



# Unaudited Interim Report of the Krka Group and Krka, d. d. for the Half Year Ended 30 June 2019

Novo mesto, July 2019



*Living a healthy life.*

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## INTRODUCTION

The condensed financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (the Company) for the first half of 2019 and the first half of 2018 are unaudited, while the financial statements for the full 2018 business year are audited. Krka, d. d., Novo mesto has no authorised capital and has not made any conditional share capital increase.

The Company promptly announces all significant changes of data in its listing prospectus in the Ljubljana Stock Exchange electronic information

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

At its regular meeting of 31 July 2019, the Supervisory Board of the Company discussed the unaudited report of the Krka Group and the Company for the first two quarters of 2019.

## Half-Year Business Performance Highlights

- The Krka Group sold €759.3 million worth of products and services, of which product sales accounted for just short of 98%.
- Compared to the same period last year, Krka Group sales of products and services increased by €81.0 million or 12%.
- The Krka Group generated 94% of product and service sales outside Slovenia. The proportion of export in product sales was 96%.
- Region East Europe recorded the highest absolute sales growth (€33.2 million), and Region West Europe recorded the highest relative growth (17%).
- Accounting for 33.1% of total sales, the largest sales region of the Krka Group was Region East Europe.
- The Group generated operating profit in total of €154.5 million, up 14% compared to the same period last year. EBITDA margin amounted to €209.7 million, a 10% year-on-year increase.
- The Krka Group recorded net profit totalling €139.9 million or 38% more than in the same period last year.
- As at 30 June 2019, the Krka share traded at €62.80 on the Ljubljana Stock Exchange, an 8.7% increase compared to the 2018 year-end. Market capitalisation of the Company amounted to €2.1 billion.
- The Krka Group allocated €52.6 million to investments, of that €42.0 million to the controlling company.
- At the end of June 2019, the Krka Group had 11,523 regularly employed persons on payroll. Together with agency workers, the Krka Group had a total of 12,590 persons on payroll or 108 more than at the end of 2018.

## Financial Highlights of the Krka Group and Krka, d. d.

€ thousand	Krka Group		Company	
	Jan–June 2019	Jan–June 2018	Jan–June 2019	Jan–June 2018
Revenue	761,331	679,524	673,022	632,023
Operating profit (EBIT) <sup>1</sup>	154,537	135,459	125,363	117,972
EBITDA	209,688	190,930	166,151	159,509
Net profit	139,909	101,738	120,286	92,446
R&D expenses	74,515	62,656	77,131	65,373
Investments	52,592	43,524	41,954	34,337

€ thousand	30 June 2019	31 Dec 2018	30 June 2019	31 Dec 2018
Non-current assets	1,042,061	1,010,811	1,064,167	1,038,616
Current assets	1,147,875	974,258	1,024,788	877,449
Equity	1,687,744	1,540,270	1,664,683	1,552,300
Non-current liabilities	155,790	123,058	106,544	89,912
Current liabilities	346,402	321,741	317,728	273,853

RATIOS	Jan–June 2019	Jan–June 2018	Jan–June 2019	Jan–June 2018
EBIT margin	20.3%	19.9%	18.6%	18.7%
EBITDA margin	27.5%	28.1%	24.7%	25.2%
Net profit margin (ROS)	18.4%	15.0%	17.9%	14.6%
Return on equity (ROE) <sup>2</sup>	17.3%	13.3%	15.0%	12.0%
Return on assets (ROA) <sup>3</sup>	13.4%	10.4%	12.0%	9.9%
Liabilities/Equity	0.298	0.256	0.255	0.208
R&D expenses/Revenue	9.8%	9.2%	11.5%	10.3%

NUMBER OF EMPLOYEES	30 June 2019	31 Dec 2018	30 June 2019	31 Dec 2018
Balance as at	11.523	11.390	5684	5496

SHARE INFORMATION	Jan–June 2019	Jan–June 2018
Total number of shares issued	32,793,448	32,793,448
Earnings per share (EPS) in € <sup>4</sup>	8.92	6.35
Closing price at the end of the period in € <sup>5</sup>	62.80	57.80
Price/Earnings ratio (P/E)	7.04	9.10
Book value in € <sup>6</sup>	51.47	48.12
Price/Book value (P/B)	1.22	1.20
Market capitalisation in € thousand (end of period)	2,059,429	1,895,461

<sup>1</sup> The difference between operating income and expenses

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

<sup>3</sup> Net profit, annualised/Average total assets in the period

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

<sup>5</sup> Share price on the Ljubljana Stock Exchange

<sup>6</sup> Equity at the end of the period/Total shares issued

## Information on the Controlling Company

The controlling company in the Krka Group is Krka, tovarna zdravil, d. d., Novo mesto (Krka, d. d., Krka, or the Company).

**Registered office** Šmarješka cesta 6, 8501 Novo mesto, Slovenia

**Telephone** +386 (0) 7 331 21 11

**Fax** +386 (0) 7 332 15 37

**E-mail** info@krka.biz

**Website** www.krka.si

**Core business** Manufacture of pharmaceutical preparations

**Business classification code** 21.200

**Year established** 1954

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

**Tax number** 82646716

**VAT number** SI82646716

**Company ID number** 5043611

**Share capital** €54,732,264.71

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

## ID Card of the Krka Group

The Krka Group consists of the controlling company, Krka, d. d., Novo mesto, two subsidiaries in Slovenia, i.e. Terme Krka, d. o. o., Novo mesto and Farma GRS, d. o. o., and 29 subsidiaries outside Slovenia. The controlling company, Krka, d. d., Novo mesto, owns a 100% stake in all subsidiaries, except in: Ningbo Krka Menovo Pharmaceutical Co. Ltd., where Krka holds a 60% and the Chinese partner, Ningbo Menovo Pharmaceutical Co. Ltd., a 40% stake; Farma GRS, d. o. o., where Krka has a 99.7% holding and Metronik d. o. o., Iskra Pio d. o. o., and Gospodarska zbornica Dolenjske in Bele krajine are each holding 0.1%; and Krka Belgium, SA, where Krka has a 95% stake and the subsidiary Krka France Eurl holds the remaining 5%.

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

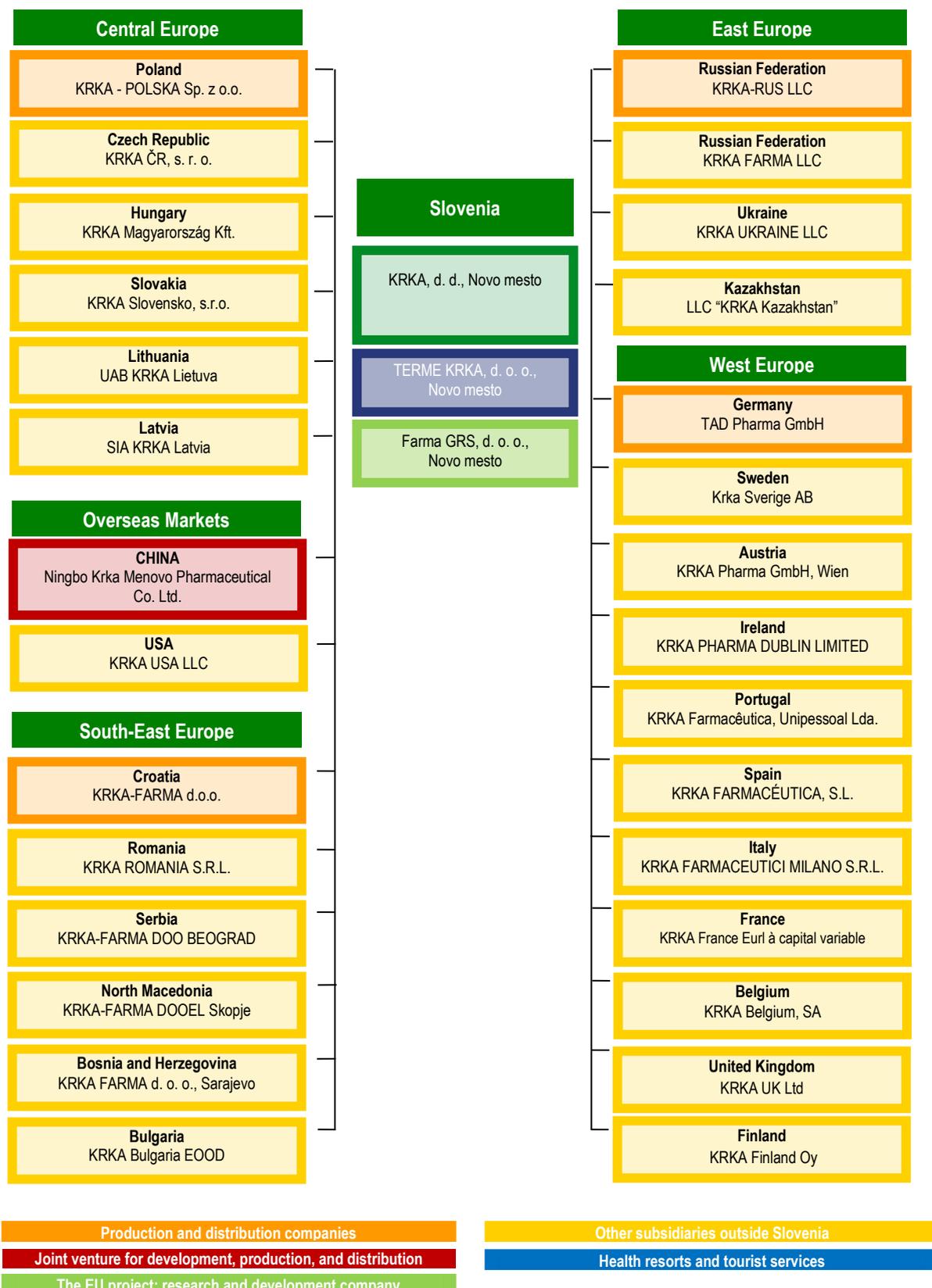
Production takes place in the controlling company in Slovenia and in Krka subsidiaries in the Russian Federation, Poland, Croatia, Germany, and China.

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

Terme Krka, d. o. o., Novo mesto deals with health resorts and tourist services, and operates through the following branches: Terme Dolenjske Toplice, Terme Šmarješke Toplice, Hoteli Otočec, and Talaso Strunjan. Terme Krka is also the majority owner of Golf Grad Otočec, d. o. o.

Farma GRS, d. o. o. was established in partnership with companies from the pharmaceutical, and pharmaceutical and process manufacturing industries. The company develops new pharmaceutical products, new technological products for pharmaceutical production, and contributes to more efficient pharmaceutical production in terms of energy, environment, and business operations. Farma GRS is the sole owner of six micro companies: GRS TEHFARMA, d. o. o., GRS VIZFARMA, d. o. o., GRS PREK FARMA, d. o. o., GRS EKO FARMA, d. o. o., GRS TREN FARMA, d. o. o., and GRS VRED FARMA, d. o. o.

## Profile of the Krka Group



## Krka Group Development Strategy

The Krka Group updates its development strategy every two years. In November 2017, the Management Board of Krka adopted the 2018–2022 development strategy for the Krka Group and presented it to the Supervisory Board.

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

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

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

### Key Strategic Objectives up to 2022

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

### Key Strategic Guidelines up to 2022

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

three active ingredients, strengths, pharmaceutical forms, and new delivery systems).

- To strengthen the range of non-prescription products and animal health products, primarily products for companion animals, in selected therapeutic areas.
- To enter the market of similar biological medicines.
- To further develop health resorts and tourist services, and seek strategic partners outside the Krka Group.
- To strengthen vertical integration from product development to manufacture.
- To ensure a permanent supply of incoming materials and optimise purchasing. Our aim is a continuous reduction of purchase prices.
- To increase the proportions of research, development, and production of certain active ingredients and finished products outside Krka (outsourcing).
- To develop generic medicines and prepare relevant registration documents before the product patent on the original medicine expires.
- To strengthen all types of connections in the field of development and other fields as well as with external institutions and companies.
- To ensure functionality and continuous improvement of the integrated management system (IMS) and quality system, which guarantee the production of safe, effective, and quality products in compliance with cGXP guidelines and regulations relating to quality in 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 payout each year, and to allocate at least 50% of net profit of major shareholders for dividend payouts.
- To introduce information technology efficiently and in compliance with regulatory standards, and ensure high availability and information security of the implemented IT solutions.
- To further pursue digitalisation of business operations by: i) introducing digital information technology to 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 information for taking business decisions. Our aim is to offer customers added value.
- To strengthen professional and cost synergies within the Krka Group, and maximise the utilisation of competitive advantages in the business environments of Krka subsidiaries abroad.
- To strengthen internationalisation within the Krka Group by managing employee potential in an international environment and ensure the activation of all human resource potential.
- To meet our economic, social, and environmental responsibilities to the environments in which we operate.
- To strengthen corporate integrity and operate in accordance with legislation, rules, ethical principles, and good practices.
- To ensure corporate compliance and transparency, and enhance the visibility and positive image of the Krka Group.

### Krka Group Business Objectives for 2019

- Sales of products and services are estimated at €1,375 million.
- Sales outside Slovenia are expected to account for over 93% of total sales.
- Prescription pharmaceuticals remain the most important product group, comprising 81% of overall sales.
- Profit is planned at €172 million.
- The total number of employees in Slovenia and abroad is projected to grow by 4%. This rise is partially expected due to transfers of agency workers to Krka.
- We plan to allocate more than €124 million to investments, primarily for expanding and modernising production facilities and infrastructure.
- The Management Board is optimistic about the 2019 business year. If the conditions in our main markets remain roughly the same until the end of the year, sales and especially profit are estimated to exceed the plans approved on 21 November 2018.

## BUSINESS REPORT

### Financial Risks

#### Foreign Exchange Risk

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

With respect to management of currency risks, mitigation of foreign currency exposure primarily by natural hedging remains the key policy of the Krka Group. To a limited extent, we also use derivative financial instruments. Krka continues its policy of partial (less than 50%) hedging against the rouble-related risk in 2019.

The decision of the US central bank (the Federal Reserve) to stop the cycle of interest rate increase and US trade disputes with its main trade partners impacted global currency markets in the first half of the year. Both factors increased currency instability in developing countries.

The rouble value was additionally affected by activities of the Russian monetary authorities and a reduced geopolitical risk related to economic

sanctions against the Russian Federation.

Over the first half of this year, the value of the Russian rouble expressed in euros increased by 11.3%, while the average value of the rouble decreased by 2.4% compared to the same period last year.

In the first six months of 2019, the Brent oil price in the US dollars rose by one fourth.

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

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

Taking into account net foreign exchange differences, gains and losses relating to derivative financial instruments and interest rates, as well as other financial revenue and expenses, net financial result was positive and totalled €9.4 million in the first half of 2019.

#### Interest Rate Risk

In the first six months of 2019, the Krka Group was not exposed to changes in reference interest rates,

because the Group had no non-current loans.

#### Credit Risk

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

The Krka Group has introduced a centralised credit control process for all customers to whom Krka sells products and services exceeding €100,000 annually. At the end of the first six months of 2019, there were more than 400 customers of that kind, accounting for more than 90% of trade receivables.

The Krka Group distributes receivables between many customers and sales markets, and the

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

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

At the end of the first two quarters of this year, more

than 60% of trade receivables were insured with a credit insurance company, and only a small portion of trade receivables was insured with banking instruments.

At the end of the first half of 2019, total value of trade receivables in euros increased compared to

### Liquidity Risk

In the first half of this year, risks related to liquidity of the Krka Group were managed by effective short-term cash flow planning. Short-term liquidity was ensured through a stable cash flow, by pre-agreed short-term revolving and fixed borrowings from banks, and the daily, rolling weekly, monthly, and

### Property, Liability and Business Interruption Insurance

In the observed period, Krka concluded insurance contracts for 2019. The extent of the property insured increased, but the fire insurance premium was growing slower than the property value as a result of successful negotiations and insurance optimisation. Termination of the comprehensive car insurance in the controlling company and certain subsidiaries abroad generated savings, and also simplified organisational and technical arrangements.

### Investor and Share Information

In the first six months of 2019, the price of Krka share on the Ljubljana Stock Exchange rose by 8.7%. In this period, the proportion of treasury shares increased, holdings of Slovenian natural persons and international investors slightly

#### Shareholder structure (%)

	30 June 2019	31 Dec 2018
Slovenian natural persons	38.9	39.2
Slovenski državni holding (Slovenian Sovereign Holding) and the Republic of Slovenia	16.2	16.2
Kapitalska družba (Pension Fund Management) and Prvi pokojninski sklad (First Pension Fund)	11.0	11.0
Domestic legal entities and funds	7.7	7.7
International investors	23.1	23.2
Treasury shares	3.1	2.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

In the first two quarters of 2019, Krka acquired 131,620 treasury shares.

the beginning of the year, which was primarily due to sales growth in the period.

