



2021 Unaudited Semi-Annual Report of the Krka Group and Krka, d. d., Novo mesto

Novo mesto, July 2021



Living a healthy life.

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INTRODUCTION

Condensed financial statements of the Krka Group and condensed financial statements of Krka, d. d., Novo mesto (hereinafter also Krka, the Company, or the controlling company) for the first half of 2021 and the first half of 2020 are unaudited, while financial statements for the full financial year 2020 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 the performance of the Krka Group and the Company are available on the Krka website www.krka.biz.

At its regular meeting of 28 July 2021, the Supervisory Board of Krka discussed the unaudited semi-annual report of the Krka Group and the Krka, d. d., Novo mesto for the half year ended 30 June 2021.

Semi-Annual Performance Highlights

- Krka Group sales of products and services amounted to €806.5 million, of which product sales accounted for a good 98%.
- Krka Group sales in the first half of the year have been the highest up to date.
- Our product-and-service sales increased by 1% year on year and by 6% compared to the first half of 2019.
- We generated 95% of product-and-service sales outside Slovenia. Exports accounted to 96% of total product sales.
- Accounting for 34.3% of total sales, the Group's largest region in terms of sales was Region East Europe, followed by Region Central Europe.
- The Krka Group generated operating profit of €200.5 million, down 7% on the same period last year. EBIT margin reached at 24.8%.
- Operating profit before depreciation and amortization (EBITDA) totalled €255 million, while EBITDA margin reached 31.5%.
- The Krka Group recorded net profit of €177.4 million, an 11% rise on the same period last year. Net profit margin was recorded at 21.9%.
- In contrast to the first half of 2020, we generated a positive net financial result of €6.7 million mainly owing to favourable exchange rate movements.
- Selling and distribution expenses declined by 6% year on year. Measures adopted to curb the spread of the pandemic still affect marketing activities.
- In the first half of the year, R&D expenses totalled €75.6 million, accounting for 9.3% of revenue.
- As at 30 June 2021, the Krka share traded at €103.50 on the Ljubljana Stock Exchange, up 13.2% on year-end 2020. Market capitalisation amounted to €3.4 billion. During the first half of the year, the Company repurchased treasury shares of €7.3 million.
- The Group allocated €29.5 million to investments, of that €22.5 million to the controlling company.
- At the end of June 2021, the Krka Group had 11,607 regularly employed persons on payroll. Total headcount, including agency workers, was 12,524, a slight drop on year-end 2020.

Financial Highlights

€ thousand	Krka Group			Company		
	Jan–June 2021	Jan–June 2020	Index	Jan–June 2021	Jan–June 2020	Index
Revenue	808,585	803,753	101	711,771	783,100	91
– Of that revenue from contracts with customers on products and services	806,546	801,847	101	631,970	651,451	97
Gross profit	460,744	485,444	95	403,534	448,608	90
EBITDA	255,030	272,925	93	208,650	250,376	83
EBIT ¹	200,505	216,688	93	165,980	208,563	80
EBT	207,251	190,275	109	178,114	183,647	97
Net profit	177,426	160,260	111	154,586	155,512	99
Effective tax rate	14.4%	15.8%		13.2%	15.3%	
R&D expenses	75,581	73,846	102	73,675	74,260	99
Investments	29,503	31,270	94	22,503	20,733	109

€ thousand	30 June 2021	31 Dec 2020	Index	30 June 2021	31 Dec 2020	Index
Non-current assets	982,473	990,998	99	1,014,005	1,032,949	98
Current assets	1,444,911	1,244,544	116	1,342,631	1,175,430	114
– Inventories	444,427	453,690	98	383,184	389,178	98
– Trade receivables	463,505	383,560	121	461,014	415,286	111
– Cash and cash equivalents	459,583	313,568	147	436,105	296,398	147
Equity	1,933,082	1,751,812	110	1,940,237	1,791,850	108
Non-current liabilities	172,863	172,796	100	137,667	136,380	101
Current liabilities	321,439	310,934	103	278,732	280,149	99
– Trade payables	111,213	107,116	104	147,690	143,294	103

RATIOS	Jan–June 2021	Jan–June 2020	Jan–June 2021	Jan–June 2020
Gross profit margin	57.0%	60.4%	56.7%	57.3%
EBITDA margin	31.5%	34.0%	29.3%	32.0%
EBIT margin	24.8%	27.0%	23.3%	26.6%
EBT margin	25.6%	23.7%	25.0%	23.5%
Net profit margin (ROS)	21.9%	19.9%	21.7%	19.9%
Return on equity (ROE) ²	19.3%	18.5%	16.6%	17.9%
Return on assets (ROA) ³	15.2%	14.3%	13.5%	14.1%
Liabilities/Equity	0.256	0.293	0.215	0.263
R&D expenses/Revenue	9.3%	9.2%	10.4%	9.5%

NUMBER OF EMPLOYEES	30 June 2021	31 Dec 2020	Index	30 June 2021	31 Dec 2020	Index
Balance at	11,607	11,677	99	6211	6191	100

SHARE INFORMATION	Jan–June 2021	Jan–June 2020	Index
Total number of shares issued	32,793,448	32,793,448	100
Earnings per share (EPS) in € ⁴	11.41	10.24	111
Closing price at end of period in € ⁵	103.50	82.80	125
Price/Earnings ratio (P/E)	9.07	8.09	112
Book value in € ⁶	58.95	54.53	108
Price/Book value (P/B)	1.76	1.52	116
Market capitalisation in € thousand (end of period)	3,394,122	2,715,297	125

¹ The difference between operating income and expenses

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

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

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

⁵ Share price on the Ljubljana Stock Exchange

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

ID Card

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

Registered office Šmarješka cesta 6, 8501 Novo mesto, Slovenia

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Fax +386 (0) 7 332 15 37

E-mail info@krka.biz

Website www.krka.biz

Core business Manufacture of pharmaceutical preparations

Business classification code 21,200

Year established 1954

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

Tax number 82646716

VAT number SI82646716

Company ID number 5043611000

Share capital €54,732,264.71

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

At a Glance

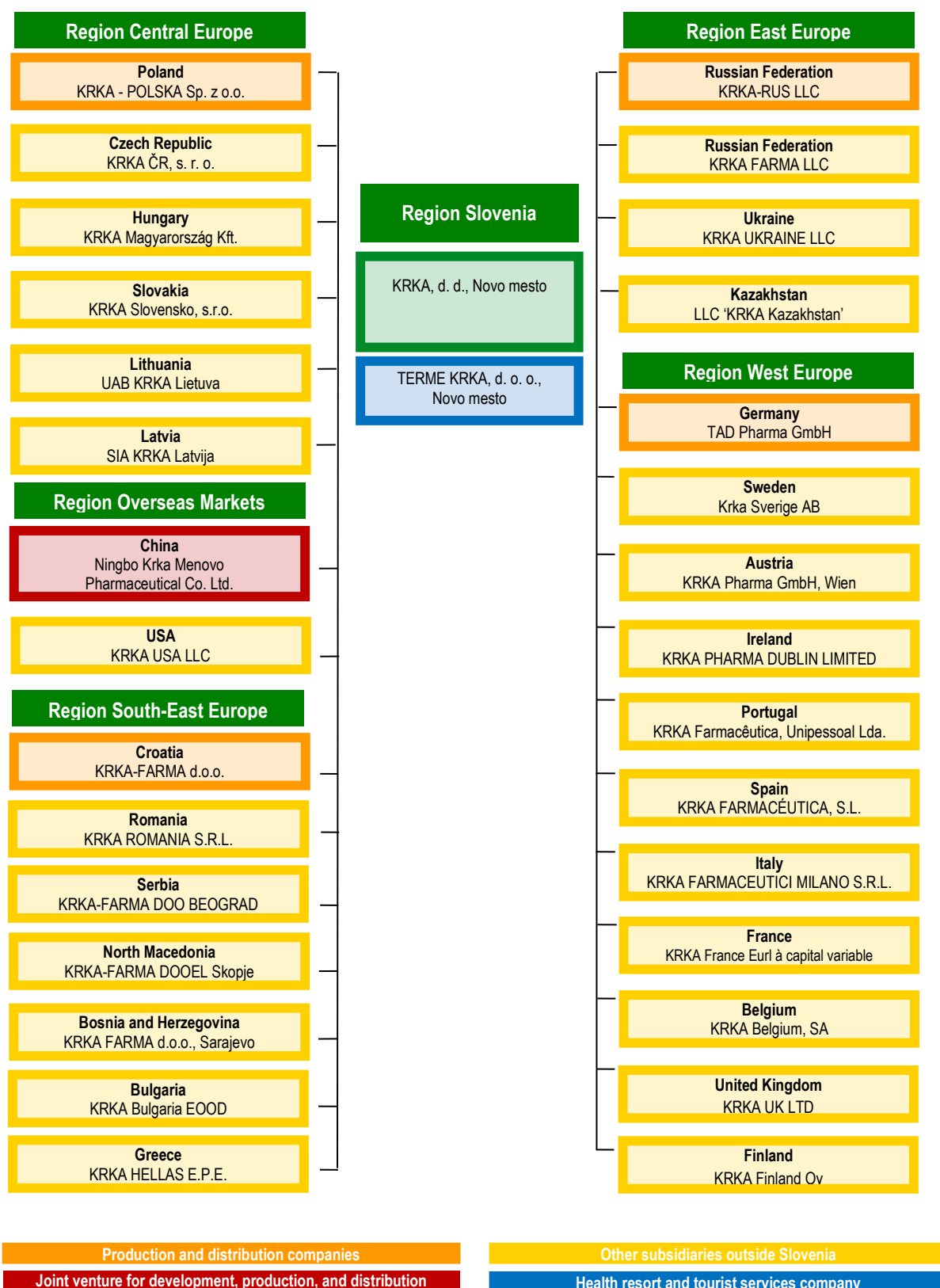
The Krka Group consists of the controlling company, Krka, d. d., Novo mesto, one subsidiary in Slovenia, i.e. Terme Krka, d. o. o., Novo mesto, and 30 subsidiaries abroad. The controlling company, Krka, d. d., Novo mesto, owns a 100% stake in all subsidiaries, except in: i) Ningbo Krka Menovo Pharmaceutical 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 a 5% stake.

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

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

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

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. We are currently working on updates to 2022–2026 strategy scheduled for presentation at the November meeting of the Supervisory Board.

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

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 criteria system is to increase the competitiveness of the Krka Group as a whole and of individual companies within the Group.

Key Krka Group strategic objectives and guidelines 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 ensure sufficient quantities of manufactured products through a streamlined 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 through 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 ensure that new products and vertically integrated products account for the largest possible proportion in total sales in addition to the existing range of products, also referred to as 'the golden standard'.
 - To be among the first generic pharmaceutical companies to launch a selected product portfolio in selected key markets.
 - To increase the competitive advantage of our product portfolio.
 - To improve the cost-effective use of all assets.
 - To drive innovation forward 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, Region East Europe, Region Central Europe, Region West Europe, Region Overseas Markets.
- To focus especially on key markets, i.e. 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 the 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 sectors and increase the range of prescription pharmaceuticals for (i) key therapeutic areas, including the cardiovascular system, gastrointestinal tract, central nervous system, and pain relief; (ii) other therapeutic areas, including diabetes, antiaggregant therapy, oncology, and urologicals; and (iii) enter new therapeutic areas. We will introduce innovative products in key therapeutic areas, i.e. 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, and 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 consolidate the business model of 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 ensure product compliance.
- To increase outsourcing of production and development of certain active ingredients and finished products.
- To ensure the 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 Group's financial requirements for investments and acquisitions when determining the net profit share for dividend payment each year, and to allocate at least 50% of net profit of majority shareholders for dividends.
- To further pursue digitalisation of business operations by: i) introducing (digital) information technology into business processes in order to allow for automation and optimisation of processes and procedures; ii) supporting and strengthening cooperation within the Krka Group and the entire supply chain; and iii) ensuring appropriate data/information for making business decisions and, therefore, provide added value to our stakeholders.
- To manage information technology efficiently and in compliance with regulatory standards; ensure high availability – aiming at more than 99% for key information systems and services; and provide information security of the implemented IT solutions.
- To strengthen all types of connections with external institutions and companies in 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 business compliance.

Krka Group 2021 Business Plan

- We estimate sales of products and services at €1,535 million.
- Sales outside Slovenia are expected to account for more than 94% of total sales.
- Prescription pharmaceuticals remain the most important product group with over 83% share in total sales.
- We plan profit at approximately €265 million.
- The total number of employees in Slovenia and abroad is projected to grow by a good 1%.
- We plan to allocate €73 million for investments, which is slightly less than the original plans and similar to last year.
- The 2021 business plan derives from the *2020–2024 Krka Group Development Strategy* and is based on estimates, assessments, projections, and other available data. The Management Board believe the projections are reasonable. The 2021 sales plan guarantees that, from 2017 to 2021, the average annual sales growth will exceed the 5% average annual growth specified in the strategy. If we achieve the 2021 sales plan, the annual growth over the five-year period will average 5.5%.
- The 2021 business results will also depend on the spread of COVID-19, related restrictions imposed by individual states, and global recovery after the pandemic. These events and processes are highly unpredictable and can result in lower regional or global economic growth than planned, increased unemployment rates, further depreciation of certain currencies, and a decrease in demand for pharmaceutical products. The ability to manage the pandemic fast can lead to a more positive outcome, which would further stimulate economic recovery. This could result in accelerated employment growth, increasing demand for Krka products, and favourable movements in certain exchange rates in terms of value.

BUSINESS REPORT

Financial Risks

Foreign Exchange Risk

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

Currency exposure arises from the difference in the value of assets and liabilities in a particular currency in the Group statement of financial position 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 derivatives. In 2021, we have continued our policy of partial hedging against the Russian rouble and US dollar by financial instruments.

In the first half of the year, signs of global economic recovery after the pandemic were detected in currency markets. The risk of increasing inflation and expected implementation of monetary measures by central banks of world's leading economies contributed to further volatility of the US dollar. Growing demand caused raw material and oil prices to rise, which positively affected the Russian rouble. In the first half of 2021, the rouble value increased, though it lagged behind the oil price hike owing to the Russian monetary authorities.

Interest Rate Risk

In the first half of 2021, the Krka Group had no non-current borrowings and was not exposed to the reference interest rate risk.

Credit Risk

The key credit risk of the Krka Group arises from trade receivables. This is the risk of customers failing to settle their liabilities by maturity dates. The Krka Group introduced a centralised credit control process, which includes all customers with credit limits exceeding €20,000. Numbering over 550 at the end of the first half of 2021, they accounted for more than 95% of total trade receivables. Control over small customers is decentralised in the sales network

Over the course of the first six months of 2021, the value of the rouble denominated in the euro rose by 5.4%. In the same period, the average value of the Russian rouble dropped by 14.4% year on year.

In the first half of 2021, the Krka Group generated foreign exchange gains from the long position in the Russian rouble, which were partially offset by expenses from forward contracts.

Krka's other important currencies on the sell-side generally remained stable in this period, while total foreign exchange differences positively impacted the final net financial result.

Over the first six months of 2021, the value of the US dollar increased by 3.3%. The Krka Group accrued a surplus of liabilities over assets from exposure to the US dollar and a short currency position. As a result, the strengthening of the dollar value has negatively affected the Group's operating profit. The negative impact of the strong dollar was offset by derivatives.

