



The Krka Group and Krka, d. d. Unaudited Quaterly Report 1 January to 30 September 2020

Novo mesto, November 2020



Living a healthy life.

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INTRODUCTION

The condensed financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (Krka, d. d., Krka, or the controlling company) for the nine months ended 30 September 2020 and 30 September 2019 are unaudited, while financial statements for the full 2019 financial year are audited. Krka, d. d., Novo mesto does not have any authorised capital, nor any conditionally increased share capital.

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

Exchange electronic information dissemination system (SEOnet), in the Polish Financial Supervision Authority electronic information dissemination system (ESPI), and/or in the daily newspaper *Delo*. Reports on performance of the Krka Group and Krka, d. d. are available on the Krka website www.krka.si.

At its regular meeting of 18 November 2020, the Supervisory Board of Krka discussed the unaudited interim report of the Krka Group and Krka for the nine months ended 30 September 2020.

Business Performance Highlights for the Period

- The Krka Group product and service sales amounted to €1,156.6 million, of which product sales accounted for 98%.
- Compared to the same period last year, Krka Group product and service sales increased by €69.0 million or 6%.
- Volume sales growth was 8%.
- The Krka Group generated a good 94% of product and service sales outside Slovenia. The proportion of exports in product sales was 96%.
- Region East Europe recorded the highest absolute sales growth (€37.5 million) and the highest relative growth (11%).
- Accounting for 32.6% of overall sales, Krka Group's largest sales region was Region East Europe, followed by Region West Europe.
- The Krka Group generated operating profit of €300.8 million, up 57% over the same period last year. EBITDA amounted to €384.6 million, a 40% year-on-year increase.
- The Krka Group recorded net profit totalling €210.1 million, a 22% rise on the same period last year.
- As at 30 September 2020, the Krka share traded at €82.00 on the Ljubljana Stock Exchange, up 12.0% on year-end 2019. Market capitalisation of Krka amounted to €2.7 billion.
- The Krka Group allocated €53.8 million to investments, of that €39.9 million to the controlling company.
- At the end of September 2020, the Krka Group had 11,503 regularly employed persons on payroll. Total headcount including agency workers was 12,629.

Subsequent event

- The acquiring company Krka, d. d., Novo mesto acquired a subsidiary Farma GRS, farmacevtsko gospodarsko razvojno središče, d. o. o., in accordance with the Contract on Acquisition.

The acquisition was entered into the business register on 2 October 2020. As of this date, the acquired company ceased to exist. The acquisition had no impact that should be recognised in the income statement.

Financial Highlights

€ thousand	Krka Group			Company		
	Jan–Sept 2020	Jan–Sept 2019	Index	Jan–Sept 2020	Jan–Sept 2019	Index
Revenue	1,160,179	1,090,721	106	1,112,896	1,005,081	111
Gross profit	701,558	616,163	114	638,107	571,401	112
EBIT ¹	300,755	191,580	157	281,201	186,363	151
EBITDA	384,555	274,233	140	343,873	247,380	139
Net profit	210,145	171,930	122	197,268	174,830	113
R&D expenses	112,067	110,839	101	110,986	113,850	97
Investments	53,831	81,143	66	39,895	66,338	60
€ thousand	30 Sept 2020	31 Dec 2019	Index	30 Sept 2020	31 Dec 2019	Index
Non-current assets	996,090	1,041,833	96	1,058,162	1,069,616	99
Current assets	1,179,935	1,142,785	103	1,084,854	1,060,344	102
Equity	1,687,872	1,667,516	101	1,708,233	1,664,178	103
Non-current liabilities	162,150	160,905	101	122,313	119,789	102
Current liabilities	326,003	356,197	92	312,470	345,993	90
RATIOS	Jan–Sept 2020	Jan–Sept 2019		Jan–Sept 2020	Jan–Sept 2019	
Gross profit margin	60.5%	56.5%		57.3%	56.9%	
EBIT margin	25.9%	17.6%		25.3%	18.5%	
EBITDA margin	33.1%	25.1%		30.9%	24.6%	
Return on sales (ROS)	18.1%	15.8%		17.7%	17.4%	
Return on equity (ROE) ²	16.7%	14.5%		15.6%	14.7%	
Return on assets (ROA) ³	12.9%	11.1%		12.3%	11.8%	
Liabilities/Equity	0.289	0.319		0.255	0.269	
R&D expenses/Revenue	9.7%	10.2%		10.0%	11.3%	
NUMBER OF EMPLOYEES	30 Sept 2020	31 Dec 2019	Index	30 Sept 2020	31 Dec 2019	Index
Balance as at	11,503	11,696	98	6017	5907	102
SHARE INFORMATION	Jan–Sept 2020	Jan–Sept 2019	Index			
Total number of shares issued	32,793,448	32,793,448	100			
Earnings per share (EPS) in € ⁴	8.97	7.33	122			
Closing price at the end of the period in € ⁵	82.00	62.40	131			
Price/Earnings ratio (P/E)	9.14	8.51	107			
Book value in € ⁶	51.47	49.23	105			
Price/Book value (P/B)	1.59	1.27	126			
Market capitalisation in € thousand (end of period)	2,689,063	2,046,311	131			

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 Krka Group equity holders, annualised/Average number of shares issued in the period exclusive of treasury shares

⁵ Share price on the Ljubljana Stock Exchange

⁶ Equity at the end of the period/Total 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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E-mail info@krka.biz

Website www.krka.si

Core business Manufacture of pharmaceutical preparations

Business classification code 21.200

Year established 1954

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

Tax number 82646716

VAT number SI82646716

Company ID number 5043611

Share capital €54,732,264.71

Total number of shares issued 32,793,448 ordinary registered no-par value shares, 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

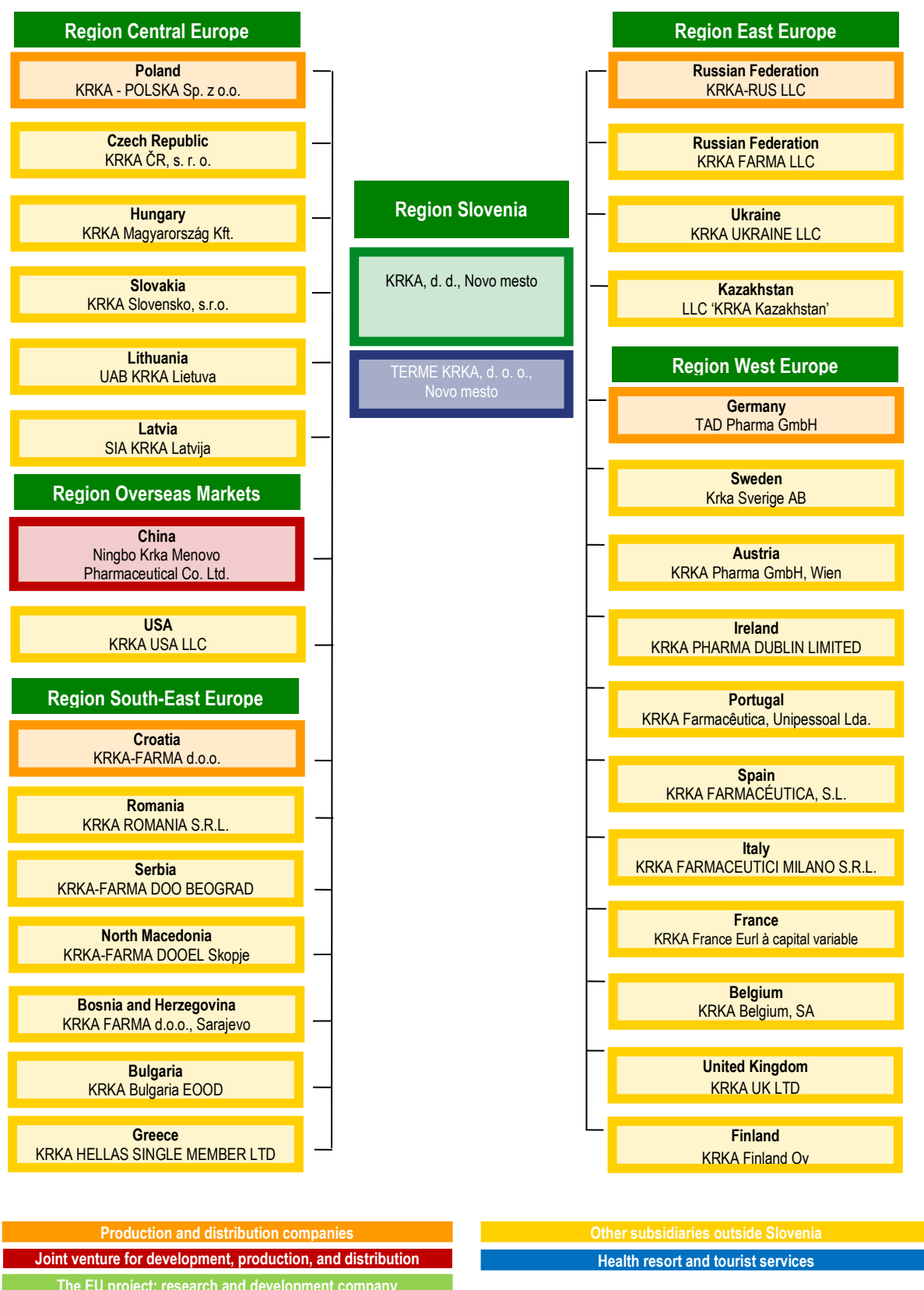
The Krka Group consists of the controlling company, Krka, d. d., Novo mesto, one subsidiary in Slovenia, i.e. Terme Krka, d. o. o., Novo mesto, and 30 subsidiaries outside Slovenia. The controlling company, Krka, d. d., Novo mesto, owns a 100% stake in all subsidiaries, except in: i) Ningbo Krka Menovo Pharmaceutical Co. Ltd., where the Chinese partner, Ningbo Menovo Pharmaceutical Co. Ltd., has a 40% stake; and ii) Krka Belgium, SA, where the subsidiary Krka France Eurl holds 5%.

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

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

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

Organisational Chart



Development Strategy

The Krka Group updates its development strategy every two years. In November 2019, the Management Board of Krka adopted the *2020–2024 Krka Group Development Strategy* and presented it to the Supervisory Board.

The achievement of strategic objectives is measured at three levels: i) the Krka Group, ii) product and service groups, and iii) business functions. The Group's performance criteria are monitored by the

Management Board, while criteria at the level of product and service groups and business functions are monitored by relevant committees. The guiding principle in managing the system of criteria is to increase the competitiveness of the Krka Group as a whole and of individual companies within the Group.

Key Krka Group objectives and strategies up to 2024 are set out below.

Key Strategic Objectives up to 2024

- To attain at least 5% average annual sales growth in terms of volume and/or value.
- To ensure high standards of product quality, safety, and efficacy.
- To provide sufficient quantities of manufactured products through an efficient and optimised development-and-production chain in a timely manner and in line with target sales growth and market needs.
- To keep the focus on maximising the long-term profitability of the products sold, from development and production to sales of finished products, including all other functions within the Krka Group.
- To ensure growth by long-term partnerships (including joint ventures) and acquisitions in addition to organic growth, when interesting

target companies become available. The primary goals are to secure new products and/or markets.

- To maintain the largest possible proportion of new products and the proportion of vertically integrated products in total sales in addition to the existing range of products also referred to as 'the golden standard'.
- To launch a selected product portfolio in selected key markets among the first generic pharmaceutical companies.
- To strengthen the competitive advantage of our product portfolio.
- To improve the cost-effective use of all assets.
- To increase the degree of innovation across all business functions.
- To maintain independence.

Key Strategic Guidelines up to 2024

- To focus primarily on European, central Asian, and Chinese markets.
- To maximise sales potential in all sales regions (Region Slovenia, Region South-East Europe, East Europe, Region Central Europe, Region West Europe, Region Overseas Markets).
- To focus especially on key markets (the Russian Federation, markets of western Europe, Poland, Slovenia, Romania, Hungary, Ukraine, the Czech Republic, Slovakia, and Croatia), with an emphasis on key customers and key products.
- To include certain markets of the Region Overseas Markets among the key markets.
- To establish and strengthen our presence in western European markets by operating through our own marketing and sales subsidiaries and by marketing products under our own brands (Krka and TAD Pharma).

- To seek opportunities for acquisition of pharmaceutical companies, business acquisitions, and various types of long-term partnerships (including joint ventures) in selected markets in order to attain new products and thus enter new therapeutic areas and/or markets.
- To strengthen the pharmaceutical and chemical industries and increase the range of prescription pharmaceuticals in key therapeutic areas (cardiovascular diseases, the gastrointestinal tract, the central nervous system, and pain relief) and other therapeutic areas (diabetes, antiplatelet therapy, oncology, and urologicals) while entering new therapeutic areas. We will introduce innovative products in key therapeutic areas (innovative combinations of two or three

- active ingredients, new strengths and pharmaceutical forms, and delivery systems).
- To increase the range of non-prescription products and animal health products, primarily products for companion animals, in selected therapeutic areas.
 - To further develop health resorts and tourist services with the possibility to seek strategic partners outside the Krka Group.
 - To allocate up to 10% of annual revenue to research and development.
 - To start developing similar biological medicines and complex peptides through partnerships.
 - To strengthen vertical integration from product development to manufacture.
 - To ensure a permanent supply of incoming materials and optimise purchasing to continually reduce purchase prices.
 - To develop generic medicines and prepare relevant registration documents prior to the expiry of data protection and obtain marketing authorisation before the product patent or marketing protection expires.
 - To ensure management and further growth of established products while taking into account new regulatory requirements concerning safety and quality of medicines, and obtaining additional marketing authorisations for new markets.
 - To manage and link data from various fields to provide product compliance.
 - To increase outsourcing of production and development of certain active ingredients and finished products.
 - To ensure functioning and improvement of the integrated management and quality systems, which provide for the manufacture of safe, effective, and quality products in accordance with cGXP guidelines and regulations on quality in the pharmaceutical industry.
 - To invest in production, development, and infrastructure facilities in a stable and optimal manner.
- To reduce the impact of financial risks on the Krka Group operations.
 - To pursue a stable dividend policy and consider the Krka Group's financial requirements for investments and acquisitions when determining the net profit share for dividend payout each year, and to allocate at least 50% of net profit of majority shareholders for dividends.
 - To further pursue digitalisation of our business and i) introduce digital technologies for automation and optimisation of business processes and procedures; ii) support and strengthen cooperation within the corporation and with the entire supply chain; and iii) make available relevant data or information for taking business decisions and therefore provide added value to our stakeholders.
 - To manage information technology efficiently and in compliance with regulatory standards, and ensure high availability (more than 99% for the key information systems and services) and information security of the implemented IT solutions.
 - To strengthen all types of connections with external institutions and companies in the field of development and other fields.
 - To strengthen professional and cost synergies within the Krka Group and maximise the utilisation of competitive advantages in the business environments of Krka subsidiaries abroad.
 - To strengthen internationalisation within the Krka Group by managing employee potential in an international environment and ensure the activation of all human resource potential.
 - To maintain our economic, social, and environmental responsibilities to the environments in which we operate.
 - To enhance the visibility and positive image of the Krka Group.
 - To ensure corporate integrity, transparency, and corporate and business compliance.

2020 Krka Group Performance Estimate

- Annual sales of products and services will meet the plan and are estimated at €1,520 million. According to our estimates, sales are projected to grow by 2% on 2019.
- Sales outside Slovenia are expected to account for 94% of total sales.
- Region East Europe is expected to be the largest sales region. The Russian Federation is expected to remain the largest individual market. Region Central Europe with our second largest individual market Poland, Region West Europe with our third largest individual market Germany, Region South-East Europe, Region Slovenia, and Region Overseas Markets are projected to follow in this order.
- Prescription pharmaceuticals are expected to remain the most important product group with a 85% share of total sales.
- According to our estimates, profit will be higher than planned, especially on the back of growth in value and volume, and will reach approximately €260 million.
- We plan to allocate a solid €78 million to investments in our own development, production, and infrastructure facilities. The figure is below the initial plan due to restrictions imposed by the state to curb the coronavirus pandemic. All our investments included in our business plan are currently in progress.
- At the end of 2020, the Krka Group is expected to have almost 12,000 regular employees on payroll, of that a good 47% abroad.
- We used currently available data for drawing up this performance estimate. Actual operating results may deviate from the estimates in case any further restrictions in connection with the coronavirus pandemic are instigated or unfavourable foreign exchange fluctuations, primarily of the Russian rouble, should prevail.

BUSINESS REPORT

Financial Risks

Foreign Exchange Risk

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

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

With regard to currency risk management, the key policy of the Krka Group remains to mitigate foreign currency exposure by natural hedging. To a limited extent, we also use plain vanilla derivative financial instruments. In 2020, we have continued our policy of partial hedging against the Russian rouble and U.S. dollar by financial instruments.

Due to the coronavirus pandemic, we recorded high exchange rate volatility in currency markets in the first nine months of 2020.