The maturity structure of receivables remained stable. The percentage of overdue receivables over total trade receivables remained low at the end of the first six months.

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

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

In 2019, Krka took out cyber insurance for the first time. This insurance covers the system restoration costs; costs of hiring experts, various advisers, forensics; costs of sending information to the public; costs incurred by blackmailing and hacking incidents (cyber theft); liabilities for disclosure of personal and business data; penalties imposed by regulatory authorities; and other cyber threats.

decreased, while the stakes of Slovenian legal entities and funds remained unchanged. At the end of June 2019, Krka had a total of 49,562 shareholders.

As at 30 June 2019, Krka held 1,025,067 treasury shares, accounting for 3.126% of share capital.

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

	Country	Number of shares	Equity share (%)	Share of voting rights (%)
Kapitalska družba, d. d.	Slovenia	3,493,030	10.65	11.00
Slovenski državni holding, d. d.	Slovenia	2,949,876	9.00	9.29
Republic of Slovenia	Slovenia	2,366,016	7.21	7.45
OTP banka, d. d.	Croatia	1,539,995	4.70	4.85
Addiko Bank d. d.	Croatia	1,196,138	3.65	3.77
Clearstream Banking SA	Luxembourg	706,481	2.15	2.22
Unicredit Bank Austria AG	Austria	498,835	1.52	1.57
KDPW – fiduciary account	Poland	459,556	1.40	1.45
Luka Koper d. d.	Slovenia	433,970	1.32	1.37
Zavarovalnica Triglav, d. d.	Slovenia	388,300	1.18	1.22
<b>Total</b>		<b>14,032,197</b>	<b>42.79</b>	<b>44.17</b>

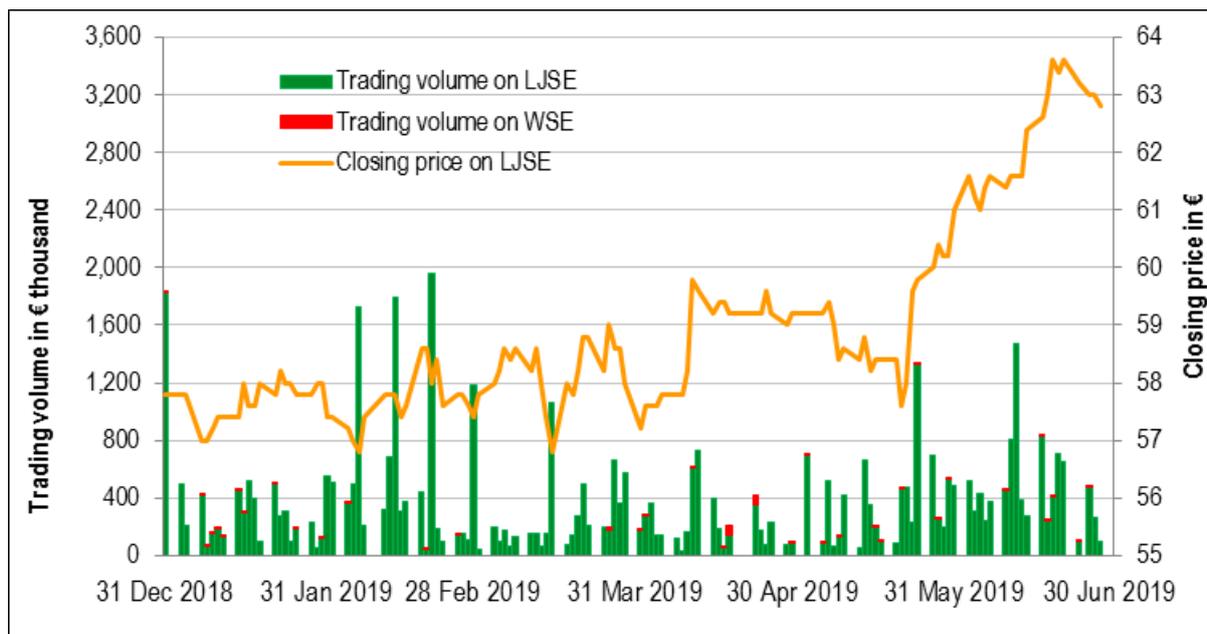
As at 30 June 2019, ten largest shareholders of Krka held 14,032,197 shares or 42.79% of total shares issued.

As at 30 June 2019, members of the Krka Management and Supervisory Boards held a total of 39,170 Krka shares or 0.12% of total shares issued. Since the end of 2018, their shareholdings have not changed.

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

	Number of shares	Equity share (%)	Share of voting rights (%)
<b>Members of the Management Board</b>			
Jože Colarič	22,500	0.069	0.071
David Bratož	0	0.000	0.000
Aleš Rotar	13,915	0.042	0.044
Vinko Zupančič	120	0.000	0.000
Milena Kastelic	505	0.002	0.002
<b>Total members of the Management Board</b>	<b>37,040</b>	<b>0.113</b>	<b>0.116</b>
<b>Members of the Supervisory Board</b>			
Jože Mermal	0	0.000	0.000
Julijana Kristl	230	0.001	0.001
Boris Žnidarič	0	0.000	0.000
Andrej Slapar	0	0.000	0.000
Borut Jamnik	0	0.000	0.000
Franc Šašek	1,400	0.004	0.004
Tomaž Sever	500	0.002	0.002
Mateja Vrečer	0	0.000	0.000
<b>Total members of the Supervisory Board</b>	<b>2,130</b>	<b>0.007</b>	<b>0.007</b>

## Share trading in the first half of 2019



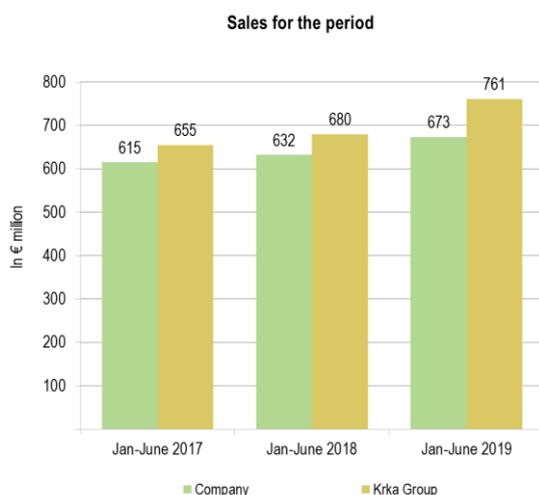
In the first six months of the year, Krka share price on the Ljubljana Stock Exchange peaked in the second half of June, when it traded at €63.60, and reached its low at the beginning of February, when it amounted to €56.80. On 30 June 2019, Krka shares traded at €62.80 per share.

The market capitalisation of Krka on the Ljubljana Stock Exchange amounted to €2.1 billion on 30 June 2019. In that period, deals in Krka share generated an average daily trading volume of €0.4 million. Since April 2012, Krka shares have been listed on the Warsaw Stock Exchange as well.

## Business Operations Analysis

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

### Revenue



The Krka Group sales generated €761.3 million, of which revenue from contracts with customers on sales of products and services amounted to €759.3 million. Revenue from contracts with customers on sales of materials and other sales revenue constituted the difference. Sales increased by €81.8 million and were 12% higher than in the same period last year.

Other operating income amounted to €6.1 million, while financial income totalled €18.6 million. The Krka Group generated total revenue of €786.0 million, up 14% compared to the same period last year.

Please see details on sales of products and services by countries and product groups in the section 'Marketing and Sales'.

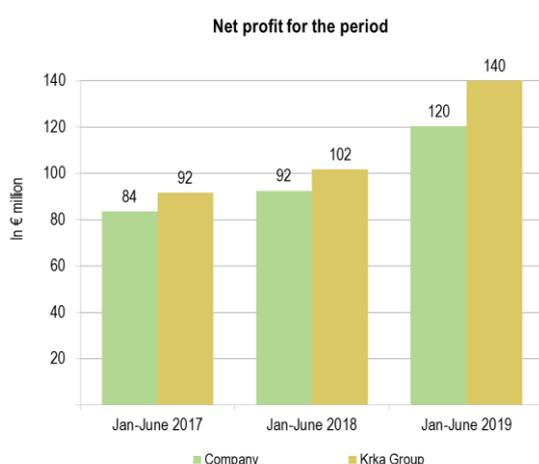
## Expenses

Total expenses of the Krka Group amounted to €622.1 million, up 10% compared to the same period last year.

The Group incurred operating expenses in total of €612.9 million, or 11% more than in the first half of 2018, which comprised €327.6 million costs of goods sold, €170.2 million selling and distribution expenses, €74.5 million R&D expenses, and €40.6 million general and administrative expenses.

Year-on-year, the Krka Group recorded a 15% increase in costs of goods sold, accounting for 43.0% of revenue. Selling and distribution expenses increased by 2% and accounted for 22.4% of revenue. R&D expenses are recognised as expenses for the period in full as the Group does not capitalise them. They increased by 19%, and accounted for 9.8% of revenue. General and administrative expenses increased by 7% and accounted for 5.3% of revenue.

## Operating Results



The Krka Group recorded operating profit of €154.5 million, a 14% rise compared to the same period last year.

Profit before tax amounted to €163.9 million, up 36% compared to the same period last year. Income tax totalled €24.0 million, and the effective tax rate was 14.6%.

The Krka Group recorded net profit of €139.9 million, a 38% year-on-year increase.

## Assets

At the end of June 2019, the Krka Group assets amounted to €2,189.9 million, a 10% rise compared to the end of 2018.

Non-current assets represented 47.6% of total assets, down 3.3 percentage points from the beginning of the year. The most important item under non-current assets, which totalled €1,042.1 million, was property, plant and equipment at €872.2 million. Their value increased by 4% compared to the 2018 year-end and accounted for 39.8% of total Krka Group assets.

Intangible assets amounted to €108.3 million, a 2% drop compared to the end of 2018.

In the first six months of 2019, current assets increased by 18% to €1,147.9 million, while inventories saw a 4% increase reaching €380.0 million. Receivables went up by 9% to €505.9 million, of which trade receivables amounted to €475.6 million or 9% more than at the end of 2018.

## Equity and Liabilities

Equity of the Krka Group amounted to €1,687.7 million, a 10% increase compared to the 2018 year-end, and accounted for 77.1% of total equity and liabilities.

Amounting to €155.8 million, non-current liabilities accounted for 7.1% of the Krka Group balance sheet total and increased by 27% compared to the beginning of the year. At the end of the period,

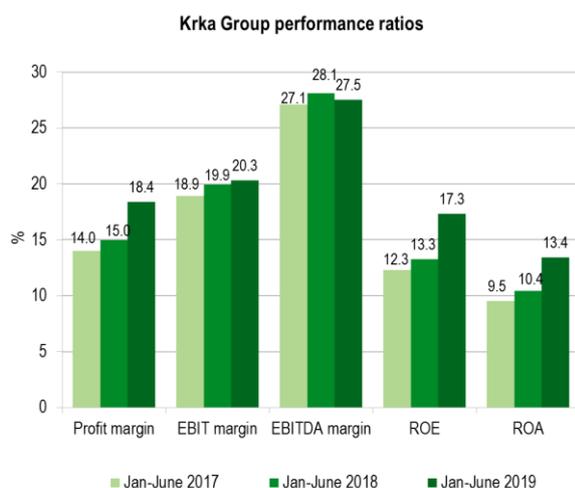
provisions amounted to €102.8 million (of which post-employment and other non-current employee benefits accounted for €96.7 million, provisions for lawsuits €4.1 million, and other provisions €2.0 million), a 2% rise over the end of 2018.

Current liabilities increased by 8% compared to the end of 2018 and totalled €346.4 million or 15.8% of the Krka Group balance sheet total. Among current

liabilities, trade payables amounted to €121.4 million or 11% less than at the 2018 year-end. Liabilities from contracts with customers

increased by 9% and totalled €120.6 million, while other current liabilities rose by 29% to €91.7 million.

## Performance Ratios



The Krka Group net profit margin for the first half of 2019 was 18.4%, EBIT margin 20.3%, and EBITDA margin 27.5%.

At the Group level, annualised ROE was 17.3% and annualised ROA 13.4%.

## Marketing and Sales

In the first two quarters of 2019, Krka Group product and service sales amounted to €759.3 million, i.e. €81.0 million or 12% more than in the same period last year. Sales increased in all regions and most markets.

Sales in markets outside Slovenia reached €714.3 million and accounted for 94% of total Krka Group sales of product and services. We increased product sales volume by 4% over the same period last year.

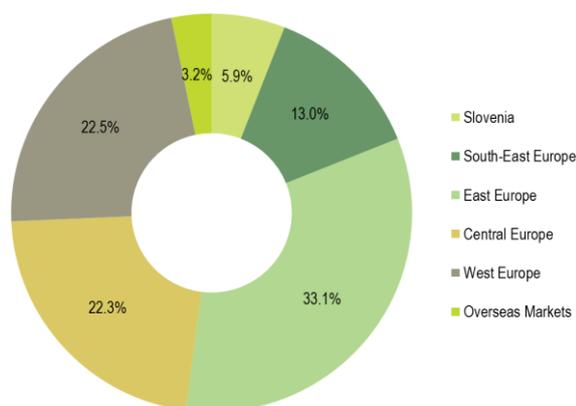
## Sales of Products and Services by Region

Region East Europe recorded the highest sales, €251.5 million, or 33.1% of total Krka Group sales, and was followed by Region West Europe with €170.4 million, or 22.5% of total Krka Group sales. The third region in terms of sales was Region Central Europe generating €169.1 million or 22.3%

of total Krka Group sales. Sales by Region South-East Europe totalled €98.7 million (13%) and by Region Overseas Markets €24.6 million (3.2%). Sales in Slovenia amounted to €45.0 million, or 5.9% of total Krka Group sales.

€ thousand	Krka Group			Company		
	Jan-June 2019	Jan-June 2018	Index	Jan-June 2019	Jan-June 2018	Index
Slovenia	45,000	43,107	104	26,586	25,805	103
South-East Europe	98,709	88,356	112	97,373	85,606	114
East Europe	251,525	218,373	115	140,448	135,002	104
Central Europe	169,108	161,514	105	160,621	156,012	103
West Europe	170,443	145,335	117	140,602	135,979	103
Overseas Markets	24,551	21,675	113	22,116	19,735	112
<b>Total</b>	<b>759,336</b>	<b>678,360</b>	<b>112</b>	<b>587,746</b>	<b>558,139</b>	<b>105</b>

## Krka Group Sales by Region First Two Quarters of 2019



### Region Slovenia

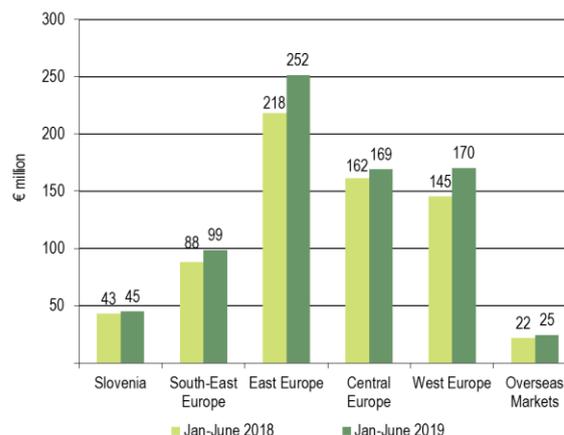
Sales of products and services in Slovenia amounted to €45.0 million. Product sales of €26.6 million accounted for the major share of sales total and represented a 3% year-on-year increase. Sales of prescription pharmaceuticals yielded €19.5 million, or a good 73% of product sales. Non-prescription products generated €5.5 million, constituting 21% of product sales. Sales of animal health products reached €1.5 million and accounted for 6% of product sales in Slovenia. We remained the leading provider of medicines in Slovenia, with a market share just shy of 9%. Health resort and tourist services generated €18.4 million.

Sales were driven by products from our key therapeutic classes promoted in marketing campaigns. Prenessa (perindopril) and three fixed-dose combinations, Prenewel (perindopril/indapamide), Amlessa (perindopril/amlodipine), and Amlewel (perindopril/amlodipine/indapamide), were among key brands in our leading therapeutic class for the treatment of cardiovascular diseases strengthening our marketing position and earning us further recognition in the market of antihypertensives. We remained the leading provider of statins, of which Sorvasta (rosuvastatin) was most notable. We supplemented our portfolio of medicines with Roxiper (rosuvastatin/perindopril/indapamide), a combination of three established

### Region South-East Europe

In the first two quarters of 2019, product sales in Region South-East Europe amounted to €98.7 million, representing 12% year-on-year

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



active substances indicated for the treatment of hypertension and hyperlipidaemia. We extended the Amlessa range with a new strength, Amlessini (perindopril/amlodipine).