Taking into account net foreign exchange differences, derivatives income and expenses, interest income and expense, as well as other financial income and expenses, the total net financial result for the first six months of 2021 was positive and amounted to €6.7 million.

and is under the constant supervision of the controlling company.

The Krka Group records low value of receivable write-offs and impairments 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.

Our credit risk management policy remained unchanged in the first six months of 2021. At the end of this period, more than 95% of Krka Group trade receivables were insured with a credit insurance company.

Only a small portion of trade receivables was secured by bank instruments.

At the end of the first half of 2021, total value of trade receivables denominated in euros increased by 21%

Liquidity Risk

The Krka Group exposure to liquidity risk was low in the first half of 2021. We employed cash flows from operating activities to provide for short-term liquidity. In the first half of the year, bank balances increased, primarily because the positive cash flows from operating activities exceeded the negative cash flows from financing and investing activities in this period. We did not draw any additional liquidity from pre-approved short-term bank credit lines.

Property, Liability, and Business Interruption Insurance

We extended liability insurance for Management and Supervisory Board members at the end of March. In the observed period, we also arranged certain international insurance contracts for our companies abroad. Despite the demanding conditions in the global insurance market, we managed to maintain a low premium share in revenue. An analysis of car insurance for the year 2020 confirmed the measures

compared to the beginning of the year. Despite the COVID-19-related risks, receivables were well managed in the first six months of the year.

The maturity structure of receivables remained stable. The percentage of overdue receivables to total trade receivables remained within acceptable limits also at the end of the first half of the year. We identified no particularities when collecting receivables.

We monitor cash flows from operating activities by daily, rolling weekly, and monthly planning. We maintain optimal cash balances in subsidiary bank accounts. All Krka Group liabilities were settled on time.

taken to reduce the number of car damages and the extent of insurance premiums were effective. To increase the competitiveness of insurance providers, we started activities to acquire new providers from international markets and continue to reduce the number of property damages and optimise insurance.

Investor and Share Information

In the first half of 2021, the Krka share price on the Ljubljana Stock Exchange rose by 13.2%. In the same period, holdings of Slovenian retail investors, legal entities and institutional investors, and treasury

shares increased. Holdings of foreign investors declined by 0.7 percentage points. At the end of June 2021, Krka had 47,129 shareholders.

Shareholder structure (%)

	30 June 2021	31 Dec 2020
Slovenian retail investors	38.6	38.2
Slovenski državni holding (SDH, Slovenian Sovereign Holding) and the Republic of Slovenia	16.2	16.2
Kapitalska družba, d. d. (Pension Fund Management) and Prvi pokojninski sklad (First Pension Fund)	10.9	10.9
Slovenian legal entities and institutional investors	6.9	6.8
Foreign investors	22.5	23.2
Treasury shares	4.9	4.7
Total	100.0	100.0

In the first half of 2021, Krka acquired 72,548 treasury shares.

As at 30 June 2021, Krka held 1,614,322 treasury shares, accounting for 4.923% of share capital.

Ten largest shareholders as at 30 June 2021

	Country	Number of shares	Equity (%)	Voting rights (%)
Kapitalska družba, d. d.	Slovenia	3,493,030	10.65	11.20
Slovenski državni holding, d. d. (SDH)	Slovenia	2,949,876	9.00	9.46
Republic of Slovenia	Slovenia	2,366,105	7.22	7.59
OTP banka d.d.*	Croatia	1,609,828	4.91	5.16
Addiko Bank d.d. Pension Fund 1	Croatia	1,199,638	3.66	3.85
Clearstream Banking S.A.*	Luxembourg	1,080,497	3.29	3.47
State Street Bank and Trust*	US	527,449	1.61	1.69
Luka Koper, d. d.	Slovenia	433,970	1.32	1.39
KDPW*	Poland	326,037	0.99	1.05
Privredna banka Zagreb d. d. *	Croatia	318,434	0.97	1.02
Total		14,304,864	43.62	45.88

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

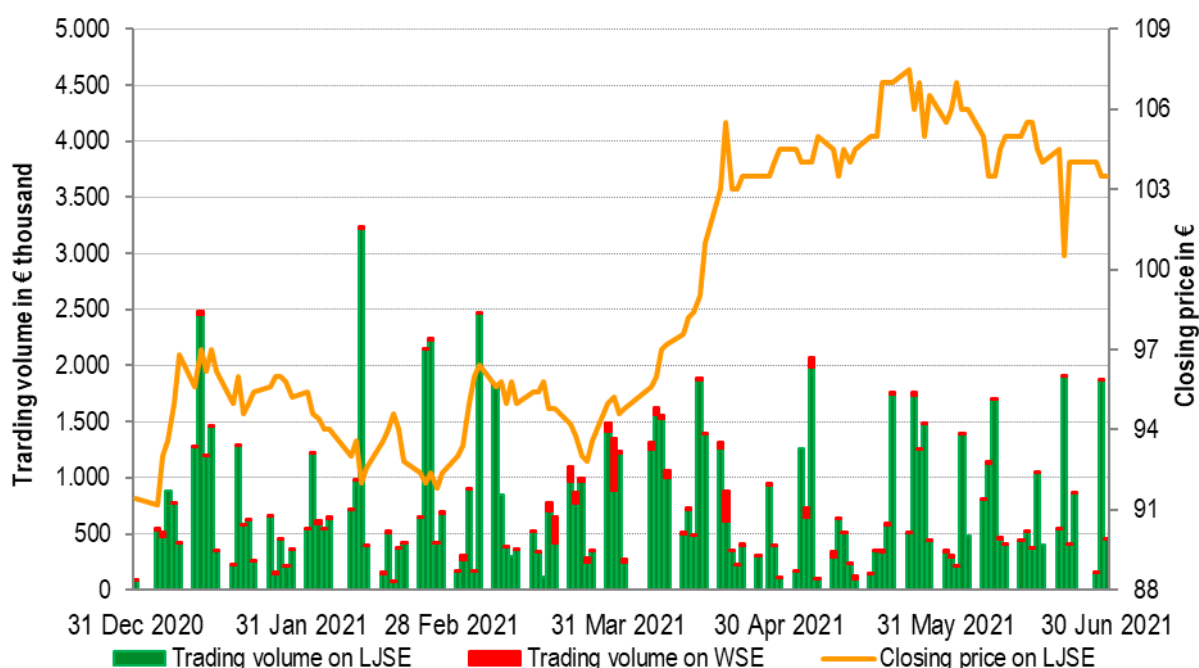
As at 30 June 2021, ten largest Krka shareholders held 14,304,864 shares or 43.62% of total shares issued.

As at 30 June 2021, members of the Management and the Supervisory Boards held a total of 40,387 Krka shares or 0.12% of total shares issued.

Equity holdings and voting rights of the Management and Supervisory Board members as at 30 June 2021

	Number of shares	Equity (%)	Voting rights (%)
Management Board members			
Jože Colarič	22,500	0.069	0.072
David Bratož	0	0.000	0.000
Aleš Rotar	13,915	0.042	0.045
Vinko Zupančič	120	0.000	0.000
Milena Kastelic	505	0.002	0.002
Total Management Board members	37,040	0.113	0.119
Supervisory Board members			
Jože Mermal	0	0.000	0.000
Julijana Kristl	230	0.001	0.001
Boris Žnidarič	0	0.000	0.000
Matej Lahovnik	600	0.002	0.002
Borut Jamnik	0	0.000	0.000
Mojca Osolnik Videmšek	617	0.002	0.002
Franc Šašek	1,400	0.004	0.004
Tomaž Sever	500	0.002	0.002
Mateja Vrečer	0	0.000	0.000
Total Supervisory Board members	3,347	0.011	0.011

Krka share trades in the first half of 2021



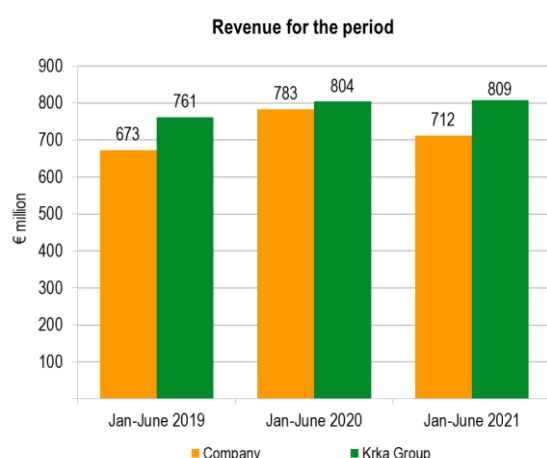
In the first half of 2021, the Krka share price on the Ljubljana Stock Exchange peaked at the end of May, when it traded at €107.50, and reached its low at the beginning of January, when it amounted to €91.20. On 30 June 2021, Krka shares traded at €103.50 per share.

As at the same date, market capitalisation of Krka on the Ljubljana Stock Exchange amounted to €3.4 billion. In this period, the average daily trading volume of Krka shares reached €0.8 million. Since April 2012, Krka shares have been listed on the Warsaw Stock Exchange as well.

Business Performance

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

Revenue



The Krka Group generated revenue totalling €808.6 million, of which revenue from contracts with customers on sales of products and services

amounted to €806.5 million. Revenue from contracts with customers on sales of materials and other sales revenue constituted the difference. Revenue grew by €4.8 million, a 1% rise on the same period last year. In that period, strong revenue growth was recorded primarily due to individual spending peaks spurred by the first wave of the pandemic.

Other operating income amounted to €6 million, while financial income totalled €10.9 million. The Krka Group generated total revenue of €825.6 million, up 1% on the same period last year.

Please find details on sales of products and services by region and product group in the section 'Marketing and Sales' section.

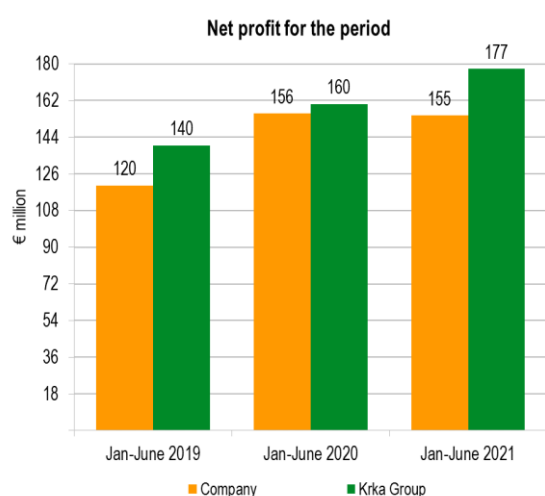
Expenses

Total expenses of the Krka Group amounted to €618.3 million, down 2% year on year.

The Group incurred operating expenses of €614.1 million, up 4% on the same period last year. They comprised cost of goods sold totalling €347.8 million, selling and distribution expenses of €146.8 million, R&D expenses amounting to €75.6 million, and general and administrative expenses totalling €43.9 million.

Cost of goods sold saw a 9% year-on-year rise, accounting for 43.0% of revenue. Selling and distribution expenses declined by 6%, accounting for 18.1% of revenue. R&D expenses increased by 2% and were recognised as expenses for the period in full as the Krka Group does not capitalise them. They accounted for 9.3% of revenue. General and administrative expenses went up by 2% and constituted 5.4% of revenue.

Operating Results



Operating profit (EBIT) of the Krka Group reached €200.5 million, a 7% decrease year on year. Operating profit before depreciation and amortization (EBITDA) totalled €255 million, 7% down on the first half of 2020.

Profit before tax amounted to €207.3 million, up 9% compared to the same period last year. Income tax totalled €29.8 million, and effective tax rate was recorded at 14.4%.

Net profit of the Krka Group reached €177.4 million, an 11% year-on-year increase.

Assets

At the end of June 2021, the Krka Group assets were valued at €2,427.4 million, a 9% rise on year-end 2020.

Non-current assets accounted for 40.5% of total assets, down 3.9 percentage points from the beginning of the year. The most important item under non-current assets totalling €982.5 million was property, plant and equipment valued at €791.6 million. Its value decreased by 2% on

year-end 2020, accounting for 32.6% of total Krka Group assets. Intangible assets amounted to €104.6 million, a 3% drop on year-end 2020.

Current assets increased by 16% to €1,444.9 million. Over the course of the period, inventories decreased by 2% and amounted to €444.4 million. Receivables went up by 21% to €496.3 million, of which trade receivables totalled €463.5 million, up 21% on year-end 2020.

Equity and Liabilities

Equity of the Krka Group totalled €1,933.1 million, a 10% increase on year-end 2020, and accounted for 79.6% of total equity and liabilities.

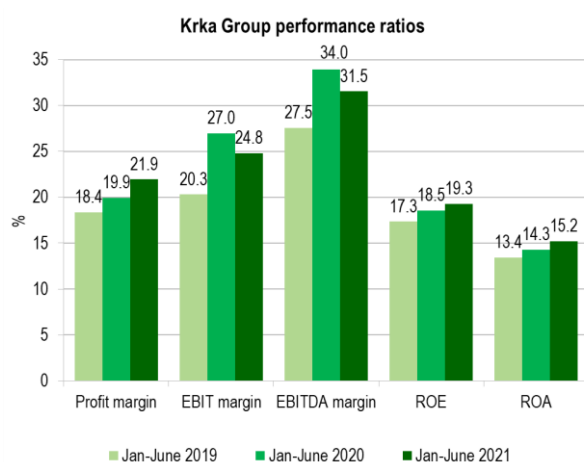
Amounting to €172.9 million, non-current liabilities accounted for 7.1% of the Krka Group balance sheet total and remained at the level of year-end 2020. Provisions totalled €135.2 million (of which post-employment and other non-current employee benefits accounted for €131.2 million, provisions for

lawsuits €2.1 million, and other provisions €1.9 million) and remained at a similar level as at the end of 2020.

Current liabilities increased by 3% on year-end 2020 and amounted to €321.4 million, i.e. 13.2% of balance sheet total. Of current liabilities, trade payables totalled €111.2 million, up 4% on year-end 2020. Liabilities from contracts with customers totalled €99 million, a 7% decrease on

year-end 2020, while other current liabilities increased by 24% to €97.6 million.

Performance Ratios



The Krka Group net profit margin (ROS) for the first half of 2021 was 21.9%, EBIT margin 24.8%, and EBITDA margin 31.5%.

At the Group level, annualised return on equity (ROE) was 19.3% and annualised return on assets (ROA) 15.2%.

Marketing and Sales

In the first half of 2021, the Krka Group generated €808.6 million in product sales, a 1% year-on-year rise. Of that, revenue from contracts with customers (products and services) amounted to €806.5 million. Compared to the first half of 2019, sales went up

by 6%. Sales in countries outside Slovenia reached €764.8 million, accounting for 95% of total Krka Group sales. Product sales volume increased by 2% year on year.

