



Q1 2021 Unaudited Interim Report of the Krka Group and Krka, d. d., Novo mesto

Novo mesto, May 2021



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 (hereinafter also Krka, the Company, or the controlling company) for the first quarters of 2021 and 2020 are unaudited, while financial statements for the full financial year 2020 are audited. Krka, d. d., Novo mesto does not have any authorised capital, nor any conditionally increased share capital.

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

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

At its regular meeting of 19 May 2021, the Supervisory Board of Krka discussed the unaudited report of the Krka Group and the Company for the first quarter of 2021.

Q1 2021 Business Performance Highlights

- The Krka Group product and service sales amounted to €394.5 million, of which product sales accounted for 99%.
- Compared to the same period last year, our product and service sales dropped by 15% and agrees with the anticipated trends.
- As the COVID-19 pandemic had a significant impact on sales increase in the first quarter of 2020, the first three months of 2020 and 2021 cannot be directly compared. In comparison to the first quarter of 2019, sales went up by 5%.
- This year's first quarter sales were the second strongest in the Krka Group to date, just below the first quarter of 2020, which was affected by extraordinary circumstances.
- We generated a good 95% of product-and-service sales outside Slovenia. The percentage of exports in product sales was 97%.
- Accounting for 33.5% of total sales, the Krka Group's largest sales region was Region East Europe, followed by Region Central Europe.
- We generated operating profit of €96.3 million, down 28% year on year and up 33% on the first quarter of 2019.
- EBITDA amounted to €123.6 million, while EBITDA margin reached 31.2%.
- Net profit of the Krka Group totalled €86.4 million, a 1% year-on-year increase and a 23% rise on the first quarter of 2019.
- Unlike in the first quarter of last year, we generated a positive net financial result of €4.9 million, mainly owing to favourable exchange rate movements.
- Selling and distribution expenses declined by 16% year on year. The measures adopted to curb the spread of the pandemic still affect marketing activities.
- In the first quarter, R&D expenses totalled €39.1 million, accounting for 9.9% of revenue.
- As at 31 March 2021, the Krka share traded at €94.60 on the Ljubljana Stock Exchange, up 3.5% on year-end 2020. Market capitalisation amounted to €3.1 billion. In the first quarter, the Company repurchased treasury shares in total of €2.9 million.
- The Krka Group allocated €9.8 million to investments, of that €7.9 million to the controlling company.
- At the end of March 2021, the Krka Group had 11,639 regularly employed persons on payroll. Total headcount, including agency workers, was 12,539, a slight drop on year-end 2020.

In the first quarter of 2020, we recorded strong sales and profit growth, primarily due to unique peaks in demand on the back of the first wave of the pandemic, so the first quarters of 2021 and 2020 do not lend themselves to direct comparison. As a result, this report exceptionally shows some of the results of Q1 2021 side by side also with Q1 2019.

Financial Highlights

€ thousand	Krka Group			Company		
	Q1 2021	Q1 2020	Index	Q1 2021	Q1 2020	Index
Revenue	395,797	462,852	86	357,257	434,883	82
– Of that revenue from contracts with customers (products and services)	394,523	461,729	85	307,264	371,258	83
Gross profit	228,022	277,759	82	208,794	253,040	83
EBITDA	123,580	162,039	76	108,411	147,014	74
EBIT ¹	96,260	133,926	72	87,049	126,154	69
EBT	101,147	101,187	100	91,595	94,776	97
Net profit	86,355	85,182	101	79,495	83,375	95
Effective tax rate	14.6%	15.8%		13.2%	12.0%	
R&D expenses	39,091	37,618	104	38,704	38,052	102
Investments	9,779	14,888	66	7,902	9,808	81

€ thousand	31 Mar 2021	31 Dec 2020	Index	31 Mar 2021	31 Dec 2020	Index
Non-current assets	985,545	990,998	99	1,021,011	1,032,949	99
Current assets	1,340,142	1,244,544	108	1,260,371	1,175,430	107
– Inventories	441,806	453,690	97	381,062	389,178	98
– Trade receivables	411,102	383,560	107	423,664	415,286	102
– Cash and cash equivalents	412,378	313,568	132	391,871	296,398	132
Equity	1,841,670	1,751,812	105	1,869,428	1,791,850	104
Non-current liabilities	173,470	172,796	100	137,090	136,380	101
Current liabilities	310,547	310,934	100	274,864	280,149	98
– Trade payables	104,721	107,116	98	144,282	143,294	101

RATIOS	Q1 2021	Q1 2020	Q1 2021	Q1 2020
Gross profit margin	57.6%	60.0%	58.4%	58.2%
EBITDA margin	31.2%	35.0%	30.3%	33.8%
EBIT margin	24.3%	28.9%	24.4%	29.0%
EBT margin	25.6%	21.9%	25.6%	21.8%
Net profit margin (ROS)	21.8%	18.4%	22.3%	19.2%
Return on equity (ROE) ²	19.2%	20.2%	17.4%	19.6%
Return on assets (ROA) ³	15.1%	15.3%	14.2%	15.4%
Liabilities/Equity	0.263	0.324	0.220	0.257
R&D expenses/Revenue	9.9%	8.1%	10.8%	8.7%

NUMBER OF EMPLOYEES	31 Mar 2021	31 Dec 2020	Index	31 Mar 2021	31 Dec 2020	Index
Balance at	11,639	11,677	100	6203	6191	100

SHARE INFORMATION	Q1 2021	Q1 2020	Index
Total number of shares issued	32,793,448	32,793,448	100
Earnings per share (EPS) in € ⁴	11.08	10.87	102
Closing price at the end of the period in € ⁵	94.60	64.80	146
Price/Earnings ratio (P/E)	8.54	5.96	143
Book value in € ⁶	56.16	52.26	107
Price/Book value (P/B)	1.68	1.24	136
Market capitalisation in € thousand (end of period)	3,102,260	2,125,015	146