Among medicines for the treatment of pain, we paid special attention to marketing our new anti-inflammatory medicine, Roticox (etoricoxib), and an analgesic, Doreta (tramadol/paracetamol). From our range of medicines for central nervous system, we further strengthened recognition of our new atypical antipsychotic, Parnido (paliperidone), and an antidepressant, Dulsevia (duloxetine). We supplemented our portfolio of oncology medicines with Gefitinib Krka (gefitinib).

Of our prescription pharmaceuticals, Nolpaza (pantoprazole), Sorvasta (rosuvastatin), Prenewel (perindopril/indapamide), Nalgesin Forte (naproxen), and Prenessa (perindopril) recorded strongest sales. Of non-prescription products, we strengthened recognition of Flebaven (diosmin), and the leading brands were Nalgesin S (naproxen), Magnezij Krka, and Septabene. Of animal health products, we strengthened brand recognition of Selehold (selamectin), and our leading products remained Amatib (amoxicilin) and the Fypryst brand products.

increase. Key markets Romania and Croatia contributed most to sales total. Bulgaria and Serbia attained the highest sales growth in relative terms,

while Albania and Montenegro saw slightly lower sales than the year before.

**Romania** is our key and leading market in the region, generating sales of €29.2 million, up 13%. We ranked first among foreign providers of generic prescription pharmaceuticals exceeding 7% market share in terms of volume.

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

Sales of non-prescription products saw a slight year-on-year decline. Septanazol (xylometazoline/dexpanthenol) and products sold under the Herbion brand presented the fastest sales growth, while Bilobil (ginkgo leaf extract) sales were the strongest in terms of value. We recorded 3% growth in sales of animal health products primarily due to strong sales of products for companion animals, of which the Fypryst brand products, Milprazon (milbemycin oxime/praziquantel), Ataxxa (permethrin/imidacloprid), and a new animal health product Selehold (selamectin) should be mentioned.

In **Croatia**, year-on-year sales increased by 2% and totalled €18.0 million. We ranked fourth among all manufacturers of generic medicines and second among manufacturers of medicines for veterinary use in the country.

Prescription pharmaceuticals represented the major part of sales, above all Atoris (atorvastatin), Emanera (esomeprazole), Co-Perineva (perindopril/indapamide), Helex (alprazolam), Roswera (rosuvastatin), Ciprinol (ciprofloxacin), and Dalneva (perindopril/amlodipine). After winning an invitation to tender in the first quarter of 2019, we posted the highest growth with two products supplied to hospitals, Nolpaza (pantoprazole) solution for injection and Ciprinol (ciprofloxacin) solution for injection. Of non-prescription products, Nalgesin (naproxen), B-Complex, and the Septolete brand products recorded strongest sales, while products sold under the Fypryst (fipronil) brand, Marfloxin (marbofloxacin), and Enroxil (enrofloxacin) were main sales drivers among animal health products.

In **Serbia**, sales reached €13.5 million, a 21% rise compared to the same period last year. Prescription pharmaceuticals accounted for 84% of total sales in the country, a 20% sales increase. Nolpaza

(pantoprazole), Roxera (rosuvastatin), Atoris (atorvastatin), Co-Amlessa (perindopril/amlodipine/indapamide), Ampril (ramipril), Co-Prenessa (perindopril/indapamide), and Valsacor (valsartan) saw the strongest sales in the product group. The highest growth was recorded with Co-Prenessa (perindopril/indapamide). Sales of non-prescription products increased by 30%, with key products Bilobil (ginkgo leaf extract), Nalgesin (naproxen), and those sold under the Septolete brand. Year-on-year, sales of animal health products went up by 23%. Products sold under the Fypryst brand, Floron (florfenicol), and Enroxil (enrofloxacin) recorded highest sales figures.

In **Bulgaria**, we recorded the highest sales growth (46%) in the region. Sales totalled €11.6 million primarily due to strong sales of prescription pharmaceuticals: Co-Valsacor (valsartan/hydrochlorothiazide), Valsacor (valsartan), Roswera (rosuvastatin), Co-Prenessa (perindopril/indapamide), Emanera (esomeprazole), Nolpaza (pantoprazole), Co-Amlessa (perindopril/amlodipine/indapamide), and Wamlox (amlodipine/valsartan). Non-prescription product sales saw a slight year-on-year decline, whereas sales of animal health products grew by 26%. We ranked second among all pharmaceutical companies as regards prescription pharmaceutical sales volume, exceeding a 5.6% market share in terms of volume.

In **Bosnia and Herzegovina**, product sales reached €10.2 million. Prescription pharmaceuticals and non-prescription products contributed most to a 9% year-on-year increase. Krka has retained the first place among foreign providers of generic medicines in the country. Our prescription pharmaceuticals Enap H and Enap HL (enalapril/hydrochlorothiazide), Roswera (rosuvastatin), Atoris (atorvastatin), Enap (enalapril), and Naklofen (diclofenac) generated strongest sales. Nalgesin (naproxen), B-Complex, and Bilobil (ginkgo leaf extract) were our leading non-prescription products. Sales growth was also achieved in the animal health product group, where products sold under the Fypryst brand recorded the highest sales figures.

In the **Republic of North Macedonia**, we generated sales of €10.7 million, and compared to the same period a year before, grew by 4%. Prescription pharmaceuticals contributed the most to the increase and remained the leading product group, accounting for 86% of country sales. Our most important prescription pharmaceuticals were

Roswera (rosuvastatin), Enap (enalapril), Atoris (atorvastatin), Nolpaza (pantoprazole), and Tanyz (tamsulosin). Sales of non-prescription products advanced by 2%, with Bilobil (ginkgo leaf extract), Septanazal (xylometazoline/dexpanthenol), and Daleron (paracetamol) as the leading products. Animal health products also achieved sales growth.

## Region East Europe

Region East Europe generated product sales of €251.5 million, or 15% more than in the same period a year ago. The two key markets in the region, the Russian Federation and Ukraine, recorded the highest growth in terms of value and contributed most to sales increase in the region. We recorded double-figure growth in most other regional markets.

The **Russian Federation** is our key market and the largest individual market. Sales growth dynamics remained above the average further strengthening our market share in the country. Product sales amounted to €166.8 million, a 9% rise. Sales increase expressed in the Russian rouble reached 12%.

Prescription pharmaceuticals were again the leading product group, recorded the fastest growth, and accounted for 84% of sales. Lorista (losartan), Valsacor (valsartan), Atoris (atorvastatin), Lorista H and Lorista HD (losartan/hydrochlorothiazide), Nolpaza (pantoprazole), Roxera (rosuvastatin), Co-Perineva (perindopril/indapamide), and Valsacor H and Valsacor HD (valsartan/hydrochlorothiazide) generated the strongest sales. Medicines from the Valsacor (valsartan) product group, Co-Perineva (perindopril/indapamide), and Roxera (rosuvastatin) presented the highest relative growth and value increase. Sales of our new medicine Telmista (telmisartan) also went up, and we extended the range by adding a telmisartan/hydrochlorothiazide combination in the first quarter of 2019. We have been strengthening our position of the leading provider of medicines for the treatment of cardiovascular diseases in the Russian Federation.

Of our non-prescription products, Septotele Total (benzylamine chloride/cetylpyridinium chloride) and products sold under the Herbion brand were at the forefront. We also successfully marketed our new products Flebaven (diosmin/hesperidin) and Panatus (butamirate) introduced on the market in the past two years. Our key animal health product

In **Kosovo**, Krka remained among the leading medicine providers generating €3.5 million in sales, just shy of 2% growth. In **Albania**, product sales were valued at €1.3 million, representing a 34% year-on-year decline. Sales recorded in **Montenegro** amounted to €0.8 million, down 11% compared to the same period last year.

was Floron (florfenicol), which recorded a 35% year-on-year rise in sales.

We increased production capacities of our Russian subsidiary Krka-Rus, where we, in the first six months of 2019, manufactured 71% of all products intended for the Russian market. This helped us further strengthen our position of a domestic manufacturer in the country.

In **Ukraine**, sales reached €35.9 million, or 51% rise compared to the same period last year. The growth rate notably exceeded dynamics of the Ukrainian market and further strengthened our market share in the country. Prescription pharmaceuticals, our leading product group, contributed most importantly to growth. Medicines for the treatment of cardiovascular diseases were sales leaders, especially Valsacor (valsartan), Valsacor H and Valsacor HD (valsartan/hydrochlorothiazide), Co-Prenessa (perindopril/indapamide), and Nolpaza (pantoprazole). Non-prescription products were our next strongest product group presenting an increase of 40%. Products of the Herbion and Septotele brands were sales leaders in the product group. Sales of animal health products presented a 13% year-on-year decline.

## Subregion East Europe B

In addition to the leading market of Belarus, Subregion East Europe B comprises Mongolia, Azerbaijan, and Armenia. Total subregional sales amounted to €17.9 million, a rise of 24% compared to the same period of the year before.

In **Belarus**, our product sales totalled €8.2 million representing a 45% year-on-year rise. We ranked second among foreign providers of generic medicines in the country. Prescription pharmaceuticals accounted for the largest share in sales, especially Nolpaza (pantoprazole), Co-Amlessa (perindopril/amlodipine/indapamide), Valsacor H and Valsacor HD (valsartan/

hydrochlorothiazide). Septolete and Duovit brand products led the sales of non-prescription products.

In **Mongolia**, our product sales reached €4.6 million, 2% less than in the same period last year. Prescription pharmaceuticals constituted the major part of sales, most notably Nolpaza (pantoprazole), Lorista (losartan), and Fromilid (clarithromycin). We put our antibiotic Betaklav (amoxicillin/clavulanic acid) on the market. Products sold under the Septolete, Nalgesin (naproxen), and Pikovit brands were the leading non-prescription products in terms of sales.

In **Azerbaijan**, sales growth reached 13% year-on-year. Product sales amounted to €2.7 million. The leading product group of prescription pharmaceuticals contributed most significantly to the country sales total and recorded 22% year-on-year increase. Dexamethason (dexamethasone) and Amlessa (perindopril/amlodipine) were best-selling medicines of that product group. Sales of non-prescription products were lower year-on-year.

Sales in **Armenia** totalled €2.4 million, a 41% rise compared to the same period last year. The following prescription pharmaceuticals accounted for the largest share in sales: Co-Amlessa (perindopril/amlodipine/indapamide), Nolpaza (pantoprazole), and Atoris (atorvastatin). Products of the Herbion and Septolete brands were leading non-prescription products.

### Subregion East Europe K

Our Subregion East Europe K includes Kazakhstan, Moldova, and Kyrgyzstan. The subregional sales total in the first two quarters of 2019 amounted to €15.5 million, or 9% more than in the same period last year.

In **Kazakhstan**, the leading market of this subregion, sales amounted to €8.6 million, slight year-on-year decline. The leading product group of prescription pharmaceuticals contributed 73% to the country sales total. Nolpaza (pantoprazole), Atoris (atorvastatin), Enap (enalapril), Valsacor (valsartan), and Valodip (amlodipine/valsartan) were our key medicines. Non-prescription products generated €2.1 million in sales. The Herbion, Duovit, and Septolete brand products recorded strongest sales.

In **Moldova**, we generated sales in total of €5.1 million and recorded 26% growth. The leading product group of prescription pharmaceuticals

accounted for 72% of sales. Lorista (losartan), Ampril (ramipril), and Rawel SR (indapamide) generated strongest sales in the group. Sales of non-prescription products saw a 53% increase. Leading products included Septanazal (xylometazoline/dexpanthenol) and products sold under the Septolete and Herbion brands.

In **Kyrgyzstan**, product sales amounted to €1.8 million. The country recorded 30% sales growth. Prescription pharmaceuticals saw a 34% year-on-year increase and contributed most to country sales. Of prescription pharmaceuticals, Atoris (atorvastatin), Lorista (losartan), and Nolpaza (pantoprazole) were the leaders. Products sold under the Pikovit, Herbion, and Septolete brands drove sales of non-prescription products.

### Subregion East Europe U

Subregion East Europe U consists of Uzbekistan, Georgia, Tajikistan, and Turkmenistan. We generated €15.5 million by sales of our products there and recorded a 20% increase compared to the same period last year. We recorded growth in all countries of the region, but in terms of value it was the highest in Uzbekistan.

In **Uzbekistan**, sales were valued at €11.5 million, a 22% increase compared to the first two quarters of 2018. Prescription pharmaceuticals contributed most to sales total, especially Nolpaza (pantoprazole), Lorista (losartan), Amlessa (perindopril/amlodipine), Hiconcil (amoxicillin), and Atoris (atorvastatin). Sales of our non-prescription products were driven by products sold under the Pikovit, Septolete, and Herbion brands.

In **Georgia**, we ranked second among foreign providers of generic medicines, and generated €2.2 million by sales of our products, or 10% more than in the same period last year. Prescription pharmaceuticals contributed most to sales total, especially Enap H and Enap HL (enalapril/hydrochlorothiazide), Co-Amlessa (perindopril/amlodipine/indapamide), Lorista H, and Lorista HD (losartan/hydrochlorothiazide). Products of the Herbion and Nalgesin (naproxen) brands drove sales of non-prescription products.

Sales in **Tajikistan** totalled €0.9 million, or 23% more than in the same period last year. Products sold under the Pikovit brand and Tramadol (tramadol) led in terms of sales.

In **Turkmenistan**, sales of our products amounted to €0.8 million, recording 14% year-on-year growth.

## Region Central Europe

Region Central Europe generated sales in the amount of €169.1 million, or 5% more than in the same period last year. In terms of value, growth was most substantial in Poland and in relative terms in Hungary. Sales also went up in Lithuania, Estonia, and Slovakia. In the Czech Republic and Latvia, year-on-year sales presented a slight decrease.

**Poland** remained our leading and key regional market. Sales reached €79.5 million, a good 6% year-on-year increase. We ranked third among foreign providers of generic medicines in the country.

Sales growth dynamics in most therapeutic areas was above the average also due to strong sales of our new products introduced to the market in the previous years. With respect to value, medicines from the reimbursement list contributed the most to sales total, especially Valsacor (valsartan), Co-Valsacor (valsartan/hydrochlorothiazide), Atoris (atorvastatin), Roswera (rosuvastatin), Doreta (tramadol/paracetamol), Tolura (telmisartan), and Tolucombi (telmisartan/hydrochlorothiazide). We retained the leading position among all producers as far as prescription pharmaceuticals from the reimbursement list free for patients aged 75 years and more were regarded.

Seasonal product sales saw a decrease, and sales of our non-prescription products declined slightly in comparison to the same period last year. Our leading non-prescription products were those of the Septolete brand and Bilobil (ginkgo leaf extract). Sales of our animal health products went up by 3%. Milprazon (milbemycin oxime/praziquantel), Floron (florfenicol), and products of the Fypryst brand recorded strongest sales.

In **Hungary**, also our key market, sales grew by 13% and totalled €27.1 million. Prescription pharmaceuticals accounted for the major part of sales total, in particular Co-Prenessa (perindopril/indapamide), Roxera (rosuvastatin), Atoris (atorvastatin), Co-Valsacor (valsartan/hydrochlorothiazide), Valsacor (valsartan), Zyllt (clopidogrel), Co-Dalnessa (perindopril/indapamide/amlodipine), Nolpaza (pantoprazole), and Prenessa (perindopril).

Sales were driven by Nolpaza (pantoprazole) and Pikovit.

Sales of non-prescription products amounted to €1.8 million, 7% more than in the same period last year. Flebaven (diosmin), Ventra (sucralfate), Bilobil (ginkgo leaf extract), and products of the Herbion brand presented strongest sales. In comparison to the first two quarters of 2018, sales of animal health products presented a drop. Milprazon (milbemycin oxime/praziquantel), and products of the Fypryst brand sold best.

The **Czech Republic** is also one of our key markets. Our product sales in the country totalled €23.7 million, a 9% decline compared to the first two quarters last year. Prescription pharmaceuticals maintained the leading position in terms of sales, especially Atoris (atorvastatin), Lexaurin (bromazepam), Valsacombi (valsartan/hydrochlorothiazide), and Asentra (sertraline). Renewel (perindopril/indapamide), Tonanda (perindopril/amlodipine/indapamide), Doreta (tramadol/paracetamol), Valsacor (valsartan), Sorvasta (rosuvastatin), and Mirzaten (mirtazapine) followed.

Non-prescription products saw 16% growth. In terms of sales, Nalgesin S (naproxen) and products of the Septolete brand remained our most important products. Sales of our animal health products presented 7% growth. Products of the Fypryst brand and Dehinel Plus (praziquantel, pyrantel embonate, febantel) recorded strongest sales.

**Slovakia** is also our key market. Our product sales grew by 11% generating €20.3 million. All three product groups presented above average sales growth dynamics in the market ranking us third among the providers of generic medicines in the country. Prescription pharmaceuticals accounted for the major part of sales total, in particular Co-Prenessa (perindopril/indapamide), Atoris (atorvastatin), Nolpaza (pantoprazole), Prenessa (perindopril), Valsacor (valsartan), Co-Amlessa (perindopril/amlodipine/indapamide), Lexaurin (bromazepam), Co-Valsacor (valsartan/hydrochlorothiazide), and Amlessa (perindopril/amlodipine).