Product and Service Sales by Region

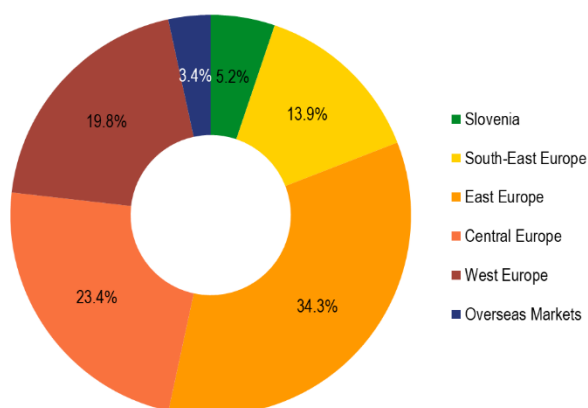
We increased sales in all regions except in Region West Europe. Region East Europe recorded the highest sales, €276.5 million or 34.3% of total Krka Group sales. Region Central Europe achieved the second highest sales, €188.9 million or 23.4% of total Krka Group sales. Region West Europe made the third highest sales, €159.6 million or 19.8% of

total Krka Group sales. Sales generated by Region South-East Europe totalled €112.3 million or 13.9% of total sales, and by Region Overseas Markets €27.5 million or 3.4% of total sales. Sales by Region Slovenia amounted to €41.8 million or 5.2% of total Krka Group sales.

Product and Service Sales by Region

€ thousand	Krka Group			Company		
	Jan-June 2021	Jan-June 2020	Index	Jan-June 2021	Jan-June 2020	Index
Region Slovenia	41,772	38,347	109	28,432	28,355	100
Region South-East Europe	112,266	103,534	108	108,704	102,817	106
Region East Europe	276,523	271,688	102	167,663	147,050	114
Region Central Europe	188,903	182,675	103	181,344	176,834	103
Region West Europe	159,622	181,572	88	121,258	174,515	69
Region Overseas Markets	27,460	24,031	114	24,569	21,880	112
Total	806,546	801,847	101	631,970	651,451	97

2021 Semi-Annual Krka Group Product and Service Sales by Region



Region Slovenia

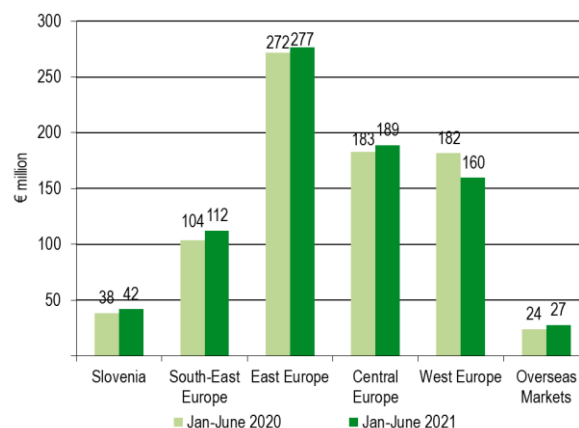
Region Slovenia generated €41.8 million in sales of products and services. Product sales in the amount of €28.4 million constituted the major part of regional sales and slightly grew on 2020. Sales of prescription pharmaceuticals reached €20.9 million and made up over 73% of total product sales. Non-prescription products generated €6 million or 21% of total product sales. Animal health product sales added up to €1.5 million or over 5% of product sales. Holding a 7.5% market share, we retained the leading position among pharmaceutical manufacturers in Slovenia. Health resorts and tourist services generated €13.3 million, up 33% on the same period last year.

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

- cardiovascular diseases;
- central nervous system;
- gastrointestinal tract;
- pain relief; and
- vitamins and minerals.

Our key brands Prenessa (perindopril), Prenewel (perindopril/indapamide), Amlessa (perindopril/amlodipine), and Amlewel (perindopril/amlodipine/indapamide) should be mentioned among prescription pharmaceuticals for the treatment of cardiovascular diseases as they strengthened our marketing position and earned us further recognition in the market of antihypertensive agents.

2020 and 2021 Semi-Annual Krka Group Product and Service Sales by Region



Of the statin product group, we strengthened the leading position of Sorvasta (rosuvastatin), and improved the visibility of our double-agent medicine Sorvitimb (rosuvastatin/ezetimibe). We also built on the visibility of Roxiper (rosuvastatin/perindopril/indapamide). From our range of medicines for pain relief, we primarily focused on two analgesics, Doreta (tramadol/paracetamol) and Nalgesin Forte (naproxen). We further strengthened recognition of two central nervous system agents, our antipsychotic Parnido (paliperidone) and antidepressant Dulsevia (duloxetine). We worked on recognition of Dasatinib Krka (dasatinib) from our oncology range, which we extended by Pemetreksed Krka (pemetrexed) at the end of June.

Our top-selling brands in Slovenia were Nalgesin and Nolpaza. Nalgesin Forte (naproxen) and Nolpaza (pantoprazole) are available as prescription products, while Nalgesin S (naproxen) and Nolpaza Control (pantoprazole) belong to non-prescription products. Sorvasta (rosuvastatin) and Prenewel (perindopril/indapamide) generated strongest sales of our prescription pharmaceuticals. Magnesium-containing products Magnezij Krka 300 and Magnesol, and Nalgesin S (naproxen) contributed most to our non-prescription sales. Our leading animal health product was Fypryst Combo (fipronil/S-methoprene).

Region South-East Europe

In the first half of 2021, product sales in Region South-East Europe amounted to €112.3 million, an 8% year-on-year increase. All regional markets recorded sales growth. In absolute terms, sales growth was the highest in Bulgaria, and in relative terms in Kosovo. Prescription pharmaceuticals, our key segment, constituted 88% of overall sales and presented 10% sales growth.

In **Romania**, our key and leading regional market, sales amounted to €32.4 million, a 7% year-on-year rise. We were one of the leading providers of generic prescription pharmaceuticals in the country. Our cardiovascular agents Atoris (atorvastatin), Co-Prenessa (perindopril/indapamide), and Roswera (rosuvastatin) achieved the highest sales figures of all our prescription pharmaceuticals. They were followed by Doreta (tramadol/paracetamol) and Nolpaza (pantoprazole). Sales of non-prescription products decreased year on year. Bilobil (ginkgo leaf extract) and Nalgesin (naproxen) were our best-selling non-prescription products. Sales of our animal health products were 4% higher than in the same period last year, primarily due to strong sales of products for companion animals. Of these, we should mention Milprazon (milbemycin/praziquantel) and the Fypryst brand products. Enroxil (enrofloxacin) and Floron (florfenicol) remained our most important products for farm animals.

Croatia is also one of our key markets. Sales amounted to €18.6 million, a 3% year-on-year increase. We were the fifth largest provider of generic medicines and took the second place among producers of animal health products in the market. Prescription pharmaceuticals constituted the major part of overall sales, primarily due to strong sales of:

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

Emanera and Co-Dalneva presented the highest absolute growth. We launched Atixarso (ticagrelor) and Eliskardia (prasugrel) in the first half of 2021. Of non-prescription product sales, which saw a 10% year-on-year rise, Nalgesin (naproxen), B-Complex, and Fitoval sold best. Sales of animal

health products went up by 7% on the same period last year. Products sold under the Fypryst brand, Enroxil (enrofloxacin), Vitamin AD3E, and Marfloxin (marbofloxacin) recorded the strongest sales.

In **Serbia**, sales amounted to €15.5 million, 8% more than in the same period last year. Prescription pharmaceuticals accounted for 87% of country sales. Sales were driven by:

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

Nolpaza (pantoprazole) and Co-Amlessa (perindopril/amlodipine/indapamide) presented the highest growth in absolute terms. Non-prescription products contributed 8% to overall sales. Sales were driven by:

- Nalgesin (naproxen);
- Bilobil (ginkgo leaf extract);
- Letizen (cetirizine); and
- Fitoval brand products.

Products sold under the Fypryst and Dehinel brands, Calfoset, and Tuloxin (tulathromycin) recorded the strongest sales of our veterinary medicines.

In **Bulgaria**, our sales reached €14.1 million, up 20% year on year. Prescription pharmaceuticals generated the strongest sales, above all Co-Valsacor (valsartan/hydrochlorothiazide) that accounted for 66% of the market share volume. It was followed by:

- Valsacor (valsartan);
- Roswera (rosuvastatin);
- Co-Amlessa (perindopril/amlodipine/indapamide);
- Nolpaza (pantoprazole);
- Wamlox (amlodipine/valsartan); and
- Co-Prenessa (perindopril/indapamide).

In terms of value, Diflazon (fluconazole) and Valtricom (valsartan/amlodipine/hydrochlorothiazide) presented the highest growth. Non-prescription product sales also went up, while sales of animal health products lagged behind the same period of 2020.

In **North Macedonia**, sales amounted to €12.6 million, a 10% year-on-year rise. We have retained the leading place among foreign providers

of generic medicines in the country. Accounting for 86% of overall sales, prescription pharmaceuticals contributed most substantially to sales and remained the leading product category. Most important prescription pharmaceuticals were:

- Roswera (rosuvastatin);
- Nolpaza (pantoprazole);
- Enap (enalapril);
- Atoris (atorvastatin); and
- Tanyz (tamsulosin).

Year-on-year sales of non-prescription products saw an increase. Daleron (paracetamol), Septanazal (xylometazoline/dexpanthenol), Bilobil (ginkgo leaf extract), and Nalgesin (naproxen) contributed the most to overall sales. Our animal health products also presented growth.

Sales in **Bosnia and Herzegovina** totalled €11.4 million, a 2% year-on-year rise. We retained the first place among foreign providers of generic medicines in the country. Prescription pharmaceuticals accounted for the major part of sales total, with

- Enap H/HL (enalapril/hydrochlorothiazide);
- Lexaurin (bromazepam);
- Roswera (rosuvastatin);

Region East Europe

Region East Europe generated €276.5 million in product sales, a 2% increase compared to the first half of 2020. Denominated in the euro, our sales dropped in the Russian Federation – our largest key market, while Ukraine, our second largest key market, and most other regional markets recorded sales growth.

In the **Russian Federation**, which remained our key and largest individual market, product sales reached €168.2 million, a 7% drop compared to the same period last year. Denominated in the Russian national currency, we increased year-on-year sales by 10%. According to the latest available data, Krka ranks second among foreign generic providers of pharmaceuticals in the Russian Federation.

Prescription pharmaceuticals accounted for 86% of the country sales totalling €144.5 million, down 7% on the same period last year, but 9% more than last year when denominated in the national currency. Strongest sales were made by:

- Lorista (losartan);
- Valsacor (valsartan);
- Lorista H/HD (losartan/hydrochlorothiazide);
- Atoris (atorvastatin);

- Atoris (atorvastatin);
- Nolpaza (pantoprazole); and
- Enap (enalapril)

presenting the strongest sales. Of non-prescription products, Nalgesin (naproxen) and B-Complex recorded strongest sales, while sales of animal health products were driven by the Fypryst product brand and Rycarfa (carprofen). In Bosnia and Herzegovina, we again had to deal with exclusion of foreign generic manufacturers from reimbursement lists.

In **Kosovo**, we generated €4.5 million in sales, 23% year-on-year growth, and remained one of the leading providers of medicines in the country. In **Albania**, product sales yielded slightly more than €1.8 million, up 20% on the same period last year. Product sales in **Montenegro** resulted in just over €1.0 million, 2% more than in the same period last year. In **Greece**, we launched Pitavador (pitavastatin), Rosuvador (rosuvastatin), Esolib (esomeprazole), and Zoletad (lansoprazole), started direct promotional activities in the field, and generated €0.3 million in product sales in the first half of 2021.

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

Telmista and Lorista product families presented the highest growth in absolute terms. Two medicines introduced last year, Telmista AM (telmisartan/amlodipine) and Roxatenz (rosuvastatin/perindopril/indapamide) also achieved good sales results. This further strengthened our position of the leading provider of cardiovascular agents in the Russian Federation.

Non-prescription products generated €14.1 million. This was a 9% decrease on the same period last year, but a 5% advance denominated in the national currency. The Herbion brand products generated

strongest sales and were followed by Nalgesin (naproxen) and Septolete Total (benzylamine/cetylpyridinium chloride). Animal health product sales grew by 4% to €9.5 million. Doxatib (doxycycline), Floron (florfenicol), and Milprazon (milbemycin/praziquantel) generated highest sales figures.

We have been increasing the manufacturing capacity of our subsidiary Krka-Rus and strengthening our status of a domestic producer. In the first half of 2021, our subsidiary manufactured approximately 75% of all Krka products sold in the Russian Federation.

In **Ukraine**, we generated €46.2 million in product sales, a 25% year-on-year increase. We strengthened our marketing position and ranked second among foreign providers of generic pharmaceuticals. Recording 26% growth, cardiovascular agents were the most important product group and constituted the leading prescription pharmaceuticals category in terms of sales. Co-Prenessa (perindopril/indapamide), Co-Amlessa (perindopril/amlodipine/indapamide), and Nolpaza (pantoprazole) recorded highest sales. Non-prescription products achieved 9% growth. The Herbion brand products, Nalgesin (naproxen), and Bilobil (ginkgo leaf extract) recorded strongest sales. Sales of animal health products went up by 13% on the same period last year.

Subregion East Europe B

In the first half of 2021, Subregion East Europe B composed of Belarus, Mongolia, Azerbaijan, and Armenia, generated product sales of €22.8 million, up 13% compared to the same period last year.

In **Belarus**, year-on-year sales decreased by 3% and totalled €10.3 million. According to the latest available data, we ranked second among foreign providers of generic medicines in the country. Prescription pharmaceuticals accounted for the largest share in sales, especially:

- Co-Amlessa (perindopril/amlodipine/indapamide);
- Nolpaza (pantoprazole); and
- Lorista H/HD (losartan/hydrochlorothiazide).

Of non-prescription products, sales were driven by the Septolete and Herbion brand products.

In **Mongolia**, our sales advanced by 46% reaching €6.4 million, and we maintained our position among the leading foreign providers of pharmaceuticals. Of

prescription pharmaceuticals, cardiovascular agents achieved the highest growth. Prescription pharmaceuticals that generated strongest sales were:

- Nolpaza (pantoprazole);
 - Lorista (losartan);
 - Atoris (atorvastatin); and
 - Amlessa (perindopril/amlodipine).
- Bilobil (ginkgo extract leaf) and Nalgesin (naproxen) ranked highest of non-prescription products.

In the first half of 2021, product sales in **Azerbaijan** reached €3.6 million. Year on year, sales of prescription pharmaceuticals climbed by 27%, while overall sales advanced by 26%. Key prescription pharmaceuticals included:

- Co-Amlessa (perindopril/amlodipine/indapamide);
- Dexamethasone (dexamethasone);
- Nolpaza (pantoprazole);
- Amlessa (perindopril/amlodipine);
- Co-Prenessa (perindopril/indapamide); and
- Lorista H/HD (losartan/hydrochlorothiazide).

Sales in **Armenia** totalled €2.5 million, a 10% year-on-year increase. The following prescription pharmaceuticals added the most to sales:

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

The leading non-prescription products were the Septolete and Septanazal brand products.

Subregion East Europe K

Our Subregion East Europe K includes Kazakhstan, Moldova, and Kyrgyzstan. The subregional sales in the first half of 2021 totalled €17.1 million, a 7% year-on-year rise. We recorded growth in all countries of the region.

In **Kazakhstan**, product sales yielded €8 million, a 1% year-on-year rise. Sales denominated in the national currency grew by 17%. Most of that, 74%, was generated by prescription pharmaceuticals. The leading medicines were Nolpaza (pantoprazole), Enap (enalapril), and Atoris (atorvastatin). Non-prescription products added 22% to overall sales. Products of the Herbion, Duovit, and Septolete brands were top-selling non-prescription products.