¹ The difference between operating income and expenses

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

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

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

⁵ Share price on the Ljubljana Stock Exchange

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

ID Card

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

Registered office Šmarješka cesta 6, 8501 Novo mesto, Slovenia

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Fax +386 (0) 7 332 15 37

E-mail info@krka.biz

Website www.krka.biz

Core business Manufacture of pharmaceutical preparations

Business classification code 21,200

Year established 1954

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

Tax number 82646716

VAT number SI82646716

Company ID number 5043611000

Share capital €54,732,264.71

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

At a Glance

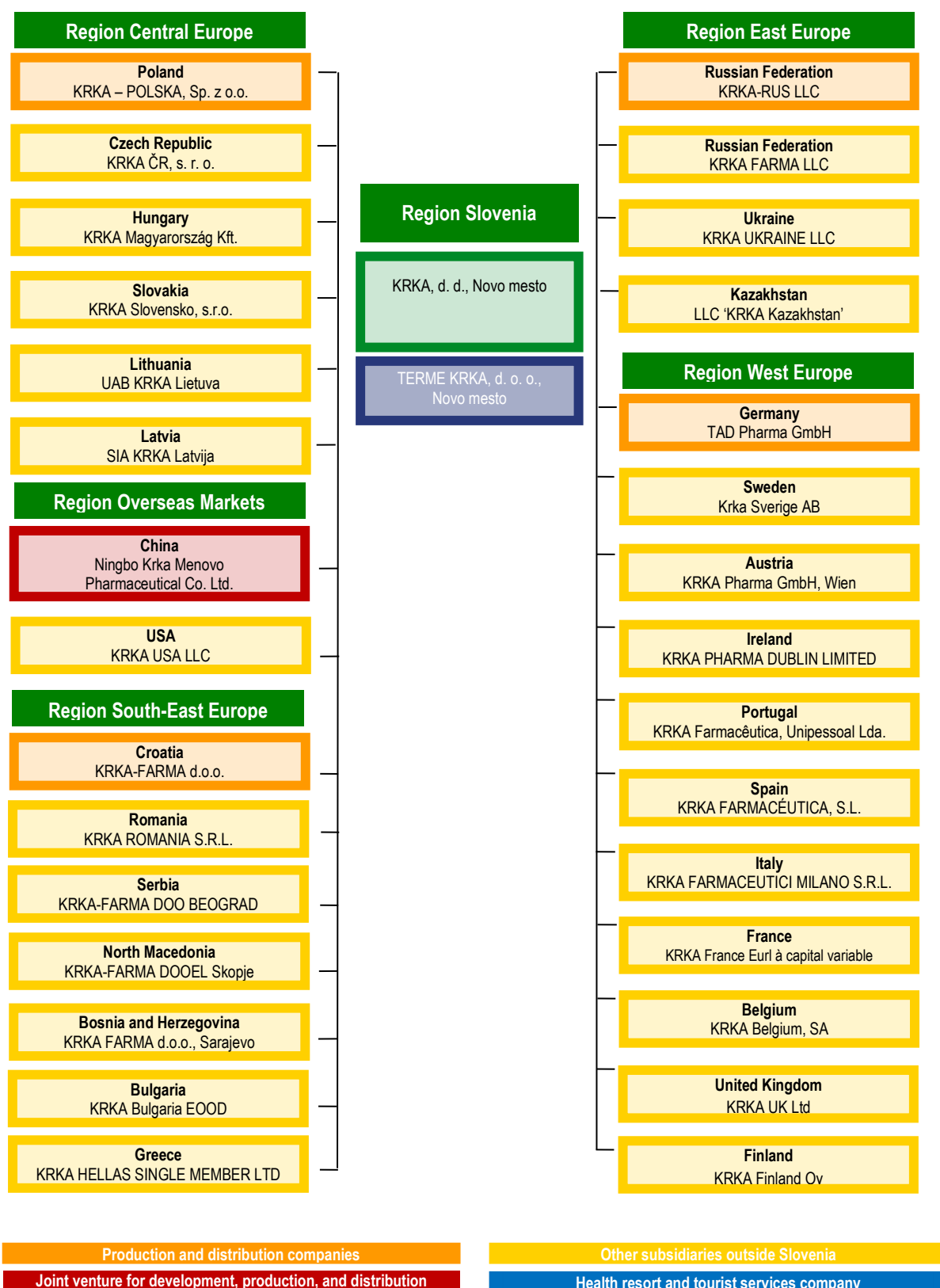
The Krka Group consists of the controlling company, Krka, d. d., Novo mesto, one subsidiary in Slovenia, i.e. Terme Krka, d. o. o., Novo mesto, and 30 subsidiaries outside Slovenia. The controlling company, Krka, d. d., Novo mesto, owns a 100% stake in all subsidiaries, except in: i) Ningbo Krka Menovo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

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

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

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

Organisational Chart



Development Strategy

The Krka Group updates its development strategy every two years. In November 2019, the Management Board of Krka adopted the *2020–2024 Krka Group Development Strategy* and presented it to the Supervisory Board. The next strategy update for the period from 2022 to 2026 is planned this year and will be presented to the Supervisory Board at its November meeting.

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

Key Strategic Objectives up to 2024

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

Key Strategic Guidelines up to 2024

- To focus primarily on European, Central Asian, and Chinese markets.
- To maximise sales potential in all sales regions: Region Slovenia, Region South-East Europe, Region East Europe, Region Central Europe, Region West Europe, Region Overseas Markets.
- To focus especially on key markets, i.e. the Russian Federation, markets of Western Europe, Poland, Slovenia, Romania, Hungary, Ukraine, the Czech Republic, Slovakia, and

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

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

- interesting target companies become available. The primary goals are to secure new products and/or markets.
- To ensure that new products and vertically integrated products account for the largest possible proportion in total sales in addition to the existing range of products also referred to as 'the golden standard'.
- To be among the first generic pharmaceutical companies to launch a selected product portfolio in selected key markets.
- To increase the competitive advantage of our product portfolio.
- To improve the cost-effective use of all assets.
- To drive innovation forward across all business functions.
- To maintain independence

Croatia, with an emphasis on key customers and key products.

- To include certain markets of the Region Overseas Markets among the key markets.
- To establish and strengthen our presence in western European markets by operating through our own marketing and sales subsidiaries and by marketing products under our own brands (Krka and TAD Pharma).
- To seek opportunities for the acquisition of pharmaceutical companies, business acquisitions, and various types of long-term

partnerships, including joint ventures, in selected markets in order to attain new products and enter new therapeutic areas and/or markets.

- To strengthen the pharmaceutical and chemical sectors; increase the range of prescription pharmaceuticals for (i) key therapeutic areas including the cardiovascular system, gastrointestinal tract, central nervous system, and pain relief; (ii) other therapeutic areas including diabetes, antiaggregant therapy, oncology, and urologicals; and (iii) enter new therapeutic areas. To introduce innovative products in key therapeutic areas, i.e. innovative combinations of two or three active ingredients, new strengths and pharmaceutical forms, and delivery systems.
- To increase the range of non-prescription products and animal health products, primarily products for companion animals, in selected therapeutic areas.
- To further develop health resorts and tourist services and seek strategic partners outside the Krka Group.
- To allocate up to 10% of annual revenue to research and development.
- To start developing similar biological medicines and complex peptides through partnerships.
- To consolidate the business model of vertical integration from product development to manufacture.
- To ensure a permanent supply of incoming materials and optimise purchasing to continually reduce purchase prices.
- To develop generic medicines and prepare relevant registration documents before data protection expires and obtain marketing authorisations before the product patent or marketing protection expires.
- To ensure management and further growth of established products while taking into account new regulatory requirements concerning safety and quality of medicines, and obtaining additional marketing authorisations for new markets.
- To manage and link data from various fields to ensure product compliance.
- To increase outsourcing of production and development of certain active ingredients and finished products.
- To ensure functioning and improvement of the integrated management and quality systems,

which provide for the manufacture of safe, effective, and quality products in accordance with cGxP guidelines and regulations on quality in the pharmaceutical industry.

