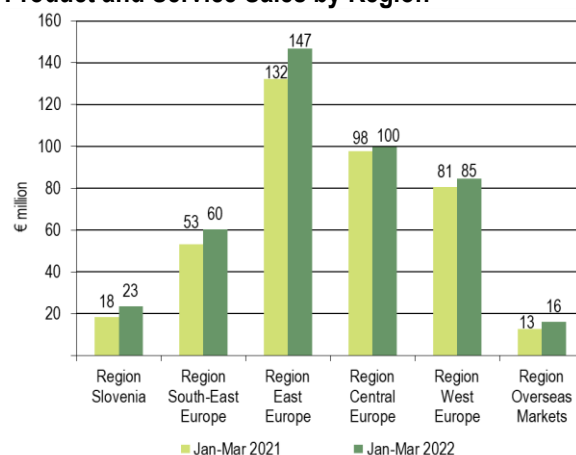
Prescription pharmaceuticals contributed to sales result the most, accounting for €10.6 million or 70% of product sales. Non-prescription products generated €3.8 million or 25% of total product sales. Animal health product sales added up to €0.7 million or 5% of product sales. Holding a 7.6% market share, we maintained the leading position among providers of generic medicines in Slovenia in terms of sales value. Health resorts and tourist services generated €8.4 million, up 72% on the same period last year.

Products promoted in marketing campaigns contributed most substantially to sales, above all those from our key therapeutic categories:

- cardiovascular diseases;
- central nervous system;
- gastrointestinal tract;
- pain relief; and
- cough and cold products.

We should mention our key medicines Prenessa (perindopril), Prenewel (perindopril/indapamide), Amlessa (perindopril/amlodipine), and Amleweil (perindopril/amlodipine/indapamide) from the class of prescription pharmaceuticals for the treatment of cardiovascular diseases as they strengthened our marketing position and earned us further recognition in the market of antihypertensive agents. We strengthened the leading position of Sorvasta (rosuvastatin), and improved the visibility of

Q1 2021 and Q1 2022 Krka Group Product and Service Sales by Region



the single-pill combination Sorvitimb (rosuvastatin /ezetimibe). The two agents belong to our statin product group. We also increased the visibility of triple-combination tablets Roxiper (rosuvastatin/perindopril/indapamide) and Roxampex (rosuvastatin/amlodipine/perindopril). As regards our pain relief range, we primarily focused on our analgesic Doreta (tramadol/paracetamol), especially its new dosage form, Doreta SR 75 mg/650 mg prolonged-release bilayer tablets. We also increased the visibility of our non-opioid analgesic Algominal (metamizole). We further strengthened the visibility of two central nervous system agents, our antipsychotic Parnido (paliperidone) and antidepressant Dulsevia (duloxetine). We extended our prescription pharmaceutical portfolio with an immunomodulatory agent Lenalidomide Krka (lenalidomide) and a new oncology agent Sunitinib Krka (sunitinib).

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

Septabene (benzylamine/cetylpyridinium chloride) with antiseptic properties, paracetamol-based Daleron products, analgesic Nalgesin S (naproxen), and magnesium-containing food supplement Magnezij Krka 300 generated highest sales of our non-prescription products. Grovit, Fypryst Combo (fipronil/S-methoprene) and Milprazon (milbemycin/praziquantel) achieved highest sales of our animal health products. We added a new dosage form to the range, Milprazon Chewable film-coated tablets.

Region South-East Europe

Region South-East Europe generated product sales of €60.3 million, up 13% on the same period a year ago. We recorded sales growth in all regional markets. Romania recorded the highest absolute sales growth, a €3.2 million year-on-year sales increase. In terms of absolute sales growth, it was followed by Croatia and Bulgaria, where sales increased by €1.2 million and €0.7 million, respectively.

Prescription pharmaceuticals accounted for 85% of regional sales and were followed by non-prescription products at just shy of 12%. Animal health products constituted slightly less than 4% of total regional sales. Year-on-year sales of prescription pharmaceuticals increased by 11%. While non-prescription product sales went up by 48%, sales of animal health products presented a year-on-year drop primarily on account of a sales drop in the segment of farm animals.

In **Romania**, our key and largest regional market, sales amounted to €17.9 million, a 22% year-on-year rise. We held a 2.1% revenue market share and 7% of the market share volume, ranking us third foreign provider of generic prescription pharmaceuticals in the country. The most important medicines in terms of sales were:

- Atoris (atorvastatin);
- Co-Prenessa (perindopril/indapamide);
- Roswera (rosuvastatin);
- Doreta (tramadol/paracetamol); and
- Nolpaza (pantoprazole).

Our best-selling non-prescription products were Bilobil (ginkgo leaf extract), Herbion, and Nalgesin (naproxen). Companion animal products constituted the major part of animal health product sales, notably Fypryst (fipronil) and Milprazon (milbemycin/praziquantel).

Croatia, also one of our key markets, ranked second in the region in terms of sales. Product sales reached €9.9 million, a 14% year-on-year increase. We ranked fifth among all providers of generic medicines in the country. Year-on-year sales of prescription pharmaceuticals and non-prescription products increased, while sales of animal health products declined.

Prescription pharmaceuticals constituted the major part of overall sales in terms of value, primarily due to strong sales of:

- Emanera (esomeprazole);
- Atoris (atorvastatin);

- Co-Perineva (perindopril/indapamide);
- Helix (alprazolam);
- Co-Dalneva (perindopril/amlodipine/indapamide);
- Valsacombi (valsartan/hydrochlorothiazide);
- Dexamethasone Krka (dexamethasone);
- Roswera (rosuvastatin); and
- Dalneva (perindopril/amlodipine).

Of non-prescription products, Nalgesin (naproxen) and the Septotele brand products recorded strongest sales. Fypryst (fipronil) and Enroxil (enrofloxacin) recorded strongest sales of our animal health products.

In **Serbia**, sales reached €7.7 million, a 5% year-on-year rise. Prescription pharmaceuticals accounted for 85% of sales, up 2%. Sales of non-prescription products saw a 49% rise.

In **Bulgaria**, our sales reached €7.3 million, up 11% year on year. Prescription pharmaceuticals generated strongest sales, above all Co-Valsacor (valsartan/hydrochlorothiazide) and Valsacor (valsartan). The two agents accounted for 65% of the market share in terms of volume. Year-on-year sales of non-prescription and animal health products increased.

We have recorded sales growth in **North Macedonia** for eighteen successive years. Year-on-year sales climbed by 6% to €6.8 million. Krka remained the leading foreign provider of generic medicines in the country, with prescription pharmaceuticals as the key sales category. Non-prescription products exceeded year-on-year sales by 9% and animal health products by 47%.

In **Bosnia and Herzegovina**, sales of our products amounted to €6.0 million, a 7% year-on-year climb. We maintained the leading position among foreign providers of generic medicines on the market despite restrictions that applied to foreign manufacturers on certain reimbursement lists. Prescription pharmaceuticals accounted for the major part of our sales total, while sales of non-prescription products saw a 71% leap.

In **Kosovo**, we recorded a 13% sales increase and maintained the position among leading providers of medicines in the country. Sales totalled €2.5 million. In **Albania**, sales total surpassed €1 million, up 6% year on year. In **Montenegro**, sales totalled €0.7 million, a 36% climb compared to the same period last year. In **Greece**, product sales reached €0.5 million.

Region East Europe

Region East Europe generated sales total of €146.7 million, an 11% year-on-year rise. We generated more than 50% of sales total in our largest key market, the Russian Federation. We recorded sales growth on most regional markets, with Kazakhstan and Moldova presenting the highest relative growth.

Prescription pharmaceuticals accounted for 78% of regional sales. Sales on non-prescription products composed 17%, while animal health products constituted 4% of regional sales. Year-on-year sales of prescription pharmaceuticals increased by 1%. Non-prescription product sales jumped by 95%, while animal health product sales grew by 15%.

In the **Russian Federation**, sales reached €83.6 million, up 5% year on year in terms of value, while sales volume climbed by 10%. According to the latest available data, Krka ranks third among foreign generic providers of pharmaceuticals in the Russian Federation.

Prescription pharmaceuticals accounted for 79% of the country sales totalling €66.4 million, a 5% year-on-year drop. Sales dropped primarily on account of lower regulated prices of the life-saving medicines and the devaluation of the national currency. Prescription pharmaceuticals that recorded strongest sales were:

- Lorista H and Lorista HD (losartan/hydrochlorothiazide);
- Lorista (losartan);
- Valsacor (valsartan);
- Co-Perineva (perindopril/indapamide);
- Roxera (rosuvastatin);
- Vamloset (valsartan/amlodipine);
- Nolpaza (pantoprazole);
- Co-Dalneva (perindopril/amlodipine/indapamide);
- Valsacor H and Valsacor HD (valsartan/hydrochlorothiazide); and
- Enap H and Enap HL (enalapril/hydrochlorothiazide).

The products that achieved the highest absolute sales growth were Lorista (losartan) and losartan in combinations; Co-Dalneva (perindopril/amlodipine/indapamide); and Telmista (telmisartan). We further strengthened the position of the leading provider of cardiovascular agents in the Russian Federation.

The sales value of non-prescription products reached €11.6 million, a 135% leap compared to the same

period last year. Septotele Total (benzylamine/cetylpyridinium chloride), the Herbion brand products, and Nalgesin (naproxen) were at the forefront. Emanera and Co-Dalneva presented the highest absolute growth. Sales of animal health products grew by 18% to €5.5 million. Milprazon (milbemycin/praziquantel) and Floron (florfenicol) generated strongest sales.

Our subsidiary Krka-Rus manufactures products exclusively for the market of the Russian Federation. We produce 75% of all products intended for the Russian market at the Krka-Rus plant.

In the Russian Federation, business activities have been fairly unhindered. This applies to product registrations, production, sales, distribution, and payments. Transport takes longer, so we have engaged extra vehicles. The demand for our products is acceptable. Sanctions exclude medicines. This applies to sanctions against the Russian Federation and Russian sanctions on import of goods.

In **Ukraine**, we generated €26.5 million by product sales, a 21% year-on-year increase. We ranked second among foreign providers of generic medicines holding a 2.5% market share. Sales of prescription pharmaceuticals totalled €21.5 million, up 14%. Cardiovascular agents were the key product group of prescription pharmaceuticals in terms of sales. Co-Prenessa (perindopril/indapamide), Co-Amlessa (perindopril/amlodipine/indapamide), and Valsacor (valsartan) recorded highest sales. Sales of non-prescription pharmaceuticals totalled €4.5 million, up 83%. Products of the Herbion and Septotele brands and Nalgesin (naproxen) were the leading non-prescription products in terms of sales.