The value of the Russian rouble denominated in the euro fell by 18.6% in the first quarter of 2020. In the second quarter, the value climbed, but then slumped again in the third quarter. Currency exposure of the Krka Group is the highest in relation to the Russian rouble and generates the great majority of foreign exchange differences. From the beginning of the year until the end of the third quarter, the value of the Russian rouble plunged by 23.8%. The average value of the Russian rouble in the first nine months of 2020 dropped by 8.6% on the same period in 2019. In the first three quarters of 2020, the Krka Group

generated foreign exchange losses from the long position in the Russian rouble, which were partially neutralised through revenue from forward contracts.

The 2020 drop in the value of the rouble was attributed to slumping oil prices on global markets, unfavourable currency trends on emerging markets, poor prospects with regard to the global economic recovery, and geopolitical circumstances related to the Russian Federation.

Other currencies significant to Krka, i.e. the Polish zloty, Romanian leu, Croatian kuna, Hungarian forint, Ukrainian hryvnia, Kazakh tenge, and Czech koruna, had a far lesser negative impact on the Krka Group net financial result.

The Krka Group accrued a surplus of liabilities over assets in the U.S. dollar and a short currency position. Over the first three quarters of 2020, the value of the U.S. dollar fell by 4%. Lower dollar value favourably impacted the Krka Group's operating result. At the same time, we generated financial expenses from hedging the U.S. dollar that negatively affected net financial result of the Krka Group.

Taking into account net foreign exchange differences, income and expenses relating to derivative financial instruments and interest rates, as well as other financial income and expenses, total net financial result in the first nine months of 2020 was negative and generated a €50.5 million loss.

Interest Rate Risk

In the first nine months of 2020, the Krka Group raised no non-current borrowings and was therefore not exposed to the risk of changes in reference interest rates.

Credit Risk

The key credit risk of the Krka Group arises from trade receivables. This is the risk of clients failing to settle their liabilities by maturity dates.

The Krka Group introduced a centralised credit control process for all customers with credit limits exceeding €20,000. Numbering over 500 at the end

of the third quarter, their trade receivables accounted for approximately 95%. Receivables by small customers accounted for approximately 5% of total Krka Group receivables. Decentralised control is in place, exerted by the sales network under constant supervision of the controlling company.

In the second quarter of 2020, we extended and supplemented insurance for trade receivables with a credit insurance company. At the end of the third quarter, more than 95% of Krka Group trade receivables were insured with the credit insurance company.

Despite the risks arising from the coronavirus situation, receivables were favourably managed in the first nine months of 2020. Despite advancing sales, trade receivables dropped by 18% on the

Liquidity Risk

In the first nine months of 2020, the risks related to the Krka Group's liquidity were managed by effective short-term cash flow planning. We employed cash flows from operating activities to provide for short-term liquidity. During the first nine months of the year, we did not draw any additional funds from short-term

Property, Liability, and Business Interruption Insurance

In the observed period, no changes were made in relation to the Krka Group insurance policies. Krka concluded insurance contracts for 2020 and extended liability insurance for Management and Supervisory Board members at the end of March. No major damages to property or damages arising from liability insurance were reported in the period.

Investor and Share Information

In the first nine months of 2020, the Krka share price on the Ljubljana Stock Exchange rose by 12%. Over the same period, holdings of treasury shares increased, while holdings of Slovenian retail

beginning of 2020 and were 15% below the 2019 third quarter mark. This is primarily due to annual sales dynamics and favourable outcome of receivable collection.

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

The maturity structure of receivables remained stable. With respect to total trade receivables, the percentage of overdue receivables was low also at the end of the third quarter of the year. We identified no particularities when collecting receivables.

revolving and fixed borrowings from banks. We monitor cash flows from operating activities by daily, rolling weekly, monthly, and long-term planning. We maintain optimal cash balances on subsidiary bank accounts. All Krka Group liabilities were settled on time.

Despite the fact that the scope of the insured property increased, the insurance premium grew slower than sales as a result of successful negotiations and insurance optimisation. In transport insurance, we have significantly simplified administrative procedures, i.e. we introduced electronic certificates and paperless communication.

investors, legal entities and institutional investors, as well as foreign investors diminished. At the end of September 2020, Krka had a total of 47,614 shareholders.

Shareholder structure (%)

	30 Sept 2020	31 Dec 2019
Slovenian retail investors	38.3	38.5
Slovenski državni holding (SDH, Slovenian Sovereign Holding) and the Republic of Slovenia	16.2	16.2
Kapitalska družba, d. d. (Pension Fund Management) and Prvi pokojninski sklad (First Pension Fund)	10.9	10.9
Slovenian legal entities and institutional investors	7.2	7.6
Foreign investors	22.9	23.0
Treasury shares	4.5	3.8
Total	100.0	100.0

In the first nine months of 2020, Krka acquired 246,530 treasury shares.

As at 30 September 2020, Krka held 1,480,782 treasury shares, accounting for 4.515% of share capital.

Ten largest shareholders as at 30 September 2020

	Country	Number of shares	Share in equity (%)	Share in voting rights (%)
Kapitalska družba, d. d.	Slovenia	3,493,030	10.65	11.16
Slovenski državni holding, d. d. (SDH)	Slovenia	2,949,876	9.00	9.42
Republic of Slovenia	Slovenia	2,366,016	7.21	7.56
OTP banka d.d.*	Croatia	1,522,935	4.64	4.86
Addiko Bank d.d. Pension Fund 1	Croatia	1,197,638	3.65	3.82
Clearstream Banking S.A.*	Luxembourg	870,134	2.65	2.78
Luka Koper, d. d.	Slovenia	433,970	1.32	1.39
Zavarovalnica Triglav, d. d.	Slovenia	388,300	1.18	1.24
Addiko Bank d.d. Pension Fund 2	Croatia	351,594	1.07	1.12
Smallcap World Fund Inc.	USA	335,262	1.02	1.07
Total		13,908,755	42.41	44.42

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

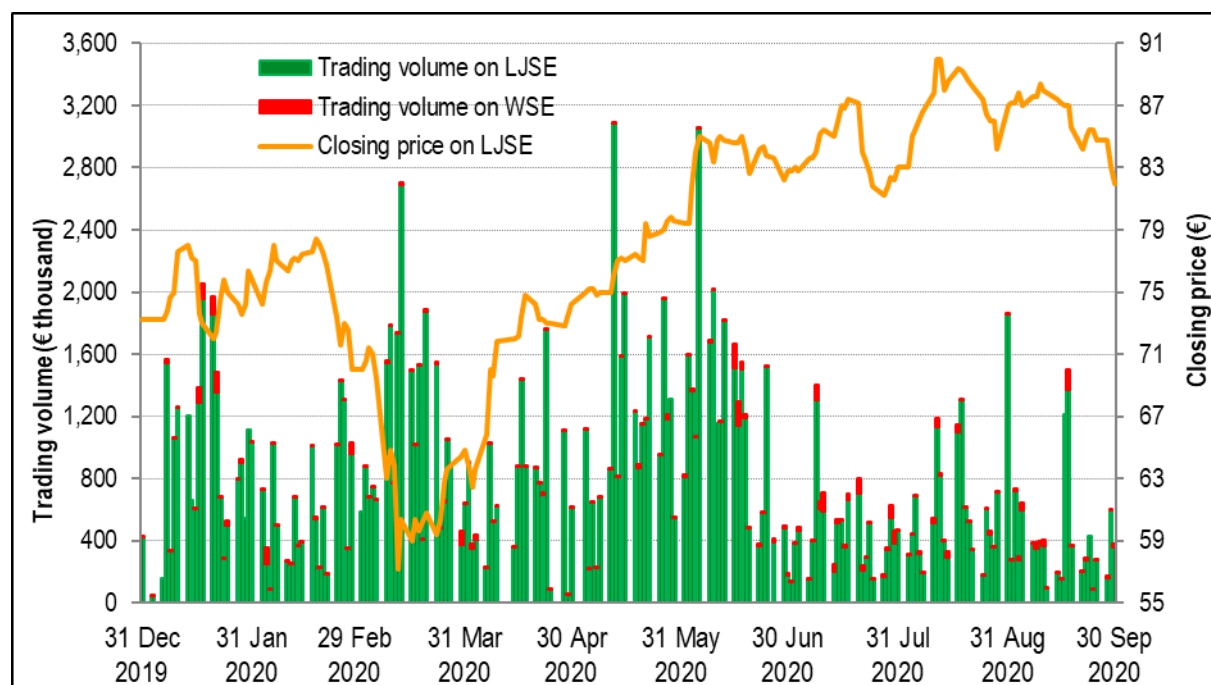
As at 30 September 2020, ten largest Krka shareholders held 13,908,755 shares or 42.41% of total shares issued.

As at 30 September 2020, 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 corresponding voting rights of the Management and Supervisory Board members as at 30 September 2020

	Number of shares	Share in equity (%)	Share in voting rights (%)
Management Board members			
Jože Colarič	22,500	0.069	0.072
David Bratož	0	0	0
Aleš Rotar	13,915	0.042	0.044
Vinko Zupančič	120	0	0
Milena Kastelic	505	0.002	0.002
Total Management Board members	37,040	0.113	0.118
Supervisory Board members			
Jože Mermal	0	0	0
Julijana Kristl	230	0.001	0.001
Boris Žnidarič	0	0	0
Matej Lahovnik	600	0.002	0.002
Borut Jamnik	0	0	0
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	0
Total Supervisory Board members	3,347	0.011	0.011

Krka share trading in January–September 2020



Over the first nine months, the Krka share price on the Ljubljana Stock Exchange ranged as follows: it peaked in mid-August, when it traded at €90.00, and reached its low in mid-March, after the outbreak of the coronavirus pandemic, when it amounted to

€57.20. On 30 September 2020, Krka shares traded at €82.00 per share.

Market capitalisation of Krka on the Ljubljana Stock Exchange amounted to €2.7 billion on

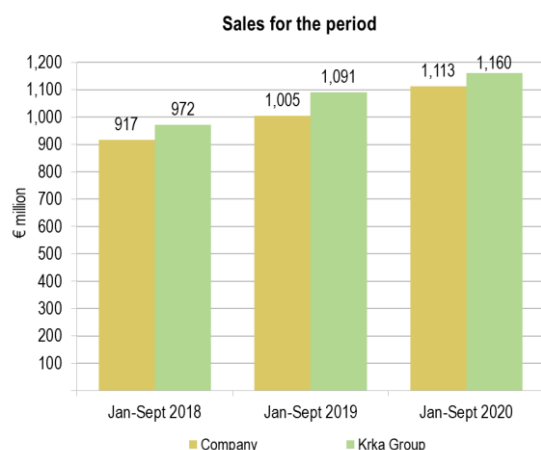
30 September 2020. In this period, the average daily trading volume of Krka shares reached €0.79 million.

Since April 2012, Krka shares have been listed on the Warsaw Stock Exchange as well.

Business Performance

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

Revenue



The Krka Group generated €1,160.2 million through sales, of which revenue from contracts with

customers on sales of products and services amounted to €1,156.6 million. Revenue from contracts with customers on sales of materials and other sales revenue constituted the difference. Sales grew by €69.5 million, a 6% rise on the same period last year.

Other operating income amounted to €5.6 million, while financial income totalled €21.3 million. The Krka Group generated total revenue of €1,187.1 million, up 6% on the same period last year.

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

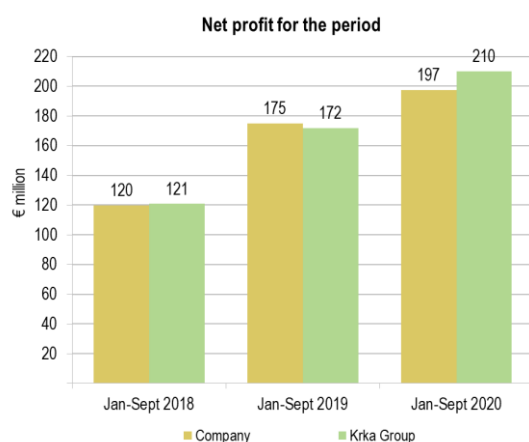
Expenses

Total expenses of the Krka Group amounted to €936.8 million, up 2% on the same period last year.

The Krka Group incurred operating expenses of €865.0 million, down 5% on the same period last year. They comprised costs of goods sold in the amount of €458.6 million, selling and distribution expenses of €229.9 million, R&D expenses of €112.1 million, and general and administrative expenses totalling €64.5 million.

Costs of goods sold dropped by 3% from the same period last year and accounted for 39.5% of revenue. Selling and distribution expenses declined by 12% and constituted 19.8% of revenue. R&D expenses increased by 1% 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 up by 7% and constituted 5.6% of revenue.

Operating Results



The Krka Group recorded operating profit of €300.8 million, a 57% rise on the same period last year. EBITDA amounted to €384.6 million, a 40% year-on-year increase.

Profit before tax amounted to €250.3 million, up 24% compared to the same period last year. Income tax totalled €40.1 million, and the effective tax rate was 16.0%.

The Krka Group recorded net profit of €210.1 million, a 22% year-on-year increase.

Assets

At the end of September 2020, the Krka Group's assets amounted to €2,176.0 million, levelling off at the previous year-end figure.

Non-current assets accounted for 45.8% of total assets, down 1.9 percentage points from the beginning of the year. The most important item under non-current assets totalling €996.1 million was property, plant and equipment valued at €812.6 million. Its value decreased by 6% compared

to year-end 2019 and accounted for 37.3% of total Krka Group assets. Intangible assets amounted to €106.6 million, a 2% drop on year-end 2019.

Current assets increased by 3% to €1,179.9 million in the period from January to September 2020. In the same period, inventories grew by 8% to €454.1 million. Receivables contracted by 17% to €387.8 million, of which trade receivables totalled €358.6 million, an 18% drop from year-end 2019.

Equity and Liabilities

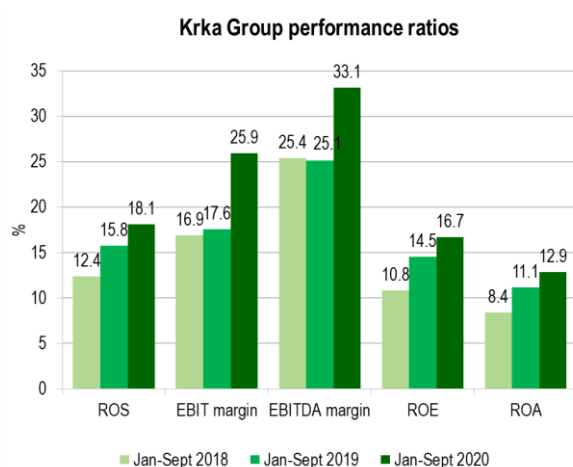
Equity of the Krka Group totalled €1,687.9 million, a 1% increase on year-end 2019, and accounted for 77.6% of total equity and liabilities.

Amounting to €162.2 million, non-current liabilities accounted for 7.5% of the Krka Group balance sheet total, a 1% rise on year-end 2019. Provisions totalled €123.6 million (of which €118.6 million accounted for post-employment and other non-current employee benefits, €2.1 million for provisions for lawsuits, and

€2.9 million for other provisions), up 3% compared to the end of 2019.

Current liabilities dropped by 8% to €326.0 million or 15.0% of balance sheet total on 2019 year end. Of current liabilities, trade payables totalled €112.4 million, down 13% on year-end 2019. Liabilities from contracts with customers saw a 13% drop to €107.2 million, while other current liabilities grew by 2% to €84.3 million.

Performance Ratios



The Krka Group ROS for the first nine months of 2020 was 18.1%, EBIT margin 25.9%, and EBITDA margin 33.1%.

At the Krka Group level, annualised ROE was 16.7% and annualised ROA 12.9%.

Marketing and Sales

In the first three quarters of 2020, the Krka Group's sales generated €1,160.2 million, a 6% year-on-year rise. Of that, revenue from contracts with customers on sales of products and services amounted to €1,156.6 million, likewise a 6% rise on the same period of 2019. Sales in markets outside Slovenia reached €1,092.0 million and accounted for 94% of total Krka Group sales. Product sales volume increased by 8% on the same period last year.

The pandemic situation impacted sales in individual countries. Generally speaking, the demand and therefore sales shot up in the first quarter, and so did the inventories in the distribution chain. This caused the demand to drop in the second quarter of the year. The pandemic impact on sales weakened in the third quarter, and sales returned to the planned levels. Cold season in the first half of the year was weak, contributing to a particularly strong negative

deviation from the multiple-year dynamics in sales of antibiotics and non-prescription products usually sold in autumn and winter. The trend, however, was positive in prescription pharmaceuticals for chronic therapies established in individual markets and

Ecocid S, the disinfectant from the animal health product range. Fluctuations of certain central and east European currencies also negatively impacted euro-denominated sales in the third quarter of the year.

Product and Service Sales by Region

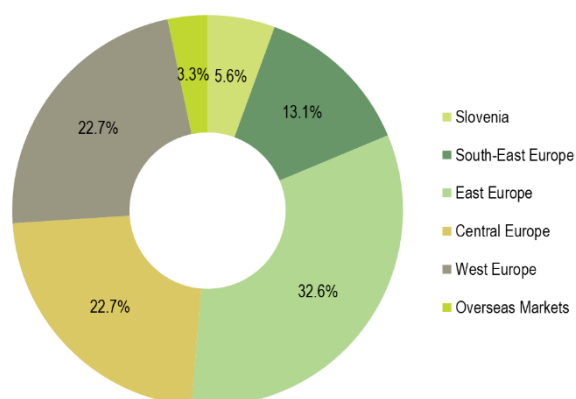
Region East Europe recorded the highest sales, €377.2 million, or 32.6% of total Krka Group sales. Region West Europe followed with €263.0 million, or 22.7% of total Krka Group sales. The third most productive region was Region Central Europe with €262.0 million, or 22.7% of total Krka Group sales.