- To invest in production, development, and infrastructure facilities in a stable and optimal manner.
- To reduce the impact of financial risks on the Krka Group operations.
- To pursue a stable dividend policy and consider the Group's financial requirements for investments and acquisitions when determining the net profit share for dividend payout each year, and to allocate at least 50% of net profit of majority shareholders for dividends.
- To further pursue digitalisation of business operations by: i) introducing (digital) information technology into business processes in order to allow for automation and optimisation of processes and procedures; ii) supporting and strengthening cooperation within the Krka Group and the entire supply chain; and iii) ensuring appropriate data/information for making business decisions and, therefore, provide added value to our stakeholders.
- To manage information technology efficiently and in compliance with regulatory standards; ensure high availability – aiming at more than 99% for key information systems and services; and provide information security of the implemented IT solutions.
- To strengthen all types of connections with external institutions and companies in the field of development and other fields.
- To strengthen professional and cost synergies within the Krka Group and maximise the utilisation of competitive advantages in the business environments of Krka subsidiaries abroad.
- To strengthen internationalisation within the Krka Group by managing employee potential in an international environment and ensure activation of all human resource potentials.
- To maintain our economic, social, and environmental responsibilities to the environments in which we operate.
- To enhance the visibility and positive image of the Krka Group.
- To ensure corporate integrity, transparency, and corporate and business compliance.

Krka Group 2021 Business Plan

- We estimate sales of products and services at €1,535 million.
- Sales outside Slovenia are expected to account for more than 94% of total sales.
- Prescription pharmaceuticals remain the most important product group with over 83% share in total sales.
- We plan profit at approximately €265 million.
- The total number of employees in Slovenia and abroad is projected to grow by a good 1%.
- We plan to allocate €114 million to investments, primarily to expand and technologically modernise production and development facilities and infrastructure.
- The 2021 business plan derives from the *2020–2024 Krka Group Development Strategy* and is based on estimates, assessments, projections, and other available data. The Management Board believe the projections are reasonable. The 2021 sales plan guarantees that, in the period from 2017 to 2021, the average annual growth will exceed the 5% average annual growth specified in the strategy. If we achieve the 2021 sales plan, the annual growth over the five-year period will average 5.5%.
- The 2021 business results will also depend on the spread of COVID-19, related restrictions imposed by individual states, and global recovery after the pandemic. These events and processes are highly unpredictable and can result in lower regional or global economic growth than planned, increased unemployment rates, further depreciation of certain currencies, and a decrease in demand for pharmaceutical products. The ability to manage the pandemic fast can lead to a more positive outcome, which would further stimulate the economic recovery. This could result in accelerated employment and growing demand as well as in favourable movement of certain currencies.

BUSINESS REPORT

Financial Risks

Foreign Exchange Risk

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

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

With regard to currency risk management, the key policy of the Krka Group remains to mitigate foreign currency exposure by natural hedging. To a limited extent, we also use derivative financial instruments. In 2021, we have continued our policy of partial hedging against the Russian rouble and U.S. dollar by financial instruments.

In the first quarter, currency market expectations with regard to the global economic recovery were optimistic; however, the slow pace of vaccination seems to delay the end of the pandemic. The value of the U.S. dollar strengthened as the U.S. bond yields grew, putting pressure on the currencies of developing countries. The Central Bank of the Russian Federation offset the impact of the oil price rise on the rouble value, which increased in the first quarter, though significantly less than the oil price. The Russian rouble was further negatively affected by geopolitical risks. Over the course of the first

quarter, the value of the rouble denominated in the euro rose by 3.6%. In the same period, the average value of the Russian rouble dropped by 17.7% year on year.

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

Krka's other important currencies on the sell-side remained stable in the first quarter of 2021.

Over the course of the same period, the value of the U.S. dollar went up by 4.7%. The Krka Group accrued a surplus of liabilities over assets from exposure to the U.S. dollar and a short currency position. As a result, the strengthening of the dollar value has negatively affected the Group's operating profit. The negative impact of the strong dollar was offset by derivative financial instruments.

Taking into account net foreign exchange differences, derivatives income and expenses, interest income and expense, as well as other financial income and expenses, the total net financial result for the first quarter of 2021 was positive and amounted to €4.9 million.

Interest Rate Risk

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

Credit Risk

The key credit risk of the Krka Group arises from trade receivables. This is the risk of customers failing to settle their liabilities by maturity dates. The Krka Group introduced a centralised credit control process, which includes all customers with credit limits exceeding €20,000. Numbering over 500 at the end of the first quarter of 2021, they accounted for more than 95% of total trade receivables. Control over small customers is decentralised in the sales

network and is under the constant supervision of the controlling company.

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

Our credit risk management policy remained unchanged in the first quarter of 2021. At the end of the quarter, more than 95% of Krka Group trade receivables were insured with the credit insurance company. Only a small portion of trade receivables was secured by bank instruments.

At the end of the first quarter, total value of trade receivables denominated in euros increased by 7% compared to the beginning of the year. Despite the

Liquidity Risk

The Krka Group exposure to liquidity risk was low in the first quarter of 2021. We employed cash flows from operating activities to provide for short-term liquidity. In the first quarter, the Krka Group recorded excess liquid assets, primarily as cash at bank. We did not draw any additional liquidity from pre-

COVID-19-related risks, receivables were well managed in the first three months of this year.

The maturity structure of receivables remained stable. The percentage of overdue receivables to total trade receivables remained within acceptable limits also at the end of the first quarter. We identified no particularities when collecting receivables. Credit control guarantees permanent control over the quality of the trade receivables portfolio.

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

Property, Liability, and Business Interruption Insurance

Krka extended liability insurance for Management and Supervisory Board members at the end of March and also regulated some international insurance contracts for subsidiaries. Despite the demanding conditions in the global insurance market, we managed to maintain a low share of premiums in sales.

To increase the competitiveness of insurance providers Krka started activities to acquire new providers from the international markets. Krka continues to reduce the number of property damages and optimise insurance.

Investor and Share Information

In the first three months of 2021, the Krka share price on the Ljubljana Stock Exchange rose by 3.5%. In the same period, holdings of Slovenian retail investors and treasury shares advanced. Holdings of domestic

legal entities and institutional investors remained unchanged, while holdings of foreign investors declined by 0.4 percentage points. At the end of March 2021, Krka had 47,201 shareholders.