In **Moldova**, product sales totalled €6 million. Prescription pharmaceuticals contributed most to

9% growth and accounted for 81% of overall country sales. The leading products were:

- Dexamethasone (dexamethasone);
- Lorista (losartan); and
- Rawel (indapamide).

Non-prescription products made up 16% of overall sales. Septanazol (xylometazoline/dexpanthenol), Nalgesin (naproxen), and the Herbion brand products generated most substantial sales.

In **Kyrgyzstan**, sales amounted to €3.1 million, up 25% year on year. Prescription pharmaceuticals accounted for 83% of total sales, and Lorista (losartan), Nolpaza (pantoprazole), and Atoris (atorvastatin) recorded strongest sales. Non-prescription products accounted for 17% of overall sales. Products sold under the Septolete, Pikovit, and Duovit brands were sales leaders.

Subregion East Europe U

Subregion East Europe U, consisting of Uzbekistan, Georgia, Tajikistan, and Turkmenistan, generated €22.2 million in product sales in the first half of 2021, up 22% year on year. While sales advanced in Uzbekistan and Georgia, they saw a drop in Turkmenistan and Tajikistan.

In **Uzbekistan**, we generated sales of €16.4 million, a 32% year-on-year increase. We earned a place among most prominent providers of medicines in the country, especially medicines for the treatment of cardiovascular diseases. Prescription

pharmaceuticals were our leading product group, of which

- Lorista (losartan);
- Amlessa (perindopril/amlodipine); and
- Nolpaza (pantoprazole)

achieved the strongest sales. Key non-prescription products were Septolete and Pikovit brand products.

In **Georgia**, our product sales advanced by 22% to €4 million. Prescription pharmaceuticals accounted for 93% of overall country sales, and the leaders were:

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

In **Tajikistan**, sales decreased by 27% to €1 million year on year. Nolpaza (pantoprazole) and Naklofen (diclofenac) added the most to sales total. The Duovit and Pikovit brand products were leading non-prescription products.

In **Turkmenistan**, product sales amounted to €0.8 million, a 27% year-on-year decline. The share of prescription pharmaceuticals increased and accounted for 81% of country sales. Amlessa (perindopril/amlodipine), Nolpaza (pantoprazole), and Co-Amlessa (perindopril/amlodipine/indapamide) of prescription pharmaceuticals, and Pikovit of non-prescription products recorded the highest sales.

Region Central Europe

Region Central Europe generated sales of €188.9 million or 3% more than in the same period last year. We recorded growth on all regional markets except in Lithuania and Estonia, where sales saw a slight year-on-year drop.

Poland remained our leading and key regional market. Product sales reached €87.6 million, up 2% year on year. We were the third largest foreign provider of generic pharmaceuticals in the country. Sales growth denominated in the zloty reached 5%.

Prescription pharmaceuticals remained primary contributors to overall sales, especially:

- Atoris (atorvastatin);
- Roswera (rosuvastatin);
- Valsacor (valsartan);
- Co-Valsacor (valsartan/hydrochlorothiazide);

- Doreta (tramadol/paracetamol);
- Karbis (candesartan); and
- Karbikombi (candesartan/hydrochlorothiazide).

We recorded positive sales trends in certain newly launched products, especially in Valtricom (valsartan/amlodipine/hydrochlorothiazide) and Co-Roswera (rosuvastatin/ezetimibe). Of other prescription pharmaceuticals, we should mention:

- Dulsevia (duloxetine), up 67%;
- Nalgesin (naproxen), up 46%; and
- Pragiola (pregabalin), up 56% year on year.

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 reached 75% of the last year's figure. The most important products were Bilobil (ginkgo leaf extract)

and products sold under the Septotele brand. Sales of our animal health products totalled €3.3 million, 92% of total generated in the same period last year. The leading products were Milprazon (milbemycin/praziquantel), Floron (florfenicol), the Dehinel brand products, and Fypryst (fipronil).

In **Hungary**, also our key market, we recorded an 11% rise year on year and generated €28.6 million in product sales. Prescription pharmaceuticals accounted for the major part of sales total, in particular:

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

Sales of non-prescription products totalled €1.9 million, up 73% year on year. Most important products were:

- Venter (sucralfate);
- Bilobil (ginkgo leaf extract); and
- Flebaven (diosmin).

Sales of animal health products lagged behind to the same period last year. Fypryst (fipronil), Milprazon (milbemycin/praziquantel), and Enroxil (enrofloxacin) generated strongest sales.

In the **Czech Republic**, also one of our key markets, we ranked fourth among foreign suppliers of generic medicines. Our product sales amounted to €25.9 million, higher than in the same period last year. Prescription pharmaceuticals maintained the leading position, above all:

- Lexaurin (bromazepam);
- Atoris (atorvastatin);
- Sorvasta (rosuvastatin);
- Tonanda (perindopril/amlodipine/indapamide);
- Doreta (tramadol/paracetamol);
- Asentra (sertraline);
- Kventiax (quetiapine);
- Nolpaza (pantoprazole); and
- Renewel (perindopril/indapamide).

They were followed by Emanera (esomeprazole), Elicea (escitalopram), and Tonarssa (perindopril/amlodipine).

Year on year, sales of non-prescription products reached 78% of the last year's figure. Nalgesin S (naproxen) and Bisacodyl (bisacodyl) remained the leading medicines in terms of sales. Sales of our animal health products reached 86% of sales made in the same period last year. Products sold under the Fypryst and Dehinel brands were at the forefront.

Another key market is **Slovakia**, where we recorded product sales in total of €22.9 million, up 16% year on year. We ranked third among all foreign suppliers of generic medicines in the country. Prescription pharmaceuticals constituted the major part of sales total, especially:

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

Year on year, sales of non-prescription products recorded a 13% climb. The following medicines added to sales the most:

- Nalgesin S (naproxen);
- Flebaven (diosmin);
- Nolpaza (pantoprazole); and
- Panzynorm (pancreatin).

Our animal health product sales saw 16% growth. Major sales drivers were:

- Quiflox (marbofloxacin);
- Enroxil (enrofloxacin);
- Milprazon (milbemycin/praziquantel); and
- The Fypryst brand products.

In **Lithuania**, product sales yielded €11.7 million, a 3% year-on-year slip. Prescription pharmaceuticals accounted for the major proportion of overall sales, above all:

- Nolpaza (pantoprazole);
- Kaptopril Krka (captopril);
- Roswera (rosuvastatin);
- Valsacombi (valsartan/hydrochlorothiazide); and
- Atoris (atorvastatin).

Year on year, sales of non-prescription products reached 74% of the last year's figure. Nalgesin S (naproxen) and Septabene (benzylamine/cetylpyridinium chloride) were the leading non-prescription products. Sales of animal health products exceeded the last year's figure by 13%. Products sold under the Fypryst brand and Milprazon (milbemycin/praziquantel) were at the forefront.

In **Latvia**, sales value reached €7.7 million and exceeded year-on-year sales by 6%. Prescription pharmaceuticals accounted for the largest proportion in sales, especially:

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

Year on year, sales of non-prescription products reached 47% of the last year's figure. The most important product in terms of sales was Nalgedol (naproxen). Sales of our animal health products were 6% lower this year than in the same period of 2020. The Fypryst brand products presented the strongest sales.

Region West Europe

Countries of Region West Europe as a whole classify as our key markets. In the first half of 2021, sales amounted to €159.6 million, a 12% year-on-year drop. Sales were the highest in Germany, the Scandinavian countries, France, and Italy. We recorded the steepest absolute sales growth in France. The most important medicines were those containing esomeprazole, candesartan, the combination of milbemycin and praziquantel; valsartan, and venlafaxine.

Sales of our animal health products amounted to €19 million, up 58% from the same period last year. Tulathromycin and combination of milbemycin and praziquantel contributed to sales increase the most.

Sales of non-prescription products generated €3.2 million, accounting for 2% of regional sales. Our products containing paracetamol generated the strongest sales.

Germany remained our largest regional market and generated €43.3 million in product sales. Advanced antihypertensives recorded high sales and contributed most substantially to the result. We remained the leading provider of generic varieties of sartans in Germany. Prescription pharmaceuticals were at the forefront, especially:

- candesartan;
- combinations of candesartan and hydrochlorothiazide; and
- combinations of valsartan, amlodipine, and hydrochlorothiazide.

Sales in **Estonia** totalled €4.7 million, a 25% year-on-year drop. In the same period last year, our tender sales of Darunavir Krka (darunavir) were strong, but this year market situation changed, affecting our sales. Prescription pharmaceuticals constituted the largest part of total sales, and sales leaders were:

- Co-Prenessa (perindopril/indapamide);
- Roswera (rosuvastatin);
- Co-Dalnessa (perindopril/amlodipine/indapamide),
- Atoris (atorvastatin);
- Dexamethason Krka (dexamethasone);
- Prenessa (perindopril); and
- Escadra (esomeprazole).

Nalgesin S (naproxen) topped our non-prescription product sales, and the Fypryst brand products were at the head of our animal health sales.

Sales of animal health products increased by 1% year on year.

In the **Scandinavian countries**, our product sales went down by 28% and totalled €23.2 million. Sweden remained our leading individual market and was followed by Finland, Norway, Denmark, and Iceland. Sales were driven by medicines containing esomeprazole, candesartan, mirtazapine, sertraline, metoprolol, and venlafaxine. In Norway, we retained the leading position with many medicines, above all those containing esomeprazole, valsartan, and enalapril.

In **France**, our product sales reached €21.5 million, a 23% climb on the same period last year. Esomeprazole, clopidogrel, and gliclazide of prescription pharmaceuticals, and the combination of milbemycin and praziquantel, a veterinary medicine, recorded the highest sales. Pharmaceuticals containing tadalafil; paracetamol; emtricitabine in combination with tenofovir and dasatinib; and the combination of milbemycin and praziquantel – an animal health product – were in the lead.

In **Italy**, year-on-year sales saw a 12% drop in terms of value and totalled €16 million. Medicines containing pantoprazole, clopidogrel, gliclazide, paliperidone, and atorvastatin generated most substantial sales. Sales of our animal health products saw two-digit growth.

In **Spain**, we generated €11.8 million in product sales or 46% less than in the same period last year. The

drop resulted from changed practices in dispensing medicines in Andalusia. Medicines containing donepezil, pramipexole, galantamine, and memantine generated the strongest sales.

In **Portugal**, sales decreased by 18% and totalled €11.7 million. The leading prescription pharmaceuticals were products containing esomeprazole, diosmin, olanzapine, emtricitabine in combination with tenofovir; and rosuvastatin in combination with ezetimibe. Sales of our animal health products saw two-digit growth.

Sales in the **United Kingdom** totalled €8.6 million, a 27% year-on-year advance. Prescription pharmaceuticals accounted for the bulk of overall sales. Pharmaceuticals containing esomeprazole and duloxetine recorded the strongest sales. Milbemycin in combination with praziquantel and imidacloprid in combination with moxidectin were the leading animal health products.

Region Overseas Markets

Region Overseas Markets generated product sales of €27.5 million or 14% more than in the same period a year ago. Prescription pharmaceuticals sold under our own brands in most markets accounted for the major portion of overall sales.

When doing business in the countries of the **Middle East**, we still encounter challenges posed by the economic and security circumstances in the area. Sales of our products amounted to €12.2 million, a 28% year-on-year rise. Good performance in Iran, our largest regional market, where year-on-year sales advanced by 39%, significantly contributed to the overall regional sales increase. Iraq, Saudi Arabia, the United Arab Emirates, Yemen, and Lebanon followed. Asentra (sertraline), Zyllt (clopidogrel), Yasnal (donepezil), and Emanera (esomeprazole) generated the strongest sales.

Sales in **Benelux** totalled €7.9 million, down 9% compared to the first half of 2021. Pharmaceuticals containing esomeprazole, valsartan, and venlafaxine stood out in terms of sales.

In **Ireland**, we generated €6 million in product sales, a 17% year-on-year rise. We remained one of the leading providers of generic medicines containing valsartan, esomeprazole, tadalafil, venlafaxine, duloxetine, and pregabalin.

In **Austria**, our sales grew by 7% and totalled €5.2 million. Sales were driven by pharmaceuticals containing pregabalin, duloxetine, and valsartan.

In **other western European countries**, we made most of our sales through unrelated parties. Year-on-year sales climbed by 3% to €4.4 million.

In countries of the **Far East** and **Africa**, we made €14.5 million in sales and recorded 6% growth. Products that recorded strongest sales were:

- Emanera (esomeprazole);
- Lanzul (lansoprazole);
- Gliclada (gliclazide);
- Palprostes (saw palmetto extract); and
- Pharmaceuticals containing pregabalin.

Our regional sales were the highest in Vietnam, a 14% advance. We recorded next most substantial sales figures in the Republic of South Africa and China. After having won tender sales through Ningbo Krka Menovo, we started supplying pharmaceuticals containing pregabalin in seven Chinese provinces.

The smallest regional office operates in markets of the **Americas**. Our product sales, especially in the countries of the Central America, generated €0.7 million, a 5% year-on-year slip. Our pharmaceuticals in highest demand were:

- Valsacor (valsartan);
- Valsaden (valsartan/hydrochlorothiazide);
- Roswera (rosuvastatin); and
- Vizarsin (sildenafil).

Product and Service Sales by Category

In the first half of 2021, medicinal products for human health were the most important product group in the sales structure of the Krka Group, accounting for 92.7% of total sales. Prescription pharmaceuticals constituted 85.4% of our total sales, and were followed by non-prescription products and animal health products.

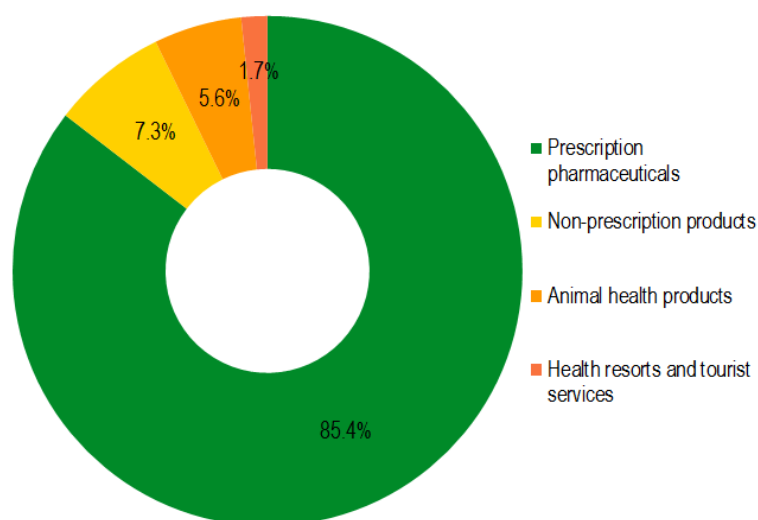
The first half of 2020 was marked by the onset of the COVID-19 pandemic. Year on year, sales of prescription products remained unchanged, non-prescription products went down by 4%, while animal health product sales advanced by 16%.

Sales of health resort and tourist services constituted 1.7% of total Krka Group sales, a 33% climb on the same period last year.