Sales in Region South-East Europe totalled €151.8 million, accounting for 13.1% of total sales, and in Region Overseas Markets €38.0 million, or 3.3% of total sales. Sales by Region Slovenia amounted to €64.6 million, or 5.6% of total Krka Group sales.

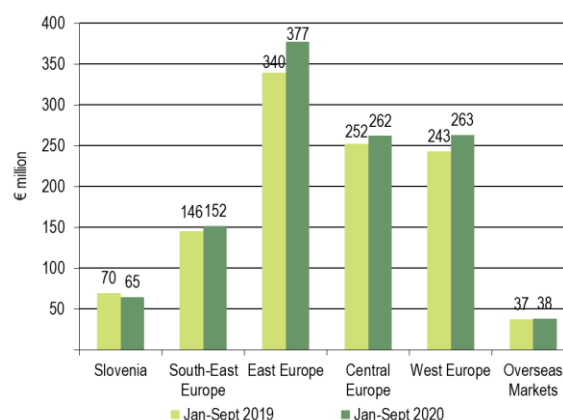
Product and Service Sales by Region

€ thousand	Krka Group			Company		
	Jan–Sept 2020	Jan–Sept 2019	Index	Jan–Sept 2020	Jan–Sept 2019	Index
Region Slovenia	64,554	69,914	92	42,223	39,984	106
Region South-East Europe	151,813	145,558	104	151,429	143,983	105
Region East Europe	377,183	339,676	111	206,250	201,411	102
Region Central Europe	262,003	251,988	104	251,662	240,722	105
Region West Europe	263,030	243,091	108	248,443	203,350	122
Region Overseas Markets	37,982	37,343	102	33,718	33,447	101
Total	1,156,565	1,087,570	106	933,725	862,897	108

Structure of Krka Group Product and Service Sales by Region, January–September 2020



Krka Group Product and Service Sales by Region January–September 2019 and 2020



Region Slovenia

Sales of products and services in Slovenia amounted to €64.6 million. Product sales of €42.2 million composed the major proportion of sales total and recorded a 6% year-on-year increase. Sales of prescription pharmaceuticals grew by 4% to €30.7 million and accounted for 73% of product sales. Comprising 21% of sales total, non-

prescription products generated €8.9 million, up 5%. Animal health product sales grew by 30% to €2.7 million, constituting 6% of product sales. Health resorts and tourist services generated €22.3 million, a 25% year-on-year downturn.

Products from our key therapeutic classes promoted in marketing campaigns, above all: i) cardiovascular diseases; ii) central nervous system; iii) gastrointestinal tract; iv) pain relief; v) systemic treatment of infections; vi) vitamins and minerals; vii) cold and flu products; and viii) disinfectants; contributed to sales the most.

Of key brands of medicines for the treatment of cardiovascular diseases, Prenessa (perindopril), Prenewel (perindopril/indapamide), Amlessa (perindopril/amlodipine), and Amlewel (perindopril/amlodipine/indapamide) should be mentioned, as they strengthened our leading marketing position and earned us further recognition in the market of antihypertensive agents. Of the statin product group, we strengthened the leading marketing position of Sorvasta (rosuvastatin) and raised brand awareness of Sorvitimb (rosuvastatin/ezetimibe) single-pill combination. From our range of medicines for the treatment of pain, we primarily focused on two analgesics, Doreta (tramadol/paracetamol) and Nalgesin Forte (naproxen). We further strengthened recognition of two central nervous system agents, our newly launched antipsychotic Parnido (paliperidone) and an antidepressant Dulsevia

Region South-East Europe

In the first three quarters of 2020, product sales in Region South-East Europe amounted to €151.8 million, a 4% year-on-year increase. Sales increased in all markets of the Region, except in Croatia, where they levelled off at last year's figure. In terms of value, key markets Romania and Croatia contributed most to sales total.

In **Romania**, our key and leading regional market, where we ranked among leading providers of generic prescription pharmaceuticals, sales amounted to €44.7 million, a 4% year-on-year rise. We recorded the strongest sales with two medicines for the treatment of cardiovascular diseases, Atoris (atorvastatin) and Co-Prenessa (perindopril/indapamide). They were followed by Doreta (tramadol/paracetamol) and Roswera (rosuvastatin). Our non-prescription products also recorded sales growth. Bilobil (ginkgo leaf extract) and Nalgesin (naproxen) recorded the strongest sales in terms of value. The Herbion brand products, Septanazal (xylometazoline/dexpanthenol), and our new product Vitamin D3 (cholecalciferol) were also very important in terms of sales. Sales of our animal health products were 11% higher this year than in the same period last year. Animal health products presented a rise

(duloxetine). We increased brand awareness of the newly launched Dutamyz (dutasteride/tamsulosin) from our urology range. We added Dasatinib Krka (dasatinib) to our oncology range.

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

Sales of Krka's non-prescription products were driven by: i) Nalgesin S (naproxen); ii) Magnezij Krka 300 and Magnesol; iii) the Daleron product line; and iv) the Septolete brand products. Our newly launched Vitamin D3 Krka (cholecalciferol) was well received by healthcare professionals and users alike.

Our top-selling animal health products were the disinfectant Ecocid S, followed by Fypryst (fipronil/S-methoprene), and vitamin-and-mineral feed supplement Grovit. We added a new broad-spectrum antiparasitic Prinocate (imidacloprid/moxidectin) to our companion animal range.

thanks to good sales of i) our disinfectant Ecocid S; ii) products for farm animals with the leading Enroxil (enrofloxacin); and iii) companion animal products, especially Milprazon (milbemycin/praziquantel) and the Fypryst brand products.

Sales in **Croatia**, also one of our key markets, generated €26.9 million, levelling off year on year. We ranked fourth among all providers of generic medicines and second among manufacturers of medicines for veterinary use. Prescription pharmaceuticals constituted the major part of overall sales, primarily due to strong sales of:

- Atoris (atorvastatin);
- Co-Perineva (perindopril/indapamide);
- Emanera (esomeprazole);
- Helax (alprazolam);
- Roswera (rosuvastatin),
- Valsacombi (valsartan/hydrochlorothiazide);
- Doreta (tramadol/paracetamol);
- Dalneva (perindopril/amlodipine); and
- Co-Dalneva (perindopril/amlodipine/indapamide).

Co-Dalneva (perindopril/amlodipine/indapamide) and Co-Perineva (perindopril/indapamide) presented the highest growth in absolute terms. Of non-

prescription products, which saw an 11% year-on-year drop, Nalgesin (naproxen) and the Septotele brand products sold best. Year on year, sales of animal health products went up by 6%. Products sold under the Fypryst brand, Enroxil (enrofloxacin), Ecocid, and Vitamin AD3E recorded the strongest sales.

In **Serbia**, sales reached €21.2 million, a 6% year-on-year rise. Prescription pharmaceuticals accounted for 84% of sales, up 6%. The highest sales were achieved by:

- Nolpaza (pantoprazole);
- Roxera (rosuvastatin);
- Co-Amlessa (perindopril/amlodipine/indapamide),
- Atoris (atorvastatin);
- Co-Prenessa (perindopril/indapamide);
- Ampril (ramipril);
- Valsacor (valsartan); and
- Valsacombi (valsartan/hydrochlorothiazide).

Co-Amlessa (perindopril/amlodipine/indapamide) and Co-Prenessa (perindopril/indapamide) presented the highest absolute growth. Sales of non-prescription products decreased by 8% year on year. Key products included Bilobil (ginkgo leaf extract), Nalgesin (naproxen), and products of the Septotele and Herbion brands. Year on year, sales of animal health products jumped by 31%. Products sold under the Fypryst and Dehinel brands, Enroxil (enrofloxacin), and Calfoset recorded the strongest sales.

We recorded a 5% increase in **Bulgaria**. Sales amounted to €17.2 million with prescription pharmaceuticals holding the major share primarily due to strong sales of:

- Co-Valsacor (valsartan/hydrochlorothiazide), a 69% market share;
- Valsacor (valsartan), a 78% market share;
- Roswera (rosuvastatin);
- Co-Amlessa (perindopril/amlodipine/indapamide);
- Nolpaza (pantoprazole);
- Co-Prenessa (perindopril/indapamide); and
- Wamlox (amlodipine/valsartan).

Sales of non-prescription products saw a slight year-on-year decline, whereas sales of animal health products increased a little.

In **North Macedonia**, we generated sales of €16.6 million, up 6% year on year. Krka has retained

the first place among foreign providers of generic medicines in the country. Prescription pharmaceuticals generated the strongest sales, recording 7% sales growth. Strongest sales among our prescription pharmaceuticals were recorded by:

- Roswera (rosuvastatin);
- Nolpaza (pantoprazole);
- Enap (enalapril);
- Atoris (atorvastatin); and
- Lorista (losartan).

Non-prescription product sales lagged slightly behind year-on-year sales. Septanazal (xylometazoline/dexpanthenol), Bilobil (ginkgo leaf extract), the Daleron product line, Septotele, and Nalgesin (naproxen) added most to overall sales. We also recorded sales growth in animal health products. Products sold under the Fypryst brand, Ecocid, and Enroxil (enrofloxacin) sold best.

In **Bosnia and Herzegovina**, we recorded 4% sales growth. Sales of prescription pharmaceuticals totalled €16.2 million and contributed to product sales most substantially. We retained the first place among foreign providers of generic medicines in the country. The following prescription pharmaceuticals generated strongest sales:

- Enap H/HL (enalapril/hydrochlorothiazide);
- Roswera (rosuvastatin);
- Lexaurin (bromazepam);
- Enap (enalapril);
- Atoris (atorvastatin); and
- Nolpaza (pantoprazole).

Compared to the same period last year, a slight downturn in sales of non-prescription products was recorded. Nalgesin (naproxen) and B-Complex recoded strongest sales. Sales of animal health products went up, driven by the Fypryst brand products and Calfoset.

In **Kosovo**, sales generated €5.1 million (9% growth), and we maintained our position among the leading providers of medicines in the country.

In **Albania**, we generated €2.6 million by product sales, or 25% more than in the same period last year. Prescription pharmaceuticals added the most to overall sales, in particular Ultop (omeprazole), Nolpaza (pantoprazole), and Lorista (losartan).

Montenegro sales amounted to €1.4 million, a 12% climb compared to the same period last year.

Region East Europe

Region East Europe generated product sales of €377.2 million and achieved an 11% year-on-year rise. Year on year, sales increased in all our regional markets except in Turkmenistan. Sales grew most substantially in the Russian Federation, our leading regional and largest individual market, where we achieved the highest absolute sales growth in the region.

In the **Russian Federation**, which remained our key and largest individual market, product sales reached €240.3 million, up 10% compared to the same period last year. Krka ranked third among foreign providers of generic pharmaceuticals in the Russian Federation. Prescription pharmaceuticals constituted 86% of our sales in the country, recording 14% year-on-year growth. The following pharmaceuticals generated strongest sales:

- Lorista (losartan);
- Valsacor (valsartan);
- Lorista H/HD (losartan/hydrochlorothiazide);
- Atoris (atorvastatin);
- Nolpaza (pantoprazole);
- Valsacor H/HD (valsartan/hydrochlorothiazide);
- Vamloset (valsartan/amlodipine);
- Co-Perineva (perindopril/indapamide);
- Perineva (perindopril);
- Roxera (rosuvastatin);
- Zyllt (clopidogrel); and
- Co-Dalneva (perindopril/amlodipine/indapamide).

Product lines of Valsacor or Vamloset and Perineva or Dalneva and Nolpaza (pantoprazole) presented the highest absolute and relative sales growth. Telmista H (telmisartan/hydrochlorothiazide) and Etorix (etoricoxib), the two medicines introduced recently, also recorded sales growth. Roxatenz (rosuvastatin/perindopril/indapamide) was successfully launched on the market. We are the leading provider of prescription pharmaceuticals in the pharmacy segment and have been strengthening our position of the leading provider of medicines for the treatment of cardiovascular diseases in the Russian Federation. We won the Best Prescription Pharmaceutical Producer in Russia Award for the second successive year at the online conference arranged by IQVIA, an international organisation present in more than one hundred countries throughout the world, whose core business is rendering independent research-and-development and counselling services to pharmaceutical and biopharmaceutical companies. According to data collected by IQVIA, we grew quickly in Russia, above

all thanks to the following key brand names of prescription pharmaceuticals: Valsacor, Vamloset, Lorista, Co-Dalneva, Co-Perineva, Roxera, and Telmista. Sales of our non-prescription products were driven by Septolete Total (benzylamine/cetylpyridinium chloride) and the Herbion brand products. Good sales were recorded also by Ulcavis (bismuth), Panatus (butamirate), introduced to the market over the past few years, and Sleepzone (doxylamine), added to our portfolio recently. Sales of animal health products presented an 11% increase. Trisulfon (sulfamonomethoxine/trimethoprim), Floron (florfenicol), and Milprazon (milbemycin/praziquantel) generated highest sales.

We have been increasing production capacities in our subsidiary Krka-Rus. From January to September 2020, our Russian plant manufactured 81% of our products on demand in the Russian Federation, strengthening our position of a domestic manufacturer.

Our sales in another key market, **Ukraine**, amounted to €59.7 million, a 10% rise from the same period in 2019. Our growth rate significantly outstripped overall pharmaceutical market volume growth, further strengthening our market share in the country. In terms of value, we placed second among foreign providers of generic medicines in the country. Prescription pharmaceuticals, our leading product group, grew most significantly by 12% and generated €50.8 million. Cardiovascular agents recorded strongest sales, in particular antihypertensives Co-Prenessa (perindopril/indapamide) and Co-Amlessa (perindopril/amlodipine/indapamide). We should also mention Nolpaza (pantoprazole), our medicine for the treatment of the gastrointestinal tract, Krka's second top-selling medicine. As the market contracted, year-on-year sales of our non-prescription products reached 94%, but the situation much improved in the last month of the third quarter. Products of the Herbion and Septolete brands, and Nalgesin (naproxen) were top-selling products. Sales of animal health products went up by 23% on the third quarter of 2019.

Subregion East Europe B

Subregion East Europe B, composed of Belarus, Mongolia, Azerbaijan, and Armenia, generated €27.5 million through sales, up 14% compared to the same period last year.

Year-on-year sales in **Belarus** climbed by 21% to €13.4 million. According to the available data, we ranked second among foreign providers of generic medicines in the country.

We increased sales of prescription pharmaceuticals, our key product group, by 21%. Co-Amlessa (perindopril/amlodipine/indapamide), Nolpaza (pantoprazole), and Lorista H/HD (losartan/hydrochlorothiazide) topped sales. Of non-prescription products, Septotele Total (benzylamine/cetylpyridinium chloride) and products marketed under the Herbion brand sold best.

In **Mongolia**, sales increased by 5% to €6.6 million from the third quarter of 2019. We remained the leading foreign manufacturer of pharmaceuticals in the country. Our prescription pharmaceutical sales went up by 13%, while non-prescription products saw a 20% drop. A significant proportion of sales was generated by actively promoted new medicines:

- Vamloset (amlodipine/valsartan);
- Atoris (atorvastatin);
- Amlessa (perindopril/amlodipine); and
- Roxera (rosuvastatin).

Nolpaza (pantoprazole) and Lorista (losartan) remained leaders in terms of sales. We started marketing Dilaxa (celecoxib), Levaxela (levofloxacin), and Co-Amlessa (perindopril/amlodipine/indapamide).

In **Azerbaijan**, sales of prescription pharmaceuticals increased by 21%. Despite a drop in sales of non-prescription products, overall sales reached €4.4 million, up 14% year on year. Top-selling products were:

- Dexamethason (dexamethasone);
- Co-Amlessa (perindopril/amlodipine/indapamide);
- Amlessa (perindopril/amlodipine);
- Co-Prenessa (perindopril/indapamide);
- Nolpaza (pantoprazole), and
- Enap (enalapril).

In **Armenia**, sales reached €3.2 million, a 12% year-on-year rise. The following prescription pharmaceuticals added most to sales:

- Co-Amlessa (perindopril/amlodipine/indapamide);
- Captopril (captopril); and
- Atoris (atorvastatin).

Subregion East Europe K

Our Subregion East Europe K includes Kazakhstan, Moldova, and Kyrgyzstan. The subregional sales in the first nine months of the year totalled €22.8 million, a 10% year-on-year rise. All three subregional markets recorded growth, Kyrgyzstan the highest.

Sales in **Kazakhstan** totalled €11.7 million, a 9% increase on the third quarter of 2019. The bulk, 71%, was generated by sales of prescription pharmaceuticals. Leading medicines were:

- Atoris (atorvastatin);
- Enap (enalapril);
- Nolpaza (pantoprazole); and
- Dexamethason (dexamethasone).

Non-prescription products accounted for 25% of overall sales. Herbion, Duovit, and Pikovit brand products recorded strongest sales.