Shareholder structure (%)

	31 Mar 2021	31 Dec 2020
Slovenian retail investors	38.5	38.2
Slovenski državni holding (SDH, Slovenian Sovereign Holding) and the Republic of Slovenia	16.2	16.2
Kapitalska družba, d. d. (Pension Fund Management) and Prvi pokojninski sklad (First Pension Fund)	10.9	10.9
Slovenian legal entities and institutional investors	6.8	6.8
Foreign investors	22.8	23.2
Treasury shares	4.8	4.7
Total	100.0	100.0

In the first quarter of 2021, Krka acquired 30,443 treasury shares. As at 31 March 2021, Krka

held 1,572,217 treasury shares, accounting for 4.794% of share capital.

Ten largest shareholders as at 31 March 2021

	Country	Number of shares	Share in equity (%)	Share in voting rights (%)
Kapitalska družba, d. d.	Slovenia	3,493,030	10.65	11.19
Slovenski državni holding, d. d. (SDH)	Slovenia	2,949,876	9.00	9.45
Republic of Slovenia	Slovenia	2,366,016	7.21	7.58
OTP banka d.d.*	Croatia	1,609,828	4.91	5.16
Addiko Bank d.d. Pension Fund 1	Croatia	1,199,638	3.66	3.84
Clearstream Banking S.A.*	Luxembourg	816,544	2.49	2.62
State Street Bank and Trust*	USA	808,246	2.46	2.59
Luka Koper, d. d.	Slovenia	433,970	1.32	1.39
Addiko Bank d.d. Pension Fund 2	Croatia	351,594	1.07	1.13
KDPW*	Poland	303,068	0.92	0.97
Total		14,331,810	43.70	45.90

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

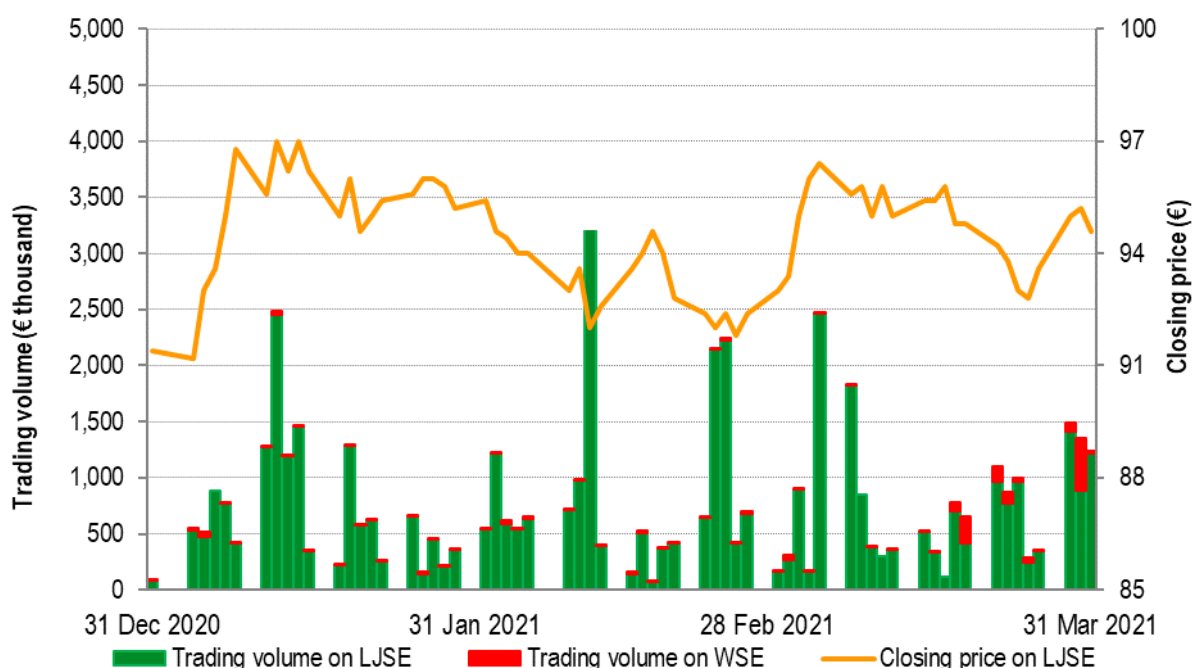
As at 31 March 2021, ten largest Krka shareholders held 14,331,810 shares or 43.70% of total shares issued.

As at 31 March 2021, members of the Management and the Supervisory Boards held a total of 40,387 Krka shares or 0.12% of total shares issued.

Equity holdings and corresponding voting rights of the Management and Supervisory Board members as at 31 March 2021

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

Q1 2021 Krka Share Trades



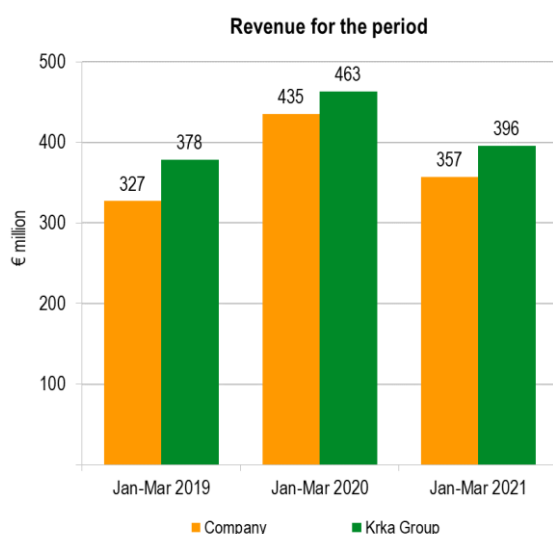
In the first three months of this year, the Krka share price on the Ljubljana Stock Exchange peaked in mid-January, when it traded at €97.00, and reached its low at the beginning of January, when it amounted to €91.20. On 31 March 2021, Krka shares traded at €94.60 per share.

As at the same date, market capitalisation of Krka on the Ljubljana Stock Exchange amounted to €3.1 billion. In this period, the average daily trading volume of Krka shares reached €0.8 million. Since April 2012, Krka shares have been listed on the Warsaw Stock Exchange as well.

Business Performance

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

Revenue



The Krka Group generated revenue totalling €395.8 million, of which revenue from contracts with customers on sales of products and services amounted to €394.5 million. Revenue from contracts with customers on sales of materials and other sales revenue constituted the difference. Sales reached €67.1 million, a 14% decrease on the same period in 2020, and a 5% increase compared to the first quarter of 2019. In the first quarter of 2020, we recorded strong sales growth primarily due to unique peaks spurred by the first wave of the pandemic, so the first quarters of 2020 and 2021 do not lend themselves to direct comparison.