Flebaven (diosmin) contributed most to a 33% increase in sales of non-prescription products. In terms of value, Nalgesin S (naproxen) and products

sold under the Septotele brand remained leaders. Our animal health products presented 11% growth. Key products included those of the Fypryst brand and Enroxil (enrofloxacin).

In **Lithuania**, sales reached €8.7 million, a 6% rise compared to the same period last year. Prescription pharmaceuticals accounted for the major part of sales in terms of value, above all Valsacor (valsartan), Valsacombi (valsartan/hydrochlorothiazide), Dexamethason Krka (dexamethasone), Nolpaza (pantoprazole), Roswera (rosuvastatin), and Atoris (atorvastatin). Year-on-year, sales of non-prescription products presented a 29% drop. Septabene (benzylamine chloride/cetylpyridinium chloride) and Nalgesin (naproxen) maintained their leading positions. Sales of our animal health products went up by 3%, with products of the Fypryst brand and Milprazon (milbemycin oxime/praziquantel) at the forefront.

In **Latvia**, sales reached €5.9 million, or 9% less than in the same period last year. Sales of prescription pharmaceuticals generated the most,

## Region West Europe

We consider all Western European markets as our key market. Sales in the region reached €170.4 million in the first two quarters of 2019, a 17% rise compared to the same period last year. Sales were the strongest in Germany, the Scandinavian countries, and Spain. Sales of our own product brands through subsidiaries increased by 26%, and accounted for 75% of total regional sales. Sales through unrelated parties amounted to €42.7 million.

Prescription pharmaceuticals were again the leading product group accounting for 91% of total regional sales, a 20% year-on-year sales growth. Medicines containing valsartan, esomeprazole, and clopidogrel were at the forefront. Sales of animal health products went down by 3% compared to the same period last year, and accounted for 8% of sales total. Sales of non-prescription products constituted 1%.

**Germany** remained our largest regional market, where we made €40.7 million in product sales. The 6% sales rise compared to the same period last year resulted primarily from new product launches. Prescription pharmaceuticals accounted for the major part of sales, above all those containing valsartan, ezetimibe and darunavir. In the second

above all sales of Atoris (atorvastatin), Rosuvastatin Krka (rosuvastatin), Prenewel (perindopril/indapamide), Co-Amlessa (perindopril/amlodipine/indapamide), and Nolpaza (pantoprazole). Non-prescription products followed, with sales leaders Septanazal (xylometazoline/dexpanthenol), Septabene (benzylamine chloride/cetylpyridinium chloride), and Daleron COLD3 (paracetamol/pseudoephedrine hydrochloride/dextromethorphan hydrobromide). Sales of animal health products went up by 22%. Key products were those of the Fypryst brand.

Sales in **Estonia** totalled €3.9 million, and were comparable to the same period last year. Prescription pharmaceuticals constituted the largest part of total sales, in particular Co-Dalnessa (perindopril/amlodipine/indapamide), Co-Prenessa (perindopril/indapamide), Roswera (rosuvastatin), Atoris (atorvastatin), Tadilecto (tadalafil), and Escadra (esomeprazole). Of non-prescription products, those of the Septotele brand, and Fypryst from the animal health range sold best.

quarter, we successfully launched a combination of ezetimibe and simvastatin, a combination of amlodipine and valsartan, and febuxostat, gefitinib, and solifenacin.

In the **Scandinavian countries**, sales saw 67% growth and totalled €30.7 million. Sweden remained our leading market, and was followed by Finland, Denmark, Norway, and Iceland. The most notable 94% growth was recorded by Norway. We increased sales through our subsidiary Krka Sverige by 76%, and sales through our subsidiary Krka Finland by 58%. Total sales through subsidiaries reached 97%. Sales were driven by medicines containing esomeprazole, losartan, valsartan, and candesartan. In Norway, many of our medicines retained the leading position, above all those containing esomeprazole, valsartan, and enalapril.

**Spain** recorded 37% growth and sales totalled €25.2 million. The country ranked third among all our regional markets. Our subsidiary Krka Farmaceutica won tender sales in Andalusia, which contributed to sales growth of our product brands. They contributed 88% to our sales total in the country. Medicines containing donepezil,

bisoprolol, quetiapine, and paliperidone generated most substantial sales.

In **Italy**, sales increased by 9% compared to the same period last year and amounted to €16.9 million. Sales through our subsidiary, Krka Farmaceutici Milano, grew by 25% and accounted for 69% of our total sales in the country. We increased sales through our subsidiary in all our product groups, but prescription pharmaceuticals recorded the highest growth. Medicines containing esomeprazole, clopidogrel, and pantoprazole generated strongest sales.

In **France**, product sales amounted to €14.3 million, a 21% year-on-year decline. The proportion of products marketed under our own brands reached 29% and was lower than in most other regional markets, but rose by 6 percentage points in the second quarter. The combination milbemyacin oxime/praziquantel, clopidogrel, esomeprazole, and gliclazide were at the forefront in terms of sales.

In **Portugal**, products sold under our own brands accounted for more than 70% of sales, and we recorded 28% growth and sales total of €12.8 million. In this way, we maintained more than a 6% generic pharmaceutical market share in terms of value. The leading prescription pharmaceuticals were products containing active substances esomeprazole, paliperidone, darunavir, and the combination of perindopril and indapamide.

## Region Overseas Markets

Region Overseas Markets generated product sales of €24.6 million or 13% more than in the first two quarters of 2018. Prescription pharmaceuticals sold in most regional markets under our own brand names accounted for the major part of the amount.

The economic situation in the markets of the **Middle East** remained complex affecting our business operations. The sales value reached €13.0 million, 13% more compared to the same period last year. Iran, Iraq, and Saudi Arabia were our key markets in the region. Our most successful products in terms of sales were Asentra (sertraline), Nolpaza (pantoprazole), Emanera (esomeprazole), Zyllt (clopidogrel), and Vizarsin (sildenafil).

In the **United Kingdom**, sales totalled €11.8 million, a 27% year-on-year rise. Prescription pharmaceuticals, especially those containing active substances losartan and candesartan, contributed to the increase the most. Sales through our Krka UK subsidiary increased by 15%.

In **Benelux**, we generated sales of €5.5 million, an 11% increase. Our subsidiary Krka Belgium contributed to the increase the most as its sales rose by 62%. Sales through unrelated parties slightly lagged behind the figure recorded in the same period last year.

In **Ireland**, our product sales reached €4.7 million, a 1% year-on-year decline. Sales through our subsidiary Krka Pharma Dublin went up by 5% accounting for a good 90% of our sales in the country. We remained among the leading providers of generic medicines containing active substances valsartan, esomeprazole, tadalafil, ezetimibe, and pregabalin.

In **Austria**, our sales saw 13% growth and totalled €4.5 million. Sales were driven by medicines containing pregabalin, duloxetine, and valsartan. Sales through our subsidiary Krka Pharma Wien accounted for 93%.

In **other European countries**, we made most of our sales through unrelated parties. Sales reached €3.2 million, or 4% less than in the same period last year.

Sales in the countries of the **Far East and Africa** amounted to €10.9 million, a 15% year-on-year advance. Vietnam was our most important regional market, and was followed by the Republic of South Africa, China, Malaysia, and Ghana. Our key products were Emanera (esomeprazole), Lanzul (lansoprazole), Tolura (telmisartan), Palprostes (fruit extract of dwarf fan palm), and Kamiren (doxazosin).

Our smallest regional office is in charge of the **American** markets. In the countries of Central America, our sales amounted to €0.6 million.

## Sales by Product and Service Groups

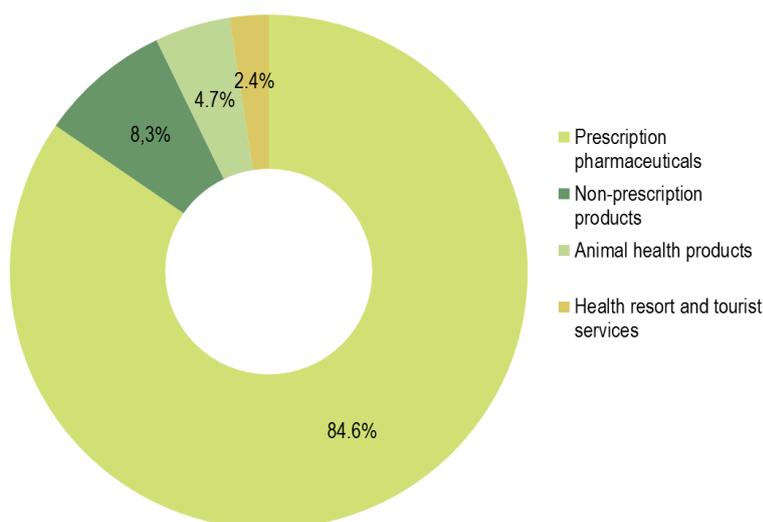
In the first two quarters of 2019, human health medicines were the most important product group in the sales structure of the Krka Group, and accounted for 92.9% of overall sales in the period. Prescription pharmaceuticals constituted 84.6% of total Krka Group sales, and were followed by non-prescription products and animal health products.

Year-on-year, sales of prescription pharmaceuticals increased by 13%, non-prescription products by 7%, and animal health products by 2%.

Sales of health resort and tourist services constituted 2.4% of total Krka Group sales, a 6% increase over the last year.

€ thousand	Krka Group			Company		
	Jan–June 2019	Jan–June 2018	Index	Jan–June 2019	Jan–June 2018	Index
Human health medicines	705,099	625,909	113	555,284	522,477	106
– Prescription pharmaceuticals	642,562	567,414	113	500,880	468,024	107
– Non-prescription products	62,537	58,495	107	54,404	54,453	100
Animal health products	35,822	35,151	102	32,462	35,662	91
Health resorts and tourist services	18,415	17,300	106			
<b>Total</b>	<b>759,336</b>	<b>678,360</b>	<b>112</b>	<b>587,746</b>	<b>558,139</b>	<b>105</b>

### Krka Group Sales by Product and Service Group, January–June 2019



### Prescription Pharmaceuticals

The Krka Group recorded 13% growth in sales of prescription pharmaceuticals generating a total of €642.6 million. Regions that increased sales were West Europe (20%), East Europe (17%), South-East Europe (13%), Overseas Markets (11%), and Central Europe (5%), while Region Slovenia maintained its year-on-year sales level.

Of our major markets, sales went up in the Russian Federation (11%), Poland (8%), and Germany (5%). Year-on-year, prescription pharmaceutical sales in other major markets increased as follows: the

Scandinavian countries (70%), Ukraine (56%), Spain (34%), Romania (17%), Hungary (15%), Italy (12%), and Slovakia (10%).

Medium-sized markets increased sales as follows: Bulgaria (50%), Portugal (29%), the United Kingdom (26%), Serbia (20%), Uzbekistan (17%), Austria (13%), and Lithuania (12%).

In smaller markets, our prescription pharmaceuticals presented the highest growth rates in Belarus (55%), Armenia (45%), Kyrgyzstan (34%), Tajikistan

(27%), Azerbaijan (22%), Benelux (18%), Moldova (18%), Turkmenistan (13%), and Kosovo (11%).

In terms of sales, ten leading prescription pharmaceuticals were those that contain:

- valsartan (Valsacor, Valsacombi\*, Vamloset\*, Co-Vamloset\*, Valarox\*);
- perindopril (Prenessa\*, Co-Prenessa\*, Amlessa\*, Co-Amlessa\*);
- losartan (Lorista\*, Lorista H\*, Lorista HD\*, Tenloris\*);
- atorvastatin (Atoris);
- pantoprazole (Nolpaza\*);
- rosuvastatin (Roswera\*, Co-Roswera\*);
- esomeprazole (Emanera\*);
- enalapril (Enap, Enap H, Enap HL, Elenap\*);
- clopidogrel (Zyllt\*); and
- tramadol (Doreta\*, Tadol\*).

Year-on-year, the following pharmaceuticals presented the highest absolute sales growth:

- Valsacor (valsartan);
- Co-Valsacor\* (valsartan/hydrochlorothiazide);
- Lorista (losartan);
- Co-Amlessa\* (perindopril/indapamide/amlodipine);
- Pamido\* (paliperidone), first launched last year;
- Co-Prenessa\* (perindopril/indapamide);
- Darunavir Krka\* (darunavir);
- Roswera\* (rosuvastatin);
- Vamloset\* (valsartan/amlodipine); and
- Vasitimb\* (simvastatin/ezetimibe).

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

- Roxiper\* (perindopril/indapamide/rosuvastatin), used for concomitant lowering of increased blood pressure and increased levels of cholesterol; launched in Slovenia, Poland, Lithuania, and Latvia;
- Co-Roswera\* (rosuvastatin/ezetimibe), indicated for lowering increased levels of cholesterol; placed on the markets of Poland, the Czech Republic, and Bulgaria;
- Ezesimin\* (simvastatin/ezetimibe), indicated for lowering increased levels of cholesterol; placed on the markets of Germany, France, Spain, Italy, Austria, Finland and other Scandinavian countries, Ireland and Portugal;
- Eliskardia\* (prasugrel), indicated for prevention of atherothrombotic events in patients with acute coronary syndrome; launched in Germany,

France, Spain, the Scandinavian countries, the United Kingdom, Hungary, and Slovakia;

- Lamegom\* (agomelatine), an antidepressant; launched in Germany, France, Spain, Lithuania, Estonia, Poland, Portugal, Hungary, the Czech Republic, and Slovakia;
- Gefitinib, indicated for the treatment of certain types of tumours; launched in Germany and Slovenia;
- Everofin\* (everolimus), indicated for the treatment of certain types of tumours; launched in Germany, France, Austria, Bulgaria, Estonia, Finland, and other Scandinavian countries;
- Febuxodor\* (febuxostat), indicated for hyperuricaemia (high levels of uric acid in the blood); placed on the markets of Germany, Spain, the Scandinavian countries, Latvia, Ireland, Poland, and Hungary.

We entered several markets with our pharmaceuticals:

- Wamlox\* (valsartan/amlodipine) in Germany, Spain, the Scandinavian countries, Ireland, Portugal, and Poland;
- Telmista H\* (telmisartan/hydrochlorothiazide) in the Russian Federation and Ukraine;
- Amlessa\* (perindopril/amlodipine) and Co-Amlessa\* (perindopril/amlodipine/indapamide) in Kosovo;
- Aperia\* (eplerenone) in Slovenia, Spain, France, Lithuania, and Slovakia;
- Pamido\* (paliperidone) in Romania;
- Alprazolam in Spain;
- Yasnal\* (donepezil) in Bosnia and Herzegovina;
- Doreta\* (tramadol/paracetamol) in Serbia and Finland;
- Adolax\* (oxycodone/naloxone) in the Republic of North Macedonia and Latvia;
- Roticox\* (etoricoxib) in Moldova and Bosnia and Herzegovina;
- Asolfena\* (solifenacin) in Germany, France, Spain, Finland and other Scandinavian countries, Ireland, and Hungary;
- Viavardis\* (vardenafil) in Slovenia and Poland;
- Ulcavis\* (bismuth subcitrate) in Albania and Belarus;
- Darunavir Krka\* (darunavir) in France, Germany, the Scandinavian countries, Benelux, Italy, and Portugal;
- Efavirenz/Emtricitabine/Tenofovir disoproxil Krka in Italy;
- Ecansya\* (capecitabine) in Finland and other Scandinavian countries, and Ukraine;
- Desradin\* (desloratadine) in Ukraine.

## Non-Prescription Products

Sales of non-prescription products totalled €62.5 million, 7% more than in the same period last year.

Sales increased in the following Regions: Slovenia (12%), South-East Europe (2%), East Europe (8%), and Overseas Markets (53%). Sales by Region Central Europe matched to those generated in the first two quarters of 2018.

Sales generated by Region East Europe accounted for more than 50% of total non-prescription product sales. Our major market, the Russian Federation, generated 30% of total non-prescription product sales, similar to the first six months last year. Most of our other markets of Region East Europe presented

## Animal Health Products

Sales of our animal health products amounted to €35.8 million, and were by 2% higher than in the same period last year.

By Region, sales increased the most in Slovenia (17%) and South-East Europe (12%), followed by Central Europe (4%) and East Europe (4%). Region West Europe was our largest region in terms of sales, but presented a slight drop.

Of our major markets, sales increased most substantially in the United Kingdom (30%) and Germany (16%). Of other large markets, sales went up in Spain (95%), Portugal (41%), Slovenia (17%), Croatia (8%), the Czech Republic (7%), the Russian Federation (6%), and Poland (3%).