In **Moldova**, we generated €7.6 million by product sales, a 7% year-on-year rise. Prescription pharmaceuticals accounted for 78% of country sales volume, up 17%. Lorista (losartan), Ampril (ramipril), and Rawel SR (indapamide) generated strongest sales. Of non-prescription products, Septanazal (xylometazoline/dexpanthenol) and the Septotele brand products presented the strongest sales.

In **Kyrgyzstan**, product sales generated €3.6 million, or 25% more than in the same period last year. According to the available data, we ranked third among foreign providers of generic medicines in the country. We increased sales of prescription pharmaceuticals, our key product group, by 16%, and of non-prescription products by 59%. Atoris (atorvastatin), Lorista (losartan), and Nolpaza (pantoprazole) were the leading prescription pharmaceuticals in terms of sales.

Subregion East Europe U

Subregion East Europe U consists of Uzbekistan, Georgia, Tajikistan, and Turkmenistan. Subregional product sales totalled €26.8 million, a 21% increase compared to the same period last year. We recorded growth in three countries, the highest in Georgia and Tajikistan, while in Turkmenistan we recorded a sales drop.

In **Uzbekistan**, where we are one of the three biggest pharmaceutical providers in the country, our sales totalled €18.9 million, a 17% year-on-year climb. Prescription pharmaceuticals were at the forefront, above all:

- Amlessa (perindopril/amlodipine);
- Lortenza (losartan/amlodipine);
- Lorista (losartan); and
- Valodip (valsartan/amlodipine).

Sales of our non-prescription products, comprising 24% of overall sales, were driven by products sold under the Septotele, Pikovit, and Herbion brands.

In **Georgia**, our product sales advanced by 51% to €4.9 million. Prescription pharmaceuticals contributed most to sales total, in particular:

- Lorista H/HD (losartan/hydrochlorothiazide);
- Co-Amlessa (perindopril/amlodipine/indapamide);
- Roswera (rosuvastatin); and
- Enap H/HL (enalapril/hydrochlorothiazide).

Region Central Europe

Region Central Europe generated product sales of €262.0 million, up 4% year on year. We recorded the highest growth in terms of value in Poland, and the highest growth in relative terms in Estonia. Sales also increased in other regional markets, except in Slovakia and Hungary.

Poland remained our leading and key regional market. Product sales reached €123.9 million, a 4% year-on-year increase. We ranked third among foreign providers of generic medicines in the country. Sales of prescription pharmaceuticals, our leading product group, went up by 4%, the highest growth in absolute terms. Sales growth dynamics in most key therapeutic areas was above the average also due to strong sales of our new products introduced to the market in the recent years. With respect to value, medicines from the reimbursement list contributed the most to sales total, above all:

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

We remained one of the leading producers of prescription pharmaceuticals from the reimbursement list for patients aged 75 years plus. Year on year, sales of non-prescription products decreased by 24%. Our animal health products generated sales of €5.4 million, an 18% year-on-year rise. Top-selling products included Floron (florfenicol); the Dehinel brand products and Fypryst;

Sales of non-prescription products constituted 8% of overall sales, and were driven by Nalgesin (naproxen) and the Herbion brand products.

In **Tajikistan**, year-on-year sales increased by 29% to €1.7 million. Prescription pharmaceuticals generated strongest sales, in particular Dexamethason (dexamethasone) and Naklofen (diclofenac). The Pikovit brand products were top-selling non-prescription products and also our leading products in general.

In **Turkmenistan**, product sales totalled €1.3 million, a 12% year-on-year decrease. The leading prescription pharmaceutical in terms of sales was Nolpaza (pantoprazole), while Herbion and Pikovit brand products topped sales of non-prescription products.

Milprazon (milbemycin/praziquantel); and Enroxil (enrofloxacin).

In **Hungary**, our key and second biggest regional market, where we ranked second among mostly foreign providers of generic pharmaceuticals, sales amounted to €38.5 million, slightly down on the same period last year. Prescription pharmaceuticals accounted for the major part of sales, in particular:

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

Year on year, sales of non-prescription products reached 80% of the last year's figure. Animal health product sales jumped by 31%, adding €1.6 million to overall sales. Products sold under the Fypryst brand, Milprazon (milbemycin/praziquantel), and Entemulin (tiamulin) fared the best.

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 €35.0 million or 4% more than in the same period last year. Prescription pharmaceuticals maintained the leading position in sales, in particular:

- Lexaurin (bromazepam);
- Atoris (atorvastatin);

- Valsacombi (valsartan/hydrochlorothiazide);
- Sorvasta (rosuvastatin); and
- Prenewel (perindopril/indapamide).

They were followed by:

- Tonanda (perindopril/amlodipine/indapamide);
- Doreta (tramadol/paracetamol);
- Asentra (sertraline);
- Elicea (escitalopram);
- Emanera (esomeprazole); and
- Nolpaza (pantoprazole).

Year-on-year sales of non-prescription products saw a drop. Nalgesin S (naproxen) and the Septolete brand products remained most important in terms of sales. Animal health products presented 37% growth in sales. Products of the Fypryst and Dehinel brands presented the strongest sales.

In **Slovakia**, which is also our key market, product sales totalled €28.8 million, a 3% downturn. We placed third among all providers of generic medicines in the country. Prescription pharmaceuticals constituted the bulk of total sales, especially:

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

Non-prescription product sales declined, but animal health products recorded a 31% sales leap. Key products were Enroxil (enrofloxacin), the Fypryst brand products, and Entemulin (tiamulin).

In **Lithuania**, our sales went up by 9% to €16.7 million. Prescription pharmaceuticals accounted for 86% of total country sales with key products:

- Valsacombi (valsartan/hydrochlorothiazide);
- Valsacor (valsartan);
- Roswera (rosuvastatin);
- Nolpaza (pantoprazole); and

Region West Europe

The markets of Region West Europe as a whole classify as our key markets. After record sales in the first half of the year, the positive sales trend continued also in the third quarter of 2020. Our sales grew by 8% to €263.0 million year on year. Sales increased in all regional markets except in the United Kingdom, Spain, and the Scandinavian countries.

- Atoris (atorvastatin).

Year on year, sales of non-prescription products saw a drop, reaching 75% of the last year's figure. Year-on-year sales of animal health products advanced by 32%. Products sold under the Fypryst brand and Milprazon (milbemycin/praziquantel) were at the forefront.

In **Latvia**, we made €10.9 million through sales and recorded a 17% increase compared to the same period last year. Prescription pharmaceuticals accounted for the largest share in sales, especially:

- Co-Amlessa (perindopril/amlodipine/indapamide);
- Prenewel (perindopril/indapamide);
- Rosuvastatin Krka (rosuvastatin);
- Atoris (atorvastatin); and
- Nolpaza (pantoprazole).

Sales of non-prescription products made €1.1 million, a slight year-on-year drop. Daleron COLD3 (paracetamol/pseudoephedrine/dextromethorphan), Septabene (benzylamine/cetylpyridinium chloride), and Septanazal (xylometazoline/dexpanthenol) were leading products in the segment. Sales of animal health products went up by 22% compared to the same period last year, and the Fypryst brand products stood out.

Sales in **Estonia** totalled €8.1 million, a 38% year-on-year surge. Prescription pharmaceuticals contributed to sales the most, of which

- Darunavir Krka (darunavir);
- Roswera (rosuvastatin);
- Co-Prenessa (perindopril/indapamide);
- Atoris (atorvastatin);
- Co-Dalnessa (perindopril/amlodipine/indapamide);
- Nolpaza (pantoprazole); and
- Prenessa (perindopril)

recorded the strongest sales. The Septolete brand products topped our non-prescription product sales, and the Fypryst brand products were at the head of our animal health sales.

We achieved the strongest sales in Germany, the Scandinavian countries, and Spain. In Germany, we recorded the highest absolute sales growth, and the greatest relative growth in Benelux. Sales of our own product brands through subsidiaries increased by 8% to constitute 75% of overall regional sales. Sales

through unrelated parties accounted for 25% of overall sales and amounted to €66.7 million.

Prescription pharmaceuticals were the leading product group, accounting for 91% of total regional sales, a 9% year-on-year sales increase. We recorded the highest absolute sales growth in Germany, France, and Benelux. Most important medicines were those containing valsartan, esomeprazole, candesartan, and clopidogrel. Year on year, we recorded a 2% decline in sales of animal health products, primarily due to a drop in sales to unrelated parties. At the same time, sales of animal health products through our own sales network went up by 19% and accounted for 55% of our animal health sales in the region. In terms of sales, products containing the combination of milbemycin and praziquantel remained the leaders. Non-prescription product sales rose by 21% and accounted for less than 2% of the regional sales. Our Septotele brand products generated the strongest sales.

Germany remained our largest regional market with sales total of €73.1 million. The 32% sales rise was primarily due to good sales of advanced antihypertensives. We remained the leading provider of generic varieties of sartans in Germany. Product sales of TAD Pharma, our German subsidiary, generated €68.4 million, a 31% year-on-year surge. Prescription pharmaceuticals were at the forefront, especially combinations of valsartan and amlodipine; valsartan, amlodipine and hydrochlorothiazide; and candesartan and hydrochlorothiazide. Sales of non-prescription products saw a 16% increase and animal health products a 14% rise.

In the **Scandinavian countries**, sales dipped by 2% to €46.3 million. Our leading individual market remained Sweden, and was followed by Finland, Denmark, Norway, and Iceland where we recorded the highest (34%) growth. Sales were driven by medicines containing losartan, candesartan, venlafaxine, sertraline, and esomeprazole. In Norway, we retained the leading position by many medicines, above all those containing esomeprazole, valsartan, and enalapril.

In **Spain**, we generated €28.4 million by product sales, or 15% less than in the same period last year. Medicines containing donepezil, quetiapine, bisoprolol, and pramipexole generated strongest sales.

In **Italy**, year-on-year sales value went up by 8% and amounted to €26.7 million. We increased sales in all

our product groups, but non-prescription products recorded double-digit growth. Medicines containing clopidogrel, pantoprazole, gliclazide, and quetiapine generated most substantial sales.

In **France**, our product sales totalled €26.3 million, and growth reached 16%. The largest proportion was generated by sales through unrelated parties, primarily by medicines containing esomeprazole, clopidogrel, and gliclazide. Sales through our subsidiary Krka France grew by 34% in terms of value and accounted for 28% of our overall country sales value. Prescription pharmaceuticals generated strongest sales, above all tadalafil, dasatinib, and esomeprazole. From our non-prescription product group, the medicine containing paracetamol stood out and became our subsidiary's second best selling product in the period. We should also mention strong sales of our animal health products for protection of companion animals against parasites, above all the combination of milbemycin and praziquantel.

In **Portugal**, sales increased by 9% and totalled €19.2 million. In this way, we retained more than a 5% market share on the Portuguese market of generic pharmaceuticals. The leading prescription pharmaceuticals were products containing esomeprazole, olanzapine, and pramipexole.

In **Benelux**, sales amounted to €12.6 million, a 40% take off. Medicines containing esomeprazole, venlafaxine, and clopidogrel stood out most in terms of sales. Emtricitabine/tenofovir combinations, valsartan, and valsartan/hydrochlorothiazide combinations added the most to overall sales. Animal health products advanced by 36%, with the combination of milbemycin and praziquantel at the forefront.

Sales in the **United Kingdom** totalled €9.5 million, a 35% year-on-year fall. Prescription pharmaceuticals added the most to overall sales, above all those containing perindopril, irbesartan, and losartan. Sales through our subsidiary Krka UK rose by 16% and accounted for 30% of total country sales.

In **Ireland**, we generated €7.6 million by product sales, a 5% year-on-year rise. We remained among the leading providers of generic medicines containing valsartan, esomeprazole, tadalafil, venlafaxine, duloxetine, and pregabalin.

In **Austria**, our sales saw a 23% rise to €7.4 million. Sales were driven by medicines containing pregabalin, duloxetine, and valsartan.

In **other West European countries**, we made most of our sales through unrelated parties. Our product

sales totalled €6.0 million, or 20% more than in the same period last year.

Region Overseas Markets

Our Region Overseas Market increased sales by 2% to a total of €38.0 million. Prescription pharmaceuticals sold under our own brand names through distributors or unrelated parties in most regional markets accounted for the major part of the overall sales.

economic situation in the area. Sales of our products amounted to €15.4 million, a 20% year-on-year drop. The main reason for the drop in sales was the availability of foreign currencies for settling accounts receivable in Iran.

In countries of the **Far East** and **Africa**, we made €21.6 million by sales and recorded 25% growth. Our product sales were the highest in Vietnam. The Republic of South Africa, Malaysia, China, and Ghana followed. Sales were driven by:

We recorded 29% lower year-on-year sales in Iran, while in all other countries our sales increased. Next to Iran, our largest regional markets were Iraq, Saudi Arabia, Lebanon, and Yemen. Acentra (sertraline), Emanera (esomeprazole), Yasnal (donepezil), Zyllt (clopidogrel), and Nolpaza (pantoprazole) generated the strongest sales.

- Lanzul (lansoprazole);
 - Palprostes (saw palmetto extract);
 - Kamiren (doxazosin);
 - Emanera (esomeprazole);
 - Tenox (amlodipine); and
- Doreta (tramadol/paracetamol).

The smallest regional office operates in markets of the **Americas**. Especially in the countries of the Central America, our product sales generated €1.1 million, a 30% year-on-year rise. Valsacor (valsartan), Valsaden (valsartan/hydrochlorothiazide), Yasnal (donepezil), and Rawel (indapamide) were our medicines in highest demand.

When doing business in the countries of the **Middle East**, we still encounter challenges posed by the

Product and Service Sales by Category

In the period from January to September 2020, medicinal products for human use were the most important product group in the sales structure of the Krka Group, accounting for 93.3% of total sales. Prescription pharmaceuticals constituted 85.7% of the Krka Group total sales, followed by non-prescription products, and animal health products.

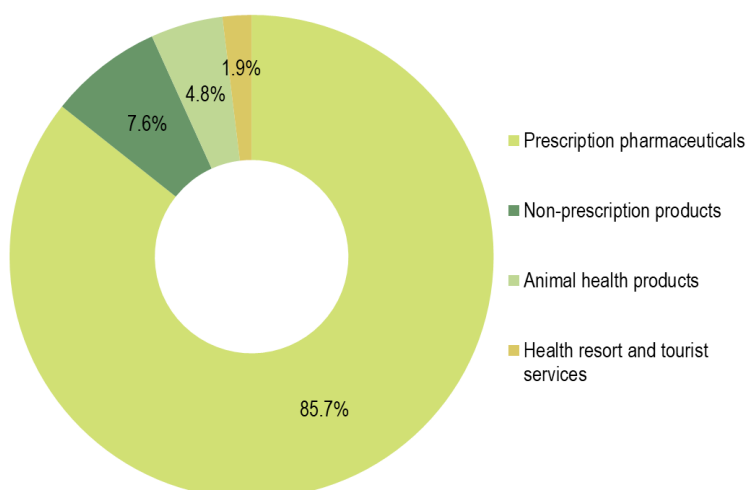
Year on year, sales of prescription pharmaceuticals saw an 8% rise and sales of animal health products a 9% climb, while non-prescription product sales declined by 5%.

Sales of health resort and tourist services constituted 1.9% of total Krka Group sales, a 25% decrease on the same period last year on the back of the coronavirus pandemic.

Product and Service Sales by Category

€ thousand	Krka Group			Company		
	Jan–Sept 2020	Jan–Sept 2019	Index	Jan–Sept 2020	Jan–Sept 2019	Index
Human health medicines	1,078,414	1,006,584	107	880,613	814,839	108
– Prescription pharmaceuticals	990,864	914,865	108	801,820	729,530	110
– Non-prescription products	87,550	91,719	95	78,793	85,309	92
Animal health products	55,819	51,056	109	53,112	48,058	111
Health resorts and tourist services	22,332	29,930	75			
Total	1,156,565	1,087,570	106	933,725	862,897	108

January–September 2020 Krka Group Product and Service Sales by Category



Prescription Pharmaceuticals

The Krka Group recorded prescription pharmaceutical sales in total of €990.9 million, an 8% rise.

We increased sales as follows: Region East Europe by 14%; Region West Europe by 9%; and Regions Central Europe, South-East Europe; and Slovenia by 4% each.

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

- Germany 34%;
- The Russian Federation 14%; and
- Poland 4%.

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

- Ukraine 12%;
- Italy 10%;
- Slovenia 4%;
- The Czech Republic and Romania 3% each.

Medium-sized markets recorded sales growth as follows:

- Benelux 41%;
- France 28%;
- Austria 23%;
- Belarus 21%;
- Latvia 20%;
- Uzbekistan 15%; and
- Lithuania 11%.

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

- Georgia 55%;

- Estonia 45%;
- Albania 29%;
- Azerbaijan and Tajikistan 21% each;
- Montenegro and Moldova 17% each;
- Kyrgyzstan 16%;
- Mongolia 13%; and
- Armenia 12%.

Ten leading prescription pharmaceuticals in terms of sales were product groups containing:

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

Most significant year-on-year absolute sales growth was attained by:

- Vamloset* (valsartan/amlodipine);
- Co-Vamloset* (valsartan/amlodipine/hydrochlorothiazide);
- Emanera* (esomeprazole);
- Karbicombi* (candesartan/hydrochlorothiazide);
- Alventa* (venlafaxine);

- Co-Amlessa* (perindopril/amlodipine/indapamide);
- Doreta* (tramadol/paracetamol);
- dasatinib;
- Co-Prenessa* (perindopril/indapamide); and
- Gliclada* (gliclazide).