Other operating income amounted to €1.8 million, while financial income totalled €5.4 million. The Krka

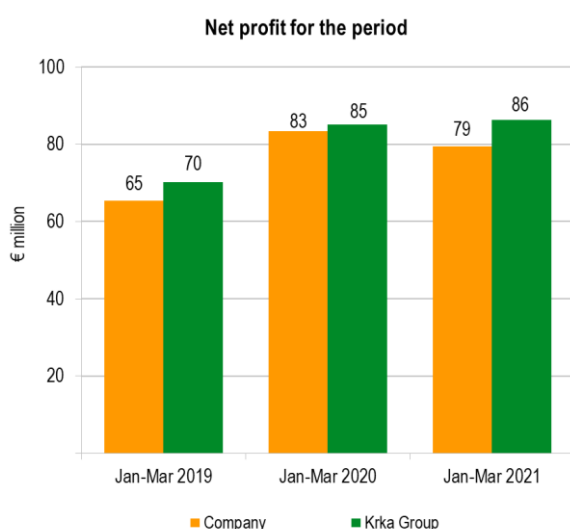
Group generated total revenue of €403.0 million, down 16% on the same period last year.

Expenses

Total expenses of the Krka Group amounted to €301.8 million, down 20% year on year.

The Krka Group incurred operating expenses of €301.4 million, down 9% on the same period last year. They comprised costs of goods sold totalling €167.8 million, selling and distribution expenses of €72.0 million, R&D expenses of €39.1 million, and general and administrative expenses totalling €22.5 million.

Operating Results



Assets

At the end of March 2021, the Krka Group assets were valued at €2,325.7 million, a 4% rise on year-end 2020.

Non-current assets accounted for 42.4% of total assets, down 1.9 percentage points from the beginning of the year. The most important item under non-current assets totalling €985.5 million was property, plant and equipment valued at €794.9 million. Its value decreased by 2% on year-end 2020, accounting for 34.2% of total Krka Group assets.

Equity and Liabilities

Equity of the Krka Group totalled €1,841.7 million, a 5% increase on year-end 2020, and accounted for 79.2% of total equity and liabilities.

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

Costs of goods sold saw a 9% year-on-year drop accounting for 42.4% of revenue. Selling and distribution expenses declined by 16%, accounting for 18.2% of revenue. R&D expenses increased by 4% and were recognised as expenses for the period in full as the Krka Group does not capitalise them. They accounted for 9.9% of revenue. General and administrative expenses went up by 2% and constituted 5.7% of revenue.

Operating profit (EBIT) of the Krka Group reached €96.3 million, a 28% decrease on the first quarter of 2020 and a 33% increase compared to the first quarter of 2019. Earnings before interest, tax, depreciation, and amortization (EBITDA) totalled €123.6 million, 24% down on the first quarter of 2020, and 24% up on the first quarter of 2019.

Profit before tax amounted to €101.1 million, matching the same period last year. Income tax totalled €14.8 million, and the effective tax rate was 14.6%.

Net profit of the Krka Group reached €86.4 million, a 1% year-on-year increase and a 23% rise compared to the first quarter of 2019.

Intangible assets amounted to €106.1 million, a 1% drop on year-end 2020.

Current assets increased by 8% to €1,340.1 million. Inventories decreased by 3% to €441.8 million over the course of this period. Receivables went up by 6% amounting to €436.8 million, of which trade receivables totalled €411.1 million, up 7% on year-end 2020.

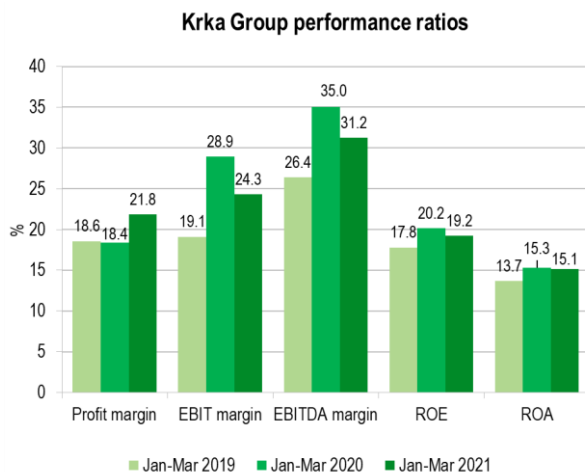
Amounting to €173.5 million, non-current liabilities accounted for 7.5% of the Krka Group balance sheet total and remained at the level of year-end 2020. Provisions totalled €135.5 million (of which post-

employment and other non-current employee benefits accounted for €130.3 million, provisions for lawsuits €2.1 million, and other provisions €3.1 million), up 1% on year-end 2020.

Current liabilities in the amount of €310.5 million matched the year-end 2020 amount and accounted

for 13.4% of balance sheet total. Of current liabilities, trade payables totalled €104.7 million, down 2% on year-end 2020. Liabilities from contracts with customers totalled €106.1 million levelling off with year-end 2020, while other current liabilities dropped by 2% to €77.5 million.

Performance Ratios



The Krka Group net profit margin (ROS) for the first quarter of 2021 was 21.8%, EBIT margin 24.3%, and EBITDA margin 31.2%.

At the Group level, annualised ROE was 19.2% and annualised ROA 15.1%.

Marketing and Sales

In the first quarter of 2021, the Krka Group generated sales in the amount of €395.8 million, a 14% year-on-year drop. Of that, revenue from contracts with customers on sales of products and services

amounted to €394.5 million. Compared to the first quarter of 2019, the sales went up by 5%. Sales in markets outside Slovenia reached €376.3 million and accounted for 95% of total Krka Group sales.

Product and Service Sales by Region

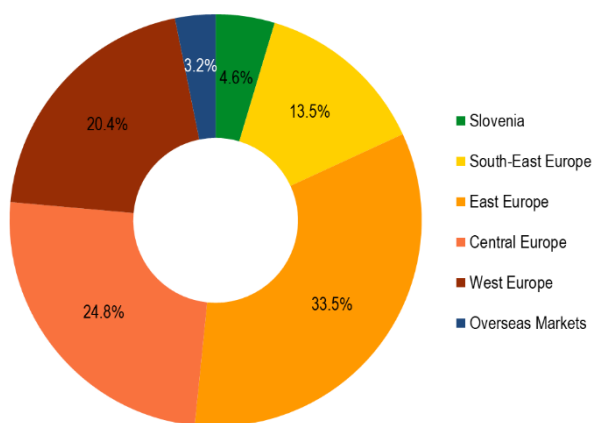
Region East Europe recorded the highest sales, €132.1 million or 33.5% of total Krka Group sales. Region Central Europe followed with €97.8 million or 24.8% of total Krka Group sales. Region West Europe recorded the third highest sales, €80.5 million or 20.4% of total Krka Group sales.

Region South-East Europe generated sales total of €53.3 million (13.5% of total sales) and Region Overseas Markets €12.5 million (3.2% of total sales). Sales generated by Region Slovenia amounted to €18.3 million or 4.6% of total Krka Group sales.