We go to great lengths to protect health and safety of our employees in Ukraine. We donated medicines twice in March to help Ukraine. We supplied pharmaceutical products according to expectations and relatively well in given circumstances. We did everything necessary to provide for maximum possible business cooperation with distributors and availability of medicines. We were one of the first medicine providers that re-established logistic routes throughout the distribution chain in the country.

Subregion East Europe B

In the first quarter of 2022, Subregion East Europe B composed of Belarus, Mongolia, Azerbaijan, and Armenia, generated product sales of €11.8 million, down 3% compared to the same period last year.

In **Belarus**, we generated €4.9 million by product sales, a 12% drop on the same period last year. According to the latest available data, we ranked second among foreign providers of generic medicines in the country. We managed to make all our medicines available even though transportation times increased.

Our product sales in **Mongolia** totalled €3.5 million, up 12% year on year. We maintained the position among leading foreign providers of generic medicines in the country.

Our product sales in **Azerbaijan** reached €2.1 million, a 2% year-on-year increase.

Sales in **Armenia** totalled €1.3 million.

Subregion East Europe K

Our Subregion East Europe K includes Kazakhstan, Moldova, and Kyrgyzstan. The subregional sales in the first quarter of 2022 totalled €10.3 million, a 35% year-on-year rise.

In **Kazakhstan**, product sales yielded €5.8 million, a 46% year-on-year rise. Most of that, 65%, was generated by sales of prescription pharmaceuticals. Non-prescription products constituted 32% of overall sales.

Region Central Europe

Region Central Europe generated product sales in the amount of €99.6 million, or 2% more than in the same period a year ago. We recorded growth in all markets, except in Poland and Slovakia.

Prescription pharmaceuticals accounted for 90% of regional sales. Non-prescription products followed with 6%, and animal health products with 4%. Year-on-year sales of prescription pharmaceuticals decreased by 1%. Non-prescription product sales presented an 80% leap, while animal health product sales dropped by 10%.

Poland remained our leading and key regional market. Country sales were valued at €46.0 million, 3% down on the same period last year, while sales

In **Moldova**, product sales amounted to €3.6 million, a 43% year-on-year increase. Prescription pharmaceuticals contributed the most to sales growth and constituted 70% of overall country sales. We started marketing Rivaroxia (rivaroxaban), our new product. Non-prescription products accounted for 28% of overall sales.

In **Kyrgyzstan**, sales of our products totalled €0.9 million.

Subregion East Europe U

Subregion East Europe U, consisting of Uzbekistan, Georgia, Tajikistan, and Turkmenistan, generated €14.5 million by product sales in the first quarter of 2022, up 33% year on year. We recorded sales increases in Uzbekistan, Georgia, and Tajikistan.

Our product sales in **Uzbekistan** reached €10.8 million, a 37% year-on-year increase. This earned us a place among the most important providers of medicines in the country, especially medicines for the treatment of cardiovascular diseases.

Our product sales advanced by 35% to €2.8 million in **Georgia**. Sales reached €0.6 million in **Tajikistan**, a 39% year-on-year increase. We generated €0.4 million by product sales in **Turkmenistan**.

volume advanced by 2%. We ranked third among foreign providers of generic medicines in the country. Prescription pharmaceuticals remained the leading sales group, primarily due to strong sales of:

- Atoris (atorvastatin);
- Roswera (rosuvastatin);
- Doreta (tramadol/paracetamol);
- Valsacor (valsartan);
- Co-Valsacor (valsartan/hydrochlorothiazide); and
- Emanera (esomeprazole).

We recorded an increase in sales of recently launched products. Notably, sales of Co-Roswera (rosuvastatin/ezetimibe) increased by 54%. Other prescription pharmaceuticals presenting important

year-on-year sales increases were Teldipin (telmisartan/amlodipine), up 31%; Dulsevia (duloxetine), up 32%; and Oprymeia (pramipexole), up 89%. We remained one of the leading producers of prescription pharmaceuticals from the reimbursement list for patients aged 75 years and above.

Sales of non-prescription products presented a 63% increase. The Septolete brand products and Septanazal (xylometazoline/dexpanthenol) remained sales leaders. Sales of animal health products totalled €1.6 million, 10% down on the same period last year. Milprazon (milbemycin oxime/praziquantel), Floron (florfenicol), and products sold under the Fypryst brand in that order sold the best.

Hungary is also our key market. Country sales increased by 2% and totalled €14.3 million. Prescription pharmaceuticals accounted for the major part of sales total, in particular:

- Co-Prenessa (perindopril/indapamide);
- Roxera (rosuvastatin);
- Valsacor (valsartan);
- Emozul (esomeprazole);
- Zyllt (clopidogrel);
- Atoris (atorvastatin);
- Co-Valsacor (valsartan/hydrochlorothiazide);
- Zolsana (zolidem); and
- Co-Dalnessa (perindopril/amlodipine/indapamide).

Year-on-year sales of non-prescription products totalled €1.1 million, up 44%. Most important products were: Bilobil (ginkgo leaf extract); the Septolete brand products; and the newly launched Emozul Control (esomeprazole). Sales of our animal health products were lower this year than in the same period last year.

The **Czech Republic** is also one of our key markets. We ranked fourth among foreign providers of generic medicines in the country. Product sales generated €13.5 million, up 11% on the same period last year. Prescription pharmaceuticals remained our leading category in terms of sales, in particular:

- Lexaurin (bromazepam);
- Atoris (atorvastatin);
- Sorvasta (rosuvastatin);
- Asentra (sertraline);
- Tonanda (perindopril/amlodipine/indapamide);
- Doreta (tramadol, paracetamol);
- Nolpaza (pantoprazole);

- Elicea (escitalopram), and
 - Kventiax (quetiapine).
- Prenewel (perindopril/indapamide), Emanera (esomeprazole), and Tonarssa (perindopril/amlodipine) also recorded good sales. Non-prescription product sales totalled €0.8 million. Nalgesin S (naproxen), the Septolete brand products and Bisacodyl (bisacodyl) remained our best-selling non-prescription products. Sales of animal health products increased by 2% year on year.

Another key market is **Slovakia**, where we recorded product sales in total of €10.2 million, down 10% year on year. We ranked third among all foreign suppliers of generic medicines in the country. Prescription pharmaceuticals contributed the most to sales total, above all:

- Co-Prenessa (perindopril/indapamide);
- Nolpaza (pantoprazole);
- Atoris (atorvastatin);
- Co-Amlessa (perindopril/amlodipine/indapamide);
- Prenessa (perindopril), and
- Lexaurin (bromazepam).

Year-on-year sales of non-prescription products climbed by 39%. The following medicines added to sales the most:

- Nalgesin S (naproxen);
- Flebaven (diosmin);
- The Septolete brand products; and
- Nolpaza (pantoprazole).

Animal health product sales decreased by 3%. Key products included those sold under the Fypryst brand and Enroxil (enrofloxacin).

In **Lithuania**, product sales reached €8.2 million, a 28% year-on-year increase. Prescription pharmaceuticals accounted for the major part of country sales, and key medicines were:

- Nolpaza (pantoprazole);
- Atoris (atorvastatin);
- Captopril Krka (captopril);
- Escadra (esomeprazole);
- Roswera (rosuvastatin);
- Dexamethasone Krka (dexamethasone); and
- Valsacombi (valsartan/hydrochlorothiazide).

Year-on-year sales of non-prescription products grew threefold. Leading non-prescription products were Septabene (benzylamine/cetylpyridinium chloride) and Nalgesin S (naproxen). Sales of animal health products lagged behind the last year's figure by 2%.

In **Latvia**, sales totalled €4.7 million and exceeded year-on-year sales by 19%. Prescription pharmaceuticals accounted for the major part of overall sales. Non-prescription product sales climbed

by 195%, while animal health products saw a 33% drop year on year.

Sales in **Estonia** totalled €2.7 million, an 11% year-on-year rise.

Region West Europe

The markets of Region West Europe are collectively regarded as one of our key markets. Regional sales amounted to €84.6 million in the first quarter of 2022, a 5% year-on-year increase. Germany, the Scandinavian countries, France, and Italy led in terms of sales. Sales through subsidiaries totalled €66.4 million, up 11% on the same period last year. We generated 22% of regional sales through unrelated parties.

Our sales in **Scandinavia** reached €14.7 million, up 21% year on year. Our leading market was **Denmark**. It was followed by **Sweden, Finland, Norway, and Iceland**.

Sales in **France** reached €8.5 million, a 15% drop on the same period last year.

Year-on-year sales in **Italy** saw a 10% drop in terms of value, and totalled €7.7 million.

Sales of prescription pharmaceuticals, our leading product group, saw a 5% increase compared to the first quarter of 2021 and accounted for 87% of overall regional sales. Medicines containing esomeprazole, losartan, and candesartan were at the forefront. We remained one of the leading sartan providers on markets of western Europe. Year-on-year sales of animal health products increased by 4% and accounted for 11% of regional sales. Leading markets were France, United Kingdom, Benelux, and Germany. Sales were driven by a single-pill combination of milbemycin and praziquantel. Non-prescription products accounted for just over 2% of regional sales. Products containing paracetamol, the Septotele brand and diosmin-based products recorded highest sales.

We made €6.3 million by sales in **Portugal**, a 21% year-on-year rise. Our prescription pharmaceuticals and non-prescription products recorded two-digit growth.

We generated €5.9 million by product sales in **Spain**, up 2% on the same period last year. Sales of our animal health products advanced by 27%.

Year-on-year sales in **Benelux** rose by 22% to €4.8 million.

Sales in the **United Kingdom** fell by 3% year on year and amounted to €4.4 million.

Germany is our most important individual market within Region West Europe. German product sales reached €23.2 million, up 3% year on year. Most important medicines followed in that order: (i) cardiovascular agents; (ii) medicines for alimentary tract and metabolism; and (iii) medicines for central nervous system. We remained the leading provider of sartans in terms of volume. Sales were driven by medicines containing candesartan, valsartan, losartan, ramipril, and esomeprazole. We launched oncology agents containing lenalidomide, sunitinib, and everolimus in the first quarter of 2022.

We generated €2.9 million by product sales in **Ireland**, which was more than in the same period last year.

In **Austria**, our sales saw a 9% increase and totalled €2.5 million.

We generated €3.7 million by product sales in **other western European countries**, up 38% on the same period last year.