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

- Camlocor* (candesartan/amlodipine) (for the treatment of hypertension) in Germany, Austria, and Poland;
- Roxampex* (perindopril/amlodipine/rosuvastatin) (for concomitant treatment of hypertension and hyperlipidemia) in Lithuania, and Latvia;
- Pitavastatin (for the treatment of hyperlipidemia) in Spain and Portugal;
- Nolibeta* (nebivolol) (for the treatment of hypertension and heart failure) in the Czech Republic, Slovakia, Poland, Portugal, the Scandinavian countries, France, Spain, Benelux and Latvia;
- dasatinib (for the treatment of certain types of tumours) in Germany, the Scandinavian countries, France, Austria, Slovenia, Portugal, and Slovakia;
- erlotinib (for the treatment of certain types of tumours) in Germany, the Scandinavian countries, and France;
- Sidarso* (silodosin) (for the treatment of benign prostatic hyperplasia) in Germany, Spain, Italy, Estonia, Portugal, and Slovakia;
- Tadusta* (dutasteride/tamsulosin) (for the treatment of benign prostatic hyperplasia) in Germany, Slovenia, Lithuania, Latvia, Estonia, Hungary, the Czech Republic, and Slovakia;
- Cinacabet (cinacalcet) (for balancing plasma concentrations of the parathyroid hormone) in Germany.

We launched several pharmaceuticals on new markets:

- Roxiper* (perindopril/indapamide/rosuvastatin) in Bulgaria, Bosnia and Herzegovina, Estonia, and the Russian Federation;
- Co-Roswera* (rosuvastatin/ezetimibe) in Slovenia, Lithuania, Estonia, and Portugal;
- Co-Amlessa* (perindopril/amlodipine/indapamide) in Mongolia and Kyrgyzstan;
- Wamlox* (valsartan/amlodipine) in the Czech Republic, North Macedonia, Bosnia and Herzegovina, and Albania;
- Valtricom* (valsartan/amlodipine/hydrochlorothiazide) in the Czech Republic, Slovakia, Austria, Ukraine, Belarus, Armenia, Georgia, and North Macedonia;
- Telmista* (telmisartan) in Kazakhstan and Mongolia;
- Teldipin* (telmisartan/amlodipine) in Ukraine;
- Lortenza* (losartan/amlodipine) in Mongolia and Kyrgyzstan;
- Eliskardia* (prasugrel) in Slovenia;
- Apleria* (eplerenone) in North Macedonia;
- Etoxib* (etoricoxib) in Serbia and North Macedonia;
- Dilaxa* (celecoxib) in Mongolia;
- Dulsevia* (duloxetine) in Kosovo and Azerbaijan;
- Kventiax* (quetiapine), Zalasta (olanzapine), and Torendo* (risperidone) in Ukraine;
- Glypvilo* (vildagliptin) in Bosnia and Herzegovina;
- entecavir in France, Benelux, Slovenia, and Romania;
- Betaklav* (amoxicillin/clavulanic acid) in Armenia;
- atazanavir in Austria and North Macedonia;
- darunavir in Ukraine;
- tamsulosin in France, Spain, the Scandinavian countries, Italy, and Benelux;
- febuxostat in the Czech Republic.
- dexamethasone tablets in Hungary and dexamethasone solution for injection in Ireland and Poland.

Non-Prescription Products

Sales of non-prescription products totalled €87.5 million, a 5% decline on the same period last year.

In comparison to the same period a year ago, sales increased in:

- Region Overseas Markets by 37%;
- Region West Europe by 21%;
- Region Slovenia by 5%; and
- Region South-East Europe by 1%.

Region East Europe, which generated 50% of total non-prescription sales, recorded a 9% drop. We recorded sales growth in: Kyrgyzstan 59%; Tajikistan 43%; Uzbekistan 22%; Georgia 13%; Belarus 12%; Kazakhstan 7%; and Armenia 5%. Sales went down by 20% in our largest market, the Russian Federation.

Animal Health Products

Sales of our animal health products amounted to €55.8 million, up 9% on sales from the same period last year.

The following regions registered sales growth:

- Region Slovenia 30%;
- Region Central Europe 25%;
- Region East Europe 13%; and
- Region South-East Europe 11%.

Of our major markets, sales presented most notable advances in:

- Benelux 36%;
- Poland 18%;
- Germany 14%;
- The Russian Federation 11%; and
- The United Kingdom 7%.

Health Resorts and Tourist Services

In the first nine months of 2020, Terme Krka generated €22.3-million revenue, or 75% of the amount generated in the same period last year. The fall occurred because of the restrictions passed to curb the coronavirus pandemic. After two and a half months of closure due to coronavirus restrictions, Terme Krka reopened only at the beginning of June.

The subsidiary recorded 194,000 overnight stays. Of that, health resort Talaso Strunjan accounted for

Region South-East Europe increased sales in Kosovo by 40% and in Romania, the largest regional market, by 11%.

Region West Europe recorded sales growth as follows: France (manyfold); Italy 39%, and Germany 16%. In other countries, sales levelled off with the previous year or decreased.

The leading non-prescription products were: Septolete*, Nalgesin* (naproxen), Herbion*, Bilobil, Pikovit, Duovit, Septanazal, and Daleron* (paracetamol).

Palprostes (saw palmetto extract), Daleron* (paracetamol), Duovit, Dasselta* (desloratadine), and our new product Vitamin D3 Krka added most to sales growth.

Of other major markets, sales growth was the highest in: Portugal 38%; the Czech Republic 37%; Hungary 31%; and Lithuania 32%.

Our top-ranking animal health products in terms of sales were Milprazon* (milbemycin/praziquantel), Fypryst* (fipronil), including fipronil in combinations, Floron* (florfenicol), Enroxil* (enrofloxacin), and Dehinel* (febantel/pyrantel/praziquantel).

Companion animal products constituted more than 50% of overall animal health products sales. In 2020, we added to the range Prinocate (imidacloprid/moxidectin), a new broad-spectrum antiparasitic, and launched it in the United Kingdom, Germany, Benelux, Slovenia, Poland, Hungary, the Czech Republic, Slovakia, Lithuania, and Latvia.

34%, Terme Dolenjske Toplice 32%, and Terme Šmarješke Toplice 29%.

Due to coronavirus spreading, structure of visitors changed. Domestic guests prevailed. They accounted for a 92% share, also owing to tourist vouchers granted by the state to Slovenian citizens. Visitors from abroad accounted for 8% of total overnight stays compared to 28% in the same period last year.

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

Research and Development

In the first nine months of 2020, we were granted new marketing authorisations for 8 new finished products in 21 pharmaceutical forms and strengths. We brought to the end more than 130 various registration procedures.

Of prescription pharmaceuticals, **Xerdoxo** or **Rivarolto** (rivaroxaban), a single-pill combination **Olsitri** (olmesartan/amlodipine/hydrochlorothiazide), **Erlotinib Krka** (erlotinib), **Lacosabil** or **Lydraso** (lacosamide), **Dekenor** or **Dexfenia** (dexketoprofen), and **Zulbex** (rabeprazole), for which we obtained a new certificate, were authorised. We added a new medicine **Tuloxin** or **Tulaxa** (tulathromycin) 25 mg/ml solution for injection to our animal health product range, and a new formulation of **B-Complex** to our non-prescription range.

Prescription Pharmaceuticals

In the first nine months of 2020, we obtained marketing authorisations for 6 new products and extended marketing opportunities for the already established products with first-time marketing authorisations on new markets.

Antithrombotic agents are our very important new therapeutic area and are also important to our sales. We were granted a new marketing authorisation for our antithrombotic agent, **Xerdoxo** or **Rivarolto** (rivaroxaban) film-coated tablets in four strengths. The agent is used concomitantly with other medicines for prevention of atherothrombotic events in adults with cardiovascular diseases. Rivaroxaban is one of most advanced anticoagulants. It provides for effective and safe therapy and improves quality of patients' lives. We obtained marketing authorisations for the product in the European Union on time, serving as the base for product launches on selected European markets. We also authorised it in Serbia. Medicines of that class are to become an important part of our range of new medicines.

We extended the range of our cardiovascular single-pill combinations by **Olsitri** (olmesartan/amlodipine/hydrochlorothiazide) film-coated tablets in five strengths. We concluded the registration procedure and obtained all marketing authorisations necessary to enter the market among the first generic pharmaceutical companies immediately after the

We adapted to the new product registration legislation that entered into force in the Eurasian Economic Union (EAEU) and obtained the first marketing authorisation for rosuvastatin in Kazakhstan as a reference state.

Based on our own active ingredient synthesis procedure, the EDQM (European Directorate for the Quality of Medicines) granted us the Certificate of Suitability (CEP) to the monograph of the European Pharmacopoeia, which proves that quality of the active ingredient rabeprazole complies with the latest requirements of the European Pharmacopoeia.

We obtained new marketing authorisations for our products in more than 60 countries (see the table below).

patent expiry. The medicine is indicated for lowering high blood pressure in patients with resistant hypertension.

We also obtained marketing authorisations for our new oncology pharmaceutical, **Erlotinib Krka** (erlotinib) film-coated tablets in three strengths. The medicine is indicated for the treatment of patients with metastatic non-small cell lung cancer and in combination with another medication for the treatment of pancreatic cancer. The medicine is the result of our own research and development, and was launched on selected markets immediately after originator's patent expired. We manufacture it at our own state-of-the-art production plant in Jastrebarsko, Croatia, dedicated to highly active ingredients.

We added to our central nervous system range a new medicine for the treatment of epilepsy, **Lacosabil** or **Lydraso** (lacosamide) film-coated tablets in four strengths. The medicine has a more convenient safety profile with fewer adverse events and lower risk of interactions than other antiepileptic agents, and can be combined with other antiepileptic agents. It is the result of our own development, integration of development and production stages, and is supplied by our own production facilities.

In addition to the established dexketoprofen solution for injection, we were also granted marketing

authorisations for **Dekenor** or **Dexfenia** (dexketoprofen) film-coated tablets for the symptomatic treatment of mild to moderate pain. The medicine was authorised in various countries as a prescription pharmaceutical or non-prescription product. Well-designed packaging ensures child-resistant but senior-friendly handling.

We received CEP to the monograph of the European Pharmacopoeia for Krka's rabeprazole integrated in our finished product **Zulbex** (rabeprazole) gastroresistant tablets in two strengths. The finished product with the new CEP was newly authorised in 25 countries. Zulbex is Krka's established medicine for the treatment of stomach problems. It now incorporates our own certified active ingredient.

We entered new markets and were granted marketing authorisations for our established products in countries of all our regions.

Marketing authorisations for our single-pill cardiovascular agents were important. In Croatia, we obtained a new marketing authorisation for our single-pill combination, **Roxiper** (perindopril/indapamide/rosuvastatin) film-coated tablets.

In Region East Europe, marketing authorisation for our single-pill combination **Telmista** (telmisartan/amlodipine) tablets granted in the Russian Federation was very important and extended our telmisartan range. In Ukraine, we concluded the registration procedure for our single-pill combination **Co-Valodip** (valsartan/amlodipine/hydrochlorothiazide) film-coated tablets before the planned term.

In Region South-East Europe, marketing authorisations were granted for our single-pill combinations **Valtricom** (valsartan/amlodipine/hydrochlorothiazide) and **Wamlox** (valsartan/amlodipine), extending our valsartan cardiovascular agent range.

New marketing authorisations for established medicinal products

Therapeutic Area	Brand name/ Registered name	Active ingredient	Pharmaceutical form	Country
Cardiovascular diseases	Valtricom, Co-Valodip	amlodipine/valsartan/hydrochlorothiazide	film-coated tablets	Ireland, Portugal, Serbia, North Macedonia, Kazakhstan, Ukraine, Belarus
	Roxiper	perindopril/indapamide/rosuvastatin	film-coated tablets	Croatia, North Macedonia, Bosnia and Herzegovina
	Co-Amlessa	perindopril/amlodipine/indapamide	tablets	Tajikistan
	Valraxet, Valarox	valsartan/rosuvastatin	film-coated tablets	Russian Federation, Belarus
	Lortenza	losartan/amlodipine	film-coated tablets	Mongolia, Tajikistan
	Kandoset	candesartan/amlodipine	tablets	Hungary
	Wamlox	valsartan/amlodipine	film-coated tablets	Montenegro, United Arab Emirates
	Olssa	olmesartan/amlodipine	film-coated tablets	Albania
	Telmista	telmisartan/amlodipine	tablets	Russian Federation
	Tolucombi, Telmista HD	telmisartan/hydrochlorothiazide	tablets	Mongolia
	Roxera Plus	rosuvastatin/ezetimibe	film-coated tablets	Armenia
	Tolura, Telmista	telmisartan	tablets	North Macedonia, Mongolia
	Riolma	eplerenone	film-coated tablets	Russian Federation
	Roswera	rosuvastatin	film-coated tablets	Trinidad and Tobago
	Pitavastatin TAD	pitavastatin	film-coated tablets	Portugal
	Atoris	atorvastatin	film-coated tablets	Montenegro
	Ezoleta	ezetimibe	tablets	Malta
	Amiokordin	amiodarone	solution for injection	Azerbaijan
	Central nervous system	Kventiax	quetiapine	prolonged-release tablets
Duloxenta		duloxetine	gastroresistant capsules	Germany, Azerbaijan

	Pragiola	pregabalin	hard capsules	Azerbaijan, Montenegro, Slovenia
	Torendo	risperidone	film-coated tablets	Armenia
	Helex	alprazolam	tablets	Moldova, North Macedonia
	Zalasta	olanzapine	tablets	Armenia
	Calmesan Forte, Sleepzone	doxylamine	film-coated tablets	Armenia, Bosnia and Herzegovina
	Yasnal	donepezil	orodispersible tablets	Overseas Markets
Pain relief and antirheumatics	Naklofen Duo	diclofenac	modified-release capsules	Azerbaijan, Montenegro
	Nalgesin	naproxen	film-coated tablets	Uzbekistan
	Tramadol Krka	tramadol	hard capsules	Montenegro
	Paracetamol Krka	paracetamol	tablets	EU States
	Etoxib	etoricoxib	film-coated tablets	Montenegro, Lebanon
	Dolnada	oxycodone/naloxone	prolonged-release tablets	Bosnia and Herzegovina
	Flosteron	betamethasone	suspension for injection	Montenegro
Diabetes	Glypilo	vildagliptin	tablets	Serbia
Hyperuricaemia	Febuxostat Krka	febuxostat	film-coated tablets	Ukraine
Gastrointestinal disorders	Emanera	esomeprazole	gastroresistant capsules	United Arab Emirates
Oncology	Meaxin	imatinib	film-coated tablets	Montenegro
	Everolimus Krka	everolimus	tablets	Bosnia and Herzegovina
Antibiotics	Hiconcil Combi	amoxicillin/clavulanic acid	film-coated tablets	Kosovo
HIV infection	Tenofovir+ Emtricitabin-Krka	emtricitabine/tenofovir	film-coated tablets	Russian Federation
	Atazanavir-Krka	atazanavir	hard capsules	Russian Federation
	Darunavir Krka	darunavir	hard capsules	Azerbaijan
Erectile dysfunction	Tadagis	tadalafil	film-coated tablets	Malta
	Vizarsin	sildenafil	film-coated tablets	Kyrgyzstan
Benign prostatic hyperplasia	Doxazosin Krka	doxazosin	prolonged-release tablets	Iceland
	Dutrys	dutasteride	soft capsules	Kosovo
	Tanyz ERAS	tamsulosin	prolonged-release tablets	Serbia

Non-Prescription Products

We developed a new formulation for our **B-Complex** (thiamine/riboflavin/pyridoxine/cyanocobalamin/calcium pantothenate/nicotinamide) film-coated tablets and filed the renewed dossier to obtain marketing authorisations in Slovenia, Bosnia and Herzegovina, Kosovo, and North Macedonia. In Slovenia, it was authorised as a medicinal product. It is the only approved product with this combination of group B vitamins indicated for prevention and treatment of hypovitaminosis B, avitaminosis B, increased body demand, malabsorption, and various other severe forms of vitamin B deficiency.

In Slovakia, we were the first to authorise **Dasseltino** (desloratadine) 5 mg as a non-prescription product in packages with 7 or 10 film-coated tablets.

In North Macedonia, we concluded the marketing authorisation procedure for **Vitamin D3 Krka**

(cholecalciferol) tablets before the expected term, providing the basis for product launch at the beginning of 2021.

We obtained new marketing authorisations for the Septolete brand products. In Finland, we successfully presented expert information and were granted marketing authorisations for two products, **Septabene** (benzylamine/cetylpyridinium) oral spray and **Septanazal** (xylometazoline/dexpanthenol) nasal spray. They are the only two products in Finland authorised with the above stated combinations of active ingredients. **Septolete Total** (benzylamine/cetylpyridinium) honey-and-lemon flavour lozenges were also approved in Georgia and Kosovo.