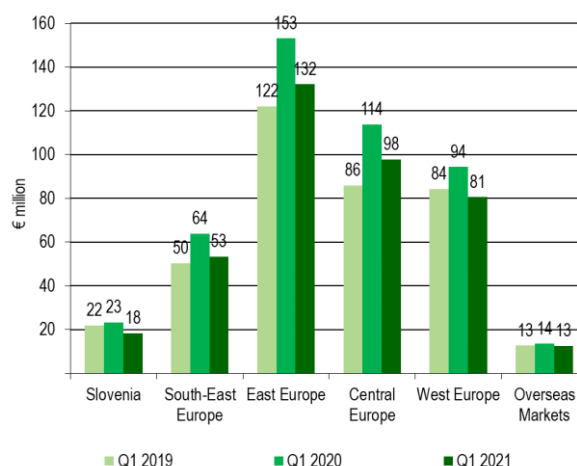
Product and Service Sales by Region

€ thousand	Krka Group					Company				
	Q1 2021	Q1 2020	Q1 2019	Index Q1 2021-20	Index Q1 2021-19	Q1 2021	Q1 2020	Q1 2019	Index Q1 2021-20	Index Q1 2021-19
Region Slovenia	18,270	23,325	22,006	78	83	13,413	16,417	13,505	82	99
Region South-East Europe	53,276	63,794	50,409	84	106	51,113	66,547	48,795	77	105
Region East Europe	132,122	153,082	122,091	86	108	80,088	84,074	69,058	95	116
Region Central Europe	97,805	113,706	85,862	86	114	93,389	109,276	81,194	85	115
Region West Europe	80,535	94,312	84,285	85	96	57,991	82,978	64,858	70	89
Region Overseas Markets	12,515	13,510	12,635	93	99	11,270	11,966	11,075	94	102
Total	394,523	461,729	377,288	85	105	307,264	371,258	288,485	83	107

Structure of Krka Group Product and Service Sales by Region, Q1 2021



Krka Group Product and Service Sales by Region Q1 2019, 2020, and 2021



Region Slovenia

Sales of products and services in Slovenia amounted to €18.3 million. Product sales of €13.4 million constituted the major part. Sales of prescription pharmaceuticals in the amount of €9.4 million accounted for 70% of product sales. Non-prescription products totalling €3.1 million followed, attributing 23% to sales total. Animal health product sales reached €0.8 million, constituting almost 6% of product sales. We recorded decreases in all three product categories, and reached 82% of year-on-year total sales. Total product sales matched sales generated in the first quarter of 2019. Holding a 7.5% market share, we maintained the leading position among medicine providers in Slovenia. Health resorts and tourist services generated €4.9 million, a 30% year-on-year downturn.

Products promoted in marketing campaigns contributed most substantially to sales, above all

those from our key therapeutic classes: pharmaceuticals for the treatment of cardiovascular diseases, central nervous system, gastrointestinal tract, pain relief, and vitamins and minerals.

Our key brands of medicines:

- Prenessa (perindopril);
 - Prenewel (perindopril/indapamide);
 - Amlessa (perindopril/amlodipine), and
 - Amlewel (perindopril/amlodipine/indapamide)
- should be mentioned among prescription pharmaceuticals for the treatment of cardiovascular diseases as they strengthened our leading marketing position and earned us further recognition in the market of antihypertensive agents. Of the statin product group, we strengthened the leading position of Sorvasta (rosuvastatin), and improved the visibility of Sorvitimb (rosuvastatin/ezetimibe) single-pill combination. We also built on visibility of the Roxiper

(rosuvastatin/perindopril/indapamide) brand. From our range of medicines for pain relief, we primarily focused on two analgesics, Doreta (tramadol/paracetamol) and Nalgesin Forte (naproxen). We further strengthened recognition of two central nervous system agents, our antipsychotic Parnido (paliperidone) and an antidepressant Dulsevia (duloxetine). We worked on recognition of Dasatinib Krka (dasatinib) from our oncology range. Of our prescription pharmaceuticals, Sorvasta (rosuvastatin), Nolpaza (pantoprazole), Prenewel

(perindopril/indapamide), Nalgesin Forte (naproxen), and Prenessa (perindopril) recorded strongest sales.

Sales of non-prescription products were driven by two magnesium-containing products, Magnezij Krka 300 and Magnesol, followed by Vitamin D3 Krka (cholecalciferol) launched last year. Our top-selling animal health product was Fypryst Combo (fipronil/S-methoprene), which was followed by vitamin-and-mineral feed supplement Grovit, and Milprazon (milbemycin/praziquantel).

Region South-East Europe

In the first three months of 2021, sales on markets of Region South-East Europe totalled €53.3 million, down 16% on the same period of 2020, when orders significantly increased as the COVID-19 pandemic was spreading. In Serbia, Kosovo, Albania, and Montenegro, we recorded growth compared to the same period last year. Compared to the first quarter of 2019, sales went up by 6%.

In **Romania**, our key and leading regional market, sales amounted to €14.7 million. Sales saw a year-on-year drop due to the situation in the country, but we nevertheless ranked as one of the leading generic providers of prescription medicines. We recorded the strongest sales in the period with two medicines for the treatment of cardiovascular diseases, Atoris (atorvastatin) and Co-Prenessa (perindopril/indapamide). Dexamethasone Krka (dexamethasone) and Doreta (tramadol/paracetamol) were our next best-selling medicines. Our non-prescription products recorded a drop in sales. Bilobil (ginkgo leaf extract) and Nalgesin (naproxen) recorded the strongest sales in terms of value. Another important product in terms of sales was Vitamin D3 Krka (cholecalciferol). Sales of our animal health products were a sound 8% higher than in the same period last year, primarily due to strong sales of products for companion animals. Of these, we should mention Milprazon (milbemycin/praziquantel) and the Fypryst brand products. Enroxil (enrofloxacin) and Floron (florfenicol) remained our most important products for farm animals.

Croatia is also one of our key markets. Due to great market volatility, our sales totalled €8.7 million, a 30% fall on the record sales of the same period last year generated on the back of an increased demand for our products at the initial stages of the COVID-19 pandemic. We were the fifth largest provider of generic medicines and took the second place among producers of animal health products in the market.

Prescription pharmaceuticals constituted the major part of total sales, primarily due to strong sales of:

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

Helex (alprazolam) and Valsacor (valsartan) presented the highest absolute growth. Of non-prescription products, which saw a 16% year-on-year drop, Nalgesin (naproxen), B-Complex, and the Septolete brand products sold best. We launched Vitamin D3 Krka (cholecalciferol). Year-on-year, sales of animal health products dropped by 24%. Products sold under the Fypryst brand, Enroxil (enrofloxacin), Vitamin AD₃E, and Marfloxin (marbofloxacin) recorded the strongest sales.