Region Overseas Markets

Region Overseas Markets generated product sales in the amount of €16.0 million, or 28% more than in the same period a year ago. Prescription pharmaceuticals in most markets sold under our own brands accounted for the major portion of overall sales.

We still encounter complex economic and security issues when doing business in the countries of the **Middle East**. Sales of our products amounted to €7.1 million, a 38% year-on-year rise. Good performance in Iran, our largest regional market, where year-on-year sales advanced by 43%,

significantly contributed to the overall regional sales increase. Iraq, Saudi Arabia, the United Arab Emirates, Yemen, and Lebanon followed.

Our product sales in the **Far East** and **Africa** reached €4.1 million, down just short of 33% on the same period last year. The main reason for the drop was the COVID-19 pandemic. We recorded important sales growth in Malaysia and Ghana.

Product sales in China reached €4.5 million, close to fivefold year-on-year growth. Good sales of

Sales by Product and Service Group

In the first quarter of 2022, medicinal products for human use were the most important product group in the sales structure of the Krka Group, and accounted for 93.0% of total sales. Prescription pharmaceuticals constituted 82.0% of the Krka Group total sales, and were followed by non-prescription products, and animal health products.

In comparison to the same period last year, sales of prescription pharmaceuticals increased by 4% and

Palprostes (saw palmetto extract) continued. We strengthened sales through Ningbo Krka Menovo, our subsidiary, and maintained strong sales of our pregabalin-based product. We launched a losartan-based product in January, and an atorvastatin-based product in March.

The smallest regional office operates in markets of the **Americas**. Primarily in the countries of Central America, sales amounted to €0.3 million.

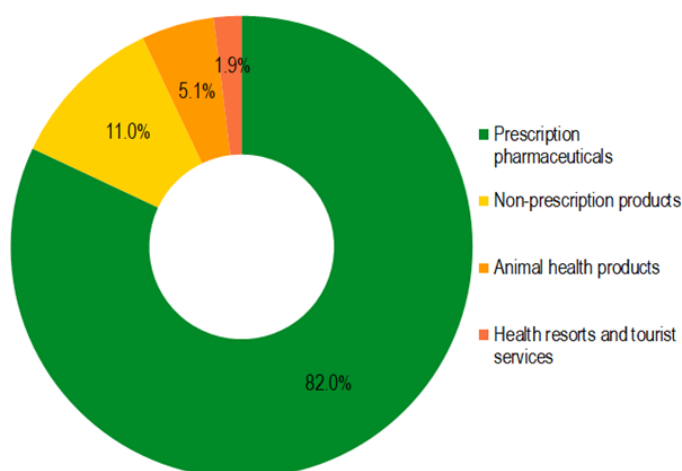
animal health products by 1%. Non-prescription product sales jumped by 74%, because the measures for curbing the COVID-19 pandemic imposed throughout 2021, which prevented flu, coughs and cold from spreading, had been lifted.

Sales of health resorts and tourist services constituted 1.9% of total Krka Group sales, a 72% climb on the same period last year, which was marked by the COVID-19 pandemic.

Sales by Product and Service Group

€ thousand	Krka Group			Krka		
	Jan–Mar 2022	Jan–Mar 2021	Index	Jan–Mar 2022	Jan–Mar 2021	Index
Human health	400,342	368,010	109	337,993	288,373	117
– Prescription pharmaceuticals	353,099	340,921	104	292,623	263,110	111
– Non-prescription products	47,243	27,089	174	45,370	25,263	180
Animal health	21,930	21,656	101	19,355	18,891	102
Health resorts and tourist services	8,376	4,857	172			
Total	430,648	394,523	109	357,348	307,264	116

Q1 2022 Krka Group Product and Service Sales by Category



Prescription Pharmaceuticals

The Krka Group generated €353.1 million by sales of prescription pharmaceuticals, up 4% on the first quarter last year.

Year-on-year sales increases by regions were as follows:

- Region Overseas Markets 16%;
- Region Slovenia 12%;
- Region South-East Europe 11%;
- Region West Europe 5%; and
- Region East Europe 1%.

Of our three largest markets, sales increased in Germany by 5%, but dropped in the Russian Federation and Poland by 5% and 4%, respectively.

Of other major markets, sales growth was the highest in:

- Scandinavia 21%;
- Croatia 18%;
- Romania 17%;
- Ukraine 14%;
- Slovenia 12%;
- The Czech Republic 10%, and
- Hungary 1%.

We recorded an impressive increase in sales of prescription pharmaceuticals also in China, where sales volume has been growing substantially since the second quarter of 2021.

Ten leading prescription pharmaceuticals in terms of sales were agents containing:

- perindopril (Prenessa*, Co-Prenessa*, Amlessa*, Co-Amlessa*, Roxiper*, Roxampex*);

- valsartan (Valsacor, Valsacombi*, Vamloset*, Co-Vamloset*, Valarox*);
- losartan (Lorista*, Lorista H*, Lorista HD*, Tenloris*);
- rosuvastatin (Roswera*, Co-Roswera*);
- pantoprazole (Nolpaza*);
- atorvastatin (Atoris);
- esomeprazole (Emanera*);
- tramadol (Doreta*, Tadol*);
- enalapril (Enap, Enap H, Enap HL, Elernap*); and
- candesartan (Karbis*, Karbicombi*, Kandoset*).

In the first three months of 2022, we launched our very new medicines as follows:

- Lenalidomide Krka in Germany, Scandinavia, Italy, and Slovenia;
- Sunitinib Krka in Germany, France, Scandinavia, Benelux, Slovenia, Hungary, and Slovakia;
- Bortezomib Krka in Benelux and Scandinavia.

The newly launched Lenalidomide Krka substantially contributed to an increase in overall sales.

We launched several pharmaceuticals on new markets:

- Xerdoxo (rivaroxaban) in Kosovo and Moldova;
- Roxatenz* Inda (indapamide/perindopril/rosuvastatin) in Belarus;
- Sorvitimb* (rosuvastatin/ezetimibe) in Georgia;
- Co-Vamloset* (amlodipine/valsartan/hydrochlorothiazide) in Azerbaijan;
- Kventiax* (quetiapine) in Belarus;
- Everolimus (everolimus) Krka in Slovakia.

Non-Prescription Products

Sales of non-prescription products reached €47.2 million, up 74% on the same period last year.

After measures for curbing the COVID-19 pandemic had been lifted, sales of seasonal cough-and-cold products jumped.

All regions recorded year-on-year sales increases as follows:

- Region East Europe 95%;
- Region Central Europe 80%;
- Region South-East Europe 48%
- Region Slovenia 21%; and
- Region West Europe 14%.

Our product sales in Region Overseas Markets more than doubled.

Sales generated by Region East Europe accounted for more than 50% of regional non-prescription product sales. The Russian Federation recorded most impressive growth (135%), but many other countries achieved substantial sales growth as well.

Animal Health Products

Animal health product sales generated €21.9 million, a 1% year-on-year increase. We recorded sales growth in Region East Europe (15%) and Region West Europe (4%).

Of our major markets, we recorded the highest sales growth in Spain (27%), the United Kingdom (18%), and the Russian Federation (18%).

Health resorts and tourist services

In the first quarter of 2022, units of Terme Krka recorded sales total of €8.4 million, a 72% year-on-year climb. The government instituted restrictions for curbing the COVID-19 pandemic in the first quarter of 2021, so only rendering of healthcare services and the ensuing overnight stays and catering were allowed.

In the first quarter of 2022, we recorded 64,524 overnight stays, up 74% year on year.

The leading products in the first quarter of 2022 with respect sales were:

- Septotele*;
- Herbion*;
- Nalgesin* (naproxen);
- Bilobil;
- Palprostes;
- Septanazal;
- Daleron* (paracetamol);
- Pikovit;
- Panatus; and
- Panzynorm.

Products that contributed most to sales growth were:

- Septotele*;
- Herbion*;
- Nalgesin*;
- Palprostes;
- Panatus; and
- Septanazal.

We recorded strong sales in those countries primarily on account of Milprazon* (milbemycin/praziquantel) chewable tablets, our newly launched dewormer. Antiparasitic products for companion animals achieved sales growth, above all Milprazon* (milbemycin/praziquantel) and Selehold* (selamectin).

Domestic guests prevailed. Foreign guests accounted for 6% of all overnight stays, most of them were Italian, Dutch, or Croat.

Talaso Strunjan recorded most overnight stays (23,168). Terme Šmarješke Toplice recorded 20,525 overnight stays, the highest 108% growth compared to the first quarter of 2021.

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

Research and Development

We plan to obtain marketing authorisations for 12 new products in 2022.

We added a single-pill combination of perindopril arginine and amlodipine to our product portfolio in the first quarter of 2022.

We obtained a new Certificate of Suitability to the monograph of the European Pharmacopoeia (CEP) for our losartan API.

Prescription Pharmaceuticals

We added a new perindopril arginine-based product to the portfolio of our cardiovascular agents. Last year we obtained first marketing authorisations for products based on this new perindopril salt. This year we added to the product group a new single-pill combination of perindopril arginine and amlodipine, available on markets as Neoamlessini, Amlessa, AmlessaNEO, Aramlessa, Tonarssa NEO, Dalnessaneo, Dalnessa AS, or Aperneva. Perindopril arginine is our product, developed and produced according to our vertical integration model. The development and production result from our own know-how and take place in Krka-owned facilities. This enables us to respond quickly and ensure ready availability of the perindopril-based products on markets.

We obtained further marketing authorisations for our established medicines in the EU member states. We were granted a marketing authorisation for **Dekenor** (dexketoprofen) film-coated tablets for the symptomatic treatment of mild to moderate pain in Poland. We completed the registration procedures for two products in Malta, **Fromilid UNO** (clarithromycin) prolonged-release tablets for treating systemic infections, and **Monkasta** (montelukast) film-coated tablets indicated for prevention and treatment of chronic bronchial asthma and alleviation of seasonal allergic rhinitis (hay fever) symptoms. We expanded marketing opportunities for the established medicine indicated to treat stomach problems, **Esozoll** (esomeprazole) hard gastroresistant capsules, which was approved in Slovakia.

We added new agents to our oncology and cardiovascular portfolios by obtaining new marketing authorisations in Region East Europe.

We completed more than 30 registration procedures, obtaining more than 100 marketing authorisations for various finished products.

We continuously monitor, evaluate, and upgrade our established products, and bring them in line with the latest findings and requirements. We have already filed marketing authorisation documents for over 8,200 variations since the beginning of this year.