Product and Service Sales by Category

€ thousand	Krka Group			Company		
	Jan–June 2021	Jan–June 2020	Index	Jan–June 2021	Jan–June 2020	Index
Human health medicines	748,246	753,174	99	591,327	615,299	96
– Prescription pharmaceuticals	689,129	691,680	100	540,444	558,580	97
– Non-prescription products	59,117	61,494	96	50,883	56,719	90
Animal health products	44,960	38,680	116	40,643	36,152	112
Health resorts and tourist services	13,340	9,993	133			
Total	806,546	801,847	101	631,970	651,451	97

Semi-Annual Structure of Krka Group Product and Service Sales by Category



Prescription Pharmaceuticals

Sales of prescription pharmaceuticals totalled €689.1 million and remained at similar level as last year.

We increased sales in all our regions except in Region West Europe, where we recorded a 17% drop. Sales increases were as follows:

- Region Overseas Markets 15%;
- Region South-East Europe 10%;
- Region Slovenia 5%;

- Region Central Europe 4%; and
- Region East Europe 2%.

Of our three largest markets, we recorded a 3% increase in Poland, a 9% slip in Germany, and a 7% decline in the Russian Federation. We recorded, however, a 9% rise denominated in the national currency – the Russian rouble.

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

- Ukraine 27%;
- Slovakia 17%;
- Romania 11%;
- Hungary 9%; and
- Slovenia 5%.

Our medium-sized markets presented sales growth as follows:

- Uzbekistan 38%;
- Bulgaria 22%;
- Ireland 16%;
- Latvia 16%;
- North Macedonia 11%;
- Serbia 10%;
- Austria 7%;
- The United Kingdom 7%; and
- France 6%.

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

- Mongolia 43%;
- Kyrgyzstan 37%;
- Azerbaijan 27%;
- Kosovo 25%;
- Albania 21%;
- Moldova 17%; and
- Armenia 17%.

At the beginning of 2021, we started marketing prescription pharmaceuticals under our own brands through our own marketing-and-sales network in Greece.

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*);
- candesartan (Karbis*, Karbicombi*, Kandoset*);
- enalapril (Enap, Enap H, Enap HL, Elernap*); and

- tramadol (Doreta*, Tadol*).

Year on year, the following pharmaceuticals recorded most substantial sales increases:

- Co-Amlessa* (perindopril/amlodipine/indapamide);
- Emanera* (esomeprazole);
- dexamethasone;
- Nolpaza* (pantoprazole); and
- Co-Prenessa* (perindopril/indapamide).

In the first half of 2021, Atixarso* (ticagrelor) for prevention of atherothrombotic events was launched as a completely new medicine in Croatia.

After obtaining relevant marketing authorisations, we launched Doreta SR (tramadol/paracetamol) prolonged-release tablets in the Czech Republic, Hungary, Poland, Portugal, and Romania.

We launched several pharmaceuticals on new markets:

- Xerdexo* (rivaroxaban) in North Macedonia;
- Eliskardia* (prasugrel) in Croatia;
- Pitavador* (pitavastatin) in Greece;
- Rosuvador* (rosuvastatin) in Greece;
- Canocord (candesartan) and Canocombi (candesartan/hydrochlorothiazide) in Latvia;
- Telmista* (telmisartan) and Telmista H (telmisartan/hydrochlorothiazide) in Belarus;
- Olsitri* (olmesartan/amlodipine/hydrochlorothiazide) in Lithuania, Latvia, Estonia, Belgium, and Ireland;
- Co-Prenessa* (perindopril/indapamide) in Uzbekistan;
- Co-Valodip* (valsartan/amlodipine/hydrochlorothiazide) in Uzbekistan and Ireland;
- Wamlox* (valsartan/amlodipine) in Hungary;
- Roxiper* (perindopril/indapamide/rosuvastatin) in Ukraine;
- Mirzaten (mirtazapine) in Moldova;
- Dekenor* (dexketoprofen) in Hungary and Spain;
- Febuxostat in Mongolia.

In the first half of 2021, we continued marketing activities adapted during the COVID-19 pandemic and maintained contacts with our customers through a combination of various communication channels.

Non-Prescription Products

Sales of non-prescription products totalled €59.1 million, a 4% decline on the same period last year.

Protective measures adopted for curbing the COVID-19 pandemic also prevented flu and cold infections. Sales of seasonal products therefore saw a downturn in almost all markets.

Compared to the same period last year, sales increases were primarily recorded in:

- Hungary 73%;
- Mongolia 58%;
- France 32%;
- Kosovo 20%;
- Uzbekistan 16%;
- Belarus 13%;
- Slovakia 13%;
- Albania 12%;
- Croatia 10%;
- Bulgaria 10%;
- Ukraine 9%;
- Portugal 5%; and
- North Macedonia 3%.

Other markets recorded lower sales than in the same period of 2020 primarily because of lower sales of seasonal products.

Animal Health Products

Animal health products sales generated €45.0 million or 16% more than in the same period last year.

Year on year, product sales generated by Region West Europe saw a 58% leap. This region was followed by Region East Europe, up 5%, and Region South-East Europe, up 2%.

Of our major markets, we recorded the highest sales growth in France and Spain, where sales figures more than doubled. Sales in the United Kingdom went up by 76%, in Benelux by 19%, and in the Russian Federation by 4%.

The leading product of the first half of the year was

- Nalgesin* (naproxen), which was followed by:
- Septotele*;
- Bilobil;
- Herbion*;
- Pikovit;
- Duovit;
- Flebaven* (diosmin);
- Panzynom;
- Daleron* (paracetamol); and
- Septanazol (xylometazoline/dexpanthenol).

Sales of non-seasonal products presented growth:

- Nalgesin* (naproxen);
- Bilobil;
- Flebaven* (diosmin);
- Palprostes;
- Nolpaza Control* (pantoprazole);
- Dasselta;
- Rutacid;
- Vitamin D3 Krka (cholecalciferol); and
- Noctiben Mea* (doxylamine) – our two new products.

Of our animal health products for companion animals, antiparasitics presented sales growth. The leading products included the fixed-dose combination of milbemycin and praziquantel (Milprazon*), and fipronil-containing products (Fypryst*, Fypryst Combo*). They were followed by combinations of pyrantel and praziquantel (Dehinel*, Dehinel Plus*); selamectin (Selehold); and imidacloprid (Ataxxa*, Prinocate*). Animal health products for farm animals also presented growth, among them our advanced tulathromycin-containing antimicrobial (Tuloxxin*). In the first half of 2021, the share of companion animal products further increased year on year.

Health Resorts and Tourist Services

Business operations of Terme Krka in the first half of 2021 were affected by government actions for curbing the COVID-19 pandemic. In the first half of 2021, our sales amounted to €13.3 million, up 33% year on year. As tourist services were restricted, the major part of sales was earned by medical care by referrals.

In the first half of 2021, we recorded 107,928 overnight stays, up 30% year on year. Talaso Strunjan, our coastal resort, recorded the highest (36%) share of overnight stays. Our health resorts Terme Dolenjske Toplice and Terme Šmarješke Toplice recorded 32% and 28% of overnight stays, respectively. Hoteli Otočec accounted for the remaining 4%. Guests from Slovenia accounted for more than 96% of total overnight stays.

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

Research and Development

We plan to obtain marketing authorisations for 16 new products in 2021 by development activities for new and established products and ensuring high quality and safety.

In the first half of 2021, we added six new products to our range of products. We obtained marketing authorisations for our prescription pharmaceuticals as follows:

- **Vimetso** or **Vildakombi** (vildagliptin/metformin), a fixed-dose combination for the treatment of diabetes;
- **Abirateron Krka** (abiraterone) and **Sunitinib Krka** (sunitinib), two new oncology medicines;
- **Apeneta** or **Adoben** (tapentadol), analgesic; and
- **Hiconcil** (amoxicillin), antibiotic in a new pharmaceutical form.

Of animal health products, we obtained marketing authorisations for antibiotic **Cladaxxa** or **Twinox** (amoxicillin/clavulanic acid).

In the first half of 2021, we obtained 440 new marketing authorisations in various countries under different registration procedures for our established products from all product categories.

We submitted registration dossiers for approximately 19,500 types of regulatory variations and were approved 17,200 variations. We adjusted to the requirements of the latest edition of the Russian Pharmacopoeia (GF XIV) and filed documents for variations of over 170 products.

A regulatory approval was given for our production plant in Jastrebarsko, Croatia, for a range of animal health products. We adapted the plant to all requirements for manufacturing various tablet forms of animal health products, automated certain work processes, increased production capacities. The new plant is a guarantee for high quality and safety of animal health products, including **Dehinel** (pyrantel/praziquantel), **Milprazon** (milbemycin/praziquantel), **Rycarfa** (carprofen), **Marfloxin** (marbofloxacin), and **Enroxil** (enrofloxacin).

In compliance with our commitment to maintaining the highest quality and safety standards, we completed the evaluation in accordance with the latest guidelines on high quality and safety of medicines in the first quarter of 2021 already. We drew up statements of completed risk assessments for all our products registered in the European Union member states, i.e. approximately 700 products, and submitted them to regulatory authorities.

At the end of 2020, the European Medicines Agency (EMA) published a referral procedure for sartans, according to which analytical specifications for finished products must include nitrosamine impurities limits. We therefore had to develop and validate analytical methods for nitrosamine impurities limits for all sartan-containing products. We drew up dossiers for approximately 3,000 variations and submitted them to regulatory agencies in all European Union member states where our sartan products are authorised.

Prescription Pharmaceuticals

In the first half of 2021, we obtained marketing authorisations for five new prescription pharmaceuticals.

We supplemented our range of antidiabetics that is to become one of our most important therapeutic categories in the upcoming period with a new fixed-dose combination of vildagliptin and metformin, **Vimetso** or **Vildakombi** film-coated tablets. The two active ingredients exert synergistic action, regulate blood sugar levels, and help increase postprandial insulin levels in adult patients with type 2 diabetes. The medicinal product is made according to the vertically integrated production model and incorporates an API manufactured in-house. We designed a patent-independent formulation. We manage all development and manufacturing processes, and ensure supplies of the finished product through in-house production.

We added **Apeneta** or **Adoben** (tapentadol) prolonged-release tablets to our analgesic range. Tapentadol is an opioid analgesic and is used to treat various types of severe chronic pain in adults. The medicine is made according to the vertically integrated production model and is the result of in-house API synthesis and formulation. We manufacture the medicine in our own production facilities making it possible to fully provide for finished product supplies.

We obtained marketing authorisations for our two new oncology medicinal products: **Abiraterone Krka** (abiraterone) film-coated tablets for the treatment of prostate cancer and **Sunitinib Krka** (sunitinib) hard capsules for the treatment of tumours of the stomach, pancreas, and kidneys. We manufacture them at our state-of-the-art production plant in Jastrebarsko, Croatia, dedicated to production of highly active APIs.

Non-Prescription Products

In the first half of 2021, we obtained marketing authorisations on new markets for our key non-prescription product brands.

We launched **Vitamin D3 Krka** (cholecalciferol) tablets in Italy, Bulgaria, Croatia, Montenegro, and Serbia. In Slovenia, we submitted an application for

We obtained marketing authorisations for our antibiotic **Hiconcil** (amoxicillin) dispersible tablets, a new pharmaceutical form indicated for the treatment of different types of bacterial infection in adults and children. Tablets can be taken whole or dissolved in water, making administration easier for the patient.

Our important new marketing authorisations in Region East Europe included medicines for the treatment of the central nervous system and erectile dysfunction. We obtained marketing authorisations for **Tadalafil Krka** (tadalafil) film-coated tablets in the Russian Federation according to the product registration procedure applied by the Eurasian Economic Union, and extended our range of medicines for the treatment of erectile dysfunction. We were approved **Elicea** (escitalopram) film-coated tablets, **Duloxenta** (duloxetine) hard gastro-resistant capsules, **Kventiax** (quetiapine) film-coated tablets, and **Zalasta** (olanzapine) tablets. We also prepared the grounds for launching the central nervous system therapeutic category products.

In Region South-East Europe, we were granted new marketing authorisations for products containing new APIs from several important therapeutic categories. We would like to point out an antithrombotic agent **Xerdoxo** (rivaroxaban) film-coated tablets and an agent from a very promising therapeutic class for the treatment of diabetes, **Maysiglu** (sitagliptin) film-coated tablets.

We continued obtaining the Certificates of Suitability to the monographs of the European Pharmacopoeia (CEP) based on our own API preparation procedures for a hypolipemic rosuvastatin and rabeprazole for the treatment of stomach problems.

the status of a medicinal product subject to medical prescription for packages of 90 tablets.

We obtained new marketing authorisations for the Septolete brand products. **Septolete Total** (benzylamine/cetylpyridinium chloride) honey-and-lemon flavour lozenges were approved in Denmark, Iceland, and Spain. The product was also approved

in Montenegro, Albania, Mongolia, and the United Arab Emirates. We obtained a marketing authorisation for **Septolete Total** (benzylamine/cetylpyridinium chloride) elder-and-lemon flavoured lozenges in Montenegro.

Septolete Total (benzylamine/cetylpyridinium chloride) spray was approved for marketing in Germany, Iceland and Denmark; and **Septanazal** or **Septanasal** (xylometazoline/dexpanthenol) nasal spray in Spain and Malta.

We obtained new marketing authorisations for the renewed formulation of our established product **B-Complex** (thiamine/riboflavin/pyridoxine/cyanocobalamin/calcium pantothenate/nicotinamide) film-coated tablets in Croatia and Albania.

We were granted new marketing authorisations for **Herbion Ivy** (ivy leaf dry extract) lozenges in Albania and Armenia.

Animal Health Products

In the first half of 2021, we were granted marketing authorisations for our new animal health product and expanded marketing opportunities for our key animal health product brands.

We extended our companion animal range by a new fixed-dose combination **Cladaxxa** (amoxicillin/clavulanic acid) chewable tablets in three strengths. The product is indicated for the treatment of bacterial infections of the skin, gums, respiratory tract, urinary tract, and intestines for dogs and cats.

We extended our animal health product **Selafort** or **Selehold** (selamectin) 60 mg/ml spot-on solution for cats and small dogs and 120 mg/ml spot-on solution for dogs to other markets. Selamectin is an advanced medicine effective against external parasites, including mange, fleas, and lice, as well as internal gastrointestinal parasites, heart worms, and eye worms. It is also appropriate for the treatment of mixed infestations in cats and dogs. We obtained marketing authorisations in the Russian Federation and North Macedonia.

In Ukraine, we were granted marketing authorisations for **Prinocate** (imidacloprid/moxidectin) 100 mg/25 mg/ml spot-on solution for dogs in four filling sizes and 100 mg/10 mg/ml spot-on solution for cats and ferrets in two filling sizes. This is an advanced medicine effective against

In the Czech Republic, we confirmed amendments in the status of two established products by registration procedures switching them from the status of prescription pharmaceuticals to the status of non-prescription products in small packages. They are **Flebazol** (diosmin) 500 mg film-coated tablets for the treatment of symptoms of chronic venous insufficiency and **Dasmini** (desloratadine) film-coated tablets for relieving symptoms associated with allergic rhinitis and urticaria.