In **Serbia**, sales amounted to €7.3 million, more than in the same period last year. Prescription pharmaceuticals accounted for 87% of country sales. Sales were driven by:

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

Nolpaza (pantoprazole) and Co-Amlessa (perindopril/amlodipine/indapamide) presented the highest growth in absolute terms. Non-prescription products attributed 7% to total sales. Nalgesin (naproxen), Bilobil (ginkgo leaf extract), the Septolete and Fitoval brand products drove sales. Products

sold under the Fypryst and Dehinel brands, Calfoset, and Enroxil (enrofloxacin) recorded the strongest sales of animal health products.

In **Bulgaria**, sales climbed to €6.6 million. Prescription pharmaceuticals generated the strongest sales, above all Co-Valsacor (valsartan/hydrochlorothiazide) that accounted for 71% of the market share volume. It was followed by:

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

Dexamethasone Krka (dexamethasone) and Diflazon (fluconazole) recorded highest sales growth in terms of value. Sales of our non-prescription products and animal health products lagged behind the same period last year.

In **North Macedonia**, sales amounted to €6.3 million. We have retained the leading position among foreign providers of generic medicines in the country. Accounting for 84% of total sales, prescription pharmaceuticals contributed most substantially to sales and remained the leading product category. Roswera (rosuvastatin), Nolpaza (pantoprazole), Enap (enalapril), Atoris (atorvastatin), and Lorista (losartan) achieved the strongest sales of our prescription pharmaceuticals. Non-prescription product sales also lagged slightly behind year on year. Septanazal (xylometazoline/dexpanthenol), the Daleron product group, Bilobil (ginkgo leaf extract), and the Septolete brand products added most to total sales. Sales of animal health products saw a slight

Region East Europe

Sales generated by our Region East Europe amounted to €132.1 million, 86% of sales total generated in the same period last year and 8% more than in the first quarter of 2019. Year-on-year sales declined on our two key markets, the Russian Federation and Ukraine, and in certain other regional countries. We, however, recorded sales growth in Uzbekistan, Azerbaijan, Armenia, Georgia, Mongolia, and Turkmenistan.

In the **Russian Federation**, which remained our key and largest individual market, product sales reached €79.4 million, down 18% compared to the same period last year, while sales denominated in the national currency climbed by 5%. According to the

year-on-year drop. The best selling products were those sold under the Fypryst brand, Enroxil (enrofloxacin), and Ecocid.

Sales in **Bosnia and Herzegovina** totalled €5.7 million, 29% below the record sales in the same period last year, when the demand for our products peaked because of the feared transport route closures. We retained the first place among foreign providers of generic medicines in the country. Prescription pharmaceuticals accounted for the major part of the sales total. Sales leaders were:

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

Of non-prescription products, Nalgesin (naproxen) and B-Complex recorded the strongest sales, while sales of animal health products were driven by the Fypryst product brand, Rycarfa (carprofen), and Calfoset.

In **Kosovo**, sales generated €2.2 million, 22% year-on-year growth, and we maintained our position among the leading providers of medicines in the country. In **Albania**, we generated just shy of €1.0 million by product sales, 5% more than in the same period last year. In **Montenegro**, our product sales totalled a solid €0.5 million in the first three months. In **Greece**, we launched Pitavador (pitavastatin), Rosuvador (rosuvastatin), Esolib (esomeprazole), and Zoletad (lansoprazole), started promotional activities, and realised sales just shy of €0.3 million.

latest available data, Krka took the third place among foreign providers of generic pharmaceuticals in the Russian Federation.

Prescription pharmaceuticals accounted for 88% of the country sales totalling €69.8 million, down 14% on the same period last year. Strongest sales were made by:

- Lorista (losartan);
- Valsacor (valsartan);
- Lorista H/HD (losartan/hydrochlorothiazide);
- Nolpaza (pantoprazole);
- Co-Perineva (perindopril/indapamide);
- Valsacor H/HD (valsartan/hydrochlorothiazide);
- Atoris (atorvastatin);

- Vamloset (amlodipine/valsartan);
- Roxera (rosuvastatin);
- Enap (enalapril);
- Co-Dalneva (perindopril/amlodipine/indapamide);
- Enap H/HL (enalapril/hydrochlorothiazide);
- Perineva (perindopril);
- Dalneva (perindopril/amlodipine); and
- Co-Vamloset (amlodipine/valsartan/hydrochlorothiazide).

Co-Vamloset (valsartan/amlodipine/hydrochlorothiazide) recorded the highest absolute and relative growth. Last year we introduced two medicines that recorded strong sales, Telmista AM (telmisartan/amlodipine) and Roxatenz (rosuvastatin/perindopril/indapamide). The two medicines helped us consolidate our position of a leading provider of cardiovascular agents in the Russian Federation.

Sales of non-prescription products saw a drop on the first quarter of 2020 as the seasonal sales of the Herbion and Septolete products declined. The cold season was weak thanks to preventive measures for curbing the COVID-19 pandemic. Sales were driven by Pikovit, Bilobil (ginkgo leaf extract), and Nalgesin (naproxen). Animal health products reached 92% of the sales figure generated in the same period last year. Sales were driven by Floron (florfenicol), Doxatib (doxycycline), and Milprazon (milbemycin/praziquantel).

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

In **Ukraine**, the demand was fluctuating due to the COVID-19 pandemic, where our product sales amounted to €22 million or 88% of sales total generated in the same period last year. According to the latest available data, consumption through pharmacies is decreasing. Compared to the market situation in the country, we recorded a less significant decline and hence strengthened our market position. Prescription pharmaceuticals in total of €18.9 million or 92% of the year-on-year sales contributed the most to sales total with cardiovascular agents at the forefront. In all, Co-Prenessa (perindopril/indapamide), Nolpaza (pantoprazole), and Co-Amlessa (perindopril/amlodipine/indapamide) recorded highest sales. The demand for non-

prescription products slumped, and sales accounted for 61% of the amount made in the same period last year. Products of the Herbion and Septolete brands, and Nalgesin (naproxen) recorded the strongest sales. Sales of our animal health products accounted for 92% of total made in the same period last year.

Subregion East Europe B

Subregion East Europe B, composed of Belarus, Mongolia, Azerbaijan, and Armenia, generated sales of €12.1 million, up 16% compared to the same period last year.

In **Belarus**, product sales were valued at €5.6 million, levelling at the total generated in the first quarter last year. According to the latest available data, we ranked second among foreign providers of generic medicines in the country. The following prescription pharmaceuticals accounted for the largest share in sales: Co-Amlessa (perindopril/amlodipine/indapamide), Lorista H/HD (losartan/hydrochlorothiazide), Nolpaza (pantoprazole), and Amlessa (perindopril/amlodipine). Of non-prescription products, sales were driven by the Duovit and Herbion brand products.