We were granted the approval for **Roxera Plus** (rosuvastatin/ezetimibe) film-coated tablets, an addition to our rosuvastatin range in the Russian Federation. We also obtained a marketing authorisation for this agent in Uzbekistan.

We added **Lenalidomide Krka** (lenalidomide) hard capsules to our oncology range in Ukraine. The agent is indicated for multiple myeloma in cancer patients.

We obtained marketing authorisations for single-pill combination **Teldipin** (telmisartan/amlodipine) tablets and hence extended our telmisartan product range in Uzbekistan. Also in Uzbekistan, we obtained the marketing authorisations for **Pregabia** (pregabalin) hard capsules. We obtained new marketing authorisations for **Dulsevía** (duloxetine) gastroresistant capsules in Moldova and **Linezolid Krka** (linezolid) film-coated tablets in Azerbaijan.

We obtained marketing authorisations in Region South-East Europe for products containing new APIs from several important therapeutic categories. We expanded our cardiovascular range in Montenegro with **Valtricom** (amlodipine/valsartan/hydrochlorothiazide) and in Serbia with **Roxampex** (perindopril/amlodipine/rosuvastatin) film-coated tablets by obtaining marketing authorisations. We completed registration procedures for **Atixarso** (ticagrelor) film-coated tablets in Serbia and **Bortezomib Krka** (bortezomib) powder for solution for injection in North Macedonia.

We obtained marketing authorisations in two countries of our Region Overseas Markets: (i) the United Arab Emirates for **Tolucombi** (telmisartan/hydrochlorothiazide) tablets, **Ezoleta**

(ezetimibe) tablets, and **Vasitimb** (ezetimibe/simvastatin) tablets; and (ii) Iraq for **Montelukast TAD** (montelukast) film-coated tablets.

We obtained a new Certificate of Suitability to the monograph of the European Pharmacopoeia (CEP) for our losartan API that meets the strictest quality

Non-Prescription Products

We obtained marketing authorisations for our key product brands on new markets in the first quarter of 2022.

Our **Vitamin D3 Krka** (cholecalciferol) tablets were approved for sale in Uzbekistan, and **Pikovit** syrups in Azerbaijan.

Animal Health Products

We expanded marketing opportunities for our key animal health product brand names and introduced them to new markets in the first quarter of 2022.

We extended our range of products for farm animals in the Russian Federation with **Tuloxin** (tulathromycin) solution for injection indicated for respiratory tract infections in pigs and cattle.

We added a single-pill combination **Cladaxxa** (amoxicillin/clavulanic acid) chewable tablets in three strengths to our range of products for companion animals in Hungary, Slovakia, Romania, Lithuania, Latvia, Estonia, and Kazakhstan. The product is indicated for the treatment of bacterial infections of

Investments

In the first quarter of 2022, the Krka Group allocated €22.7 million to investments, of that €14.8 million to the controlling company. We invested primarily in increasing and technologically upgrading production facilities, development and quality management capacities, and in our production and distribution centres around the world.

The Notol 2 plant, our state-of-the-art facility for manufacturing solid dosage forms in Ločna (Novo mesto, Slovenia), has been in operation for several years now. The growing need for production capacities has incited us to acquire additional technological equipment for the plant. We installed several highly automated and robotised packaging lines. We plan to install the remaining two packaging lines by the end of May 2022. This will make the

criteria. We ensure availability of the API. We continued obtaining the Certificates of Suitability to the monographs of the European Pharmacopoeia (CEP) for rosuvastatin for incorporation into finished products marketed in countries of eastern and south-eastern Europe.

We obtained the approval to market **Septanazal** (xylometazoline/dexpanthenol) nasal spray in the United Arab Emirates.

the skin, gums, respiratory tract, urinary tract, and intestines in cats and dogs.

We obtained marketing authorisations for the single-pill combination **Ataxxa** (imidacloprid/permethrin) spot-on solution in four filling sizes, also marketed as **Damtix** or **Daclotrix**, in Germany, Spain, Portugal, France, Italy, Ireland, Greece and Finland. The product is indicated for prevention and treatment of flea and tick infestations in dogs. It also provides repellent activity against *I. ricinus* ticks, and protects pets from sand flies and *A. aegypti* mosquitoes, and consequently reduces risk of infection with vector-borne leishmaniosis in dogs.

facility fully technologically equipped. Its full manufacturing capacity is expected to reach 5 billion tablets and capsules and 8 billion packagings per year. We apportioned €39 million to the investment.

We intend to upgrade water supply systems and automated washing systems of the Notol plant in compliance with cGMP guidelines. The investment is estimated at €3.1 million. Also, we plan to renovate the format tool washing room, replace and overhaul the packaging lines in the same plant. The investment is estimated at €38.2 million.

We are investing €26 million in additional tablet compression capacities, i.e. for compression mixture preparation and granulation, and in logistic capacities in the Solid Dosage Form Products department

(Novo mesto, Slovenia). We plan to apportion €19 million for room refurbishment and procurement of technological equipment in 2022.

We finished several investments to upgrade and increase the capacities for research, development and analyses in our development-and-control laboratories. They totalled €8.2 million.

As our production capacities increase, so do our energy demands. We are currently investing in increased capacities for production of compressed air and new utility lines for energy supply to manufacturing facilities. We allocated €2.5 million for expansion of energy infrastructure at our Novo mesto production facility.

At our Slovenian Beta Šentjernej Plant, we upgraded the systems and equipment in compliance with ATEX standards. We intend to install another mixer to increase the production capacity for the preparation of dry granules. The total value of investments is estimated at €2.6 million.

We plan to install a new filling line and hence double the tube filling capacity in our Bršljin Department (Novo mesto, Slovenia) for production of powder and liquid products. The investment was estimated at €1.8 million.

We also plan to increase the production capacities for granulation and packaging of our Ljutomer Department (Slovenia), and refurbish the rooms in the old part of the plant in compliance with good manufacturing practice guidelines. The total value of investments is estimated at €16.4 million.

New analytical techniques require extra facilities, which we intend to obtain by refurbishing rooms in our laboratories for development and control housed in buildings RKC1 and 3. Investing €1.8 million will ensure safe conditions for work with materials that contain highly active ingredients.

We started preparation works in March for the construction of a multi-purpose replacement building

called Paviljon 3 in Novo mesto (Slovenia). It will house an extension for our microbiology laboratory and additional rooms for several organisational units. Project documentation for this €19.3 million investment has been completed, and the construction permit obtained.

We plan to build new facilities for developing and producing APIs in Krško, Slovenia. Based on project documents and environmental impact assessment, we have already obtained the building permit for Sinteza 2 and laboratories for chemical analyses (Kemijsko-analitski center in Slovene). We are still waiting for the IED OVD environmental protection permit. We expect construction to start in the second half of 2022. This project also includes construction of a highly efficient wastewater treatment plant for complete treatment of effluent and small technology and infrastructure buildings required for production. The investment was estimated at €163 million. It agrees with our strategy of vertical integration, from the development of a product to its production.

The Krka-Rus plant in the industrial zone of Istra, a town north-west of Moscow, is one of the key investments in Krka subsidiaries abroad. The plant manufactures 75% of products intended for the Russian market, giving us the status of a domestic producer in the Russian Federation. We are finishing our project of increasing production and laboratory capacities.

We expect installation of the secondary packaging line in the production-and-distribution centre in Jastrebarsko (Croatia) to increase production capacities for solid forms of animal health products. The investment is estimated at €1.8 million.

We continue to purchase manufacturing and quality control equipment for our joint venture Ningbo Krka Menovo in China. We manufacture products for markets outside the country in facilities taken on long-term lease. Since January 2021, we have also been manufacturing first products intended for the Chinese market.

Employees

At the end of March 2022, the Krka Group employed 11,631 people, up 1% on the 2021 year-end, of whom 5,378 worked abroad, constituting 46% of the total Krka Group headcount. Of all Krka Group employees, 51% have at least university-level qualifications; of that, 209 hold a doctoral degree.

Together with agency workers, the Krka Group employed 12,525 persons.

Employees by Education

	31 Mar 2022		31 Dec 2021	
	No. of employees	Share (%)	No. of employees	Share (%)
PhD	209	1.8	207	1.8
Master of Science	390	3.4	391	3.4
University degree	5368	46.1	5284	45.9
Higher professional education	1755	15.1	1755	15.3
Vocational college education	332	2.9	307	2.7
Secondary school education	2610	22.4	2572	22.3
Other	967	8.3	995	8.6
Total	11,631	100.0	11,511	100.0

We provide for continuous recruitment of talented employees by awarding scholarships. At the end of March, we listed 93 scholarship holders, primarily pharmacy and chemistry students. We also grant scholarships to exceptional students from other fields of interest to Krka. Due to our staff development and succession planning system, we can mostly meet our human resource needs for key professionals and managers within the Krka Group.

We also invest in knowledge and development of our employees. In Slovenia and abroad, they undergo additional professional training, and attend training courses on quality, management, informatics, personal growth, and foreign languages. We arrange most training courses in-house and adapt them to the needs of our employees, technological processes,

market situations, and development needs of the Krka Group. We constantly update our training programmes and introduce new training methods adjusted to the contemporary approaches to work.

At the end of March, 159 employees were enrolled in part-time graduate studies co-funded by Krka, 41 of them in postgraduate studies. Four persons finished their studies.