We were the first generic manufacturer in Spain to obtain a marketing authorisation for **Emanera** (esomeprazole) 20 mg gastro-resistant capsules. We extended marketing opportunities on new markets, for:

- **Novolax** (bisacodyl) film-coated tablets in Iraq;
- **Duovit** for women and **Duovit** for men film-coated tablets in the Republika Srpska; and
- **Pikovit Forte** film-coated tablets in the United Arab Emirates.

external parasites such as mange, fleas, and lice, as well as against internal gastrointestinal parasites, heart worms, lung worms, and eye worms. It is appropriate for the treatment of mixed infestations in dogs, cats, and ferrets. We obtained further marketing authorisations for **Rycarfa** (carprofen) tablets in three strengths for dogs and solution for injection for dogs and cats. Tablets are indicated for the treatment of pain and inflammation in chronic arthritis in dogs, while solutions for injection are indicated for the treatment of postoperative pain in dogs and cats.

We also extended to new markets our products indicated for the treatment of farm animals. In Ukraine, we obtained a marketing authorisation for **Catobevit** (butafosfan/cyanocobalamin) solution for injection indicated for the treatment and prevention of metabolic or reproductive disorders in cattle.

Investments

In the first half of 2021, the Krka Group allocated €29.5 million to investments, of that €22.5 million to the controlling company. Our investments were aimed at increasing and technologically upgrading production facilities and capacities for development and quality management. We also invested in our own production and distribution centres around the world. In 2021 we plan to allocate €73 million for investments, which is slightly less than the original plans and similar to last year.

In Ločna, Novo mesto, Slovenia our state-of-the-art facility for manufacturing solid dosage forms, Notol 2 Plant, has been in operation for several years now. The growing need for production capacities has incited us to acquire additional technological equipment for the plant. In 2019, we started equipping a new packaging facility. We installed highly automated and robotised packaging lines. The last three were delivered in December 2020 and handed over for regular production at the end of March 2021. The entire investment was estimated at €41 million, in the first half of 2021 we spent €6.5 million. When the plant is fully technologically equipped, its full production capacity will be 5 billion tablets per year and its full packaging capacity will rise to 8 billion tablets per year.

The purchase of a high-capacity packaging line for lozenges and tablets provides for higher packaging output in the Ljutomer plant in Slovenia. The warehousing section of the plant was repurposed into a temporary storage room in compliance with the standards of good warehousing practice and health and safety at work. We apportioned €5.7 million to investments.

We plan to build new facilities for development and production of active pharmaceutical ingredients (APIs) in Krško, Slovenia. Project documentation has

been prepared, and we are in the process of obtaining the required consent to build the Sinteza 2 production plant for manufacturing active pharmaceutical ingredients and laboratories for chemical analyses (Kemijsko-analitski center in Slovene). We plan to build other small facilities for technology and infrastructure required for uninterrupted production process. The €163-million investment agrees with our strategy of vertical integration according to which Krka controls all product stages, from product development to its production.

We are investing €26 million in additional capacities for compression mixture preparation and granulation in the tableting process, and in logistic capacities in the Solid Dosage Form Production Plant (Slovene abbreviation: OTO).

We are also investing a total of €8.2 million in our development-and-research facilities (Slovene abbreviation: RKC).

The Krka-Rus plant in the Istra industrial zone in north-west Moscow is one of the key investments in Krka subsidiaries abroad. The plant manufactures 75% of products intended for the Russian market giving us the status of a domestic producer in the Russian Federation. Investments made over the next few years will increase production and laboratory capacities of the plant. The investment was estimated at €35 million, and we intend to invest €9 million this year.

In 2021, we continue to purchase manufacturing and quality control equipment for our joint venture Ningbo Krka Menovo in China. The joint venture manufactures products for markets outside China, and since January 2021 also the first product intended for the Chinese market.

Employees

At the end of 2021, the Krka Group had 11,607 employees, of which 5,367 worked abroad, accounting for a good 46% of the total Krka Group headcount. People with at least university-level qualifications accounted for 51% of all Krka Group employees; of that, 207 hold a doctoral degree.

Together with agency workers, the Krka Group employed 12,524 people.

Krka Group Employees by Education

	30 June 2021		31 Dec 2020	
	Number of employees	%	Number of employees	%
PhD	207	1.8	206	1.8
Master of Science	398	3.4	394	3.4
University degree	5,332	45.9	5,355	45.9
Higher professional education	1,729	14.9	1,707	14.6
Vocational college education	304	2.6	309	2.6
Secondary school education	2,620	22.6	2,648	22.7
Other	1,017	8.8	1,058	9.0
Krka Group	11,607	100.0	11,677	100.0

We provide for continuous recruitment of talented employees by awarding scholarships. At the end of June, we listed 111 scholarship holders, primarily pharmacy and chemistry students. We also grant scholarships to exceptional students from other fields of interest to Krka. This year, 10 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 situation, 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 June, 241 employees were enrolled in part-time graduate studies co-funded by Krka, 40 of them in postgraduate studies.

Krka is also included in the national vocational qualification (NVQ) system. Between 2004 and June 2021, we awarded 1,581 NVQ certificates to Krka employees and 142 to participants from other pharmaceutical entities, a total of 1,723 certificates for four vocational qualifications. At the end of June 2021, 97 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 June 2021	31 Dec 2020	Index
Assets			
Property, plant and equipment	791,629	807,824	98
Intangible assets	104,578	107,371	97
Loans	22,801	15,376	148
Investments	11,777	10,420	113
Deferred tax assets	50,635	48,969	103
Other non-current assets	1,053	1,038	101
Total non-current assets	982,473	990,998	99
Assets held for sale	41	41	100
Inventories	444,427	453,690	98
Contract assets	2,735	1,644	166
Trade receivables	463,505	383,560	121
Other receivables	32,832	27,768	118
Loans	39,833	54,774	73
Investments	1,955	9,499	21
Cash and cash equivalents	459,583	313,568	147
Total current assets	1,444,911	1,244,544	116
Total assets	2,427,384	2,235,542	109
Equity			
Share capital	54,732	54,732	100
Treasury shares	-106,577	-99,279	107
Reserves	121,660	103,595	117
Retained earnings	1,855,021	1,684,285	110
Total equity holders of the controlling company	1,924,836	1,743,333	110
Non-controlling interests	8,246	8,479	97
Total equity	1,933,082	1,751,812	110
Liabilities			
Provisions	135,229	134,686	100
Deferred revenue	7,331	7,804	94
Trade payables	10,006	10,006	100
Lease liabilities	9,289	9,121	102
Deferred tax liabilities	11,008	11,179	98
Total non-current liabilities	172,863	172,796	100
Trade payables	111,213	107,116	104
Lease liabilities	3,162	2,712	117
Income tax payable	10,440	15,748	66
Contract liabilities	98,982	106,299	93
Other current liabilities	97,642	79,059	124
Total current liabilities	321,439	310,934	103
Total liabilities	494,302	483,730	102
Total equity and liabilities	2,427,384	2,235,542	109

Consolidated Income Statement of the Krka Group

€ thousand	Jan–June 2021	Jan–June 2020	Index
Revenue	808,585	803,753	101
– Revenue from contracts with customers	807,037	802,406	101
– Other revenue	1,548	1,347	115
Cost of goods sold	-347,841	-318,309	109
Gross profit	460,744	485,444	95
Other operating income	6,043	3,925	154
Selling and distribution expenses	-146,757	-155,939	94
– Of that net impairments and write-offs of receivables	758	-4	
R&D expenses	-75,581	-73,846	102
General and administrative expenses	-43,944	-42,896	102
Operating profit	200,505	216,688	93
Financial income	10,936	11,960	91
Financial expenses	-4,190	-38,373	11
Net financial result	6,746	-26,413	
Profit before tax	207,251	190,275	109
Income tax	-29,825	-30,015	99
Net profit	177,426	160,260	111
Attributable to:			
– Equity holders of the controlling company	178,034	161,124	110
– Non-controlling interests	-608	-864	70
Basic earnings per share* (€)	5.70	5.12	111
Diluted earnings per share** (€)	5.70	5.12	111

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

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

Consolidated Statement of Other Comprehensive Income of the Krka Group

€ thousand	Jan–June 2021	Jan–June 2020	Index
Net profit	177,426	160,260	111
Other comprehensive income for the period			
Other comprehensive income for the period reclassified to profit or loss at a future date			
Translation reserve	10,043	-22,989	
Net other comprehensive income for the period reclassified to profit or loss at a future date	10,043	-22,989	
Other comprehensive income for the period that will not be reclassified to profit or loss at a future date			
Change in fair value of financial assets	1,357	-434	
Restatement of post-employment benefits	0	-3	0
Deferred tax effect	-258	82	
Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date	1,099	-355	
Total other comprehensive income for the period (net of tax)	11,142	-23,344	
Total comprehensive income for the period (net of tax)	188,568	136,916	138
Attributable to:			
– Equity holders of the controlling company	188,801	137,801	137
– Non-controlling interests	-233	-885	26

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 2021	54,732	-99,279	99,279	105,897	14,990	30,000	-35,059	-111,512	1,280,090	138,705	265,490	1,743,333	8,479	1,751,812
Net profit	0	0	0	0	0	0	0	0	0	0	178,034	178,034	-608	177,426
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	1,099	9,668	0	0	0	10,767	375	11,142
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	1,099	9,668	0	0	178,034	188,801	-233	188,568
Transactions with owners, recognised in equity														
Transfer of previous period's profits to retained earnings	0	0	0	0	0	0	0	0	0	265,490	-265,490	0	0	0
Repurchase of treasury shares	0	-7,298	0	0	0	0	0	0	0	0	0	-7,298	0	-7,298
Formation of reserves for treasury shares	0	0	7,298	0	0	0	0	0	0	0	-7,298	0	0	0
Total transactions with owners, recognised in equity	0	-7,298	7,298	0	0	0	0	0	0	265,490	-272,788	-7,298	0	-7,298
At 30 June 2021	54,732	-106,577	106,577	105,897	14,990	30,000	-33,960	-101,844	1,280,090	404,195	170,736	1,924,836	8,246	1,933,082

€ 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	161,124	161,124	-864	160,260
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	-357	-22,968	0	2	0	-23,323	-21	-23,344
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	-357	-22,968	0	2	161,124	137,801	-885	136,916
Transactions with owners, recognised in equity														
Transfer of previous period's profits 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	-16,087	0	0	0	0	0	0	0	0	0	-16,087	0	-16,087
Formation of reserves for treasury shares	0	0	16,087	0	0	0	0	0	0	0	-16,087	0	0	0
Total transactions with owners, recognised in equity	0	-16,087	16,087	0	0	0	0	0	0	223,952	-239,934	-15,982	-109	-16,091
At 30 June 2020	54,732	-89,861	89,861	105,897	14,990	30,000	-27,282	-90,833	1,211,292	342,304	145,037	1,786,137	2,204	1,788,341

Consolidated Statement of Cash Flows of the Krka Group

€ thousand	Jan–June 2021	Jan–June 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	177,426	160,260
Adjustments for:	91,888	71,304
– Amortisation/Depreciation	54,525	56,237
– Foreign exchange differences	5,033	-9,918
– Investment income	-1,974	-12,262
– Investment expenses	3,843	6,342
– Interest income and other financial income	-34	-65
– Interest expense and other financial expenses	670	955
– Income tax	29,825	30,015
Operating profit before changes in net current assets	269,314	231,564
Change in trade receivables	-85,735	27,060
Change in inventories	9,263	-32,871
Change in trade payables	1,965	1,019
Change in provisions	102	1,320
Change in deferred revenue	-473	-415
Change in other current liabilities	16,102	18,915
Income tax paid	-37,262	-38,592
Net cash from operating activities	173,276	208,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	255	257
Dividends received	646	0
Proceeds from sale of property, plant and equipment	1,064	1,079
Purchase of property, plant and equipment	-34,632	-41,882
Purchase of intangible assets	-581	-1,560
Acquisition of subsidiaries and a share of minority interests net of financial assets acquired	0	-4
Non-current loans	-8,305	-1,264
Proceeds from repayment of non-current loans	688	952
Payments for acquisition of non-current investments	-34	-31
Proceeds from sale of non-current investments	20	28
Proceeds from/Payments for current investments and loans	22,150	-15,710
Payments for derivatives	-465	-3,418
Proceeds from derivatives	529	11,642
Net cash from investing activities	-18,665	-49,911
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-83	-88
Lease liabilities paid	-1,780	-1,523
Payments for current borrowings	0	-3
Dividends and other profit shares paid	-9	0
Repurchase of treasury shares	-7,298	-16,087
Net cash from financing activities	-9,170	-17,701
Net increase in cash and cash equivalents	145,441	140,388
Cash and cash equivalents at beginning of period	313,568	218,667
Effect of foreign exchange rate fluctuations on cash held	574	-719
Closing balance of cash and cash equivalents	459,583	358,336

Segment Reporting of the Krka Group

€ thousand	European Union		South-Eastern Europe		Eastern Europe		Other		Eliminations		Total	
	Jan–June 2021	Jan–June 2020	Jan–June 2021	Jan–June 2020	Jan–June 2021	Jan–June 2020	Jan–June 2021	Jan–June 2020	Jan–June 2021	Jan–June 2020	Jan–June 2021	Jan–June 2020
Revenue from external customers	444,293	453,216	46,905	43,245	276,567	271,739	40,820	35,553	0	0	808,585	803,753
– Revenue from contracts with customers	442,813	451,944	46,905	43,245	276,523	271,696	40,796	35,521	0	0	807,037	802,406
– Other revenue	1,480	1,272	0	0	44	43	24	32	0	0	1,548	1,347
Sales between Group companies	96,128	143,543	24,563	25,064	125,800	175,205	2,986	1,510	-249,477	-345,322	0	0
Other operating income	5,758	3,817	103	5	182	103	0	0	0	0	6,043	3,925
Operating costs	-356,057	-357,422	-29,724	-26,485	-197,159	-181,730	-31,183	-25,353	0	0	-614,123	-590,990
Operating expenses to Group companies	-166,015	-198,631	-27,010	-26,531	-270,625	-326,145	-8,398	-5,782	472,048	557,089	0	0
Operating profit	93,994	99,611	17,284	16,765	79,590	90,112	9,637	10,200	0	0	200,505	216,688
Interest income	63	83	1	0	75	157	115	17	0	0	254	257
Interest income from Group companies	138	253	-1	0	2	3	1	4	-140	-260	0	0
Interest expense	-100	-80	-6	-8	-53	-78	-2	-2	0	0	-161	-168
Interest expense to Group companies	-139	-158	0	0	0	-6	0	-1	139	165	0	0
Net financial result	300	-6,123	-94	346	5,891	-20,199	649	-437	0	0	6,746	-26,413
Income tax	-16,936	-14,179	-2,435	-2,258	-9,268	-12,290	-1,186	-1,288	0	0	-29,825	-30,015
Net profit	77,358	79,309	14,755	14,853	76,213	57,623	9,100	8,475	0	0	177,426	160,260
Investments	25,474	24,131	98	99	3,863	4,073	68	2,967	0	0	29,503	31,270
Depreciation of property, plant and equipment	36,475	36,592	1,066	1,021	10,733	12,915	1,267	834	0	0	49,541	51,362
Depreciation of the right-of-use assets	1,206	1,002	52	54	277	305	39	58	0	0	1,574	1,419
Amortisation	2,131	2,164	174	153	957	1,021	148	118	0	0	3,410	3,456
	30 June 2021	31 Dec 2020	30 June 2021	31 Dec 2020	30 June 2021	31 Dec 2020	30 June 2021	31 Dec 2020	30 June 2021	31 Dec 2020	30 June 2021	31 Dec 2020
Total assets	1,907,706	1,743,793	59,796	49,641	410,909	404,474	48,973	37,634	0	0	2,427,384	2,235,542
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	35,353	35,788	0	0	0	0	0	0	0	0	35,353	35,788
Total liabilities	328,340	338,453	16,192	15,444	116,670	110,326	33,100	19,507	0	0	494,302	483,730