## Health Resorts and Tourist Services

In the first two quarters of 2019, Terme Krka generated €18.4 million from sales of services, or 6% more than in the same period last year. All business units increased their sales. Terme Krka

growth: Georgia (105%), Moldova (53%), Uzbekistan (43%), Ukraine (40%), Belarus (27%), Tajikistan (18%), Turkmenistan (15%), Kyrgyzstan (15%), and Armenia (14%).

Major markets of other regions recorded growth rates as follows: Serbia (30%), Bosnia and Herzegovina (13%), the Republic of North Macedonia (2%), Slovakia (33%), Hungary (7%), the Czech Republic (16%), and Germany (4%).

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

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

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

recorded 171,191 overnight stays. Of foreign guests, Italians prevailed, but the number of guests from Croatia, the Czech Republic, and Austria increased the most.

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

## Research and Development

In the first two quarters of 2019, we obtained marketing authorisations for six new products in 12 dosage forms and strengths: prescription pharmaceuticals: **Atazanavir Krka** (atazanavir), **Sidarso/Silbesan** (silodosin), and **cinacalcet**, non-prescription products **Vitamin D3 Krka**

### Prescription Pharmaceuticals

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

We introduced our new medicine **Sidarso/Silbesan** (silodosin) hard capsules in two strengths indicated for symptomatic treatment of benign prostatic hyperplasia. It is taken once a day, does not cause cardiovascular effects, and can therefore be used also in the elderly and patients with cardiovascular diseases.

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

In the European markets, we also obtained marketing authorisations for our established medicines. Registration procedures were concluded for our cardiovascular medicines:

- **Amlodipin/Valsartan Krka** (amlodipine/valsartan) film-coated tablets;
- **Valtricom/Valsamtrio** (amlodipine/valsartan/hydrochlorothiazide) film-coated tablets;

(cholecalciferol), and **Herbion Ivy** (ivy leaf dry extract) lozenges, and animal health product **Awazom** (amoxicillin).

We expanded marketing opportunities for Krka products in all regions.

- **Roxera Plus** (rosuvastatin/ezetimibe) film-coated tablets;
- **olmesartan/amlodipine** film-coated tablets; and single-component medicines
- **Atorvastatin Krka** (atorvastatin) film-coated tablets; and
- **Sorvasta** (rosuvastatin) film-coated tablets.

Additionally, we obtained marketing authorisations for our two antipsychotics, **Paliperidone Krka** (paliperidone) prolonged-release tablets and **Kventiax/Quetiapin Krka** (quetiapine) film-coated tablets and prolonged-release tablets.

We introduced one non-prescription product, **Rabeprazol Krka** (rabeprazole) gastroresistant tablets for the treatment of certain stomach problems. In Finland, the only rabeprazole with the status of a non-prescription product is the one supplied by Krka. Under the centralised procedure, the marketing authorisation was concluded for **Febuxostat Krka** (febuxostat) film-coated tablets indicated for the treatment of gout. We obtained marketing authorisations for:

- Our analgesic **paracetamol/tramadol** film-coated tablets;
- A non-steroidal anti-inflammatory drug (NSAID) **Dekenor** (dexketoprofen) solution for injection; and
- **tamsulosin** modified-release capsules and prolonged-release tablets indicated for improving symptoms of benign prostatic hyperplasia.

We introduced our established medicines from various therapeutic classes in certain new Eastern European markets. We expanded marketing opportunities for medicines for the treatment of cardiovascular diseases and introduced:

- **Niperten Combi** (amlodipine/bisoprolol) tablets in Kazakhstan;
- **Valodip** (valsartan/amlodipine) film-coated tablets in Kyrgyzstan;

- **Roxera Combi** (rosuvastatin/amlodipine) film-coated tablets in Azerbaijan;
- **Co-Vamloset** (valsartan/amlodipine/hydrochlorothiazide) film-coated tablets in Georgia;
- **Teldipin** (telmisartan/amlodipine) tablets in Ukraine;
- **Valaroks** (valsartan/rosuvastatin) film-coated tablets and **Bravadin** (ivabradine) film-coated tablets in Uzbekistan.

From the therapeutic class of antibiotics, we obtained marketing authorisations for **Azibiot** (azithromycin) powder for oral suspension in Armenia, Kyrgyzstan, and Uzbekistan, and film-coated tablets in Kyrgyzstan. We were granted marketing authorisations for **Betaklav/Hiconcil Combi** (amoxicillin/clavulanic acid) powder for oral suspension in Armenia, Kazakhstan, and Uzbekistan, and film-coated tablets in Armenia, Kazakhstan, Kyrgyzstan, Uzbekistan, and Azerbaijan.

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

In the Russian Federation, we newly introduced **Sleepzone** (doxylamine) film-coated tablets indicated for the treatment of occasional insomnia, and two antibiotics **Levofloksacin Krka** (levofloxacin) solution for infusion and film-coated tablets and **Moflaxya** (moxifloxacin) solution for infusion.

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

Additionally, we obtained marketing authorisations for our non-steroidal anti-inflammatory drug (NSAID) **Dekenor** (dexketoprofen) solution for injection in Ukraine, and an antirheumatic **Etorix/Etoxib** (etoricoxib) film-coated tablets in Azerbaijan and Uzbekistan.

We were granted marketing authorisations for medicines for the treatment of the alimentary tract, **Emanera** (esomeprazole) gastroresistant capsules

in Azerbaijan and **Ulcavis** (bismuth subcitrate) film-coated tablets in Belarus.

In the markets of South-Eastern Europe, we extended marketing opportunities for our key products from various therapeutic classes.

From the class of medicines for the treatment of cardiovascular diseases, we obtained new marketing authorisations for the fixed-dose combination **Roxiper** (perindopril/indapamide/rosuvastatin) film-coated tablets and a medicine indicated for inhibition of platelet aggregation and formation of blood clots **Eliskardia** (prasugrel) film-coated tablets in Serbia, and **Tenox** (amlodipine) tablets and **Sobycor** (bisoprolol) film-coated tablets in Montenegro.

From our range for the treatment of the central nervous system, we introduced:

- **Helex** (alprazolam) tablets in Montenegro;
- **Helex SR** (alprazolam) prolonged-release tablets in Albania;
- **Zalasta** (olanzapine) tablets in Bosnia and Herzegovina; and
- **Calmesan** (doxylamine) film-coated tablets (a medicine for the treatment of insomnia) in Serbia.

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

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

We introduced a number of established brands in our markets overseas. Most marketing authorisations we have obtained are for medicines for the treatment of cardiovascular diseases:

- **Tolucombi** (telmisartan/hydrochlorothiazide) tablets;
- **Prenewel** (perindopril/indapamide) tablets;
- **Ifirmasta** (irbesartan) film-coated tablets;

- **Rosuvastatin TAD** (rosuvastatin) film-coated tablets;
- **Rawel SR** (indapamide) prolonged-release tablets;
- **Enap** (enalapril) tablets;
- **Enap-CO** (enalapril/hydrochlorothiazide) tablets; and
- **Clopidogrel Krka** (clopidogrel) film-coated tablets.

In various countries, we introduced:

- **Rewisca/Pragiola** (pregabalin) capsules;
- **Marimixima** (memantine) film-coated tablets;

## Non-Prescription Products

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

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

We obtained marketing authorisation for **Herbion Ivy** (ivy leaf dry extract) lozenges, our new product indicated for thinning the mucus in the respiratory tract and facilitating expectoration in wet

## Animal Health Products

We expanded our portfolio of animal health products for farm animals. We obtained marketing authorisations under the European decentralised procedure for our new medicine **Awazom** (amoxicillin) powder for use in drinking water. The medicine is indicated for the treatment of bacterial infections in poultry, ducks, and pheasant.

We increased marketing opportunities for our antiparasitics from the portfolio of companion animal products. We obtained marketing authorisations for **Fleaway Combo** (fipronil/S-methoprene) spot-on solution for dogs, cats, and ferrets, and for **WormScreen** (pyrantel embonate/praziquantel) film-coated tablets for cats in the United Kingdom.

- **Levolox** (levofloxacin) film-coated tablets;
- **EtoxiB/Roticox** (etoricoxib) film-coated tablets;
- **Aclexa** (celecoxib) capsules;
- **Emanera** (esomeprazole) gastroresistant capsules;
- **Gliclada** (gliclazide) prolonged-release tablets;
- a fixed-dose combination **Doreta** (tramadol/paracetamol) film-coated tablets;
- **Desloratadin Krka** (desloratadine) film-coated tablets; and
- **montelukast** film-coated tablets.

cough. This herbal medicinal product can be used in adults and children aged 6 years or more.

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

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

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

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

We also expanded marketing opportunities for our farm animal medicines. In Germany, we additionally obtained a marketing authorisation for **Catobevit** (butafosfan/cyanocobalamin) solution for injection indicated for the treatment and prevention of metabolic or reproductive disorders in cattle.

In Kazakhstan, we introduced a combination of vitamins and minerals (including selenium) **Solvimin Selen** oral powder indicated for the treatment of hypovitaminosis or as a supportive therapy for infections caused by stress in all farm animals. We obtained marketing authorisations for **Floron** (florfenicol) premix for medicated feed

## Investments

In the first two quarters of 2019, the Krka Group allocated €52.6 million to investments, of that €42.0 million to the controlling company. Our investments were aimed to increase and technologically upgrade production and development, and provide for quality assurance. We also invested in our own production and distribution centres around the world.

The key investment of Krka in development and quality assurance in the upcoming years is the €54 million product development and quality control facility, Razvojno-kontrolni center 4 (Slovene abbreviation: RKC 4), at the production site in Novo mesto. At the end of 2016, the building with the total surface area of 18,000 m<sup>2</sup> was completed. Setting-up of the laboratory rooms was finished in 2017. Additional furnishing of the rooms intended for research and development has entered the final phase.

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

Notol 2, the state-of-the-art facility for manufacturing solid dosage forms, is also in Ločna, Novo mesto. In order to meet the increasing demand for additional production facilities, Krka has been purchasing additional technological equipment. We earmarked a total of €16 million for this investment in 2019. When the plant is fully equipped, it will be able to operate at its planned volume, i.e. 5 billion tablets per year.

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

indicated for the treatment of infections of the respiratory tract in pigs in Serbia, and **Santiola** (closantel) solution for injection indicated for the treatment of parasitic gastrointestinal infestations in cattle and sheep in Bosnia and Herzegovina and Serbia.

€4.2 million.

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

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

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

We have constructed a new four-storey office building in Ljubljana. The building is connected with the existing business premises and has already been put to use. Our investment amounted to €12 million.

One of the most important investments in Krka subsidiaries abroad is investment in the Krka-Rus plant in the industrial zone of Istra in the north-western part of Moscow. Another project for new manufacturing and laboratory capacities is already in its design phase and will mark the upcoming five-

year investment period in the Russian Federation. The investment estimated at €33 million will increase manufacturing capacities of the Krka-Rus plant to 3 billion tablets per year. The Krka-Rus plant manufactures 70% of products that we sell on the Russian market. We have the status of a domestic producer in the Russian Federation.

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

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

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

At the end of 2017, we established a joint venture Ningbo Krka Menovo with a local partner Menovo in the city of Ningbo, China. We obtained an EU GMP certificate for the leased production facilities. Commercial manufacture of the first product intended for markets outside China started at the end of 2018, when we also filed all marketing authorisation documents required for its sales in China. In 2019, we have started filing registration documents for another five marketing authorisations for our products in China.

## Employees

The Krka Group employed 11,523 persons at the end of June 2019, of that one half (5,744 persons) outside Slovenia. The proportion of Krka Group employees with at least university-level qualifications was 53%. This percentage includes 189 employees with a doctoral degree.

Together with agency workers, the Krka Group had 12,590 persons on payroll or 108 more than at the end of 2018.

### Educational structure of the Krka Group

	30 June 2019		31 Dec 2018	
	Number of employees	%	Number of employees	%
PhD	189	1.6	187	1.6
Master of Science	385	3.3	384	3.4
University degree	5,530	48.0	5,555	48.8
Higher professional education	1,667	14.5	1,622	14.2
Vocational college education	287	2.5	282	2.5
Secondary school education	2,365	20.5	2,231	19.6
Other	1,100	9.6	1,129	9.9
<b>Krka Group</b>	<b>11,523</b>	<b>100.0</b>	<b>11,390</b>	<b>100.0</b>

We provide a continuous recruitment of talented employees by awarding scholarships. At the end of June, there were 88 Krka scholarship holders, primarily pharmacy and chemistry students. We also grant scholarships to students from other fields of interest for Krka. We awarded 43 new scholarships this year. Due to our staff development and succession planning system, we can greatly meet our human resource needs for key professionals and managers within the Krka Group.

We also invest in knowledge and development of our employees. In Slovenia and abroad, they undergo further professional training, and attend training courses on quality, management, informatics, personal growth, and foreign languages. Most training courses are organised in-house and adjusted to the needs of our employees, technological processes, market situations, and the development needs of the Krka Group. The courses are constantly updated and upgraded with new training methods to better suit the contemporary work modes.

At the end of June, 134 employees were enrolled in part-time study programmes co-funded by Krka, of whom 52 were postgraduate students.

Krka is also included in the national vocational qualification (NVQ) system. Since 2002, we have

awarded 1,353 NVQ certificates to Krka employees and 142 to participants from other organisations in the pharmaceutical industry, or 1,495 certificates for four vocational qualifications. At the end of June 2019, 128 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 2019	31 Dec 2018	Index
<b>Assets</b>			
Property, plant and equipment	872,220	839,448	104
Intangible assets	108,301	110,329	98
Loans	11,185	10,810	103
Investments	9,313	9,389	99
Deferred tax assets	40,582	40,376	101
Other non-current assets	460	459	100
<b>Total non-current assets</b>	<b>1,042,061</b>	<b>1,010,811</b>	<b>103</b>
Assets held for sale	41	41	100
Inventories	379,982	365,149	104
Contract assets	358	395	91
Trade receivables	475,564	438,291	109
Other receivables	30,296	26,370	115
Loans	31,651	21,491	147
Investments	0	4,720	0
Cash and cash equivalents	229,983	117,801	195
<b>Total current assets</b>	<b>1,147,875</b>	<b>974,258</b>	<b>118</b>
<b>Total assets</b>	<b>2,189,936</b>	<b>1,985,069</b>	<b>110</b>
<b>Equity</b>			
Share capital	54,732	54,732	100
Treasury shares	-59,917	-52,076	115
Reserves	127,292	104,062	122
Retained earnings	1,563,108	1,430,817	109
<b>Total equity holders of the controlling company</b>	<b>1,685,215</b>	<b>1,537,535</b>	<b>110</b>
Non-controlling interests within equity	2,529	2,735	92
<b>Total equity</b>	<b>1,687,744</b>	<b>1,540,270</b>	<b>110</b>
<b>Liabilities</b>			
Non-current trade payables	10,000	0	
Lease liabilities	21,614	-	
Provisions	102,786	100,989	102
Deferred revenue	9,251	9,798	94
Deferred tax liabilities	12,139	12,271	99
<b>Total non-current liabilities</b>	<b>155,790</b>	<b>123,058</b>	<b>127</b>
Current trade payables	121,422	136,806	89
Lease liabilities	1,910	-	
Income tax payable	10,823	3,842	282
Current contract liabilities	120,558	110,225	109
Other current liabilities	91,689	70,868	129
<b>Total current liabilities</b>	<b>346,402</b>	<b>321,741</b>	<b>108</b>
<b>Total liabilities</b>	<b>502,192</b>	<b>444,799</b>	<b>113</b>
<b>Total equity and liabilities</b>	<b>2,189,936</b>	<b>1,985,069</b>	<b>110</b>

## Consolidated Income Statement of the Krka Group

€ thousand	Jan–June 2019	Jan–June 2018	Index
<b>Revenue</b>	<b>761,331</b>	<b>679,524</b>	<b>112</b>
– Revenue from contracts with customers	759,532	678,410	112
– Other revenue	1,799	1,114	161
Cost of goods sold	-327,566	-283,964	115
<b>Gross profit</b>	<b>433,765</b>	<b>395,560</b>	<b>110</b>
Other operating income	6,087	6,537	93
Selling and distribution expenses	-170,182	-166,069	102
– Net impairment and write-off	-468	177	
R&D expenses	-74,515	-62,656	119
General and administrative expenses	-40,618	-37,913	107
<b>Operating profit</b>	<b>154,537</b>	<b>135,459</b>	<b>114</b>
Financial income	18,582	2,553	728
Financial expenses	-9,205	-17,442	53
<b>Net financial result</b>	<b>9,377</b>	<b>-14,889</b>	
<b>Profit before tax</b>	<b>163,914</b>	<b>120,570</b>	<b>136</b>
Income tax	-24,005	-18,832	127
<b>Net profit</b>	<b>139,909</b>	<b>101,738</b>	<b>138</b>
<b>Attributable to:</b>			
– Equity holders of the controlling company	140,132	101,782	138
– Non-controlling interest	-223	-44	507
<b>Basic earnings per share (€)</b>	<b>4.46</b>	<b>3.18</b>	<b>140</b>
<b>Diluted earnings per share (€)</b>	<b>4.46</b>	<b>3.18</b>	<b>140</b>