Krka is also included in the national vocational qualification (NVQ) system. Between 2002 and the end of March 2022, we awarded 1,685 NVQ certificates to Krka employees for four vocational qualifications. At the end of March 2022, 175 Krka employees were included in the process of obtaining NVQ.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP WITH NOTES

Consolidated Statement of Financial Position of the Krka Group

€ thousand	31 Mar 2022	31 Dec 2021	Index
Assets			
Property, plant and equipment	764,672	774,352	99
Intangible assets	103,804	104,301	100
Loans	76,469	40,300	190
Investments	140,122	108,883	129
Deferred tax assets	49,535	46,883	106
Other non-current assets	1,035	1,028	101
Total non-current assets	1,135,637	1,075,747	106
Assets held for sale	41	41	100
Inventories	469,496	455,707	103
Contract assets	1,316	1,214	108
Trade receivables	485,721	467,764	104
Other receivables	27,874	29,564	94
Loans	212,527	192,360	110
Investments	102,592	155,448	66
Cash and cash equivalents	205,585	159,838	129
Total current assets	1,505,152	1,461,936	103
Total assets	2,640,789	2,537,683	104
Equity			
Share capital	54,732	54,732	100
Treasury shares	-117,057	-114,541	102
Reserves	135,047	145,077	93
Retained earnings	1,907,815	1,819,937	105
Total equity holders of the controlling company	1,980,537	1,905,205	104
Non-controlling interests	17,908	13,880	129
Total equity	1,998,445	1,919,085	104
Liabilities			
Provisions	126,646	126,153	100
Deferred revenue	6,668	6,875	97
Trade payables	10,000	10,000	100
Lease liabilities	8,405	8,724	96
Deferred tax liabilities	10,866	10,922	99
Total non-current liabilities	162,585	162,674	100
Trade payables	130,219	130,011	100
Lease liabilities	3,413	3,433	99
Income tax payable	11,347	7,023	162
Contract liabilities	141,871	124,730	114
Other current liabilities	192,909	190,727	101
Total current liabilities	479,759	455,924	105
Total liabilities	642,344	618,598	104
Total equity and liabilities	2,640,789	2,537,683	104

Consolidated Income Statement of the Krka Group

€ thousand	Jan–Mar 2022	Jan–Mar 2021	Index
Revenue	432,468	395,797	109
– Revenue from contracts with customers	431,544	394,935	109
– Other revenue	924	862	107
Cost of goods sold	-182,552	-167,775	109
Gross profit	249,916	228,022	110
Other operating income	1,733	1,837	94
Selling and distribution expenses	-80,749	-71,975	112
– Of that net impairments and write-offs of receivables	1,563	417	375
R&D expenses	-41,825	-39,091	107
General and administrative expenses	-21,776	-22,533	97
Operating profit	107,299	96,260	111
Financial income	8,968	5,362	167
Financial expenses	-10,644	-475	2,241
Net financial result	-1,676	4,887	
Profit before tax	105,623	101,147	104
Income tax	-14,907	-14,792	101
Net profit	90,716	86,355	105
Attributable to:			
– Equity holders of the controlling company	90,394	86,526	104
– Non-controlling interests	322	-171	
Basic earnings per share* (€)	2.91	2.77	105
Diluted earnings per share** (€)	2.91	2.77	105

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

** All shares issued by the controlling company are ordinary shares, hence the diluted earnings per share ratio equalled basic earnings per share.

Consolidated Statement of Other Comprehensive Income of the Krka Group

€ thousand	Jan–Mar 2022	Jan–Mar 2021	Index
Net profit	90,716	86,355	105
Other comprehensive income for the period			
Other comprehensive income for the period reclassified to profit or loss at a future date			
Translation reserve	-12,984	5,420	
Net other comprehensive income for the period reclassified to profit or loss at a future date	-12,984	5,420	
Other comprehensive income for the period that will not be reclassified to profit or loss at a future date			
Change in fair value of financial assets	1,070	1,181	91
Restatement of post-employment benefits	-4	0	
Deferred tax effect	-203	-224	91
Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date	863	957	90
Total other comprehensive income for the period (net of tax)	-12,121	6,377	
Total comprehensive income for the period (net of tax)	78,595	92,732	85
Attributable to:			
– Equity holders of the controlling company	77,848	92,529	84
– Non-controlling interests	747	203	368

Consolidated Statement of Changes in Equity of the Krka Group

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

€ thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the controlling company	Non-controlling interests	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other profit reserves	Retained earnings	Profit for the period			
At 1 Jan 2021	54,732	-99,279	99,279	105,897	14,990	30,000	-35,059	-111,512	1,280,090	138,705	265,490	1,743,333	8,479	1,751,812
Net profit	0	0	0	0	0	0	0	0	0	0	86,526	86,526	-171	86,355
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	957	5,046	0	0	0	6,003	374	6,377
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	957	5,046	0	0	86,526	92,529	203	92,732
Transactions with owners, recognised in equity														
Transfer of previous period's profits to retained earnings	0	0	0	0	0	0	0	0	0	265,490	-265,490	0	0	0
Repurchase of treasury shares	0	-2,874	0	0	0	0	0	0	0	0	0	-2,874	0	-2,874
Formation of reserves for treasury shares	0	0	2,874	0	0	0	0	0	0	0	-2,874	0	0	0
Total transactions with owners, recognised in equity	0	-2,874	2,874	0	0	0	0	0	0	265,490	-268,364	-2,874	0	-2,874
At 31 Mar 2021	54,732	-102,153	102,153	105,897	14,990	30,000	-34,102	-106,466	1,280,090	404,195	83,652	1,832,988	8,682	1,841,670

Consolidated Statement of Cash Flows of the Krka Group

€ thousand	Jan–Mar 2022	Jan–Mar 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	90,716	86,355
Adjustments for:	19,429	44,198
– Amortisation/Depreciation	26,283	27,320
– Foreign exchange differences	-14,549	2,352
– Investment income	-9,206	-857
– Investment expenses	1,402	288
– Financial income	-10	-27
– Interest expense and other financial expenses	602	330
– Income tax	14,907	14,792
Operating profit before changes in net current assets	110,145	130,553
Change in trade receivables	-17,587	-27,154
Change in inventories	-13,789	11,884
Change in trade payables	14,716	4,784
Change in provisions	123	626
Change in deferred revenue	-207	-234
Change in other current liabilities	2,433	-1,571
Income tax paid	-13,008	-11,952
Net cash flow from operating activities	82,826	106,936
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	354	120
Dividends received	0	67
Proceeds from sale of property, plant and equipment	412	297
Purchase of property, plant and equipment	-17,245	-16,514
Purchase of intangible assets	-1,572	-491
Net payments for non-current loans	-36,196	-6,849
Net payments for/proceeds from current loans	-20,087	10,079
Net payments for non-current investments	-28,642	-5
Net proceeds from current investments	52,062	7,933
Net proceeds from derivatives	8,170	425
Net cash flow from investing activities	-42,744	-4,938
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-212	-39
Lease liabilities paid	-991	-812
Dividends and other profit shares paid	-19	0
Repurchase of treasury shares	-2,516	-2,874
Proceeds from payment of non-controlling interests	3,281	0
Net cash flow from financing activities	-457	-3,725
Net increase in cash and cash equivalents	39,625	98,273
Cash and cash equivalents at beginning of period	159,838	313,568
Effect of foreign exchange rate fluctuations on cash held	6,122	537
Closing balance of cash and cash equivalents	205,585	412,378

Segment Reporting of the Krka Group

€ thousand	European Union		South-eastern Europe		Eastern Europe		Other		Eliminations		Total	
	Jan-Mar 2022	Jan-Mar 2021	Jan-Mar 2022	Jan-Mar 2021	Jan-Mar 2022	Jan-Mar 2021	Jan-Mar 2022	Jan-Mar 2021	Jan-Mar 2022	Jan-Mar 2021	Jan-Mar 2022	Jan-Mar 2021
Revenue from external customers	236,061	220,535	24,694	23,032	146,723	132,131	24,990	20,099	0	0	432,468	395,797
– Revenue from contracts with customers	235,220	219,701	24,694	23,032	146,700	132,121	24,930	20,081	0	0	431,544	394,935
– Other revenue	841	834	0	0	23	10	60	18	0	0	924	862
Sales between Group companies	59,219	46,341	13,701	11,466	85,720	70,880	6,390	869	-165,030	-129,556	0	0
Other operating income	848	1,720	0	8	169	109	716	0	0	0	1,733	1,837
Operating expenses	-189,632	-176,504	-15,028	-13,734	-105,687	-95,654	-16,555	-15,482	0	0	-326,902	-301,374
Operating expenses to Group companies	-97,000	-81,031	-14,268	-12,838	-127,700	-133,175	-7,771	-3,666	246,739	230,710	0	0
Operating profit	47,277	45,751	9,666	9,306	41,205	36,586	9,151	4,617	0	0	107,299	96,260
Interest income	244	34	1	0	175	32	138	52	0	0	558	118
Interest income from Group companies	81	67	0	0	0	0	0	1	-81	-68	0	0
Interest expense	-358	-45	-3	-3	-28	-26	-2	-1	0	0	-391	-75
Interest expense to Group companies	-60	-70	0	0	0	0	0	0	60	70	0	0
Net financial result	-759	-1,506	43	-118	-3,369	5,968	2,409	543	0	0	-1,676	4,887
Income tax	-5,737	-8,192	-1,359	-1,277	-7,422	-4,833	-389	-490	0	0	-14,907	-14,792
Net profit	40,781	36,053	8,350	7,911	30,414	37,721	11,171	4,670	0	0	90,716	86,355
Investments	17,659	8,989	126	23	4,865	757	59	10	0	0	22,709	9,779
Depreciation	17,311	18,337	481	505	5,200	5,392	674	605	0	0	23,666	24,839
Depreciation of right-of-use assets	683	567	27	25	151	128	15	24	0	0	876	744
Depreciation of right-of-use assets within Group	0	1	0	0	1	2	0	0	-1	-3	0	0
Amortisation	1,041	1,067	85	85	539	512	76	73	0	0	1,741	1,737
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
Total assets	2,065,646	1,957,545	58,597	56,344	469,388	484,051	47,158	39,743	0	0	2,640,789	2,537,683
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	34,700	34,918	0	0	0	0	0	0	0	0	34,700	34,918
Total liabilities	419,151	405,218	21,056	23,401	158,838	151,208	43,299	38,771	0	0	642,344	618,598

Notes to Consolidated Financial Statements of the Krka Group

Costs by nature

€326,902 thousand

€ thousand	Jan–Mar 2022	Jan–Mar 2021	Index
Cost of goods and materials	126,843	101,216	125
Cost of services	62,694	55,270	113
Employee benefits	111,558	105,752	105
Amortisation and depreciation	26,283	27,320	96
Inventory write-offs and allowances (net)	2,775	4,318	64
Receivable impairments and write-offs (net)	1,563	417	375
Other operating expenses	7,989	8,071	99
Total costs	339,705	302,364	112
Change in the value of inventories of finished products and work in progress	-12,803	-990	1,293
Total	326,902	301,374	108

Employee benefits

€111,558 thousand

€ thousand	Jan–Mar 2022	Jan–Mar 2021	Index
Gross wages and salaries and continued pay	85,764	80,940	106
Social security contributions	7,016	6,633	106
Pension insurance contributions	11,362	10,557	108
Payroll tax	170	203	84
Post-employment benefits and other non-current employee benefits	1,812	1,962	92
Other employee benefits	5,434	5,457	100
Total employee benefits	111,558	105,752	105

Other operating expenses

€7,989 thousand

€ thousand	Jan–Mar 2022	Jan–Mar 2021	Index
Grants and assistance for humanitarian and other purposes	381	318	120
Environmental protection expenditures	1,491	1,149	130
Other taxes and levies	4,464	5,322	84
Loss on sale and write-offs of property, plant and equipment and intangible assets	426	177	241
Other operating expenses	1,227	1,105	111
Total other operating expenses	7,989	8,071	99

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

Financial income and expenses

€ thousand	Jan–Mar 2022	Jan–Mar 2021	Index
Net foreign exchange differences	0	4,803	
Interest income	558	118	473
Derivatives income	8,170	425	1,922
– Realised revenue	8,170	425	1,922
Other financial income	240	16	1500
Total financial income	8,968	5,362	167
Net foreign exchange differences	-8,870	0	
Interest expense	-391	-75	521
– Interest paid	-319	-3	10,633
– Interest expense on lease liabilities	-72	-72	100
Derivatives expenses	-894	-142	630
– Fair value change	-894	-142	630
Other financial expenses	-489	-258	190
Total financial expenses	-10,644	-475	2,241
Net financial result	-1,676	4,887	

Income tax

€14,907 thousand

Current income tax amounted to €18,513 thousand or 17.5% of profit before tax. Taking into account deferred tax of -€3,606 thousand, tax totalling

€14,907 thousand was expensed in the income statement. Effective tax rate was 14.1%.