We obtained marketing authorisations for **Herbion Ivy** (ivy leaf dry extract) lozenges in

Kazakhstan, Ukraine, Uzbekistan, Serbia, North Macedonia, Bosnia and Herzegovina, and Kosovo, ensuring the proper basis for timely product launch.

In Mongolia, we received marketing authorisations for **Flebaven** (diosmin/hesperidin) 450 mg/50 mg film-coated tablets indicated for the treatment of chronic venous insufficiency.

Animal Health Products

We were granted marketing authorisations for our new animal health product and expanded marketing opportunities for our key animal health product brands.

We added to our farm animal range a new product **Tuloxin** or **Tulaxa** (tulathromycin) 25 mg/ml solution for injection in three different bottle volumes. Tulathromycin is an advanced antimicrobial used to treat bacterial infections of the respiratory tract in pigs.

We obtained new marketing authorisations for several established products in various countries.

In the Russian Federation, we obtained marketing authorisations for **Doxatib** (doxycycline) 500 mg/g oral powder for the treatment of infections of the respiratory tract in pigs and chicken.

We extended our United Kingdom companion animal portfolio by obtaining marketing authorisations for the combination of imidacloprid and moxidectin, **Imidamox** spot-on solution for dogs and cats. It is indicated for the treatment of mixed parasitic infections.

In Region Overseas Markets, we expanded marketing opportunities by obtaining marketing authorisations for **Septolete Total** honey-and-lemon flavoured lozenges; **Pikovit Unique** chewable tablets; and **Magnesium Krka 300** (magnesium citrate) granules for oral solution.

In Bosnia and Herzegovina, we were granted marketing authorisations for **Tuloxin** (tulathromycin) 100 mg/ml solution for injection indicated for bacterial infections of the respiratory tract in cattle and pigs and infectious pododermatitis (foot rot) in sheep.

In the Russian Federation, we authorised **Otoxolan** (marbofloxacin/clotrimazole/dexamethasone) suspension for ear drops for dogs. The medicine is indicated for treating bacterial or fungal otitis externa in dogs.

In Ukraine and Moldova, we were granted marketing authorisations for **Selafort** (selamectin) spot-on solution indicated for the treatment of mixed infestations in dogs and cats.

In Georgia, we received a marketing authorisation for **Dehinel** (pyrantel/praziquantel) film-coated tablets for cats. It is indicated for the treatment of mixed infestations with roundworms and tapeworms.

In Kazakhstan, Bosnia and Herzegovina, and North Macedonia, **Catobevit** (butafosfan/cyanocobalamin) solution for injection was authorised. It is indicated as supportive therapy for various metabolic or reproductive disorders in cattle, horses, dogs, and cats.

Investments

From January to September 2020, the Krka Group allocated €53.8 million to investments, of that €39.9 million to the controlling company. We primarily invested in development, extensions and technological upgrades of production facilities, quality assurance, and our production-and-distribution centres across the globe.

Our investments in the first quarter of 2020 lagged behind the plan due to the coronavirus pandemic impact on construction industry.

We built a multipurpose warehouse at our central site in Ločna, Novo mesto, Slovenia and provided for extra storage room for incoming materials and finished products. This improved production flexibility, product availability, and market supply. At the beginning of 2020, JAZMP (Agency for Medicinal Products and Medical Devices of the Republic of Slovenia) granted us an operating permit, so all requirements for the facility start-up were met. The investment was worth slightly more than €34 million.

The Notol 2 plant, the state-of-the-art facility for manufacturing solid dosage forms, is also in Ločna, Novo mesto. The growing need for extra production capacities has incited us to acquire additional technological equipment for the plant. We started equipping a new packaging facility in 2019, and this year we continue setting it up. The investment was estimated at €41 million. When the Notol 2 plant is technologically equipped, we will be able to manufacture 5 billion and package 8 billion tablets per year.

The high-capacity packaging line purchased for the Ljutomer, Slovenia production plant will allow for increased packaging output of lozenges and tablets. The investment was estimated at €4.4 million.

In Krško, Slovenia we constructed a new warehouse for raw materials used in chemical and pharmaceutical production. Storage complies with the guidelines of the *Technical Rules for Hazardous Substances* (TRGS). In July, we obtained an operating permit, and in September also JAZMP's operating permit for the plant. The investment was valued at €8.2 million.

We plan to build new capacities for development and production of active ingredients at the same site.

The controlling company has been making low investments into refurbishment of the Notol plant, the OTO solid dosage form production plant, and the Beta Department. Renewal of systems and devices was valued at €5.5 million.

The Krka-Rus plant in the industrial zone of Istra in the north-western part of Moscow is one of the key investments in Krka subsidiaries. The Krka-Rus plant manufactures 81% of products intended for the Russian market, giving us the status of a domestic producer in the Russian Federation. In the next few years, we plan to increase production and laboratory capacities. The investment is estimated at €33 million.

At the end of 2017, we established a joint venture Ningbo Krka Menovo with a local partner Menovo in the city of Ningbo, China. We obtained an EU GMP certificate for the production rooms taken on long-term lease. Commercial manufacture of the first product intended for markets outside China started at the end of 2018, when we also filed all marketing authorisation documents required for its sales in the Chinese market. In 2019, we further equipped the rooms with manufacturing and control equipment and started manufacturing several products for markets outside China. The ultimate goal is to manufacture products for the Chinese market. The procurement of equipment continues in 2020.

Employees

At the end of September 2020, the Krka Group had 11,503 employees on payroll, of that 5,422 abroad, which accounted for a good 47% of the total Krka Group headcount. The Krka Group employees with

at least university-level qualifications constituted 52% of the personnel, of that 204 held doctoral degrees. Together with the agency workers, the Krka Group employed 12,629 people.

Educational Structure of the Krka Group

	30 Sept 2020		31 Dec 2019	
	Number of employees	%	Number of employees	%
PhD	204	1.8	198	1.7
Master of Science	388	3.4	388	3.3
University degree	5,342	46.4	5,518	47.2
Higher professional education	1,680	14.6	1,700	14.5
Vocational college education	298	2.6	290	2.5
Secondary school education	2,544	22.1	2,497	21.3
Other	1,047	9.1	1,105	9.5
Krka Group	11,503	100.0	11,696	100.0

We provide for continuous recruitment of talented employees by awarding scholarships. At the end of September, we listed 108 scholarship holders, primarily pharmacy and chemistry students. We also grant scholarships to exceptional students from other fields of interest to Krka. This year, 25 new scholarships were granted. Due to our staff development and succession planning system, we can greatly meet our human resource needs for key professionals and managers within the Krka Group.

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

the needs of our employees, technological processes, market situations, and development needs of the Krka Group. We constantly update learning options and introduce new forms adjusted to the contemporary approaches to work.

At the end of September, 175 employees were enrolled in part-time graduate studies co-funded by Krka, 50 of them in postgraduate studies. Krka is also included in the national vocational qualification (NVQ) system. Between 2002 and September 2020, we awarded 1,585 NVQ certificates to Krka employees and 142 to participants from other organisations in the pharmaceutical industry, a total of 1,727 certificates for four vocational qualifications. At the end of September 2020, 187 Krka employees were included in the process of obtaining NVQ.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP WITH NOTES

Consolidated Statement of Financial Position of the Krka Group

€ thousand	30 Sept 2020	31 Dec 2019	Index
Assets			
Property, plant and equipment	812,589	862,848	94
Intangible assets	106,627	109,082	98
Loans	15,292	10,908	140
Investments	9,948	9,681	103
Deferred tax assets	51,140	48,825	105
Other non-current assets	494	489	101
Total non-current assets	996,090	1,041,833	96
Assets held for sale	41	41	100
Inventories	454,065	421,578	108
Contract assets	452	1,874	24
Trade receivables	358,587	434,695	82
Other receivables	29,224	31,924	92
Loans	54,692	31,832	172
Investments	17,322	2,174	797
Cash and cash equivalents	265,552	218,667	121
Total current assets	1,179,935	1,142,785	103
Total assets	2,176,025	2,184,618	100
Equity			
Share capital	54,732	54,732	100
Treasury shares	-93,929	-73,774	127
Reserves	106,185	129,871	82
Retained earnings	1,611,680	1,553,489	104
Total equity holders of the controlling company	1,678,668	1,664,318	101
Non-controlling interests	9,204	3,198	288
Total equity	1,687,872	1,667,516	101
Liabilities			
Provisions	123,608	120,403	103
Deferred revenue	8,048	8,709	92
Trade payables	10,006	10,000	100
Lease liabilities	9,315	10,201	91
Deferred tax liabilities	11,173	11,592	96
Total non-current liabilities	162,150	160,905	101
Trade payables	112,365	128,574	87
Borrowings	0	3	0
Lease liabilities	2,686	2,799	96
Income tax payable	19,437	18,824	103
Contract liabilities	107,249	123,312	87
Other current liabilities	84,266	82,685	102
Total current liabilities	326,003	356,197	92
Total liabilities	488,153	517,102	94
Total equity and liabilities	2,176,025	2,184,618	100

Consolidated Income Statement of the Krka Group

€ thousand	Jan–Sept 2020	Jan–Sept 2019	Index
Revenue	1,160,179	1,090,721	106
– Revenue from contracts with customers	1,158,079	1,088,119	106
– Other revenue	2,100	2,602	81
Cost of goods sold	-458,621	-474,558	97
Gross profit	701,558	616,163	114
Other operating income	5,620	8,199	69
Selling and distribution expenses	-229,869	-261,423	88
– Of that receivable impairments and write-offs (net)	-651	-702	93
R&D expenses	-112,067	-110,839	101
General and administrative expenses	-64,487	-60,520	107
Operating profit	300,755	191,580	157
Financial income	21,264	21,906	97
Financial expenses	-71,778	-11,945	601
Net financial result	-50,514	9,961	
Profit before tax	250,241	201,541	124
Income tax	-40,096	-29,611	135
Net profit	210,145	171,930	122
Attributable to:			
– Equity holders of the controlling company	211,513	172,616	123
– Non-controlling interests	-1,368	-686	199
Basic earnings per share* (€)	6.73	5.50	122
Diluted earnings per share** (€)	6.73	5.50	122

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

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

Consolidated Statement of Other Comprehensive Income of the Krka Group

€ thousand	Jan–Sept 2020	Jan–Sept 2019	Index
Net profit	210,145	171,930	122
Other comprehensive income for the period			
Other comprehensive income for the period reclassified to profit or loss at a future date			
Translation reserve	-44,089	16,328	
Net other comprehensive income for the period reclassified to profit or loss at a future date	-44,089	16,328	
Other comprehensive income for the period that will not be reclassified to profit or loss at a future date			
Change in fair value of available-for-sale financial assets	267	243	110
Restatement of post-employment benefits	2	-2	
Deferred tax effect	-51	-46	111
Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date	218	195	112
Total other comprehensive income for the period (net of tax)	-43,871	16,523	
Total comprehensive income for the period (net of tax)	166,274	188,453	88
Attributable to:			
– Equity holders of the controlling company	167,674	189,111	89
– Non-controlling interests	-1,400	-658	213

Consolidated Statement of Changes in Equity of the Krka Group

€ thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the controlling company	Non-controlling interests	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other profit reserves	Retained earnings	Profit for the period			
At 1 Jan 2020	54,732	-73,774	73,774	105,897	14,990	30,000	-26,925	-67,865	1,211,292	118,350	223,847	1,664,318	3,198	1,667,516
Net profit	0	0	0	0	0	0	0	0	0	0	211,513	211,513	-1,368	210,145
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	216	-44,057	0	2	0	-43,839	-32	-43,871
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	216	-44,057	0	2	211,513	167,674	-1,400	166,274
Transactions with owners, recognised in equity														
Formation of other profit reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	0	68,798	-68,798	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	223,847	-223,847	0	0	0
Acquisition of a stake in GRS	0	0	0	0	0	0	0	0	0	105	0	105	-109	-4
Repurchase of treasury shares	0	-20,155	0	0	0	0	0	0	0	0	0	-20,155	0	-20,155
Formation of reserves for treasury shares	0	0	20,155	0	0	0	0	0	0	0	-20,155	0	0	0
Dividends and other profit shares paid	0	0	0	0	0	0	0	0	0	-133,274	0	-133,274	0	-133,274
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	7,515	7,515
Total transactions with owners, recognised in equity	0	-20,155	20,155	0	0	0	0	0	68,798	21,880	-244,002	-153,324	7,406	-145,918
At 30 Sept 2020	54,732	-93,929	93,929	105,897	14,990	30,000	-26,709	-111,922	1,280,090	140,232	191,358	1,678,668	9,204	1,687,872

€ thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the controlling company	Non-controlling interests	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other profit reserves	Retained earnings	Profit for the period			
At 1 Jan 2019	54,732	-52,076	52,076	105,897	14,990	30,000	-11,918	-86,983	1,167,388	100,332	163,097	1,537,535	2,735	1,540,270
Net profit	0	0	0	0	0	0	0	0	0	0	172,616	172,616	-686	171,930
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	195	16,300	0	0	0	16,495	28	16,523
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	195	16,300	0	0	172,616	189,111	-658	188,453
Transactions with owners, recognised in equity														
Formation of other profit reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	0	43,904	-43,904	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	163,097	-163,097	0	0	0
Other – TAD Pharma	0	0	0	0	0	0	-650	0	0	650	0	0	0	0
Acquisition of a stake in Golf Grad Otočec	0	0	0	0	0	0	0	0	0	249	0	249	-357	-108
Repurchase of treasury shares	0	-12,640	0	0	0	0	0	0	0	0	0	-12,640	0	-12,640
Formation of reserves for treasury shares	0	0	12,640	0	0	0	0	0	0	0	-12,640	0	0	0
Dividends and other profit shares paid	0	0	0	0	0	0	0	0	0	-101,659	0	-101,659	0	-101,659
Total transactions with owners, recognised in equity	0	-12,640	12,640	0	0	0	-650	0	43,904	18,433	-175,737	-114,050	-357	-114,407
At 30 Sept 2019	54,732	-64,716	64,716	105,897	14,990	30,000	-12,373	-70,683	1,211,292	118,765	159,976	1,612,596	1,720	1,614,316

Consolidated Statement of Cash Flows of the Krka Group

€ thousand	Jan–Sept 2020	Jan–Sept 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	210,145	171,930
Adjustments for:	96,244	130,766
– Amortisation/Depreciation	83,800	82,653
– Foreign exchange differences	-19,431	5,185
– Investment income	-21,911	-2,453
– Investment expenses	12,346	13,439
– Financial income	-92	-14
– Interest expense and other financial expenses	1,436	2,345
– Income tax	40,096	29,611
Operating profit before changes in net current assets	306,389	302,696
Change in trade receivables	81,366	9,420
Change in inventories	-32,487	-43,192
Change in trade payables	-25,213	18,560
Change in provisions	2,131	-706
Change in deferred revenue	-661	-818
Change in other current liabilities	4,256	15,555
Income tax paid	-43,647	-24,798
Net cash from operating activities	292,134	276,717
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	337	1,055
Dividends received	574	317
Proceeds from sale of property, plant and equipment	38	2,100
Purchase of intangible assets	-2,887	-2,627
Purchase of property, plant and equipment	-57,084	-76,417
Acquisition of subsidiaries and a share of minority interests net of financial assets acquired	-5	-108
Non-current loans	-5,797	-1,717
Proceeds from repayment of non-current loans	1,386	1,548
Payments for non-current investments	-47	-51
Proceeds from sale of non-current investments	38	26
Payments for current investments and loans	-32,033	-7,109
Payments for derivatives	-11,555	-5,939
Proceeds from derivatives	11,642	0
Net cash from investing activities	-95,393	-88,922
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-140	-283
Payments for current borrowings	-2,294	-2,233
Lease liabilities paid	-3	0
Payments for dividends and other profit shares	-133,275	-101,665
Repurchase of treasury shares	-20,155	-12,640
Proceeds from payment of non-controlling interests	7,515	0
Net cash from financing activities	-148,352	-116,821
Net increase in cash and cash equivalents	48,389	70,974
Cash and cash equivalents at the beginning of the period	218,667	117,801
Effect of foreign exchange rate fluctuations on cash held	-1,504	1,030
Cash and cash equivalents at the end of the period	265,552	189,805