Notes to Consolidated Financial Statements of the Krka Group

Costs by nature

€614,123 thousand

€ thousand	Jan–June 2021	Jan–June 2020	Index
Cost of goods and material	204,828	227,881	90
Cost of services	110,205	111,491	99
Employee benefits	214,156	214,965	100
Amortisation and depreciation	54,525	56,237	97
Inventory write-offs and allowances (net)	6,794	7,792	87
Receivable impairments and write-offs (net)	758	-4	
Other operating expenses	16,824	18,569	91
Total costs	608,090	636,931	95
Change in the value of inventories of finished products and work in progress	6,033	-45,941	
Total	614,123	590,990	104

Employee benefits

€214,156 thousand

€ thousand	Jan–June 2021	Jan–June 2020	Index
Gross wages and salaries and continued pay	164,037	164,948	99
Social security contributions	13,581	13,175	103
Pension insurance contributions	21,213	21,517	99
Payroll tax	387	449	86
Post-employment benefits and other non-current employee benefits	3,917	3,302	119
Other employee benefits	11,021	11,574	95
Total employee benefits	214,156	214,965	100

Other operating expenses

€16,824 thousand

€ thousand	Jan–June 2021	Jan–June 2020	Index
Grants and assistance for humanitarian and other purposes	533	476	112
Environmental protection expenditures	2,861	2,530	113
Other taxes and levies	11,047	12,894	86
Loss on sale and write-offs of property, plant and equipment and intangible assets	359	778	46
Other operating expenses	2,024	1,891	107
Total other operating expenses	16,824	18,569	91

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–June 2021	Jan–June 2020	Index
Net foreign exchange differences	9,460	0	
Interest income	254	257	99
Derivatives income	529	11,642	5
– Realised revenue	529	11,642	5
Income from dividends and other profit shares	669	0	
Other financial income	24	61	39
Total financial income	10,936	11,960	91
Net foreign exchange differences	0	-31,348	0
Interest expense	-161	-168	96
– Interest paid	-15	-18	83
– Interest expense on lease liabilities	-146	-150	97
Derivatives expenses	-3,512	-6,052	58
– Expenses incurred	-465	-3,418	14
– Fair value change	-3,047	-2,634	116
Other financial expenses	-517	-805	64
Total financial expenses	-4,190	-38,373	11
Net financial result	6,746	-26,413	

Income tax

€29,825 thousand

Current income tax amounted to €31,628 thousand or 15.3% of profit before tax. Taking into account deferred tax of -€1,803 thousand, income tax

totalling €29,825 thousand was expensed in the income statement. The effective tax rate was recorded at 14.4%.

Property, plant and equipment

€791,629 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Land	40,691	40,345	101
Buildings	367,100	376,130	98
Equipment	327,238	338,059	97
Property, plant and equipment being acquired	41,406	38,042	109
Advances for property, plant and equipment	2,970	3,685	81
Right-of-use assets	12,224	11,563	106
Total property, plant and equipment	791,629	807,824	98

Value of property, plant, and equipment accounted for 33% of the Krka Group balance sheet total. See section 'Investments' in the business report for details on Krka's major investments.

Intangible assets

€104,578 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Goodwill	42,644	42,644	100
Trademark	35,353	35,788	99
Concessions, trademarks and licences	21,907	24,452	90
Intangible assets being acquired	4,674	4,487	104
Total intangible assets	104,578	107,371	97

Loans

€62,634 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Non-current loans	22,801	15,376	148
– Loans to others	22,801	15,376	148
Current loans	39,833	54,774	73
– Portion of non-current loans maturing next year	1,714	1,641	104
– Loans to others	38,116	53,128	72
– Current interest receivables	3	5	60
Total loans	62,634	70,150	89

Non-current loans constituted 36% 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 in total of €37,980 thousand, maturing in more than 90 days.

Investments

€13,732 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Non-current investments	11,777	10,420	113
– Financial assets at fair value through OCI (equity instruments)	11,777	10,420	113
Current investments including derivatives	1,955	9,499	21
– Financial assets at fair value through profit or loss	1,955	8,975	22
– Derivatives	0	524	0
Total investments	13,732	19,919	69

Available-for-sale financial assets comprised shares and interests in companies in Slovenia totalling €926 thousand and shares and interests in companies abroad totalling €10,851 thousand.

Inventories

€444,427 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Material	186,240	191,649	97
Work in progress	106,760	100,741	106
Finished products	140,069	150,263	93
Goods	8,207	9,614	85
Advances for inventories	3,151	1,423	221
Total inventories	444,427	453,690	98

Trade and other receivables

€496,337 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Current trade receivables	463,505	383,560	121
– Trade receivables	464,679	385,237	121
– Deferred revenue from contracts with customers	-1,174	-1,677	70
Other current receivables	32,832	27,768	118
Total trade and other receivables	496,337	411,328	121

Cash and cash equivalents

€459,583 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Cash in hand	69	17	406
Bank balances	459,514	313,551	147
Total cash and cash equivalents	459,583	313,568	147

Equity

€1,933,082 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Share capital	54,732	54,732	100
Treasury shares	-106,577	-99,279	107
Reserves	121,660	103,595	117
– Reserves for treasury shares	106,577	99,279	107
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	-33,960	-35,059	97
– Translation reserve	-101,844	-111,512	91
Retained earnings	1,855,021	1,684,285	110
Total equity holders of the controlling company	1,924,836	1,743,333	110
Non-controlling interests	8,246	8,479	97
Total equity	1,933,082	1,751,812	110

Trade payables

€121,219 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Non-current trade payables	10,006	10,006	100
Current trade payables	111,213	107,116	104
Payables to domestic suppliers	43,833	38,317	114
Payables to foreign suppliers	67,380	68,799	98
Total trade payables	121,219	117,122	103

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 a fine of €10,000 thousand on Krka. Krka paid the penalty imposed within the deadline set by the Commission and filed a lawsuit against the Commission's decision before the General Court of

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

Provisions

€135,229 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Provisions for lawsuits	2,118	2,164	98
Provisions for post-employment benefits and other non-current employee benefits	131,237	129,536	101
Other provisions	1,874	2,986	63
Total provisions	135,229	134,686	100

Deferred revenue

€7,331 thousand

€ thousand	30 June 2021	31 Dec 2020	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	1,188	1,317	90
Grants received from the budget for the Dolenjske and Šmarješke Toplice health resorts and Golf Grad Otočec	3,365	3,408	99
Grants received from the European Regional Development Fund (Farma GRS)	2,660	2,960	90
Subsidy for acquisition of electric drive vehicles	4	4	100
Property, plant and equipment received free of charge	17	16	106
Subsidy for purchase of joinery	94	95	99
Subsidy for acquisition of other equipment	3	4	75
Total deferred revenue	7,331	7,804	94

Current contract liabilities

€98,982 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Refund liabilities	94,699	102,070	93
– Bonuses and volume rebates	92,628	99,097	93
– Right of return	2,071	2,973	70
Contract liabilities	4,283	4,229	101
– Contract liabilities – advances from other customers	4,283	4,229	101
Total current contract liabilities	98,982	106,299	93

Other current liabilities

€97,642 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Payables to employees – gross salaries, other receipts and charges	67,613	61,643	110
Derivatives	2,523	0	
Other	27,506	17,416	158
Total other current liabilities	97,642	79,059	124

Contingent liabilities

€25,858 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Guarantees issued	25,858	16,111	160
Total contingent liabilities	25,858	16,111	160

Fair value

€ thousand	30 June 2021		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans	22,801	22,801	15,376	15,376
Financial assets at fair value through OCI (equity instruments)	11,777	11,777	10,420	10,420
Current loans	39,833	39,833	54,774	54,774
Current investments	1,955	1,955	9,499	9,499
– Financial assets at fair value through profit or loss	1,955	1,955	8,975	8,975
– Derivatives	0	0	524	524
Trade receivables	463,505	463,505	383,560	383,560
Cash and cash equivalents	459,583	459,583	313,568	313,568
Non-current trade payables	-10,006	-10,006	-10,006	-10,006
Lease liabilities	-12,451	-12,451	-11,833	-11,833
Current trade payables excluding advances	-111,213	-111,213	-107,116	-107,116
Current contract liabilities excluding advances	-92,628	-92,628	-99,097	-99,097
Other current liabilities excluding amounts owed to the state, to employees, and advances	-13,544	-13,544	-15,174	-15,174
Other payables	-2,523	-2,523	0	0
– Derivatives	-2,523	-2,523	0	0
Total	757,089	757,089	543,971	543,971

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

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

Assets at fair value

€ thousand	30 June 2021				31 Dec 2020			
	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)	10,390	0	1,387	11,777	9,033	0	1,387	10,420
Financial assets at fair value through profit or loss	1,955	0	0	0	8,975	0	0	8,975
Derivatives	0	0	0	0	0	0	524	524
Total assets at fair value	12,345	0	1,387	13,732	18,008	0	1,911	19,919
Assets for which fair value is disclosed								
Non-current loans	0	0	22,801	22,801	0	0	15,376	15,376
Current loans	0	0	39,833	39,833	0	0	54,774	54,774
Trade receivables	0	0	463,505	463,505	0	0	383,560	383,560
Cash and cash equivalents	0	0	459,583	459,583	0	0	313,568	313,568
Total assets for which fair value is disclosed	0	0	985,722	985,722	0	0	767,278	767,278
Total	12,345	0	987,109	999,454	18,008	0	769,189	787,197

Liabilities at fair value

€ thousand	30 June 2021				31 Dec 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities at fair value								
Derivatives	0	0	2,523	2,523	0	0	0	0
Total liabilities at fair value	0	0	2,523	2,523	0	0	0	0
Liabilities for which fair value is disclosed								
Non-current trade payables	0	0	10,006	10,006	0	0	10,006	10,006
Lease liabilities	0	0	12,451	12,451	0	0	11,833	11,833
Current trade payables excluding advances	0	0	111,213	111,213	0	0	107,116	107,116
Current contract liabilities excluding advances	0	0	92,628	92,628	0	0	99,097	99,097
Other current liabilities excluding amounts owed to the state, to employees, and advances	0	0	13,544	13,544	0	0	15,174	15,174
Total liabilities for which fair value is disclosed	0	0	239,842	239,842	0	0	243,226	243,226
Total	0	0	242,365	242,365	0	0	243,226	243,226

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

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

€ thousand	30 June 2021	31 Dec 2020	Index
Assets			
Property, plant and equipment	587,728	605,164	97
Intangible assets	25,466	27,893	91
Investments in subsidiaries	338,644	339,612	100
Loans	35,609	35,024	102
Investments	11,776	10,419	113
Deferred tax assets	14,167	14,222	100
Other non-current assets	615	615	100
Total non-current assets	1,014,005	1,032,949	98
Assets held for sale	41	41	100
Inventories	383,184	389,178	98
Contract assets	1,601	500	320
Trade receivables	461,014	415,286	111
Other receivables	17,904	15,667	114
Loans	42,782	57,836	74
Investments	0	524	0
Cash and cash equivalents	436,105	296,398	147
Total current assets	1,342,631	1,175,430	114
Total assets	2,356,636	2,208,379	107
Equity			
Share capital	54,732	54,732	100
Treasury shares	-106,577	-99,279	107
Reserves	227,184	218,787	104
Retained earnings	1,764,898	1,617,610	109
Total equity	1,940,237	1,791,850	108
Liabilities			
Provisions	121,631	119,830	102
Deferred revenue	3,954	4,387	90
Trade payables	10,000	10,000	100
Lease liabilities	2,082	2,163	96
Total non-current liabilities	137,667	136,380	101
Trade payables	147,690	143,294	103
Borrowings	47,466	46,345	102
Lease liabilities	950	659	144
Income tax payable	7,185	13,354	54
Contract liabilities	14,249	16,581	86
Other current liabilities	61,192	59,916	102
Total current liabilities	278,732	280,149	99
Total liabilities	416,399	416,529	100
Total equity and liabilities	2,356,636	2,208,379	107

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

€ thousand	Jan–June 2021	Jan–June 2020	Index
Revenue	711,771	783,100	91
– Revenue from contracts with customers	707,102	780,226	91
– Other revenue	4,669	2,874	162
Cost of goods sold	-308,237	-334,492	92
Gross profit	403,534	448,608	90
Other operating income	2,334	1,434	163
Selling and distribution expenses	-127,079	-130,412	97
– Of that net impairments and write-offs of receivables	-122	-169	72
R&D expenses	-73,675	-74,260	99
General and administrative expenses	-39,134	-36,807	106
Operating profit	165,980	208,563	80
Financial income	16,408	11,875	138
Financial expenses	-4,274	-36,791	12
Net financial result	12,134	-24,916	
Profit before tax	178,114	183,647	97
Income tax	-23,528	-28,135	84
Net profit	154,586	155,512	99
Basic earnings per share* (€)	4.95	4.94	100
Diluted earnings per share** (€)	4.95	4.94	100

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

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

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

€ thousand	Jan–June 2021	Jan–June 2020	Index
Net profit	154,586	155,512	99
Other comprehensive income for the period			
Other comprehensive income for the period that will not be reclassified to profit or loss at a future date			
Change in fair value of financial assets	1,357	-434	
Deferred tax effect	-258	82	
Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date	1,099	-352	
Total other comprehensive income for the period (net of tax)	1,099	-352	
Total comprehensive income for the period (net of tax)	155,685	155,160	100

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 2021	54,732	-99,279	99,279	105,897	14,990	30,000	-31,379	1,280,090	102,773	234,747	1,791,850
Net profit	0	0	0	0	0	0	0	0	0	154,586	154,586
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	1,099	0	0	0	1,099
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	1,099	0	0	154,586	155,685
Transactions with owners, recognised in equity											
Transfer of previous period's profits to retained earnings	0	0	0	0	0	0	0	0	234,747	-234,747	0
Repurchase of treasury shares	0	-7,298	0	0	0	0	0	0	0	0	-7,298
Formation of reserves for treasury shares	0	0	7,298	0	0	0	0	0	0	-7,298	0
Total transactions with owners, recognised in equity	0	-7,298	7,298	0	0	0	0	0	234,747	-242,045	-7,298
At 30 June 2021	54,732	-106,577	106,577	105,897	14,990	30,000	-30,280	1,280,090	337,520	147,288	1,940,237

€ 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	155,512	155,512
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	-352	0	0	0	-352
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	-352	0	0	155,512	155,160
Transactions with owners, recognised in equity											
Transfer of previous period's profits to retained earnings	0	0	0	0	0	0	0	0	227,713	-227,713	0
Repurchase of treasury shares	0	-16,087	0	0	0	0	0	0	0	0	-16,087
Formation of reserves for treasury shares	0	0	16,087	0	0	0	0	0	0	-16,087	0
Total transactions with owners, recognised in equity	0	-16,087	16,087	0	0	0	0	0	227,713	-243,800	-16,087
At 30 June 2020	54,732	-89,861	89,861	105,897	14,990	30,000	-23,956	1,211,292	270,871	139,425	1,803,251