Property, plant and equipment

€764,672 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Land	40,535	40,645	100
Buildings	349,667	359,247	97
Equipment	300,046	313,864	96
Property, plant and equipment being acquired	58,721	44,090	133
Advances for property, plant and equipment	4,243	4,743	89
Right-of-use assets	11,460	11,763	97
Total property, plant and equipment	764,672	774,352	99

Value of property, plant, and equipment accounted for 29% of the Krka Group balance sheet total. See

the 'Investments' section in the business report for details on Krka's major investments.

Intangible assets

€103,804 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Goodwill	42,644	42,644	100
Trademark	34,700	34,918	99
Concessions, trademarks and licences	22,651	22,806	99
Intangible assets being acquired	3,809	3,933	97
Total intangible assets	103,804	104,301	100

Loans

€288,996 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Non-current loans	76,469	40,300	190
– Loans to others	76,469	40,300	190
Current loans	212,527	192,360	110
– Portion of non-current loans maturing next year	1,803	1,826	99
– Loans to others	210,718	190,585	111
– Current interest receivables	6	-51	
Total loans	288,996	232,660	124

Non-current loans constituted 26% of total loans.

Current loans to others included bank deposits of the controlling company in total of €210,259 thousand maturing in more than 90 days.

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

Investments

€242,714 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Non-current investments	140,122	108,883	129
– Investments at fair value through OCI	16,930	15,861	107
– Investments at amortised cost	123,192	93,022	132
Current investments including derivatives	102,592	155,448	66
– Investments at amortised cost	101,995	113,987	89
– Derivatives	597	1,491	40
– Other current investments at fair value through profit or loss	0	39,970	0
Total investments	242,714	264,331	92

Investments at fair value through OCI comprised shares and interests in companies in Slovenia totalling €1,033 thousand and shares and interests in

companies located abroad totalling €15,897 thousand.

Inventories

€469,496 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Materials	177,502	188,994	94
Work in progress	111,251	104,640	106
Finished products	155,668	152,597	102
Merchandise	8,339	7,299	114
Advances for inventories	16,736	2,177	769
Total inventories	469,496	455,707	103

Trade and other receivables

€513,595 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Current trade receivables	485,721	467,764	104
– Trade receivables	492,995	468,589	105
– Deferred revenue from contracts with customers	-7,274	-825	882
Other current receivables	27,874	29,564	94
Total trade and other receivables	513,595	497,328	103

Cash and cash equivalents

€205,585 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Cash in hand	29	30	97
Bank balances	205,556	159,808	129
Total cash and cash equivalents	205,585	159,838	129

Bank balances included bank deposits of the controlling company in total of €60,000 thousand maturing in less than 30 days.

Equity

€1,998,445 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Share capital	54,732	54,732	100
Treasury shares	-117,057	-114,541	102
Reserves	135,047	145,077	93
– Reserves for treasury shares	117,057	114,541	102
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	-21,214	-22,077	96
– Translation reserve	-111,683	-98,274	114
Retained earnings	1,907,815	1,819,937	105
Total equity holders of the controlling company	1,980,537	1,905,205	104
Non-controlling interests	17,908	13,880	129
Total equity	1,998,445	1,919,085	104

Trade payables

€140,219 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Non-current trade payables	10,000	10,000	100
Current trade payables	130,219	130,011	100
Payables to domestic suppliers	55,328	46,767	118
Payables to foreign suppliers	74,891	83,244	90
Total trade payables	140,219	140,011	100

Non-current trade payables included liabilities to the European Commission. In 2014, the Commission of the European Union ruled that Krka infringed the provision of Article 101 of the *Treaty on the*

Functioning of the European Union, which resulted in a distortion of competition on the perindopril market of the European Union. Thus, it imposed a fine of €10,000 thousand on Krka. Krka paid the penalty

imposed within the deadline set by the Commission and filed a lawsuit against the Commission's decision before the General Court of the European Union, because it considered that its conduct did not violate the competition law rules. In December 2018, the Court ruled in favour of Krka. The decision of the General Court is not final, as the Commission lodged

an appeal against the decision of the General Court, which will be decided by the European Court of Justice. Although the Commission did indeed pay back the fine of €10,000 thousand in early 2019, Krka deferred the revenue based on the assessment of legal experts and recognised non-current trade payables in that same amount.

Provisions

€126,646 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Provisions for lawsuits	577	577	100
Provisions for post-employment benefits	104,929	104,429	100
Provisions for other non-current employee benefits	19,667	19,854	99
Other provisions	1,473	1,293	114
Total provisions	126,646	126,153	100

Deferred revenue

€6,668 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Grants received from the European Regional Development Fund and budget of the Republic of Slovenia intended for the production of pharmaceuticals in the new Noto1 2 plant	1,004	1,058	95
Grants received from the budget for the Dolenjske and Šmarješke Toplice health resorts and Golf Grad Otočec	3,298	3,320	99
Grants received from the European Regional Development Fund (Farma GRS)	2,248	2,376	95
Subsidy for acquisition of electric drive vehicles	3	3	100
Property, plant and equipment received free of charge	9	12	75
Emission coupons	10	10	100
Subsidy for purchase of joinery	93	93	100
Subsidy for acquisition of other equipment	3	3	100
Total deferred revenue	6,668	6,875	97

Current contract liabilities

€141,871 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Refund liabilities	134,429	116,965	115
– Bonuses and volume rebates	132,507	114,795	115
– Rights of return	1,922	2,170	89
Contract liabilities	7,442	7,765	96
– Contract liabilities – deferred revenue	1,117	1,101	101
– Contract liabilities – advances from other customers	6,325	6,664	95
Total current contract liabilities	141,871	124,730	114

Other current liabilities

€192,909 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Payables to employees – gross salaries, other receipts and charges	64,539	67,978	95
Liabilities under repurchase transactions (repo-type operations)	102,011	102,234	100
Other	26,359	20,515	128
Total other current liabilities	192,909	190,727	101

Contingent liabilities

€16,739 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Guarantees issued	15,766	16,019	98
Other	973	976	100
Total contingent liabilities	16,739	16,995	98

Fair value

€ thousand	31 Mar 2022		31 Dec 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial assets				
Loans	76,469	76,469	40,300	40,300
Investments at fair value through OCI	16,930	16,930	15,861	15,861
Investments at amortised cost	123,192	120,269	93,022	92,570
Current financial assets				
Loans	212,527	212,527	192,360	192,360
Investments through profit or loss	0	0	39,970	39,970
Investments at amortised cost	101,995	101,925	113,987	113,912
Derivatives	597	597	1,491	1,491
Trade receivables	485,721	485,721	467,764	467,764
Cash and cash equivalents	205,585	205,585	159,838	159,838
Non-current financial liabilities				
Trade payables	-10,000	-10,000	-10,000	-10,000
Lease liabilities	-8,405	-8,405	-8,724	-8,724
Current financial liabilities				
Lease liabilities	-3,413	-3,413	-3,433	-3,433
Trade payables excluding advances	-130,219	-130,219	-130,011	-130,011
Contract liabilities excluding advances	-132,507	-132,507	-114,795	-114,795
Liabilities under repurchase transactions (repo-type operations)	-102,011	-102,011	-102,234	-102,234
Other liabilities excluding amounts owed to the state, to employees, and advances	-19,883	-19,883	-4,241	-4,241
Total	816,578	813,585	751,155	750,628

In terms of fair value, assets and liabilities are classified into three levels:

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

Assets at fair value

€ thousand	31 Mar 2022				31 Dec 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Investments at fair value through OCI	15,543	0	1,387	16,930	14,474	0	1,387	15,861
Investments through profit or loss	0	0	0	0	39,970	0	0	39,970
Shares and interests held for trading	0	0	0	0	0	0	0	0
Derivatives	0	0	597	597	0	0	1,491	1,491
Total assets at fair value	15,543	0	1,984	17,527	54,444	0	2,878	57,322
Assets for which fair value is disclosed								
Loans	0	0	288,996	288,996	0	0	232,660	232,660
Trade receivables	0	0	485,721	485,721	0	0	467,764	467,764
Investments at amortised cost	222,194	0	0	222,194	206,482	0	0	206,482
Cash and cash equivalents	0	0	205,585	205,585	0	0	159,838	159,838
Total assets for which fair value is disclosed	222,194	0	980,302	1,202,496	206,482	0	860,262	1,066,744
Total	237,737	0	982,286	1,220,023	260,926	0	863,140	1,124,066

Liabilities at fair value

€ thousand	31 Mar 2022				31 Dec 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities for which fair value is disclosed								
Trade payables	0	0	10,000	10,000	0	0	10,000	10,000
Lease liabilities	0	0	11,818	11,818	0	0	12,157	12,157
Trade payables excluding advances	0	0	130,219	130,219	0	0	130,011	130,011
Contract liabilities excluding advances	0	0	132,507	132,507	0	0	114,795	114,795
Liabilities under repurchase transactions (repo-type operations)	0	0	102,011	102,011	0	0	102,234	102,234
Other liabilities excluding amounts owed to the state, to employees, and advances	0	0	19,883	19,883	0	0	4,241	4,241
Total liabilities for which fair value is disclosed	0	0	406,438	406,438	0	0	373,438	373,438
Total	0	0	406,438	406,438	0	0	373,438	373,438