Segment Reporting of the Krka Group

€ thousand	European Union		South-Eastern Europe		Eastern Europe		Other		Eliminations		Total	
	Jan–Sept 2020	Jan–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Jan–Sept 2020	Jan–Sept 2019
Revenue from external customers	664,984	634,014	63,050	59,216	377,250	339,754	54,895	57,737	0	0	1,160,179	1,090,721
– Revenue from contracts with customers	662,983	631,804	63,050	59,216	377,191	339,683	54,855	57,416	0	0	1,158,079	1,088,119
– Other revenue	2,001	2,210	0	0	59	71	40	321	0	0	2,100	2,602
Sales between Group companies	203,047	169,322	37,258	34,589	232,215	190,795	2,131	1,525	–474,651	–396,231	0	0
Other operating income	5,283	6,599	13	11	324	1,589	0	0	0	0	5,620	8,199
Operating costs	–541,685	–538,226	–39,983	–40,715	–243,289	–286,277	–40,087	–42,122	0	0	–865,044	–907,340
Operating expenses to Group companies	–283,042	–276,471	–39,244	–37,884	–445,041	–367,913	–8,738	–5,060	776,065	687,328	0	0
Operating profit	128,582	102,387	23,080	18,512	134,285	55,066	14,808	15,615	0	0	300,755	191,580
Interest income	118	804	0	1	197	247	24	3	0	0	339	1,055
Interest income from Group companies	386	358	–1	–1	3	–4	6	6	–394	–359	0	0
Interest expense	–127	–306	–12	–32	–106	–309	–3	–24	0	0	–248	–671
Interest expense to Group companies	–236	–238	0	0	–7	–59	–1	–2	244	299	0	0
Net financial result	–6,248	–2,900	–218	–220	–43,529	11,761	–519	1,320	0	0	–50,514	9,961
Income tax	–16,455	–15,865	–2,934	–2,397	–19,082	–9,736	–1,625	–1,613	0	0	–40,096	–29,611
Net profit	105,879	83,622	19,928	15,895	71,674	57,091	12,664	15,322	0	0	210,145	171,930
Investments	45,357	72,268	106	188	5,314	6,023	3,054	2,664	0	0	53,831	81,143
Depreciation	54,376	52,316	1,600	1,590	18,763	20,617	1,686	995	0	0	76,425	75,518
Depreciation of right-of-use assets	1,574	1,351	84	67	458	436	91	74	0	0	2,207	1,928
Depreciation of right-of-use assets within Group	2	8	0	0	8	4	0	0	–10	–12	0	0
Amortisation	3,267	3,159	239	237	1,474	1,597	188	214	0	0	5,168	5,207
	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019
Total assets	1,710,098	1,649,671	52,569	47,494	374,444	451,371	38,914	36,082	0	0	2,176,025	2,184,618
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	36,006	36,659	0	0	0	0	0	0	0	0	36,006	36,659
Total liabilities	345,512	358,417	14,646	13,685	102,801	116,143	25,194	28,857	0	0	488,153	517,102

Notes to Consolidated Financial Statements of the Krka Group

Costs by nature

€865,044 thousand

€ thousand	Jan–Sept 2020	Jan–Sept 2019	Index
Cost of goods and material	294,690	309,757	95
Cost of services	166,013	195,719	85
Employee benefits	326,092	310,769	105
Amortisation and depreciation	83,800	82,653	101
Inventory write-offs and allowances	-	14,003	
Inventory impairments and allowances (net)	15,503	-	
Receivable impairments and write-offs (net)	-651	-702	93
Other operating expenses	25,735	31,887	81
Total costs	911,182	944,086	97
Change in the value of inventories of finished products and work in progress	-46,138	-36,746	126
Total	865,044	907,340	95

Employee benefits

€326,092 thousand

€ thousand	Jan–Sept 2020	Jan–Sept 2019	Index
Gross wages and salaries and continued pay	251,563	240,617	105
Social security contributions	19,161	18,716	102
Pension insurance contributions	33,345	32,413	103
Payroll tax	636	722	88
Post-employment benefits and other non-current employee benefits	4,963	3,820	130
Other employee benefits	16,424	14,481	113
Total employee benefits	326,092	310,769	105

Other operating expenses

€25,735 thousand

€ thousand	Jan–Sept 2020	Jan–Sept 2019	Index
Grants and assistance for humanitarian and other purposes	786	1,285	61
Environmental protection expenditure	3,757	3,235	116
Other taxes and levies	17,445	19,815	88
Loss on sale of property, plant and equipment and intangible assets	1,278	4,357	29
Other operating expenses	2,469	3,195	77
Total other operating expenses	25,735	31,887	81

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

Financial income and expenses

€ thousand	Jan–Sept 2020	Jan–Sept 2019	Index
Net foreign exchange differences	0	20,521	0
Interest income	339	1,055	32
Derivatives income	20,188	0	
– Realised revenue	11,642	0	
– Fair value change	8,546	0	
Income from dividends and other profit shares	650	317	205
Other financial income	87	13	669
Total financial income	21,264	21,906	97
Net foreign exchange differences	-58,759	0	
Interest expense	-248	-671	37
– Interest paid	-28	-112	25
– Interest expense on lease liabilities	-220	-559	39
Derivatives expenses	-11,555	-9,570	121
– Incurred expenses	-11,555	-5,939	195
– Fair value change	0	-3,631	0
Other financial expenses	-1,216	-1,704	71
Total financial expenses	-71,778	-11,945	601
Net financial result	-50,514	9,961	

Income tax

€40,096 thousand

Current income tax amounted to €43,580 thousand or 17.4% of profit before tax. Taking into account deferred tax of -€3,484 thousand, tax totalling

€40,096 thousand was expensed in the income statement. The effective tax rate was 16.0%.

Property, plant and equipment

€812,589 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Land	40,271	39,796	101
Buildings	375,695	402,275	93
Equipment	336,967	361,743	93
Property, plant and equipment being acquired	42,493	43,113	99
Advances for property, plant and equipment	5,456	3,082	177
Right-of-use assets	11,707	12,839	91
Total property, plant and equipment	812,589	862,848	94

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

Intangible assets

€106,627 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Goodwill	42,644	42,644	100
Trademark	36,006	36,659	98
Concessions, trademarks and licences	23,209	25,683	90
Intangible assets being acquired	4,768	4,096	116
Total intangible assets	106,627	109,082	98

Loans

€69,984 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Non-current loans	15,292	10,908	140
– Loans to others	15,292	10,908	140
Current loans	54,692	31,832	172
– Portion of non-current loans maturing next year	1,578	1,669	95
– Loans to others	53,111	30,163	176
– Current interest receivables	3	0	
Total loans	69,984	42,740	164

Non-current loans constituted 22% of total loans.

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.

Current loans to others included bank deposits of the controlling company totalling €52,992 thousand with maturity exceeding 90 days.

Investments

€27,270 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Non-current investments	9,948	9,681	103
Financial assets at fair value through OCI (equity instruments)	9,948	9,681	103
Current investments including derivatives	17,322	2,174	797
– Financial assets at fair value through profit or loss	11,358	2,174	522
– Derivatives	5,964	0	
Total investments	27,270	11,855	230

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

€808 thousand and shares and interests in companies abroad totalling €9,140 thousand.

Inventories

€454,065 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Material	183,084	188,018	97
Work in progress	103,420	97,371	106
Finished products	152,598	122,206	125
Goods	13,102	9,640	136
Advances for inventories	1,861	4,343	43
Total inventories	454,065	421,578	108

Trade and other receivables

€387,811 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Current trade receivables	358,587	434,695	82
– Trade receivables	361,714	434,991	83
– Deferred revenue from contracts with customers	-3,127	-296	1,056
Other current receivables	29,224	31,924	92
Total receivables	387,811	466,619	83

Cash and cash equivalents

€265,552 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Cash in hand	43	56	77
Bank balances	265,509	218,611	121
Total cash and cash equivalents	265,552	218,667	121

Equity

€1,687,872 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Share capital	54,732	54,732	100
Treasury shares	-93,929	-73,774	127
Reserves	106,185	129,871	82
– Reserves for treasury shares	93,929	73,774	127
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	-26,709	-26,925	99
– Translation reserve	-111,922	-67,865	165
Retained earnings	1,611,680	1,553,489	104
Total equity holders of the controlling company	1,678,668	1,664,318	101
Non-controlling interests	9,204	3,198	288
Total equity	1,687,872	1,667,516	101

Trade payables

€122,371 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Non-current trade payables	10,006	10,000	100
Current trade payables	112,365	128,574	87
Payables to domestic suppliers	45,693	45,633	100
Payables to foreign suppliers	66,672	82,941	80
Total trade payables	122,371	138,574	88

The majority of 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 on Krka a fine of €10,000 thousand. Krka paid the penalty imposed within the deadline set by the Commission and filed a lawsuit against the Commission's decision before the General Court of the European Union because it considered that its

conduct did not violate the competition law rules. In December 2018, the Court ruled in favour of Krka. The decision of the General Court is not final, as the Commission lodged an appeal against the decision of the General Court, which will be decided by the European Court of Justice. Although the Commission did indeed pay back a fine of €10,000 thousand in early 2019, based on the assessment of legal experts, Krka deferred the revenue and recognised non-current trade liabilities in that same amount until the final decision of the Court is issued.

Provisions

€123,608 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Provisions for lawsuits	2,114	2,114	100
Provisions for post-employment benefits and other non-current employee benefits	118,639	115,889	102
Other provisions	2,855	2,400	119
Total provisions	123,608	120,403	103

Deferred revenue

€8,048 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Grants received from the European Regional Development Fund and budget of the Republic of Slovenia intended for the production of pharmaceuticals in the new Notol 2 plant	1,384	1,584	87
Grants received from the budget for the Dolenjske Toplice and Šmarješke Toplice health resorts and Golf Grad Otočec	3,431	3,517	98
Grants received from the European Regional Development Fund for development of new technologies (FBD project)	14	57	25
Grants received from the European Regional Development Fund for setting up the energy supply IT system (GEN-I)	0	1	0
Grants received from the European Regional Development Fund for the Slovenian economy development centres	3,103	3,532	88
Subsidy	105	5	2,100
Property, plant and equipment received for free	11	13	85
Total deferred revenue	8,048	8,709	92

The Slovenian economy development centres and FBD projects are partly funded by the European

Union from the European Regional Development Fund. The projects are carried out within the

Operational Programme for Strengthening Regional Development Potentials for Period 2007–2013; Priority Axis 1: Competitiveness and Research

Excellence, main type of activity 1.1: Improvement of competitive capabilities of enterprises and research excellence.

Current contract liabilities

€107,249 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Refund liabilities	104,298	117,456	89
– Bonuses and volume rebates	103,525	114,411	90
– Right of return	773	3,045	25
Contract liabilities	2,951	5,856	50
– Contract liabilities – advances from other customers	2,951	5,856	50
Total current contract liabilities	107,249	123,312	87

Other current liabilities

€84,266 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Payables to employees – gross salaries, other receipts and charges	57,038	59,150	96
Derivatives	0	2,582	0
Other	27,228	20,953	130
Total other current liabilities	84,266	82,685	102

Contingent liabilities

€16,521 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Guarantees issued	15,901	15,934	100
Other	620	620	100
Total contingent liabilities	16,521	16,554	100

Fair value

€ thousand	30 Sept 2020		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans	15,292	15,292	10,908	10,908
Financial assets at fair value through OCI (equity instruments)	9,948	9,948	9,681	9,681
Current loans	54,692	54,692	31,832	31,832
Current investments	17,322	17,322	2,174	2,174
– Financial assets at fair value through profit or loss	11,358	11,358	2,174	2,174
– Derivatives	5,964	5,964	0	0
Trade receivables	358,587	358,587	434,695	434,695
Cash and cash equivalents	265,552	265,552	218,667	218,667
Current borrowings	0	0	–3	–3
Non-current trade payables	–10,006	–10,006	–10,000	–10,000
Lease liabilities	–12,001	–12,001	–13,000	–13,000
Current payables to suppliers excluding advances	–112,465	–112,465	–128,560	–128,560
Current contract liabilities excluding advances	–103,525	–103,525	–114,411	–114,411
Other current liabilities excluding amounts owed to the state, to employees, and advances	–17,539	–17,539	–14,421	–14,421
Other current liabilities	0	0	–2,582	–2,582
– Derivatives	0	0	–2,582	–2,582
Total	465,857	465,857	424,980	424,980

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

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

Assets at fair value

€ thousand	30 Sept 2020				31 Dec 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Financial assets at fair value through OCI (equity instruments)	8,561	0	1,387	9,948	8,294	0	1,387	9,681
Financial assets at fair value through profit or loss	11,358	0	0	0	2,174	0	0	2,174
Derivatives	0	0	5,964	5,964	0	0	0	0
Total assets at fair value	19,919	0	7,351	27,270	10,468	0	1,387	11,855
Assets for which fair value is disclosed								
Non-current loans	0	0	15,292	15,292	0	0	10,908	10,908
Current loans	0	0	54,692	54,692	0	0	31,832	31,832
Trade receivables	0	0	358,587	358,587	0	0	434,695	434,695
Cash and cash equivalents	0	0	265,552	265,552	0	0	218,667	218,667
Total assets for which fair value is disclosed	0	0	694,123	694,123	0	0	696,102	696,102
Total	19,919	0	701,474	721,393	10,468	0	697,489	707,957

Liabilities at fair value

€ thousand	30 Sept 2020				31 Dec 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities at fair value								
Derivatives	0	0	0	0	0	0	2,582	2,582
Total liabilities at fair value	0	0	0	0	0	0	2,582	2,582
Liabilities for which fair value is disclosed								
Current borrowings	0	0	0	0	0	0	3	3
Non-current trade payables	0	0	10,006	10,006	0	0	10,000	10,000
Lease liabilities	0	0	12,001	12,001	0	0	13,000	13,000
Current payables to suppliers excluding advances	0	0	112,465	112,465	0	0	128,560	128,560
Current contract liabilities excluding advances	0	0	103,525	103,525	0	0	114,411	114,411
Other current liabilities excluding amounts owed to the state, to employees, and advances	0	0	17,539	17,539	0	0	14,421	14,421
Total liabilities for which fair value is disclosed	0	0	255,536	255,536	0	0	280,395	280,395
Total	0	0	255,536	255,536	0	0	282,977	282,977

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

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

€ thousand	30 Sept 2020	31 Dec 2019	Index
Assets			
Property, plant and equipment	591,658	613,210	96
Intangible assets	26,766	28,410	94
Investments in subsidiaries	340,616	329,335	103
Trade receivables due from subsidiaries	39,395	39,491	100
Loans	36,369	36,223	100
Investments	9,947	9,680	103
Deferred tax assets	13,331	13,187	101
Other non-current assets	80	80	100
Total non-current assets	1,058,162	1,069,616	99
Assets held for sale	41	41	100
Inventories	388,715	367,007	106
Contract assets	0	565	0
Trade receivables	377,858	443,840	85
Other receivables	13,170	18,011	73
Loans	57,100	35,644	160
Investments	5,964	0	
Cash and cash equivalents	242,006	195,236	124
Total current assets	1,084,854	1,060,344	102
Total assets	2,143,016	2,129,960	101
Equity			
Share capital	54,732	54,732	100
Treasury shares	-93,929	-73,774	127
Reserves	221,428	201,057	110
Retained earnings	1,526,002	1,482,163	103
Total equity	1,708,233	1,664,178	103
Liabilities			
Provisions	108,728	105,677	103
Deferred revenue	1,511	1,659	91
Trade payables	10,000	10,000	100
Lease liabilities	2,074	2,453	85
Total non-current liabilities	122,313	119,789	102
Trade payables	152,949	182,423	84
Borrowings	71,864	73,033	98
Lease liabilities	602	640	94
Income tax payable	18,589	16,668	112
Contract liabilities	10,039	14,609	69
Other current liabilities	58,427	58,620	100
Total current liabilities	312,470	345,993	90
Total liabilities	434,783	465,782	93
Total equity and liabilities	2,143,016	2,129,960	101

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

€ thousand	Jan–Sept 2020	Jan–Sept 2019	Index
Revenue	1,112,896	1,005,081	111
– Revenue from contracts with customers	1,108,450	1,000,183	111
– Other revenue	4,446	4,898	91
Cost of goods sold	-474,789	-433,680	109
Gross profit	638,107	571,401	112
Other operating income	2,486	3,384	73
Selling and distribution expenses	-193,008	-223,759	86
– Of that receivable impairments and write-offs (net)	-623	-577	108
R&D expenses	-110,986	-113,850	97
General and administrative expenses	-55,398	-50,813	109
Operating profit	281,201	186,363	151
Financial income	21,182	23,539	90
Financial expenses	-69,426	-11,682	594
Net financial result	-48,244	11,857	
Profit before tax	232,957	198,220	118
Income tax	-35,689	-23,390	153
Net profit	197,268	174,830	113
Basic earnings per share* (€)	6.28	5.57	113
Diluted earnings per share** (€)	6.28	5.57	113

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

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

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

€ thousand	Jan–Sept 2020	Jan–Sept 2019	Index
Net profit	197,268	174,830	113
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 available-for-sale financial assets	267	243	110
Deferred tax effect	-51	-46	111
Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date	216	197	110
Total other comprehensive income for the period (net of tax)	216	197	110
Total comprehensive income for the period (net of tax)	197,484	175,027	113

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 2020	54,732	-73,774	73,774	105,897	14,990	30,000	-23,604	1,211,292	43,158	227,713	1,664,178
Net profit	0	0	0	0	0	0	0	0	0	197,268	197,268
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	216	0	0	0	216
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	216	0	0	197,268	197,484
Transactions with owners, recognised in equity											
Formation of other profit reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	68,798	-68,798	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	227,712	-227,712	0
Repurchase of treasury shares	0	-20,155	0	0	0	0	0	0	0	0	-20,155
Formation of reserves for treasury shares	0	0	20,155	0	0	0	0	0	0	-20,155	0
Dividends paid	0	0	0	0	0	0	0	0	-133,274	0	-133,274
Total transactions with owners, recognised in equity	0	-20,155	20,155	0	0	0	0	68,798	25,640	-247,867	-153,429
At 30 Sept 2020	54,732	-93,929	93,929	105,897	14,990	30,000	-23,388	1,280,090	68,798	177,114	1,708,233