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

€ thousand	Jan–June 2021	Jan–June 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	154,586	155,512
Adjustments for:	63,182	65,781
– Amortisation/Depreciation	42,670	41,813
– Foreign exchange differences	-559	640
– Investment income	-6,982	-11,996
– Investment expenses	3,763	6,153
– Interest income and other financial income	1	-6
– Interest expense and other financial expenses	761	1,042
– Income tax	23,528	28,135
Operating profit before changes in net current assets	217,768	221,293
Change in trade receivables	-49,028	5,300
Change in inventories	5,994	-17,139
Change in trade payables	6,655	-10,923
Change in provisions	1,361	1,326
Change in deferred revenue	-433	-69
Change in other current liabilities	-1,238	15,175
Income tax paid	-29,901	-31,119
Net cash from operating activities	151,178	183,844
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	198	233
Dividends received	646	0
Proportionate profit of subsidiaries	5,419	500
Proceeds from sale of property, plant and equipment	810	615
Purchase of property, plant and equipment	-27,238	-32,492
Purchase of intangible assets	-383	-1,413
Acquisition of subsidiaries and a share of minority interests net of financial assets acquired	-25	-4
Refund of subsequent payments in subsidiaries	992	0
Non-current loans	-1,611	-1,228
Proceeds from repayment of non-current loans	917	2,856
Payments for acquisition of non-current investments	-16	-22
Proceeds from sale of non-current investments	17	19
Proceeds from/Payments for current investments and loans	15,158	-22,040
Payments for derivatives	-465	-3,418
Proceeds from derivatives	529	11,642
Net cash from investing activities	-5,052	-44,752
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-275	-272
Proceeds from current borrowings	1,066	15,039
Lease liabilities paid	-464	-362
Dividends and other profit shares paid	-9	0
Repurchase of treasury shares	-7,298	-16,087
Net cash from financing activities	-6,980	-1,682
Net increase in cash and cash equivalents	139,146	137,410
Cash and cash equivalents at beginning of period	296,398	195,236
Effect of foreign exchange rate fluctuations on cash held	561	-730
Closing balance of cash and cash equivalents	436,105	331,916

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

€ thousand	European Union		South-Eastern Europe		Eastern Europe		Other		Total	
	Jan–June 2021	Jan–June 2020	Jan–June 2021	Jan–June 2020	Jan–June 2021	Jan–June 2020	Jan–June 2021	Jan–June 2020	Jan–June 2021	Jan–June 2020
Revenue	399,295	442,498	43,519	42,587	232,157	265,946	36,800	32,069	711,771	783,100
– Revenue from contracts with customers	394,661	439,668	43,519	42,587	232,146	265,934	36,776	32,037	707,102	780,226
– Other revenue	4,634	2,830	0	0	11	12	24	32	4,669	2,874
Other operating income	2,334	1,432	0	0	0	2	0	0	2,334	1,434
Operating costs	-321,806	-341,238	-28,518	-25,966	-169,566	-186,207	-28,235	-22,560	-548,125	-575,971
Operating profit	79,823	102,692	15,001	16,621	62,591	79,741	8,565	9,509	165,980	208,563
Interest income	193	226	0	0	0	6	0	1	193	233
Interest expense	-164	-277	-1	-1	-5	-6	-2	-5	-172	-289
Net financial result	5,882	-5,412	-28	485	5,748	-19,403	532	-586	12,134	-24,916
Income tax	-11,315	-13,853	-2,126	-2,242	-8,873	-10,757	-1,214	-1,283	-23,528	-28,135
Net profit	74,390	83,427	12,847	14,864	59,466	49,581	7,883	7,640	154,586	155,512
Investments	22,503	20,733	0	0	0	0	0	0	22,503	20,733
Depreciation of property, plant and equipment	30,278	28,823	913	867	7,339	8,440	896	567	39,426	38,697
Depreciation of the right-of-use assets	343	243	10	7	86	73	10	5	449	328
Amortisation	1,568	1,575	171	152	912	947	144	114	2,795	2,788
	30 June 2021	31 Dec 2020	30 June 2021	31 Dec 2020	30 June 2021	31 Dec 2020	30 June 2021	31 Dec 2020	30 June 2021	31 Dec 2020
Total assets	1,804,576	1,644,023	55,538	47,873	442,225	470,677	54,297	45,806	2,356,636	2,208,379
Total liabilities	287,114	288,890	15,312	15,112	86,715	95,513	27,258	17,014	416,399	416,529

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

Costs by nature

€548,125 thousand

€ thousand	Jan–June 2021	Jan–June 2020	Index
Cost of goods and material	191,592	248,704	77
Cost of services	147,130	154,326	95
Employee benefits	147,704	143,451	103
Amortisation and depreciation	42,670	41,813	102
Inventory write-offs and allowances (net)	4,343	4,740	92
Receivable impairments and write-offs (net)	-122	-169	72
Other operating expenses	11,936	13,399	89
Total costs	545,253	606,264	90
Change in the value of inventories of finished products and work in progress	2,872	-30,293	
Total	548,125	575,971	95

Employee benefits

€147,704 thousand

€ thousand	Jan–June 2021	Jan–June 2020	Index
Gross wages and salaries and continued pay	113,012	109,547	103
Social security contributions	9,129	8,746	104
Pension insurance contributions	13,645	13,213	103
Post-employment benefits and other non-current employee benefits	3,629	3,045	119
Other employee benefits	8,289	8,900	93
Total employee benefits	147,704	143,451	103

Other operating expenses

€11,936 thousand

€ thousand	Jan–June 2021	Jan–June 2020	Index
Grants and assistance for humanitarian and other purposes	496	410	121
Environmental protection expenditures	2,080	1,836	113
Other taxes and levies	7,564	9,231	82
Loss on sale and write-offs of property, plant and equipment and intangible assets	280	590	47
Other operating expenses	1,516	1,332	114
Total other operating expenses	11,936	13,399	89

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

Financial income and expenses

€ thousand	Jan-June 2021	Jan-June 2020	Index
Net foreign exchange differences	9,633	0	
Interest income	193	233	83
Derivatives income	529	11,642	5
– Realised revenue	529	11,642	5
Income from dividends and other profit shares	6,053	0	
– Dividends	669	0	
– Profits of subsidiaries	5,384	0	
Total financial income	16,408	11,875	138
Net foreign exchange differences	0	-29,692	0
Interest expense	-172	-289	60
– Interest paid	-148	-263	56
– Interest expense on lease liabilities	-24	-26	92
Derivatives expenses	-3,512	-6,051	58
– Expenses incurred	-465	-3,417	14
– Fair value change	-3,047	-2,634	116
Other financial expenses	-590	-759	78
Total financial expenses	-4,274	-36,791	12
Net financial result	12,134	-24,916	

Income tax

€23,528 thousand

Current income tax amounted to €23,732 thousand or 13.3% of profit before tax. Taking into account deferred tax of -€204 thousand, income tax totalling

€23,528 thousand was expensed in the income statement. The effective tax rate was recorded at 13.2%.

Property, plant and equipment

€587,728 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Land	28,065	27,758	101
Buildings	255,513	263,859	97
Equipment	269,947	280,433	96
Property, plant and equipment being acquired	29,944	27,242	110
Advances for property, plant and equipment	1,212	3,021	40
Right-of-use assets – leases	3,047	2,851	107
Total property, plant and equipment	587,728	605,164	97

Value of property, plant, and equipment accounted for 25% of the Company balance sheet total. See

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

Intangible assets

€25,466 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Concessions, trademarks and licences	20,847	23,443	89
Intangible assets being acquired	4,619	4,450	104
Total intangible assets	25,466	27,893	91

Intangible assets comprised software and registration documents for new pharmaceuticals.

Loans

€78,391 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Non-current loans	35,609	35,024	102
– Loans to subsidiaries	23,600	23,650	100
– Loans to others	12,009	11,374	106
Current loans	42,782	57,836	74
– Portion of non-current loans maturing next year	4,132	4,022	103
– Loans to subsidiaries	612	707	87
– Loans to others	38,030	53,094	72
– Current interest receivables	8	13	62
Total loans	78,391	92,860	84

Non-current loans constituted 45% of total loans.

Non-current loans to others included loans which the 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 in total of €37,980 thousand, maturing in more than 90 days.

Investments

€11,776 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Non-current investments	11,776	10,419	113
– Financial assets at fair value through OCI (equity instruments)	11,776	10,419	113
Current investments including derivatives	0	524	0
– Derivatives	0	524	0
Total investments	11,776	10,943	108

Available-for-sale financial assets comprised shares and interests in companies in Slovenia totalling €925 thousand and shares and interests in companies abroad totalling €10,851 thousand.

Inventories

€383,184 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Material	180,587	182,523	99
Work in progress	91,326	90,196	101
Finished products	97,900	105,170	93
Goods	10,357	10,062	103
Advances for inventories	3,014	1,227	246
Total inventories	383,184	389,178	98

Trade and other receivables

€478,918 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Current trade receivables	461,014	415,286	111
– Receivables due from subsidiaries	250,130	242,370	103
– Receivables due from customers other than Group companies	217,667	174,505	125
– Deferred revenue from contracts with customers	-6,783	-1,589	427
Current receivables relating to dividends – subsidiaries	99	76	130
Other current receivables	17,805	15,591	114
Total trade and other receivables	478,918	430,953	111

Cash and cash equivalents

€436,105 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Cash in hand	1	1	100
Bank balances	436,104	296,397	147
Total cash and cash equivalents	436,105	296,398	147

Equity

€1,940,237 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Share capital	54,732	54,732	100
Treasury shares	-106,577	-99,279	107
Reserves	227,184	218,787	104
– Reserves for treasury shares	106,577	99,279	107
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	-30,280	-31,379	96
Retained earnings	1,764,898	1,617,610	109
Total equity	1,940,237	1,791,850	108

Trade payables

€157,690 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Non-current trade payables	10,000	10,000	100
Current trade payables	147,690	143,294	103
Payables to subsidiaries	70,905	66,205	107
Payables to domestic suppliers	40,254	36,329	111
Payables to foreign suppliers	36,531	40,760	90
Total trade payables	157,690	153,294	103

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

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

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

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

Provisions

€121,631 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Provisions for lawsuits	2,100	2,100	100
Provisions for post-employment benefits and other non-current employee benefits	119,531	117,730	102
Total provisions	121,631	119,830	102

Deferred revenue

€3,954 thousand

€ thousand	30 June 2021	31 Dec 2020	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	1,188	1,317	90
Subsidy for acquisition of electric drive vehicles	4	4	100
Property, plant and equipment received free of charge	5	7	71
Subsidy for purchase of joinery	94	95	99
Subsidy for acquisition of other equipment	3	4	75
Grants received from the European Regional Development Fund (Farma GRS)	2,660	2,960	90
Total deferred revenue	3,954	4,387	90

Borrowings

€47,466 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Current borrowings	47,466	46,345	102
– Borrowings from subsidiaries	47,417	46,317	102
– Current interest payable	49	28	175
Total borrowings	47,466	46,345	102

Current contract liabilities

€14,249 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Refund liabilities	11,552	11,940	97
– Bonuses and volume rebates	11,552	11,940	97
Contract liabilities	2,697	4,641	58
– Contract liabilities – advances from Group companies	0	2,021	0
– Contract liabilities – advances from other customers	2,697	2,620	103
Total current contract liabilities	14,249	16,581	86

Other current liabilities

€61,192 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Payables to employees – gross salaries, other receipts and charges	51,236	52,202	98
Derivatives	2,523	0	
Other	7,433	7,714	96
Total other current liabilities	61,192	59,916	102

Contingent liabilities

€13,781 thousand

€ thousand	30 June 2021	31 Dec 2020	Index
Guarantees issued	13,781	14,204	97
Total contingent liabilities	13,781	14,204	97

Fair value

€ thousand	30 June 2021		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans	35,609	35,609	35,024	35,024
Financial assets at fair value through OCI (equity instruments)	11,776	11,776	10,419	10,419
Current loans	42,782	42,782	57,836	57,836
Current investments	0	0	524	524
– Derivatives	0	0	524	524
Trade receivables	461,014	461,014	415,286	415,286
Cash and cash equivalents	436,105	436,105	296,398	296,398
Current borrowings	-47,466	-47,466	-46,345	-46,345
Non-current trade payables	-10,000	-10,000	-10,000	-10,000
Lease liabilities	-3,032	-3,032	-2,822	-2,822
Current trade payables excluding advances	-147,690	-147,690	-143,294	-143,294
Current contract liabilities excluding advances	-11,552	-11,552	-11,940	-11,940
Other current liabilities excluding amounts owed to the state, to employees, and advances	-3,006	-3,006	-2,499	-2,499
Other payables	-2,523	-2,523	0	0
– Derivatives	-2,523	-2,523	0	0
Total	762,017	762,017	598,587	598,587

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

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

Assets at fair value

€ thousand	30 June 2021				31 Dec 2020			
	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)	10,390	0	1,386	11,776	9,033	0	1,386	10,419
Derivatives	0	0	0	0	0	0	524	524
Total assets at fair value	10,390	0	1,386	11,776	9,033	0	1,910	10,943
Assets for which fair value is disclosed								
Non-current loans	0	0	35,609	35,609	0	0	35,024	35,024
Current loans	0	0	42,782	42,782	0	0	57,836	57,836
Trade receivables	0	0	461,014	461,014	0	0	415,286	415,286
Cash and cash equivalents	0	0	436,105	436,105	0	0	296,398	296,398
Total assets for which fair value is disclosed	0	0	975,510	975,510	0	0	804,544	804,544
Total	10,390	0	976,896	987,286	9,033	0	806,454	815,487

Liabilities at fair value

€ thousand	30 June 2021				31 Dec 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities at fair value								
Derivatives	0	0	2,523	2,523	0	0	0	0
Total liabilities at fair value	0	0	2,523	2,523	0	0	0	0
Liabilities for which fair value is disclosed								
Current borrowings	0	0	47,466	47,466	0	0	46,345	46,345
Non-current trade payables	0	0	10,000	10,000	0	0	10,000	10,000
Lease liabilities	0	0	3,032	3,032	0	0	2,822	2,822
Current trade payables excluding advances	0	0	147,690	147,690	0	0	143,294	143,294
Current contract liabilities excluding advances	0	0	11,552	11,552	0	0	11,940	11,940
Other current liabilities excluding amounts owed to the state, to employees, and advances	0	0	3,006	3,006	0	0	2,499	2,499
Total liabilities for which fair value is disclosed	0	0	222,746	222,746	0	0	216,900	216,900
Total	0	0	225,269	225,269	0	0	216,900	216,900

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 June 2021 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 first half of 2021 have been prepared using the same accounting policies as for the annual financial statements of Krka and the Krka Group for 2020.

The condensed financial statements for the period ended 30 June 2021 have been prepared pursuant to IAS 34 – *Interim Financial Reporting* and have to

Novo mesto, 15 July 2021

be read in conjunction with the annual financial statements prepared for the financial year ended 31 December 2020.

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