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

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

€ thousand	31 Mar 2022	31 Dec 2021	Index
Assets			
Property, plant and equipment	563,255	570,086	99
Intangible assets	25,470	25,628	99
Investments in subsidiaries	351,471	346,444	101
Loans	58,896	31,010	190
Investments	140,122	108,882	129
Deferred tax assets	12,448	12,742	98
Other non-current assets	630	627	100
Total non-current assets	1,152,292	1,095,419	105
Assets held for sale	41	41	100
Inventories	398,741	394,323	101
Contract assets	0	300	0
Trade receivables	462,879	424,588	109
Other receivables	13,603	17,381	78
Loans	217,150	195,459	111
Investments	102,592	155,448	66
Cash and cash equivalents	182,608	144,981	126
Total current assets	1,377,614	1,332,521	103
Total assets	2,529,906	2,427,940	104
Equity			
Share capital	54,732	54,732	100
Treasury shares	-117,057	-114,541	102
Reserves	249,807	246,424	101
Retained earnings	1,775,242	1,689,527	105
Total equity	1,962,724	1,876,142	105
Liabilities			
Provisions	114,195	113,136	101
Deferred revenue	3,364	3,546	95
Trade payables	10,000	10,000	100
Lease liabilities	2,126	2,101	101
Total non-current liabilities	129,685	128,783	101
Trade payables	177,892	178,143	100
Borrowings	71,058	55,092	129
Lease liabilities	983	987	100
Income tax payable	9,308	4,611	202
Contract liabilities	22,661	19,477	116
Other current liabilities	155,595	164,705	94
Total current liabilities	437,497	423,015	103
Total liabilities	567,182	551,798	103
Total equity and liabilities	2,529,906	2,427,940	104

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

€ thousand	Jan–Mar 2022	Jan–Mar 2021	Index
Revenue	408,840	357,257	114
– Revenue from contracts with customers	406,989	355,678	114
– Other revenue	1,851	1,579	117
Cost of goods sold	-174,225	-148,463	117
Gross profit	234,615	208,794	112
Other operating income	363	686	53
Selling and distribution expenses	-70,752	-63,470	111
– Of that net impairments and write-offs of receivables	1,602	-287	
R&D expenses	-41,758	-38,704	108
General and administrative expenses	-18,446	-20,257	91
Operating profit	104,022	87,049	119
Financial income	8,701	5,101	171
Financial expenses	-9,830	-555	1,771
Net financial result	-1,129	4,546	
Profit before tax	102,893	91,595	112
Income tax	-14,662	-12,100	121
Net profit	88,231	79,495	111
Basic earnings per share* (€)	2.84	2.55	111
Diluted earnings per share** (€)	2.84	2.55	111

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

** All shares issued by the controlling company are ordinary shares, hence the diluted earnings per share ratio equalled basic earnings per share.

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

€ thousand	Jan–Mar 2022	Jan–Mar 2021	Index
Net profit	88,231	79,495	111
Other comprehensive income for the period			
Other comprehensive income for the period that will not be reclassified to profit or loss at a future date			
Change in fair value of financial assets	1,070	1,181	91
Deferred tax effect	-203	-224	91
Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date	867	957	91
Total other comprehensive income for the period (net of tax)	867	957	91
Total comprehensive income for the period (net of tax)	89,098	80,452	111

Statement of Changes in Equity of Krka, d. d., Novo mesto

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

€ thousand	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Other profit reserves	Retained earnings	Profit for the period	
At 1 Jan 2021	54,732	-99,279	99,279	105,897	14,990	30,000	-31,379	1,280,090	102,773	234,747	1,791,850
Net profit	0	0	0	0	0	0	0	0	0	79,495	79,495
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	957	0	0	0	957
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	957	0	0	79,495	80,452
Transactions with owners, recognised in equity											
Transfer of previous period's profits to retained earnings	0	0	0	0	0	0	0	0	234,747	-234,747	0
Repurchase of treasury shares	0	-2,874	0	0	0	0	0	0	0	0	-2,874
Formation of reserves for treasury shares	0	0	2,874	0	0	0	0	0	0	-2,874	0
Total transactions with owners, recognised in equity	0	-2,874	2,874	0	0	0	0	0	234,747	-237,621	-2,874
At 31 Mar 2021	54,732	-102,153	102,153	105,897	14,990	30,000	-30,422	1,280,090	337,520	76,621	1,869,428

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

€ thousand	Jan–Mar 2022	Jan–Mar 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	88,231	79,495
Adjustments for:	20,630	33,047
– Amortisation/Depreciation	20,452	21,362
– Foreign exchange differences	-7,736	-460
– Investment income	-8,740	-644
– Investment expenses	1,398	276
– Financial income	0	1
– Interest expense and other financial expenses	594	412
– Income tax	14,662	12,100
Operating profit before changes in net current assets	108,861	112,542
Change in trade receivables	-34,242	-6,999
Change in inventories	-4,418	8,116
Change in trade payables	1,536	-219
Change in provisions	693	580
Change in deferred revenue	-183	-210
Change in other current liabilities	-8,861	-7,266
Income tax paid	-9,874	-8,549
Net cash flow from operating activities	53,512	97,995
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	93	103
Dividends received	0	67
Proceeds from sale of property, plant and equipment	176	136
Purchase of property, plant and equipment	-10,593	-14,371
Purchase of intangible assets	-1,524	-337
Acquisition of subsidiaries and a share of minority interests net of financial assets acquired	-5,028	0
Net payments for non-current loans	-29,785	-119
Net payments for current loans	-19,735	9,233
Net payments for/proceeds from non-current investments	-28,639	4
Net proceeds from current investments	52,055	0
Net proceeds from derivatives	8,170	425
Net cash flow from investing activities	-34,810	-4,859
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-256	-182
Net proceeds from current borrowings	15,937	5,085
Lease liabilities paid	-289	-199
Dividends and other profit shares paid	-19	0
Repurchase of treasury shares	-2,516	-2,874
Net cash flow from financing activities	12,857	1,830
Net increase in cash and cash equivalents	31,559	94,966
Cash and cash equivalents at beginning of period	144,981	296,398
Effect of foreign exchange rate fluctuations on cash held	6,068	507
Closing balance of cash and cash equivalents	182,608	391,871

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

€ thousand	European Union		South-eastern Europe		Eastern Europe		Other		Total	
	Jan–Mar 2022	Jan–Mar 2021	Jan–Mar 2022	Jan–Mar 2021	Jan–Mar 2022	Jan–Mar 2021	Jan–Mar 2022	Jan–Mar 2021	Jan–Mar 2022	Jan–Mar 2021
Revenue	217,495	196,259	24,111	20,921	145,688	122,269	21,546	17,808	408,840	357,257
– Revenue from contracts with customers	215,738	194,700	24,111	20,921	145,683	122,267	21,457	17,790	406,989	355,678
– Other revenue	1,757	1,559	0	0	5	2	89	18	1,851	1,579
Other operating income	363	686	0	0	0	0	0	0	363	686
Operating expenses	-174,009	-157,809	-14,529	-13,203	-98,113	-85,389	-18,530	-14,493	-305,181	-270,894
Operating profit	43,849	39,136	9,582	7,718	47,575	36,880	3,016	3,315	104,022	87,049
Interest income	301	99	0	0	0	0	0	0	301	99
Interest expense	-406	-76	-1	0	-5	-3	0	-1	-412	-80
Net financial result	-1,015	-1,613	-33	-14	-2,300	5,658	2,219	515	-1,129	4,546
Income tax	-6,180	-5,440	-1,351	-1,073	-6,706	-5,126	-425	-461	-14,662	-12,100
Net profit	36,654	32,083	8,198	6,631	38,569	37,412	4,810	3,369	88,231	79,495
Investments	14,785	7,902	0	0	0	0	0	0	14,785	7,902
Depreciation	14,340	15,217	403	428	3,584	3,688	451	421	18,778	19,754
Depreciation of right-of-use assets	202	138	6	4	52	35	6	4	266	181
Amortisation	749	784	83	84	502	488	74	71	1,408	1,427
	31 Mar 2022	31 Dec 2022	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
Total assets	1,926,096	1,836,904	55,205	53,117	487,128	485,242	61,477	52,677	2,529,906	2,427,940
Total liabilities	383,354	372,823	19,815	22,299	126,585	125,083	37,428	31,593	567,182	551,798

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

Costs by nature

€305,181 thousand

€ thousand	Jan–Mar 2022	Jan–Mar 2021	Index
Cost of goods and materials	123,232	97,508	126
Cost of services	82,347	75,793	109
Employee benefits	76,589	72,740	105
Amortisation and depreciation	20,452	21,362	96
Inventory write-offs and allowances (net)	2,323	1,771	131
Receivable impairments and write-offs (net)	1,602	-287	
Other operating expenses	5,766	5,799	99
Total costs	312,311	274,686	114
Change in the value of inventories of finished products and work in progress	-7,130	-3,792	188
Total	305,181	270,894	113

Employee benefits

€76,589 thousand

€ thousand	Jan–Mar 2022	Jan–Mar 2021	Index
Gross wages and salaries and continued pay	58,698	55,426	106
Social security contributions	4,608	4,456	103
Pension insurance contributions	7,344	6,810	108
Post-employment benefits and other non-current employee benefits	1,653	1,815	91
Other employee benefits	4,286	4,233	101
Total employee benefits	76,589	72,740	105

Other operating expenses

€5,766 thousand

€ thousand	Jan–Mar 2022	Jan–Mar 2021	Index
Grants and assistance for humanitarian and other purposes	339	296	115
Environmental protection expenditures	1,128	761	148
Other taxes and levies	3,024	3,720	81
Loss on sale and write-offs of property, plant and equipment and intangible assets	421	165	255
Other operating expenses	854	857	100
Total other operating expenses	5,766	5,799	99

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

Financial income and expenses

€ thousand	Jan–Mar 2022	Jan–Mar 2021	Index
Net foreign exchange differences	0	4,577	0
Interest income	301	99	304
Derivatives income	8,170	425	1,922
– Realised revenue	8,170	425	1,922
Other financial income	230	0	
Total financial income	8,701	5,101	171
Net foreign exchange differences	-8,064	0	
Interest expense	-412	-80	515
– Interest paid	-399	-68	587
– Interest expense on lease liabilities	-13	-12	108
Derivatives expenses	-894	-142	630
– Fair value change	-894	-142	630
Other financial expenses	-460	-333	138
Total financial expenses	-9,830	-555	1,771
Net financial result	-1,129	4,546	

Income tax

€14,662 thousand

Current income tax amounted to €14,571 thousand or 14.2% of profit before tax. Taking into account deferred tax of €91 thousand, tax totalling

€14,662 thousand was expensed in the income statement. Effective tax rate was 14.2%.