€ 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 2019	54,732	-52,076	52,076	105,897	14,990	30,000	-10,175	1,167,388	37,627	151,841	1,552,300
Net profit	0	0	0	0	0	0	0	0	0	174,830	174,830
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	197	0	0	0	197
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	197	0	0	174,830	175,027
Transactions with owners, recognised in equity											
Formation of other profit reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	43,904	-43,904	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	151,841	-151,841	0
Repurchase of treasury shares	0	-12,640	0	0	0	0	0	0	0	0	-12,640
Formation of reserves for treasury shares	0	0	12,640	0	0	0	0	0	0	-12,640	0
Dividends paid	0	0	0	0	0	0	0	0	-101,659	0	-101,659
Total transactions with owners, recognised in equity	0	-12,640	12,640	0	0	0	0	43,904	6,278	-164,481	-114,299
At 30 Sept 2019	54,732	-64,716	64,716	105,897	14,990	30,000	-9,978	1,211,292	43,905	162,190	1,613,028

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

€ thousand	Jan–Sept 2020	Jan–Sept 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	197,268	174,830
Adjustments for:	91,931	95,141
– Amortisation/Depreciation	62,672	61,017
– Foreign exchange differences	1,438	-1,264
– Investment income	-21,561	-3,386
– Investment expenses	12,126	13,272
– Interest income and other financial income	-6	0
– Interest expense and other financial expenses	1,573	2,112
– Income tax	35,689	23,390
Operating profit before changes in net current assets	289,199	269,971
Change in trade receivables	71,454	-17,403
Change in inventories	-21,708	-29,259
Change in trade payables	-26,830	22,985
Change in provisions	1,975	-990
Change in deferred revenue	-148	-279
Change in other current liabilities	2,389	6,785
Income tax paid	-33,963	-14,256
Net cash from operating activities	282,368	237,554
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	342	1,071
Dividends received	574	317
Proportionate profit of subsidiaries	500	-521
Proceeds from sale of property, plant and equipment	330	584
Purchase of intangible assets	-2,537	-2,156
Purchase of property, plant and equipment	-44,906	-60,982
Acquisition of subsidiaries and a share of minority interests net of financial assets acquired	-11,281	-10
Non-current loans	-1,956	-3,797
Proceeds from repayment of non-current loans	3,330	-16,507
Payments for non-current investments	-28	-44
Proceeds from sale of non-current investments	24	27
Payments for/Proceeds from current investments	-22,991	18,141
Payments for derivatives	-11,555	-5,939
Proceeds from derivatives	11,642	0
Net cash from investing activities	-78,512	-69,816
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-355	-503
Repayments of/Proceeds from current borrowings	-1,195	20,752
Lease liabilities paid	-539	-543
Dividends and other profit shares paid	-133,275	-101,665
Repurchase of treasury shares	-20,155	-12,640
Net cash from financing activities	-155,519	-94,599
Net increase in cash and cash equivalents	48,337	73,139
Cash and cash equivalents at the beginning of the year	195,236	98,474
Effect of foreign exchange rate fluctuations on cash held	-1,567	1,133
Cash and cash equivalents at the end of the period	242,006	172,746

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

€ thousand	European Union		South-Eastern Europe		Eastern Europe		Other		Total	
	Jan–Sept 2020	Jan–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Jan–Sept 2020	Jan–Sept 2019
Revenue	634,897	570,918	62,755	58,326	366,732	323,453	48,512	52,384	1,112,896	1,005,081
– Revenue from contracts with customers	630,510	566,361	62,755	58,326	366,713	323,433	48,472	52,063	1,108,450	1,000,183
– Other revenue	4,387	4,557	0	0	19	20	40	321	4,446	4,898
Other operating income	2,355	3,384	0	0	131	0	0	0	2,486	3,384
Operating costs	-502,061	-481,255	-39,480	-39,718	-257,015	-261,478	-35,625	-39,651	-834,181	-822,102
Operating profit	135,191	93,047	23,275	18,608	109,848	61,975	12,887	12,733	281,201	186,363
Interest income	336	990	0	0	7	59	1	2	344	1,051
Interest expense	-418	-477	-2	-8	-8	-24	-7	-18	-435	-527
Net financial result	-5,639	-1,397	-62	465	-41,806	11,489	-737	1,300	-48,244	11,857
Income tax	-17,158	-11,678	-2,954	-2,336	-13,941	-7,778	-1,636	-1,598	-35,689	-23,390
Net profit	112,394	79,972	20,259	16,737	54,101	65,686	10,514	12,435	197,268	174,830
Investments	39,895	66,338	0	0	0	0	0	0	39,895	66,338
Depreciation	42,908	40,394	1,367	1,368	12,405	13,875	1,245	853	57,925	56,490
Depreciation of right-of-use assets	414	352	13	12	127	123	12	7	566	494
Amortisation	2,385	2,291	236	234	1,378	1,298	182	210	4,181	4,033
	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019
Total assets	1,582,879	1,520,973	51,458	46,681	462,031	527,174	46,648	35,132	2,143,016	2,129,960
Total liabilities	301,761	308,857	13,827	13,564	97,137	117,280	22,058	26,081	434,783	465,782

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

Costs by nature

€834,181 thousand

€ thousand	Jan–Sept 2020	Jan–Sept 2019	Index
Cost of goods and material	330,814	295,085	112
Cost of services	227,675	261,939	87
Employee benefits	219,676	201,042	109
Amortisation and depreciation	62,672	61,017	103
Inventory write-offs and allowances	-	8,391	
Inventory impairments and allowances (net)	9,572	-	
Receivable impairments and write-offs (net)	-623	-577	108
Other operating expenses	18,103	22,958	79
Total costs	867,889	849,855	102
Change in the value of inventories of finished products and work in progress	-33,708	-27,753	121
Total	834,181	822,102	101

Employee benefits

€219,676 thousand

€ thousand	Jan–Sept 2020	Jan–Sept 2019	Index
Gross wages and salaries and continued pay	168,484	155,849	108
Social security contributions	12,623	11,817	107
Pension insurance contributions	21,455	19,459	110
Post-employment benefits and other non-current employee benefits	4,568	3,452	132
Other employee benefits	12,546	10,465	120
Total employee benefits	219,676	201,042	109

Other operating expenses

€18,103 thousand

€ thousand	Jan–Sept 2020	Jan–Sept 2019	Index
Grants and assistance for humanitarian and other purposes	700	994	70
Environmental protection expenditure	2,609	2,033	128
Other taxes and levies	12,043	13,866	87
Loss on sale and write-offs of property, plant and equipment and intangible assets	1,058	4,190	25
Other operating expenses	1,693	1,875	90
Total other operating expenses	18,103	22,958	79

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

Financial income and expenses

€ thousand	Jan–Sept 2020	Jan–Sept 2019	Index
Net foreign exchange differences	0	20,656	0
Interest income	344	1,051	33
Derivatives income	20,188	0	
– Realised revenue	11,642	0	
– Fair value change	8,546	0	
Income from dividends and other profit shares	650	1,832	35
– Dividends	650	317	205
– Profits of subsidiaries	0	1,515	0
Total financial income	21,182	23,539	90
Net foreign exchange differences	-56,293	0	
Interest expense	-435	-527	83
– Interest paid	-398	-447	89
– Interest expense on lease liabilities	-37	-80	46
Derivatives expenses	-11,555	-9,570	121
– Incurred expenses	-11,555	-5,939	195
– Fair value change	0	-3,631	0
Other financial expenses	-1,143	-1,585	72
Total financial expenses	-69,426	-11,682	594
Net financial result	-48,244	11,857	

Income tax

€35,689 thousand

Current income tax amounted to €35,884 thousand or 15.4% of profit before tax. Taking into account deferred tax of -€195 thousand, tax totalling

€35,689 thousand was expensed in the income statement. The effective tax rate was 15.3%.

Property, plant and equipment

€591,658 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Land	27,758	27,074	103
Buildings	254,210	265,858	96
Equipment	271,546	284,938	95
Property, plant and equipment being acquired	30,627	31,473	97
Advances for property, plant and equipment	4,823	769	627
Right-of-use assets – leases	2,694	3,098	87
Total property, plant and equipment	591,658	613,210	96

Value of property, plant, and equipment accounted for 28% of Krka balance sheet total. See section

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

Intangible assets

€26,766 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Concessions, trademarks and licences	22,012	24,348	90
Intangible assets being acquired	4,754	4,062	117
Total intangible assets	26,766	28,410	94

Intangible assets comprised software and registration documents for new pharmaceuticals.

Loans

€93,469 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Non-current loans	36,369	36,223	100
– Loans to subsidiaries	25,100	25,600	98
– Loans to others	11,269	10,623	106
Current loans	57,100	35,644	160
– Portion of non-current loans maturing next year	3,511	5,031	70
– Loans to subsidiaries	508	462	110
– Loans to others	53,066	30,137	176
– Current interest receivables	15	14	107
Total loans	93,469	71,867	130

Non-current loans constituted 39% of total loans.

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

Current loans to others included bank deposits totalling €52,992 thousand with maturity exceeding 90 days.

Investments

€15,911 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Non-current investments	9,947	9,680	103
Financial assets at fair value through OCI (equity instruments)	9,947	9,680	103
Current investments including derivatives	5,964	0	
– Derivatives	5,964	0	
Total investments	15,911	9,680	164

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

€807 thousand and shares and interests in companies abroad totalling €9,140 thousand.

Inventories

€388,715 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Material	174,715	179,168	98
Work in progress	91,970	89,492	103
Products	109,749	83,800	131
Goods	10,512	10,296	102
Advances for inventories	1,769	4,251	42
Total inventories	388,715	367,007	106

Trade and other receivables

€391,028 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Current trade receivables	377,858	443,840	85
– Receivables due from subsidiaries	209,863	257,674	81
– Trade receivables due from customers other than Group companies	171,122	186,420	92
– Deferred revenue from contracts with customers	-3,127	-254	1,231
Current receivables relating to dividends – subsidiaries	0	500	0
Other current receivables	13,170	17,511	75
Total receivables	391,028	461,851	85

Cash and cash equivalents

€242,006 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Cash in hand	1	0	
Bank balances	242,005	195,236	124
Total cash and cash equivalents	242,006	195,236	124

Equity

€1,708,233 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Share capital	54,732	54,732	100
Treasury shares	-93,929	-73,774	127
Reserves	221,428	201,057	110
– Reserves for treasury shares	93,929	73,774	127
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	-23,388	-23,604	99
Retained earnings	1,526,002	1,482,163	103
Total equity	1,708,233	1,664,178	103

Trade payables

€162,949 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Non-current trade payables	10,000	10,000	100
Current trade payables	152,949	182,423	84
Payables to subsidiaries	72,593	91,030	80
Payables to domestic suppliers	42,433	40,660	104
Payables to foreign suppliers	37,923	50,733	75
Total trade payables	162,949	192,423	85

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

the competition law rules. In December 2018, the Court ruled in favour of Krka. The decision of the General Court is not final, as the Commission lodged an appeal against the decision of the General Court, which will be decided by the European Court of Justice. Although the Commission did indeed pay back a fine of €10,000 thousand in early 2019, based on the assessment of legal experts, Krka deferred the revenue and recognised non-current trade liabilities in that same amount until the final decision of the Court is issued.

Provisions

€108,728 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Provisions for lawsuits	2,100	2,100	100
Provisions for post-employment benefits and other non-current employee benefits	106,628	103,577	103
Total provisions	108,728	105,677	103

Deferred revenue

€1,511 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Grants received from the European Regional Development Fund and budget of the Republic of Slovenia intended for the production of pharmaceuticals in the new Notol 2 plant	1,384	1,584	87
Grants received from the European Regional Development Fund for development of new technologies (FBD project)	14	57	25
Grants received from the European Regional Development Fund for setting up the energy supply IT system (GEN-I)	0	1	0
Subsidy	105	5	2,100
Property, plant and equipment received for free	8	12	67
Total deferred revenue	1,511	1,659	91

The FBD project is partly funded by the European Union from the European Regional Development Fund. The project is carried out within the *Operational Programme for Strengthening Regional Development Potentials for Period 2007–2013*;

Priority Axis 1: Competitiveness and Research Excellence, main type of activity 1.1: Improvement of competitive capabilities of enterprises and research excellence.

Borrowings

€71,864 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Current borrowings	71,864	73,033	98
– Borrowings from subsidiaries	71,686	72,961	98
– Current interest payable	178	72	247
Total borrowings	71,864	73,033	98

Current contract liabilities

€10,039 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Refund liabilities	8,460	10,823	78
– Bonuses and volume rebates	8,460	10,823	78
Contract liabilities	1,579	3,786	42
– Contract liabilities – advances from other customers	1,579	3,786	42
Total current contract liabilities	10,039	14,609	69

Other current liabilities

€58,427 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Payables to employees – gross salaries, other receipts and charges	42,335	47,546	89
Derivatives	0	2,582	0
Other	16,092	8,492	189
Total other current liabilities	58,427	58,620	100

Contingent liabilities

€14,914 thousand

€ thousand	30 Sept 2020	31 Dec 2019	Index
Guarantees issued	14,294	14,295	100
Other	620	620	100
Total contingent liabilities	14,914	14,915	100

Fair value

€ thousand	30 Sept 2020		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables due from subsidiaries	39,395	39,395	39,491	39,491
Non-current loans	36,369	36,369	36,223	36,223
Financial assets at fair value through OCI (equity instruments)	9,947	9,947	9,680	9,680
Current loans	57,100	57,100	35,644	35,644
Current investments	5,964	5,964	0	0
– Derivatives	5,964	5,964	0	0
Trade receivables	377,858	377,858	443,840	443,840
Cash and cash equivalents	242,006	242,006	195,236	195,236
Current borrowings	-71,864	-71,864	-73,033	-73,033
Non-current trade payables	-10,000	-10,000	-10,000	-10,000
Lease liabilities	-2,676	-2,676	-3,093	-3,093
Current payables to suppliers and subsidiaries excluding advances	-152,849	-152,849	-182,409	-182,409
Current contract liabilities excluding advances	-8,460	-8,460	-10,823	-10,823
Other current liabilities excluding amounts owed to the state, to employees, and advances	-12,300	-12,300	-2,058	-2,058
Other current liabilities	0	0	-2,582	-2,582
– Derivatives	0	0	-2,582	-2,582
Total	510,490	510,490	476,116	476,116

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

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

Assets at fair value

€ thousand	30 Sept 2020				31 Dec 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Financial assets at fair value through OCI (equity instruments)	8,561	0	1,386	9,947	8,294	0	1,386	9,680
Derivatives	0	0	5,964	5,964	0	0	0	0
Total assets at fair value	8,561	0	7,350	15,911	8,294	0	1,386	9,680
Assets for which fair value is disclosed								
Trade receivables due from subsidiaries	0	0	39,395	39,395	0	0	39,491	39,491
Non-current loans	0	0	36,369	36,369	0	0	36,223	36,223
Current loans	0	0	57,100	57,100	0	0	35,644	35,644
Trade receivables	0	0	377,858	377,858	0	0	443,840	443,840
Cash and cash equivalents	0	0	242,006	242,006	0	0	195,236	195,236
Total assets for which fair value is disclosed	0	0	752,728	752,728	0	0	750,434	750,434
Total	8,561	0	760,078	768,639	8,294	0	751,820	760,114

Liabilities at fair value

€ thousand	30 Sept 2020				31 Dec 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities at fair value								
Derivatives	0	0	0	0	0	0	2,582	2,582
Total liabilities at fair value	0	0	0	0	0	0	2,582	2,582
Liabilities for which fair value is disclosed								
Current borrowings	0	0	71,864	71,864	0	0	73,033	73,033
Non-current trade payables	0	0	10,000	10,000	0	0	10,000	10,000
Lease liabilities	0	0	2,676	2,676	0	0	3,093	3,093
Current payables to suppliers and subsidiaries excluding advances	0	0	152,849	152,849	0	0	182,409	182,409
Current contract liabilities excluding advances	0	0	8,460	8,460	0	0	10,823	10,823
Other current liabilities excluding amounts owed to the state, to employees, and advances	0	0	12,300	12,300	0	0	2,058	2,058
Total liabilities for which fair value is disclosed	0	0	258,149	258,149	0	0	281,416	281,416
Total	0	0	258,149	258,149	0	0	283,998	283,998

STATEMENT OF COMPLIANCE

The Management Board of Krka, d. d., Novo mesto hereby states that the condensed financial statements of Krka and the condensed consolidated financial statements of the Krka Group for the period ended 30 September 2020 have been prepared so as to provide a true and fair view of the financial position and operating results of Krka and the Krka Group. The condensed statements for the period from 1 January to 30 September 2020 have been prepared using the same accounting policies as for the annual financial statements of Krka and the Krka Group for 2019.

The condensed financial statements for the period ended 30 September 2020 have been prepared pursuant to IAS 34 – *Interim Financial Reporting* and

Novo mesto, 19 October 2020

have to be read in conjunction with the annual financial statements prepared for the financial year ended 31 December 2019.

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

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



Jože Colarič
President of the Management Board and CEO



Dr Aleš Rotar
Member of the Management Board



Dr Vinko Zupančič
Member of the Management Board



David Bratož
Member of the Management Board



Milena Kastelic
Member of the Management Board – Worker Director