\* Net profit for the period/Average number of shares issued in the period exclusive of treasury shares

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

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

€ thousand	Jan-June 2019	Jan-June 2018	Index
<b>Net profit</b>	<b>139,909</b>	<b>101,738</b>	<b>138</b>
<b>Other comprehensive income for the period</b>			
<b>Other comprehensive income for the period reclassified to profit or loss at a future date</b>			
Translation reserve	15,467	-8,584	
Change in fair value of available-for-sale financial assets	-76	785	
Deferred tax effect	14	-149	
<b>Net other comprehensive income for the period reclassified to profit or loss at a future date</b>	<b>15,405</b>	<b>-7,948</b>	
<b>Other comprehensive income for the period that will not be reclassified to profit or loss at a future date</b>			
Restatement of post-employment benefits	0	-2	0
<b>Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date</b>	<b>0</b>	<b>-2</b>	<b>0</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>15,405</b>	<b>-7,950</b>	
<b>Total comprehensive income for the period (net of tax)</b>	<b>155,314</b>	<b>93,788</b>	<b>166</b>
Attributable to:			
– Equity holders of the controlling company	155,520	93,791	166
– Non-controlling interest	-206	-3	6,867

## Consolidated Statement of Changes in Equity of the Krka Group

€ thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the controlling company	Non-controlling interests within equity	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other profit reserves	Retained earnings	Profit for the period			
<b>Balance at 1 Jan 2019</b>	54,732	-52,076	52,076	105,897	14,990	30,000	-11,918	-86,983	1,167,388	100,332	163,097	1,537,535	2,735	1,540,270
<b>Net profit</b>	0	0	0	0	0	0	0	0	0	0	140,132	140,132	-223	139,909
<b>Total other comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	-62	15,451	0	0	0	15,389	17	15,406
<b>Total comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	-62	15,451	0	0	140,132	155,521	-206	155,315
<b>Transactions with owners recognised in equity</b>														
Transfer of profit from previous periods to retained earnings	0	0	0	0	0	0	0	0	0	163,097	-163,097	0	0	0
Purchase of treasury shares	0	-7,841	0	0	0	0	0	0	0	0	0	-7,841	0	-7,841
Formation of reserves for treasury shares	0	0	7,841	0	0	0	0	0	0	0	-7,841	0	0	0
<b>Total transactions with owners recognised in equity</b>	0	-7,841	7,841	0	0	0	0	0	0	163,097	-170,938	-7,841	0	-7,841
<b>Balance at 30 June 2019</b>	54,732	-59,917	59,917	105,897	14,990	30,000	-11,980	-71,532	1,167,388	263,429	132,291	1,685,215	2,529	1,687,744

€ thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the controlling company	Non-controlling interests within equity	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other profit reserves	Retained earnings	Profit for the period			
<b>Balance at 1 Jan 2018</b>	54,732	-40,588	40,588	105,897	14,990	30,000	-12,523	-67,475	1,129,172	90,233	141,702	1,486,728	971	1,487,699
<b>Net profit</b>	0	0	0	0	0	0	0	0	0	0	101,782	101,782	-44	101,738
<b>Total other comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	634	-8,625	0	0	0	-7,991	41	-7,950
<b>Total comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	634	-8,625	0	0	101,782	93,791	-3	93,788
<b>Transactions with owners recognised in equity</b>														
Transfer of profit from previous periods to retained earnings	0	0	0	0	0	0	0	0	0	141,702	-141,702	0	0	0
Purchase of treasury shares	0	-5,948	0	0	0	0	0	0	0	0	0	-5,948	0	-5,948
Formation of reserves for treasury shares	0	0	5,948	0	0	0	0	0	0	0	-5,948	0	0	0
Purchase of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	2,343	2,343
<b>Total transactions with owners recognised in equity</b>	0	-5,948	5,948	0	0	0	0	0	0	141,702	-147,650	-5,948	2,343	-3,605
<b>Balance at 30 June 2018</b>	54,732	-46,536	46,536	105,897	14,990	30,000	-11,889	-76,100	1,129,172	231,935	95,834	1,574,571	3,311	1,577,882

## Consolidated Statement of Cash Flows of the Krka Group

€ thousand	Jan–June 2019	Jan–June 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit</b>	<b>139,909</b>	<b>101,738</b>
<b>Adjustments for:</b>	<b>94,427</b>	<b>71,599</b>
– Amortisation/Depreciation	55,151	55,471
– Foreign exchange differences	6,937	-3,079
– Investment income	-1,528	-3,734
– Investment expenses	8,275	2,913
– Financial income	-13	-57
– Interest expense and other financial expenses	1,600	1,253
– Income tax	24,005	18,832
<b>Operating profit before changes in net operating current assets</b>	<b>234,336</b>	<b>173,337</b>
Change in trade receivables	-41,750	29,669
Change in inventories	-14,833	-23,551
Change in trade payables	1,223	1,326
Change in provisions	794	589
Change in deferred revenue	-547	-578
Change in other current liabilities	15,058	-20,890
Income tax paid	-16,558	-29,273
<b>Net cash flows from operating activities</b>	<b>177,723</b>	<b>130,629</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	319	223
Dividends received	299	959
Proceeds from sale of property, plant and equipment	1,086	2,494
Purchase of intangible assets	-1,411	-1,967
Purchase of property, plant and equipment	-47,749	-40,594
Non-current loans	-1,255	-1,390
Proceeds from repayment of non-current loans	1,044	645
Payments to acquire non-current investments	-24	-120
Proceeds from sale of non-current investments	22	7
Payments for current investments and loans	-7,114	-44,817
Payments for derivative financial instruments	0	-2,278
Proceeds from derivative financial instruments	0	1,294
<b>Net cash flows from investing activities</b>	<b>-54,783</b>	<b>-85,544</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-220	-482
Proceeds from current loans	0	1
Lease payments	-1,492	0
Dividends and other profit shares paid	-2	0
Purchase of treasury shares	-7,841	-5,948
Proceeds from payments from non-controlling interests	0	2,343
<b>Net cash flows from financing activities</b>	<b>-9,555</b>	<b>-4,086</b>
<b>Net increase in cash and cash equivalents</b>	<b>113,385</b>	<b>40,999</b>
Cash and cash equivalents at the beginning of the period	117,801	45,948
Effect of exchange rate fluctuations on cash held	-1,203	-775
<b>Cash and cash equivalents at the end of the period</b>	<b>229,983</b>	<b>86,172</b>

## Segment Reporting of the Krka Group

€ thousand	European Union		South-East Europe		East Europe		Other		Elimination		Total	
	Jan-June 2019	Jan-June 2018										
<b>Revenue from external customers</b>	<b>441,659</b>	<b>398,783</b>	<b>39,944</b>	<b>37,013</b>	<b>251,578</b>	<b>218,398</b>	<b>28,150</b>	<b>25,330</b>	<b>0</b>	<b>0</b>	<b>761,331</b>	<b>679,524</b>
- Revenue from contracts with customers	440,116	397,928	39,944	37,013	251,531	218,374	27,941	25,095	0	0	759,532	678,410
- Other revenue	1,543	855	0	0	47	24	209	235	0	0	1,799	1,114
<b>Sales between Group companies</b>	<b>118,335</b>	<b>113,102</b>	<b>23,357</b>	<b>19,851</b>	<b>115,814</b>	<b>116,241</b>	<b>0</b>	<b>0</b>	<b>-257,506</b>	<b>-249,194</b>	<b>0</b>	<b>0</b>
Other operating income	4,895	3,787	9	-7	1,183	2,757	0	0	0	0	6,087	6,537
Operating expenses	-367,399	-338,858	-27,794	-25,582	-198,609	-171,215	-19,079	-14,947	0	0	-612,881	-550,602
Operating expenses to Group companies	-188,201	-184,021	-25,376	-21,543	-261,421	-247,185	-995	-4	475,993	452,753	0	0
<b>Operating profit</b>	<b>79,155</b>	<b>63,712</b>	<b>12,159</b>	<b>11,424</b>	<b>54,152</b>	<b>49,940</b>	<b>9,071</b>	<b>10,383</b>	<b>0</b>	<b>0</b>	<b>154,537</b>	<b>135,459</b>
Interest income	159	105	0	0	158	122	3	2	0	0	320	229
Interest income from Group companies	228	134	0	0	2	2	0	0	-230	-136	0	0
Interest expense	-240	-13	-22	0	-213	-2	-12	0	0	0	-487	-15
Interest expense to Group companies	-153	-156	0	0	-43	-24	0	0	196	180	0	0
<b>Net financial result</b>	<b>-872</b>	<b>-3,004</b>	<b>-245</b>	<b>-368</b>	<b>11,793</b>	<b>-11,755</b>	<b>-1,299</b>	<b>238</b>	<b>0</b>	<b>0</b>	<b>9,377</b>	<b>-14,889</b>
Income tax	-12,341	-8,452	-1,602	-1,317	-9,180	-8,120	-882	-943	0	0	-24,005	-18,832
<b>Net profit</b>	<b>65,942</b>	<b>52,256</b>	<b>10,312</b>	<b>9,739</b>	<b>56,765</b>	<b>30,065</b>	<b>6,890</b>	<b>9,678</b>	<b>0</b>	<b>0</b>	<b>139,909</b>	<b>101,738</b>
Investments	45,759	41,292	149	190	4,331	1,833	2,353	209	0	0	52,592	43,524
Depreciation	35,851	36,151	1,039	1,039	13,197	14,276	275	371	0	0	50,362	51,837
Depreciation – right of use assets	953	–	44	–	283	–	13	–	0	–	1,293	–
Amortisation	2,188	2,291	160	155	1,046	1,089	102	99	0	0	3,496	3,634
	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>										
<b>Total assets</b>	<b>1,682,251</b>	<b>1,552,922</b>	<b>50,191</b>	<b>48,132</b>	<b>442,577</b>	<b>367,867</b>	<b>14,917</b>	<b>16,148</b>	<b>0</b>	<b>0</b>	<b>2,189,936</b>	<b>1,985,069</b>
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	37,094	37,530	0	0	0	0	0	0	0	0	37,094	37,530
<b>Total liabilities</b>	<b>354,106</b>	<b>325,099</b>	<b>13,827</b>	<b>10,877</b>	<b>109,523</b>	<b>84,514</b>	<b>24,736</b>	<b>24,309</b>	<b>0</b>	<b>0</b>	<b>502,192</b>	<b>444,799</b>

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

### Costs by nature

€612,881 thousand

€ thousand	Jan–June 2019	Jan–June 2018	Index
Cost of goods and material	212,604	179,263	119
Cost of services	127,687	121,363	105
Employee benefit cost	205,562	184,528	111
Amortisation and depreciation	55,151	55,471	99
Inventory write-off and allowances	8,843	9,445	94
Receivable impairments and write-off (net)	-468	177	
Formation of provisions for lawsuits	0	44	0
Other operating expenses	18,982	18,368	103
<b>Total costs</b>	<b>628,361</b>	<b>568,659</b>	<b>110</b>
Change in the value of inventories of products and work in progress	-15,480	-18,057	86
<b>Total</b>	<b>612,881</b>	<b>550,602</b>	<b>111</b>

### Employee benefit costs

€205,562 thousand

€ thousand	Jan–June 2019	Jan–June 2018	Index
Gross wages and salaries and continued pay	158,757	142,168	112
Social security contributions	12,968	12,180	106
Pension insurance contributions	20,890	18,952	110
Payroll tax	508	514	99
Post-employment benefits and other non-current employee benefits	2,563	2,409	106
Other employee benefit costs	9,876	8,305	119
<b>Total employee benefit costs</b>	<b>205,562</b>	<b>184,528</b>	<b>111</b>

### Other operating expenses

€18,982 thousand

€ thousand	Jan–June 2019	Jan–June 2018	Index
Grants and assistance for humanitarian and other purposes	743	859	86
Environmental protection expenditure	2,161	2,128	102
Other taxes and levies	13,007	12,829	101
Loss on sale of property, plant and equipment and intangible assets	698	635	110
Other operating expenses	2,373	1,917	124
<b>Total other operating expenses</b>	<b>18,982</b>	<b>18,368</b>	<b>103</b>

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

## Financial income and expenses

€ thousand	Jan–June 2019	Jan–June 2018	Index
Net foreign exchange differences	17,951	0	
Interest income	320	229	140
Derivative financial instruments income	0	2,265	0
– Realised revenue	0	1,294	0
– Change in fair value	0	971	0
Income from dividends and other profit shares	299	1	29,900
Other financial income	12	58	21
<b>Total financial income</b>	<b>18,582</b>	<b>2,553</b>	<b>728</b>
Net foreign exchange differences	0	-13,906	0
Interest expense	-487	-15	3,247
Derivative financial instruments expense	-7,577	-2,278	333
– Incurred expenses	0	-2,278	0
– Change in fair value	-7,577	0	
Other financial expenses	-1,141	-1,243	92
<b>Total financial expenses</b>	<b>-9,205</b>	<b>-17,442</b>	<b>53</b>
<b>Net financial result</b>	<b>9,377</b>	<b>-14,889</b>	

### Income tax

€24,005 thousand

Current income tax amounted to €24,126 thousand or 14.6% of profit before tax. Taking into account deferred tax in the amount of -€121 thousand, tax in

total of €24,005 thousand was expensed in the income statement. The effective tax rate was 14.6%.

### Property, plant and equipment

€872,220 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Land	40,045	39,996	100
Buildings	395,264	390,638	101
Equipment	344,860	352,931	98
Property, plant and equipment being acquired	63,215	52,359	121
Advances for property, plant and equipment	5,490	3,524	156
Right of use assets	23,346	–	
<b>Total property, plant and equipment</b>	<b>872,220</b>	<b>839,448</b>	<b>104</b>

The value of property, plant, and equipment accounted for just short of 40% of the Krka Group balance sheet total. Please see section 'Investments' in the business report for details on

major investments of Krka.

## Intangible assets

€108,301 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Goodwill	42,644	42,644	100
Trademark	37,094	37,530	99
Concessions, trademarks and licences	23,995	26,345	91
Intangible assets being acquired	4,568	3,810	120
<b>Total intangible assets</b>	<b>108,301</b>	<b>110,329</b>	<b>98</b>

## Loans

€42,836 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
<b>Non-current loans</b>	<b>11,185</b>	<b>10,810</b>	<b>103</b>
– Loans to others	11,185	10,810	103
<b>Current loans</b>	<b>31,651</b>	<b>21,491</b>	<b>147</b>
– Portion of non-current loans maturing next year	1,448	1,468	99
– Loans to others	30,203	20,023	151
<b>Total loans</b>	<b>42,836</b>	<b>32,301</b>	<b>133</b>

Non-current loans constituted 26% of total loans.

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

Current loans to other entities included bank deposits of the controlling company with maturity exceeding 90 days in total of €30,000 thousand.

## Investments

€9,313 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
<b>Non-current investments</b>	<b>9,313</b>	<b>9,389</b>	<b>99</b>
– Financial assets at fair value through OCI (equity instruments)	9,313	9,389	99
<b>Current investments including derivative financial instruments</b>	<b>0</b>	<b>4,720</b>	<b>0</b>
– Derivative financial instruments	0	1,800	0
– Financial assets at fair value through profit or loss	0	2,920	0
<b>Total investments</b>	<b>9,313</b>	<b>14,109</b>	<b>66</b>

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

€828 thousand and shares and interests in companies abroad totalling €8,485 thousand.

## Inventories

€379,982 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Material	157,001	152,087	103
Work in progress	102,407	94,964	108
Finished products	104,785	99,835	105
Goods	8,106	8,203	99
Advances for inventories	7,683	10,060	76
<b>Total inventories</b>	<b>379,982</b>	<b>365,149</b>	<b>104</b>

## Trade and other receivables

€505,860 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Current trade receivables	475,564	438,291	109
Other current receivables	30,296	26,370	115
<b>Total receivables</b>	<b>505,860</b>	<b>464,661</b>	<b>109</b>

## Cash and cash equivalents

€229,983 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Cash on hand	156	75	208
Bank balances	229,827	117,726	195
<b>Total cash and cash equivalents</b>	<b>229,983</b>	<b>117,801</b>	<b>195</b>

Bank balances also included bank deposits of the controlling company with maturity up to 30 days in total of €9,244 thousand.