Property, plant and equipment

€563,255 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Land	28,010	28,065	100
Buildings	243,406	248,553	98
Equipment	244,596	255,802	96
Property, plant and equipment being acquired	42,707	32,960	130
Advances for property, plant and equipment	1,473	1,661	89
Right-of-use assets	3,063	3,045	101
Total property, plant and equipment	563,255	570,086	99

Value of property, plant, and equipment accounted for 22% of Krka balance sheet total. See the

'Investments' section in the business report for details on Krka's major investments.

Intangible assets

€25,470 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Concessions, trademarks and licences	21,688	21,699	100
Intangible assets being acquired	3,782	3,929	96
Total intangible assets	25,470	25,628	99

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

Loans

€276,046 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Non-current loans	58,896	31,010	190
– Loans to subsidiaries	16,850	18,850	89
– Loans to others	42,046	12,160	346
Current loans	217,150	195,459	111
– Portion of non-current loans maturing next year	6,062	4,163	146
– Loans to subsidiaries	799	1,055	76
– Loans to others	210,274	190,287	111
– Current interest receivables	15	-46	
Total loans	276,046	226,469	122

Non-current loans constituted 21% of total loans.

internal acts, primarily for the purchase or renovation of housing facilities.

Non-current loans to others included loans which Krka extends to its employees in accordance with its

Current loans to others included bank deposits of €210,259 thousand maturing in more than 90 days.

Investments

€242,714 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Non-current investments	140,122	108,882	129
– Investments at fair value through OCI	16,929	15,860	107
– Investments at amortised cost	123,193	93,022	132
Current investments including derivatives	102,592	155,448	66
– Investments at amortised cost	101,995	113,987	89
– Derivatives	597	1,491	40
– Other current investments at fair value through profit or loss	0	39,970	0
Total investments	242,714	264,330	92

Financial assets at fair value through OCI comprised shares and interests in companies in Slovenia totalling €1,032 thousand and shares and interests in

companies located abroad totalling €15,897 thousand.

Inventories

€398,741 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Materials	167,796	183,593	91
Work in progress	99,286	89,744	111
Finished products	103,771	108,124	96
Merchandise	11,497	10,773	107
Advances for inventories	16,391	2,089	785
Total inventories	398,741	394,323	101

Trade and other receivables

€476,482 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Current trade receivables	462,879	424,588	109
– Receivables due from subsidiaries	260,600	234,064	111
– Receivables due from customers other than Group companies	225,315	191,294	118
– Deferred revenue from contracts with customers	-23,036	-770	2,992
Current receivables relating to dividends	99	99	100
Other current receivables	13,504	17,282	78
Total trade and other receivables	476,482	441,969	108

Cash and cash equivalents

€182,608 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Cash in hand	1	1	100
Bank balances	182,607	144,980	126
Total cash and cash equivalents	182,608	144,981	126

Bank balances included bank deposits of €60,000 thousand maturing in less than 30 days.

Equity

€1,962,724 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Share capital	54,732	54,732	100
Treasury shares	-117,057	-114,541	102
Reserves	249,807	246,424	101
– Reserves for treasury shares	117,057	114,541	102
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	-18,137	-19,004	95
Retained earnings	1,775,242	1,689,527	105
Total equity	1,962,724	1,876,142	105

Trade payables

€187,892 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Non-current trade payables	10,000	10,000	100
Current trade payables	177,892	178,143	100
Payables to subsidiaries	76,230	79,391	96
Payables to domestic suppliers	50,112	43,654	115
Payables to foreign suppliers	51,550	55,098	94
Total trade payables	187,892	188,143	100

Non-current trade payables included liabilities to the European Commission. In 2014, the Commission of the European Union ruled that Krka infringed the provision of Article 101 of the *Treaty on the Functioning of the European Union*, which resulted in a distortion of competition on the perindopril market

of the European Union. Thus, it imposed a fine of €10,000 thousand on Krka. Krka paid the penalty imposed within the deadline set by the Commission and filed a lawsuit against the Commission's decision before the General Court of the European Union, because it considered that its conduct did not violate

the competition law rules. In December 2018, the Court ruled in favour of Krka. The decision of the General Court is not final, as the Commission lodged an appeal against the decision of the General Court, which will be decided by the European Court of

Justice. Although the Commission did indeed pay back the fine of €10,000 thousand in early 2019, Krka deferred the revenue based on the assessment of legal experts and recognised non-current trade payables in that same amount.

Provisions

€114,195 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Provisions for lawsuits	543	543	100
Provisions for post-employment benefit	95,235	93,963	101
Provisions for other non-current employee benefits	18,417	18,630	99
Total provisions	114,195	113,136	101

Deferred revenue

€3,364 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Grants received from the European Regional Development Fund and budget of the Republic of Slovenia intended for the production of pharmaceuticals in the new Notol 2 plant	1,004	1,058	95
Subsidy for acquisition of electric drive vehicles	3	3	100
Property, plant and equipment received free of charge	3	3	100
Emission coupons	10	10	100
Subsidy for purchase of joinery	93	93	100
Subsidy for acquisition of other equipment	3	3	100
Grants received from the European Regional Development Fund (Farma GRS)	2,248	2,376	95
Total deferred revenue	3,364	3,546	95

Borrowings

€71,058 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Current borrowings	71,058	55,092	129
– Borrowings from subsidiaries	71,026	55,068	129
– Current interest payable	32	24	133
Total borrowings	71,058	55,092	129

Current contract liabilities

€22,661 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Refund liabilities	17,195	13,638	126
– Bonuses and volume rebates	17,195	13,638	126
Contract liabilities	5,466	5,839	94
– Contract liabilities – advances from other customers	5,466	5,839	94
Total current contract liabilities	22,661	19,477	116

Other current liabilities

€155,595 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Payables to employees – gross salaries, other receipts and charges	48,038	53,446	90
Liabilities under repurchase transactions (repo-type operations)	102,004	102,234	100
Other	5,553	9,025	62
Total other current liabilities	155,595	164,705	94

Contingent liabilities

€14,668 thousand

€ thousand	31 Mar 2022	31 Dec 2021	Index
Guarantees issued	13,695	13,695	100
Other	973	976	100
Total contingent liabilities	14,668	14,671	100

Fair value

€ thousand	31 Mar 2022		31 Dec 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial assets				
Loans	58,896	58,896	31,010	31,010
Investments at fair value through OCI	16,929	16,929	15,860	15,860
Investments at amortised cost	123,193	120,269	93,022	92,570
Current financial assets				
Loans	217,150	217,150	195,459	195,459
Investments through profit or loss	0	0	39,970	39,970
Investments at amortised cost	101,995	101,925	113,987	113,912
Derivatives	597	597	1,491	1,491
Trade receivables	462,879	462,879	424,588	424,588
Cash and cash equivalents	182,608	182,608	144,981	144,981
Non-current financial liabilities				
Trade payables	-10,000	-10,000	-10,000	-10,000
Lease liabilities	-2,126	-2,126	-2,101	-2,101
Current financial liabilities				
Borrowings	-71,058	-71,058	-55,092	-55,092
Lease liabilities	-983	-983	-987	-987
Trade payables excluding advances	-177,892	-177,892	-178,143	-178,143
Contract liabilities excluding advances	-17,195	-17,195	-13,638	-13,638
Liabilities under repurchase transactions (repo-type operations)	-102,004	-102,004	-102,234	-102,234
Other liabilities excluding amounts owed to the state, to employees, and advances	-4,632	-4,632	-2,741	-2,741
Total	778,357	775,363	695,432	694,905

In terms of fair value, assets and liabilities are classified into three levels:

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

Assets at fair value

€ thousand	31 Mar 2022				31 Dec 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Investments at fair value through OCI	15,543	0	1,386	16,929	14,474	0	1,386	15,860
Investments through profit or loss	0	0	0	0	39,970	0	0	39,970
Derivatives	0	0	597	597	0	0	1,491	1,491
Total assets at fair value	15,543	0	1,983	17,526	54,444	0	2,877	57,321
Assets for which fair value is disclosed								
Loans	0	0	276,046	276,046	0	0	226,469	226,469
Trade receivables	0	0	462,879	462,879	0	0	424,588	424,588
Investments at amortised cost	222,194	0	0	222,194	206,482	0	0	206,482
Cash and cash equivalents	0	0	182,608	182,608	0	0	144,981	144,981
Total assets for which fair value is disclosed	222,194	0	921,533	1,143,727	206,482	0	796,038	1,002,520
Total	237,737	0	923,516	1,161,253	260,926	0	798,915	1,059,841

Liabilities at fair value

€ thousand	31 Mar 2022				31 Dec 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities for which fair value is disclosed								
Trade payables	0	0	10,000	10,000	0	0	10,000	10,000
Borrowings	0	0	71,058	71,058	0	0	55,092	55,092
Lease liabilities	0	0	3,109	3,109	0	0	3,088	3,088
Trade payables excluding advances	0	0	177,892	177,892	0	0	178,143	178,143
Contract liabilities excluding advances	0	0	17,195	17,195	0	0	13,638	13,638
Liabilities under repurchase transactions (repo-type operations)	0	0	102,004	102,004	0	0	102,234	102,234
Other liabilities excluding amounts owed to the state, to employees, and advances	0	0	4,632	4,632	0	0	2,741	2,741
Total liabilities for which fair value is disclosed	0	0	385,890	385,890	0	0	364,936	364,936
Total	0	0	385,890	385,890	0	0	364,936	364,936

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 2022 have been prepared so as to provide a true and fair view of the financial position and operating results of the Krka Group and Krka. The condensed statements for the first quarter of 2022 have been prepared using the same accounting policies as for the annual financial statements of the Krka Group and Krka for 2021.

The condensed financial statements for the period ended 31 March 2022 have been prepared pursuant to IAS 34 – *Interim Financial Reporting* and have to

be read in conjunction with the annual financial statements prepared for the financial year ended 31 December 2021.

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

The Management Board states that all transactions between the Krka Group subsidiaries have been executed according to the concluded purchase contracts, using market prices of products and services. No significant business transactions were concluded with any other related parties.

Novo mesto, 21 April 2022



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