## Equity

€1,687,744 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Share capital	54,732	54,732	100
Treasury shares	-59,917	-52,076	115
Reserves	127,292	104,062	122
– Reserves for treasury shares	59,917	52,076	115
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	-11,980	-11,918	101
– Translation reserve	-71,532	-86,983	82
Retained earnings	1,563,108	1,430,817	109
<b>Total equity holders of the controlling company</b>	<b>1,685,215</b>	<b>1,537,535</b>	<b>110</b>
Non-controlling interests within equity	2,529	2,735	92
<b>Total equity</b>	<b>1,687,744</b>	<b>1,540,270</b>	<b>110</b>

## Trade payables

€131,422 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
<b>Non-current trade payables</b>	<b>10,000</b>	<b>0</b>	
Other non-current trade payables	10,000	0	
<b>Current trade payables</b>	<b>121,422</b>	<b>136,806</b>	<b>89</b>
Payables to domestic suppliers	51,862	45,805	113
Payables to foreign suppliers	69,560	91,001	76
<b>Total trade payables</b>	<b>131,422</b>	<b>136,806</b>	<b>96</b>

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

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

## Provisions

€102,786 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Provisions for lawsuits	4,129	4,217	98
Provisions for post-employment benefits and other non-current employee benefits	96,693	94,794	102
Other provisions	1,964	1,978	99
<b>Total provisions</b>	<b>102,786</b>	<b>100,989</b>	<b>102</b>

## Deferred revenue

€9,251 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Grants from the European Regional Development Fund and budget of the Republic of Slovenia intended for <i>the Production of pharmaceuticals in the new Notol 2 plant project</i>	1,717	1,850	93
Grants from the budget for Dolenjske Toplice and Šmarješke Toplice health resorts and for Golf Grad Otočec	3,580	3,645	98
Grants from the European Regional Development Fund for developing new technologies (FBD project)	104	151	69
Grants from the European Regional Development Fund for setting up the energy supply IT system (GEN-I)	3	6	50
Grants from the European Regional Development Fund for the Slovenian economy development centres	3,827	4,121	93
Subsidy for acquisition of electric drive vehicles	6	6	100
Property, plant and equipment received free of charge	14	18	78
Emission coupons	0	1	0
<b>Total deferred revenue</b>	<b>9,251</b>	<b>9,798</b>	<b>94</b>

The Slovenian economy development centres and FBD projects are partly funded by the European Union from the European Regional Development Fund. The projects are carried out within the framework of the *Operational Programme for*

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

### Current contract liabilities

€120,558 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
<b>Refund liabilities</b>	<b>112,213</b>	<b>106,166</b>	<b>106</b>
– Accrued discounts on products sold	112,133	106,070	106
– Right of return	80	96	83
<b>Contract liabilities</b>	<b>8,345</b>	<b>4,059</b>	<b>206</b>
– Contract liabilities – other customer advances	8,345	4,059	206
<b>Total current contract liabilities</b>	<b>120,558</b>	<b>110,225</b>	<b>109</b>

### Other current liabilities

€91,689 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Payables to employees – gross salaries, other receipts and charges	55,253	47,725	116
Derivative financial instruments	5,777	0	
Other	30,659	23,143	132
<b>Total other current liabilities</b>	<b>91,689</b>	<b>70,868</b>	<b>129</b>

### Contingent liabilities

€19,798 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Guarantees issued	19,178	18,893	102
Other	620	620	100
<b>Total contingent liabilities</b>	<b>19,798</b>	<b>19,513</b>	<b>101</b>

## Fair value

€ thousand	30 June 2019		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans	11,185	11,185	10,810	10,810
Financial assets at fair value through OCI (equity instruments)	9,313	9,313	9,389	9,389
Current loans	31,651	31,651	21,491	21,491
Current investments	0	0	4,720	4,720
– Financial assets at fair value through profit or loss	0	0	2,920	2,920
– Derivative financial instruments	0	0	1,800	1,800
Contract assets	358	358	395	395
Trade receivables	475,564	475,564	438,291	438,291
Cash and cash equivalents	229,983	229,983	117,801	117,801
Non-current trade payables	-10,000	-10,000	0	0
Non-current lease liabilities	-21,614	-21,614	–	–
Current lease liabilities	-1,910	-1,910	–	–
Payables to suppliers excluding advances	-121,422	-121,422	-136,806	-136,806
Contract liabilities excluding advances	-112,133	-112,133	-106,070	-106,070
Other liabilities excluding amounts owed to the state, employees and advances	-16,703	-16,703	-11,319	-11,319
Other current liabilities	-5,777	-5,777	0	0
– Derivative financial instruments	-5,777	-5,777	0	0
<b>Total</b>	<b>468,495</b>	<b>468,495</b>	<b>348,702</b>	<b>348,702</b>

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

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

## Assets at fair value

€ thousand	30 June 2019				31 Dec 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets at fair value</b>								
Financial assets at fair value through OCI (equity instruments)	7,926	0	1,387	9,313	8,002	0	1,387	9,389
Financial assets at fair value through profit or loss	0	0	0	0	2,920	0	0	2,920
Derivative financial instruments	0	0	0	0	0	0	1,800	1,800
<b>Total assets at fair value</b>	<b>7,926</b>	<b>0</b>	<b>1,387</b>	<b>9,313</b>	<b>10,922</b>	<b>0</b>	<b>3,187</b>	<b>14,109</b>
<b>Assets for which fair value is disclosed</b>								
Non-current loans	0	0	11,185	11,185	0	0	10,810	10,810
Current loans	0	0	31,651	31,651	0	0	21,491	21,491
Contract assets	0	0	358	358	0	0	395	395
Trade receivables	0	0	475,564	475,564	0	0	438,291	438,291
Cash and cash equivalents	0	0	229,983	229,983	0	0	117,801	117,801
<b>Total assets for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>748,741</b>	<b>748,741</b>	<b>0</b>	<b>0</b>	<b>588,788</b>	<b>588,788</b>
<b>Total</b>	<b>7,926</b>	<b>0</b>	<b>750,128</b>	<b>758,054</b>	<b>10,922</b>	<b>0</b>	<b>591,975</b>	<b>602,897</b>

## Liabilities at fair value

€ thousand	30 June 2019				31 Dec 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Liabilities at fair value</b>								
Derivative financial instruments	0	0	5,777	5,777	0	0	0	0
<b>Total liabilities at fair value</b>	<b>0</b>	<b>0</b>	<b>5,777</b>	<b>5,777</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities for which fair value is disclosed</b>								
Non-current trade payables	0	0	10,000	10,000	0	0	0	0
Non-current lease liabilities	0	0	21,614	21,614	–	–	–	–
Current lease liabilities	0	0	1,910	1,910	–	–	–	–
Payables to suppliers excluding advances	0	0	121,422	121,422	0	0	136,806	136,806
Contract liabilities excluding advances	0	0	112,133	112,133	0	0	106,070	106,070
Other liabilities excluding amounts owed to the state, employees and advances	0	0	16,703	16,703	0	0	11,319	11,319
<b>Total liabilities for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>283,782</b>	<b>283,782</b>	<b>0</b>	<b>0</b>	<b>254,195</b>	<b>254,195</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>289,559</b>	<b>289,559</b>	<b>0</b>	<b>0</b>	<b>254,195</b>	<b>254,195</b>

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

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

€ thousand	30 June 2019	31 Dec 2018	Index
<b>Assets</b>			
Property, plant and equipment	612,836	604,923	101
Intangible assets	27,424	28,842	95
Investments in subsidiaries	325,502	325,502	100
Trade receivables due from subsidiaries	35,758	38,885	92
Loans	41,431	19,238	215
Investments	9,312	9,388	99
Deferred tax assets	11,831	11,780	100
Other non-current assets	73	58	126
<b>Total non-current assets</b>	<b>1,064,167</b>	<b>1,038,616</b>	<b>102</b>
Assets held for sale	41	41	100
Inventories	330,219	317,499	104
Contract assets	196	1,464	13
Trade receivables	430,924	390,948	110
Other receivables	20,321	15,404	132
Loans	35,294	51,819	68
Investments	0	1,800	0
Cash and cash equivalents	207,793	98,474	211
<b>Total current assets</b>	<b>1,024,788</b>	<b>877,449</b>	<b>117</b>
<b>Total assets</b>	<b>2,088,955</b>	<b>1,916,065</b>	<b>109</b>
<b>Equity</b>			
Share capital	54,732	54,732	100
Treasury shares	-59,917	-52,076	115
Reserves	200,567	192,788	104
Retained earnings	1,469,301	1,356,856	108
<b>Total equity</b>	<b>1,664,683</b>	<b>1,552,300</b>	<b>107</b>
<b>Liabilities</b>			
Non-current trade payables	10,000	0	
Lease liabilities	4,976	-	
Provisions	89,725	87,882	102
Deferred revenue	1,843	2,030	91
<b>Total non-current liabilities</b>	<b>106,544</b>	<b>89,912</b>	<b>118</b>
Current trade payables	168,205	170,354	99
Borrowings	61,811	40,435	153
Lease liabilities	307	-	
Income tax payable	8,039	1,570	512
Current contract liabilities	21,894	17,340	126
Other current liabilities	57,472	44,154	130
<b>Total current liabilities</b>	<b>317,728</b>	<b>273,853</b>	<b>116</b>
<b>Total liabilities</b>	<b>424,272</b>	<b>363,765</b>	<b>117</b>
<b>Total equity and liabilities</b>	<b>2,088,955</b>	<b>1,916,065</b>	<b>109</b>

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

€ thousand	Jan–June 2019	Jan–June 2018	Index
<b>Revenue</b>	<b>673,022</b>	<b>632,023</b>	<b>106</b>
– Revenue from contracts with customers	669,694	627,936	107
– Other revenue	3,328	4,087	81
Cost of goods sold	-289,648	-267,658	108
<b>Gross profit</b>	<b>383,374</b>	<b>364,365</b>	<b>105</b>
Other operating income	2,414	450	536
Selling and distribution expenses	-149,383	-148,599	101
– Net impairment and write-off	-350	423	
R&D expenses	-77,131	-65,373	118
General and administrative expenses	-33,911	-32,871	103
<b>Operating profit</b>	<b>125,363</b>	<b>117,972</b>	<b>106</b>
Financial income	20,016	4,766	420
Financial expenses	-9,000	-16,667	54
<b>Net financial result</b>	<b>11,016</b>	<b>-11,901</b>	
<b>Profit before tax</b>	<b>136,379</b>	<b>106,071</b>	<b>129</b>
Income tax	-16,093	-13,625	118
<b>Net profit</b>	<b>120,286</b>	<b>92,446</b>	<b>130</b>
<b>Basic earnings per share (in €)</b>	<b>3.83</b>	<b>2.89</b>	<b>133</b>
<b>Diluted earnings per share (in €)</b>	<b>3.83</b>	<b>2.89</b>	<b>133</b>

\* Net profit for the period/Average number of shares issued in the period exclusive of treasury shares

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

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

€ thousand	Jan–June 2019	Jan–June 2018	Index
<b>Net profit</b>	<b>120,286</b>	<b>92,446</b>	<b>130</b>
<b>Other comprehensive income for the period</b>			
<b>Other comprehensive income for the period reclassified to profit or loss at a future date</b>			
Change in fair value of available-for-sale financial assets	-76	785	
Deferred tax effect	14	-149	
<b>Net other comprehensive income for the period reclassified to profit or loss at a future date</b>	<b>-62</b>	<b>636</b>	
<b>Total other comprehensive income for the period (net of tax)</b>	<b>-62</b>	<b>636</b>	
<b>Total comprehensive income for the period (net of tax)</b>	<b>120,224</b>	<b>93,082</b>	<b>129</b>

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

€ thousand	Share capital	Treasury shares	Reserves				Retained earnings			Total equity	
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Other profit reserves	Retained earnings		Profit for the period
<b>Balance at 1 Jan 2019</b>	54,732	-52,076	52,076	105,897	14,990	30,000	-10,175	1,167,388	37,627	151,841	1,552,300
<b>Net profit</b>	0	0	0	0	0	0	0	0	0	120,286	120,286
<b>Total other comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	-62	0	0	0	-62
<b>Total comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	-62	0	0	120,286	120,224
<b>Transactions with owners, recognised in equity</b>											
Transfer of profit from previous periods to retained earnings	0	0	0	0	0	0	0	0	151,841	-151,841	0
Purchase of treasury shares	0	-7,841	0	0	0	0	0	0	0	0	-7,841
Formation of reserves for treasury shares	0	0	7,841	0	0	0	0	0	0	-7,841	0
<b>Total transactions with owners recognised in equity</b>	0	-7,841	7,841	0	0	0	0	0	151,841	-159,682	-7,841
<b>Balance at 30 June 2019</b>	54,732	-59,917	59,917	105,897	14,990	30,000	-10,237	1,167,388	189,468	112,445	1,664,683

€ thousand	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Other profit reserves	Retained earnings	Profit for the period	
<b>Balance at 1 Jan 2018</b>	<b>54,732</b>	<b>-40,588</b>	<b>40,588</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-10,696</b>	<b>1,129,172</b>	<b>26,398</b>	<b>142,832</b>	<b>1,493,325</b>
<b>Net profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>92,446</b>	<b>92,446</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>636</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>636</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>636</b>	<b>0</b>	<b>0</b>	<b>92,446</b>	<b>93,082</b>
<b>Transactions with owners, recognised in equity</b>											
Transfer of profit from previous periods to retained earnings	0	0	0	0	0	0	0	0	142,832	-142,832	0
Purchase of treasury shares	0	-5,948	0	0	0	0	0	0	0	0	-5,948
Formation of reserves for treasury shares	0	0	5,948	0	0	0	0	0	0	-5,948	0
<b>Total transactions with owners recognised in equity</b>	<b>0</b>	<b>-5,948</b>	<b>5,948</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>142,832</b>	<b>-148,780</b>	<b>-5,948</b>
<b>Balance at 30 June 2018</b>	<b>54,732</b>	<b>-46,536</b>	<b>46,536</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-10,060</b>	<b>1,129,172</b>	<b>169,230</b>	<b>86,498</b>	<b>1,580,459</b>

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

€ thousand	Jan–June 2019	Jan–June 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit</b>	<b>120,286</b>	<b>92,446</b>
<b>Adjustments for:</b>	<b>64,767</b>	<b>54,624</b>
– Amortisation/Depreciation	40,788	41,537
– Foreign exchange differences	870	764
– Investment income	-2,578	-4,790
– Investment expenses	8,171	2,525
– Interest expense and other financial expenses	1,423	963
– Income tax	16,093	13,625
<b>Operating profit before changes in net operating current assets</b>	<b>185,053</b>	<b>147,070</b>
Change in trade receivables	-40,461	18,460
Change in inventories	-12,719	-17,423
Change in trade payables	24,365	-8,761
Change in provisions	840	685
Change in deferred revenue	-187	-191
Change in other current liabilities	-7,380	10,370
Income tax paid	-9,661	-23,011
<b>Net cash flows from operating activities</b>	<b>139,850</b>	<b>127,199</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	322	269
Dividends received	299	959
Proportionate profit of subsidiaries	1,489	2,210
Proceeds from sale of property, plant and equipment	-283	181
Purchase of intangible assets	-1,289	-1,592
Purchase of property, plant and equipment	-36,986	-30,795
Acquisition of subsidiaries and non-controlling interest net of cash acquired	0	-3,515
Non-current loans	-2,398	-3,013
Proceeds from repayment of non-current loans	-19,578	601
Payments to acquire non-current investments	-36	-9
Proceeds from sale of non-current investments	22	2
Proceeds from/Payments for current investments and loans	16,580	-39,804
Payments for derivative financial instruments	0	-2,278
Proceeds from derivative financial instruments	0	1,294
<b>Net cash flows from investing activities</b>	<b>-41,858</b>	<b>-75,490</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-331	-220
Proceeds from/Payments for current borrowings	21,002	-10,468
Lease payments	-340	–
Dividends and other profit shares paid	-2	0
Purchase of treasury shares	-7,841	-5,948
<b>Net cash flows from financing activities</b>	<b>12,488</b>	<b>-16,636</b>
<b>Net increase in cash and cash equivalents</b>	<b>110,480</b>	<b>35,073</b>
Cash and cash equivalents at the beginning of the year	98,474	34,117
Effect of exchange rate fluctuations on cash held	-1,161	-775
<b>Cash and cash equivalents at the end of the period</b>	<b>207,793</b>	<b>68,415</b>

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

€ thousand	European Union		South-East Europe		East Europe		Other		Total	
	Jan–June 2019	Jan–June 2018								
<b>Revenue</b>	<b>397,749</b>	<b>379,747</b>	<b>39,227</b>	<b>35,530</b>	<b>210,622</b>	<b>193,765</b>	<b>25,424</b>	<b>22,981</b>	<b>673,022</b>	<b>632,023</b>
– Revenue from contracts with customers	394,647	375,909	39,227	35,530	210,605	193,751	25,215	22,746	669,694	627,936
– Other revenue	3,102	3,838	0	0	17	14	209	235	3,328	4,087
Other operating income	2,414	450	0	0	0	0	0	0	2,414	450
Operating expenses	-332,169	-314,012	-26,644	-24,334	-172,706	-161,342	-18,554	-14,813	-550,073	-514,501
<b>Operating profit</b>	<b>67,994</b>	<b>66,185</b>	<b>12,583</b>	<b>11,196</b>	<b>37,916</b>	<b>32,423</b>	<b>6,870</b>	<b>8,168</b>	<b>125,363</b>	<b>117,972</b>
Interest income	265	250	0	0	43	22	0	0	308	272
Interest expense	-336	-146	-5	0	-15	0	-8	0	-364	-146
<b>Net financial result</b>	<b>273</b>	<b>-1,210</b>	<b>460</b>	<b>712</b>	<b>11,612</b>	<b>-11,643</b>	<b>-1,329</b>	<b>240</b>	<b>11,016</b>	<b>-11,901</b>
Income tax	-8,729	-7,644	-1,615	-1,293	-4,867	-3,744	-882	-944	-16,093	-13,625
<b>Net profit</b>	<b>59,538</b>	<b>57,331</b>	<b>11,428</b>	<b>10,615</b>	<b>44,661</b>	<b>17,036</b>	<b>4,659</b>	<b>7,464</b>	<b>120,286</b>	<b>92,446</b>
Investments	41,954	34,337	0	0	0	0	0	0	41,954	34,337
Depreciation	27,869	28,020	893	907	8,764	9,505	236	371	37,762	38,803
Depreciation – right of use assets	235	–	7	–	76	–	2	–	320	–
Amortisation	1,599	1,643	158	154	847	838	102	99	2,706	2,734
	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>								
<b>Total assets</b>	<b>1,537,674</b>	<b>1,399,815</b>	<b>50,342</b>	<b>48,990</b>	<b>487,045</b>	<b>449,542</b>	<b>13,894</b>	<b>17,718</b>	<b>2,088,955</b>	<b>1,916,065</b>
<b>Total liabilities</b>	<b>280,357</b>	<b>235,848</b>	<b>12,446</b>	<b>11,254</b>	<b>107,246</b>	<b>92,743</b>	<b>24,223</b>	<b>23,920</b>	<b>424,272</b>	<b>363,765</b>

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

### Costs by nature

€550,073 thousand

€ thousand	Jan–June 2019	Jan–June 2018	Index
Cost of goods and material	197,513	183,603	108
Cost of services	178,253	171,797	104
Employee benefit cost	131,213	114,970	114
Amortisation and depreciation	40,788	41,537	98
Inventory write-off and allowances	4,723	4,310	110
Receivable impairments and write-off (net)	-350	423	
Other operating expenses	13,252	12,339	107
<b>Total costs</b>	<b>565,392</b>	<b>528,979</b>	<b>107</b>
Change in the value of inventories of products and work in progress	-15,319	-14,478	106
<b>Total</b>	<b>550,073</b>	<b>514,501</b>	<b>107</b>

### Employee benefit costs

€131,213 thousand

€ thousand	Jan–June 2019	Jan–June 2018	Index
Gross wages and salaries and continued pay	101,410	89,474	113
Social security contributions	8,196	7,424	110
Pension insurance contributions	12,196	10,893	112
Post-employment benefits and other non-current employee benefits	2,302	2,179	106
Other employee benefit costs	7,109	5,000	142
<b>Total employee benefit costs</b>	<b>131,213</b>	<b>114,970</b>	<b>114</b>

### Other operating expenses

€13,252 thousand

€ thousand	Jan–June 2019	Jan–June 2018	Index
Grants and assistance for humanitarian and other purposes	576	677	85
Environmental protection expenditure	1,372	1,388	99
Other taxes and levies	9,265	8,769	106
Loss on sale of property, plant and equipment and intangible assets	593	248	239
Other operating expenses	1,446	1,257	115
<b>Total other operating expenses</b>	<b>13,252</b>	<b>12,339</b>	<b>107</b>

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

## Financial income and expenses

€ thousand	Jan–June 2019	Jan–June 2018	Index
Net foreign exchange differences	17,894	0	
Interest income	308	272	113
Derivative financial instruments income	0	2,265	0
– Realised revenue	0	1,294	0
– Change in fair value	0	971	0
Income from dividends and other profit shares	1,814	2,229	81
– Dividends	299	1	29,900
– Profits of subsidiaries	1,515	2,228	68
<b>Total financial income</b>	<b>20,016</b>	<b>4,766</b>	<b>420</b>
Net foreign exchange differences	0	-13,426	0
Interest expense	-364	-146	249
Derivative financial instruments expense	-7,577	-2,278	333
– Incurred expenses	0	-2,278	0
– Change in fair value	-7,577	0	
Other financial expenses	-1,059	-817	130
<b>Total financial expenses</b>	<b>-9,000</b>	<b>-16,667</b>	<b>54</b>
<b>Net financial result</b>	<b>11,016</b>	<b>-11,901</b>	

### Income tax

€16,093 thousand

Current income tax amounted to €16,129 thousand or 11.8% of profit before tax. Taking into account deferred tax in the amount of -€36 thousand, tax in

total of €16,093 thousand was expensed in the income statement. The effective tax rate was 11.8%.

### Property, plant and equipment

€612,836 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Land	26,972	26,984	100
Buildings	257,413	255,758	101
Equipment	266,149	276,268	96
Property, plant and equipment being acquired	53,621	42,773	125
Advances for property, plant and equipment	3,431	3,140	109
Right of use assets – leases	5,250	–	
<b>Total property, plant and equipment</b>	<b>612,836</b>	<b>604,923</b>	<b>101</b>

The value of property, plant and equipment represented 29% of the Company's balance sheet total. Please see section 'Investments' in the

business report for details on major investments of Krka.

## Intangible assets

€27,424 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Concessions, trademarks and licences	23,108	25,262	91
Intangible assets being acquired	4,316	3,580	121
<b>Total intangible assets</b>	<b>27,424</b>	<b>28,842</b>	<b>95</b>

Intangible assets comprised registration documentation for new pharmaceuticals and software.

## Loans

€76,725 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
<b>Non-current loans</b>	<b>41,431</b>	<b>19,238</b>	<b>215</b>
– Loans to subsidiaries	30,522	8,685	351
– Loans to others	10,909	10,553	103
<b>Current loans</b>	<b>35,294</b>	<b>51,819</b>	<b>68</b>
– Portion of non-current loans maturing next year	2,825	2,755	103
– Loans to subsidiaries	2,309	29,008	8
– Loans to others	30,132	20,014	151
– Current interest receivables	28	42	67
<b>Total loans</b>	<b>76,725</b>	<b>71,057</b>	<b>108</b>

Non-current loans constituted 54% of total loans.

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

Current loans to others comprised bank deposits with maturity exceeding 90 days in total of €30,000 thousand.

## Investments

€9,312 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
<b>Non-current investments</b>	<b>9,312</b>	<b>9,388</b>	<b>99</b>
– Financial assets at fair value through OCI (equity instruments)	9,312	9,388	99
<b>Current investments including derivative financial instruments</b>	<b>0</b>	<b>1,800</b>	<b>0</b>
– Derivative financial instruments	0	1,800	0
<b>Total investments</b>	<b>9,312</b>	<b>11,188</b>	<b>83</b>

Available-for-sale financial assets comprised shares and interests in companies in Slovenia totalling €827 thousand and shares and interests in

companies abroad totalling €8,485 thousand.

## Inventories

€330,219 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Material	147,882	144,326	102
Work in progress	92,730	89,716	103
Finished products	72,287	63,317	114
Goods	9,673	10,146	95
Advances for inventories	7,647	9,994	77
<b>Total inventories</b>	<b>330,219</b>	<b>317,499</b>	<b>104</b>

## Trade and other receivables

€451,245 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Current trade receivables	430,924	390,948	110
– Current receivables due from subsidiaries	227,578	204,692	111
– Current trade receivables due from customers other than subsidiaries	203,346	186,256	109
Current receivables relating to dividends of subsidiaries	26	0	
Other current receivables	20,295	15,404	132
<b>Total receivables</b>	<b>451,245</b>	<b>406,352</b>	<b>111</b>

## Cash and cash equivalents

€207,793 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Cash on hand	1	1	100
Bank balances	207,792	98,473	211
<b>Total cash and cash equivalents</b>	<b>207,793</b>	<b>98,474</b>	<b>211</b>

Bank balances also comprised bank deposits with maturity up to 30 days in total of €9,244 thousand.

## Equity

€1,664,683 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Share capital	54,732	54,732	100
Treasury shares	-59,917	-52,076	115
Reserves	200,567	192,788	104
– Reserves for treasury shares	59,917	52,076	115
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	-10,237	-10,175	101
Retained earnings	1,469,301	1,356,856	108
<b>Total equity</b>	<b>1,664,683</b>	<b>1,552,300</b>	<b>107</b>

## Trade payables

€178,205 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
<b>Non-current trade payables</b>	<b>10,000</b>	<b>0</b>	
Other non-current trade payables	10,000	0	
<b>Current trade payables</b>	<b>168,205</b>	<b>170,354</b>	<b>99</b>
Payables to subsidiaries	82,606	73,202	113
Payables to domestic suppliers	47,106	41,624	113
Payables to foreign suppliers	38,493	55,528	69
<b>Total trade payables</b>	<b>178,205</b>	<b>170,354</b>	<b>105</b>

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

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

## Provisions

€89,725 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Provisions for lawsuits	4,100	4,100	100
Provisions for post-employment benefits and other non-current employee benefits	85,625	83,782	102
<b>Total provisions</b>	<b>89,725</b>	<b>87,882</b>	<b>102</b>

## Deferred revenue

€1,843 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Grants from the European Regional Development Fund and budget of the Republic of Slovenia intended for the <i>Production of pharmaceuticals in the new Notol 2 plant project</i>	1,717	1,850	93
Grants from the European Regional Development Fund for developing new technologies (FBD project)	104	151	69
Grants from the European Regional Development Fund for setting up the energy supply IT system (GEN-I)	3	6	50
Subsidy for acquisition of electric drive vehicles	6	6	100
Property, plant and equipment received free of charge	13	16	81
Emission coupons	0	1	0
<b>Total deferred revenue</b>	<b>1,843</b>	<b>2,030</b>	<b>91</b>

The FBD project is partly funded by the European Union from the European Regional Development Fund. The projects are carried out within the

framework of the *Operational Programme for Strengthening Regional Development Potentials for Period 2007 – 2013; Priority axis 1:*

Competitiveness and Research Excellence: main type of activity 1.1: Improvement of competitiveness

and research excellence.

## Borrowings

€61,811 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
<b>Current borrowings</b>	<b>61,811</b>	<b>40,435</b>	<b>153</b>
– Borrowings from subsidiaries	61,721	40,383	153
– Current interest payable	90	52	173
<b>Total borrowings</b>	<b>61,811</b>	<b>40,435</b>	<b>153</b>

## Current contract liabilities

€21,894 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
<b>Refund liabilities</b>	<b>14,571</b>	<b>14,923</b>	<b>98</b>
– Accrued discounts on products sold to other customers	14,571	14,923	98
<b>Contract liabilities</b>	<b>7,323</b>	<b>2,417</b>	<b>303</b>
– Contract liabilities – other customer advances	3,659	2,417	151
– Contract liabilities – deferred revenue	3,664	0	
<b>Total current contract liabilities</b>	<b>21,894</b>	<b>17,340</b>	<b>126</b>

## Other current liabilities

€57,472 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Payables to employees – gross salaries, other receipts and charges	40,216	36,631	110
Derivative financial instruments	5,777	0	
Other	11,479	7,523	153
<b>Total other current liabilities</b>	<b>57,472</b>	<b>44,154</b>	<b>130</b>

## Contingent liabilities

€17,078 thousand

€ thousand	30 June 2019	31 Dec 2018	Index
Guarantees issued	16,458	16,517	100
Other	620	620	100
<b>Total contingent liabilities</b>	<b>17,078</b>	<b>17,137</b>	<b>100</b>

## Fair value

€ thousand	30 June 2019		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables due from subsidiaries	35,758	35,758	38,885	38,885
Non-current loans	41,431	41,431	19,238	19,238
Financial assets at fair value through OCI (equity instruments)	9,312	9,312	9,388	9,388
Current loans	35,294	35,294	51,819	51,819
Current investments	0	0	1,800	1,800
– Derivative financial instruments	0	0	1,800	1,800
Contract assets	196	196	1,464	1,464
Trade receivables	430,924	430,924	390,948	390,948
Cash and cash equivalents	207,793	207,793	98,474	98,474
Non-current trade payables	-10,000	-10,000	0	0
Non-current lease liabilities	-4,976	-4,976	–	–
Current lease liabilities	-307	-307	–	–
Current borrowings	-61,811	-61,811	-40,435	-40,435
Payables to suppliers and subsidiaries excluding advances	-167,928	-167,928	-170,099	-170,099
Contract liabilities excluding advances	-18,235	-18,235	-14,923	-14,923
Other liabilities excluding amounts owed to the state, employees and advances	-6,476	-6,476	-1,519	-1,519
Other current liabilities	-5,777	-5,777	0	0
– Derivative financial instruments	-5,777	-5,777	0	0
<b>Total</b>	<b>485,198</b>	<b>485,198</b>	<b>385,040</b>	<b>385,040</b>

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

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

## Assets at fair value

€ thousand	31 June 2019				31 Dec 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets at fair value</b>								
Financial assets at fair value through OCI (equity instruments)	7,926	0	1,386	9,312	8,002	0	1,386	9,388
Derivative financial instruments	0	0	0	0	0	0	1,800	1,800
<b>Total assets at fair value</b>	<b>7,926</b>	<b>0</b>	<b>1,386</b>	<b>9,312</b>	<b>8,002</b>	<b>0</b>	<b>3,186</b>	<b>11,188</b>
<b>Assets for which fair value is disclosed</b>								
Trade receivables due from subsidiaries	0	0	35,758	35,758	0	0	38,885	38,885
Non-current loans	0	0	41,431	41,431	0	0	19,238	19,238
Current loans	0	0	35,294	35,294	0	0	51,819	51,819
Contract assets	0	0	196	196	0	0	1,464	1,464
Trade receivables	0	0	430,924	430,924	0	0	390,948	390,948
Cash and cash equivalents	0	0	207,793	207,793	0	0	98,474	98,474
<b>Total assets for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>751,396</b>	<b>751,396</b>	<b>0</b>	<b>0</b>	<b>600,828</b>	<b>600,828</b>
<b>Total</b>	<b>7,926</b>	<b>0</b>	<b>752,782</b>	<b>760,708</b>	<b>8,002</b>	<b>0</b>	<b>604,014</b>	<b>612,016</b>

## Liabilities at fair value

€ thousand	30 June 2019				31 Dec 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Liabilities at fair value</b>								
Derivative financial instruments	0	0	5,777	5,777	0	0	0	0
<b>Total liabilities at fair value</b>	<b>0</b>	<b>0</b>	<b>5,777</b>	<b>5,777</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities for which fair value is disclosed</b>								
Non-current trade payables	0	0	10,000	10,000	0	0	0	0
Non-current lease liabilities	0	0	4,976	4,976	–	–	–	–
Current lease liabilities	0	0	307	307	–	–	–	–
Current borrowings	0	0	61,811	61,811	0	0	40,435	40,435
Payables to suppliers and subsidiaries excluding advances	0	0	167,928	167,928	0	0	170,099	170,099
Contract liabilities excluding advances	0	0	18,235	18,235	0	0	14,923	14,923
Other liabilities excluding amounts owed to the state, employees and advances	0	0	6,476	6,476	0	0	1,519	1,519
<b>Total liabilities for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>269,733</b>	<b>269,733</b>	<b>0</b>	<b>0</b>	<b>226,976</b>	<b>226,976</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>275,510</b>	<b>275,510</b>	<b>0</b>	<b>0</b>	<b>226,976</b>	<b>226,976</b>

## STATEMENT OF COMPLIANCE

The Management Board of Krka, d. d., Novo mesto hereby states that the condensed financial statements of Krka and the condensed consolidated financial statements of the Krka Group for the period ended 30 June 2019 have been drawn up so as to provide a true and fair view of the financial position and operating results of Krka and the Krka Group. The condensed statements for the period January–June 2019 have been prepared using the same accounting policies as for the annual financial statements of Krka and the Krka Group for 2018.

The condensed financial statements for the period ended 30 June 2019 were drawn up pursuant to IAS 34 – *Interim Financial Reporting*, and have to

Novo mesto, 17 July 2019

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

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

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



Jože Colarič  
President of the Management Board and CEO



Dr. Aleš Rotar  
Member of the Management Board



Dr. Vinko Zupančič  
Member of the Management Board



David Bratož  
Member of the Management Board



Milena Kastelic  
Member of the Management Board – Worker Director