In **Mongolia**, sales of our products generated €3.1 million, and we maintained our position among the leading foreign providers of medicines. Year on year, sales of prescription pharmaceuticals increased by 37% and non-prescription products by 44%. Nolpaza (pantoprazole), Lorista (losartan), and Amlessa (perindopril/amlodipine) generated strongest sales of our prescription pharmaceuticals, while Nalgesin (naproxen) and Bilobil (ginkgo leaf extract) were our best-selling non-prescription products.

We further increased our sales in **Azerbaijan**. Sales of prescription pharmaceuticals climbed by 32%, resulting in 27% year-on-year growth even though sales of our non-prescription products recorded a drop and animal health products were not available in the country. Key prescription pharmaceuticals included:

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

In **Armenia**, sales amounted to €1.3 million. The following prescription pharmaceuticals added most to sales:

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

Products of the Septolete brand were the leading non-prescription products.

Subregion East Europe K

Our Subregion East Europe K includes Kazakhstan, Moldova, and Kyrgyzstan. The subregional sales in the first quarter of 2021 totalled €7.6 million. Year on year, sales saw a decrease above all because antibiotics and non-prescription products did not sell well as a result of the COVID-19 pandemic.

The demand for seasonal medicines also declined in **Kazakhstan**, where sales of our products amounted to €4 million, 26% less year on year. The bulk of sales, 77%, was generated by prescription pharmaceuticals. The leading medicines were Nolpaza (pantoprazole), Enap (enalapril), and Valodip (valsartan/amlodipine). Non-prescription products accounted for 21% of total sales. The Herbion, Duovit, and Septolete brand products recorded the strongest sales.

In **Moldova**, product sales reached €2.5 million. The bulk of sales, 80%, was generated by prescription pharmaceuticals. Rawel (indapamide), Lorista (losartan), and Ampril (ramipril) contributed most substantially to total sales. Non-prescription products accounted for 17% of total sales. Septanazal (xylometazoline/dexpanthenol) and products of the Herbion and Septolete brands were sales leaders in the product group.

In **Kyrgyzstan**, sales of our products totalled €1.2 million. Prescription pharmaceuticals accounted for 86% of total sales, and Lorista (losartan), Nolpaza (pantoprazole), and Atoris (atorvastatin) recorded the strongest sales. Non-prescription products

Region Central Europe

Sales generated by our Region Central Europe amounted to €97.8 million, down 14% on the same period last year and 14% more than in the first quarter of 2019. Slight growth was recorded in Latvia.

Poland remained our leading and key regional market. Product sales reached €47.5 million, or 91%

accounted for a 14% increase of total sales. Products sold under the Douvit, Septolete, and Pikovit brands were at the forefront.

Subregion East Europe U

Subregion East Europe U, consisting of Uzbekistan, Georgia, Tajikistan, and Turkmenistan, generated €10.9 million by product sales, up 6% year on year. While sales advanced in Uzbekistan, Georgia, and Turkmenistan, they saw a drop in Tajikistan.

In **Uzbekistan** sales yielded €7,8 million, up 5% year on year, ranking us as one of the most important providers of medicines in the country, especially in the segment of cardiovascular agents. Prescription pharmaceuticals were our leading product group, and Amlessa (perindopril/amlodipine), Lorista (losartan), and Nolpaza (pantoprazole) generated the strongest sales. We successfully put on that market our Co-Amlessa brand, a single-pill combination of perindopril, amlodipine, and indapamide. Key non-prescription products were Septolete and Pikovit brand products.

In **Georgia**, our product sales advanced by 15% to €2 million. Sales of prescription pharmaceuticals accounted for 93% of total sales, above all Lorista H/HD (losartan/hydrochlorothiazide), Co-Amlessa (perindopril/amlodipine/indapamide), and Atoris (atorvastatin). Sales of our non-prescription products were driven by Nalgesin (naproxen) and the Herbion brand products.

In **Tajikistan**, sales of our products totalled €0.4 million. Nolpaza (pantoprazole) and Naklofen (diclofenac) contributed most substantially to sales total.

In **Turkmenistan**, we generated €0.6 million by product sales, a 125% surge on the same period last year. Top-selling prescription pharmaceuticals were Amlessa (perindopril/amlodipine) and Nolpaza (pantoprazole), while Pikovit recorded the highest sales of non-prescription products.

of sales in the same period last year. We were the third largest foreign provider of generic medicines in the country.

Prescription pharmaceuticals remained primary contributors to total sales, especially:

- Atoris (atorvastatin);

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

Despite the extremely unstable market circumstances set by the COVID-19 pandemic, we recorded positive trends in certain newly launched products, especially in Valtricom (valsartan/amlodipine/hydrochlorothiazide) and Co-Roswera (rosuvastatin/ezetimibe). We remained one of the leading producers of prescription pharmaceuticals from the reimbursement list for patients aged 75 years plus.

Year on year, sales of non-prescription products reached 69% of the last year's figure. The most important products were Bilobil (ginkgo leaf extract) and products sold under the Septotele brand. Sales of our animal health products totalled €1.7 million, 81% of the amount generated in the first quarter last year. Milprazon (milbemycin/praziquantel), Floron (florfenicol), Dehinel and Enroxil (enrofloxacin) sold best.

Hungary is one of our key markets, but year-on-year sales dropped by 16% to €14 million, placing the country second among regional markets. Prescription pharmaceuticals accounted for the major part of sales, in particular:

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

Non-prescription product sales accounted for 93% of the total made in the same period last year. The most important products were Venter (sucralfate), Bilobil (ginkgo leaf extract) and Flebaven (diosmin). Animal health products accounted for 77% of total sales made in the first quarter last year. Milprazon (milbemycin/praziquantel), products sold under the Fypryst brand, and Enroxil (enrofloxacin) fared the best.

The **Czech Republic** is also one of our key markets, where we ranked fourth among foreign suppliers of generic medicines. Our product sales amounted to

€12.2 million or 73% of first quarter sales last year. Prescription pharmaceuticals maintained the leading position, above all:

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

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

Sales of non-prescription products fell behind year on year. Nalgesin S (naproxen) and Bisacodyl-K (bisacodyl) remained the leading medicines in terms of sales. Our animal health products also saw a significant drop in sales. The Fypryst and Dehinel brand products remained best-selling animal health products.

In **Slovakia**, which is also our key market, product sales totalled €11.3 million, a 4% decline in sales. We ranked third among all foreign suppliers of generic medicines in the country. The following medicines contributed most substantially to sales of the leading category of prescription pharmaceuticals:

- Xerdoxo (rivaroxaban);
- Dexamethasone Krka (dexamethasone);
- Levalox (levofloxacin);
- Emanera (esomeprazole);
- Co-Amlessa (perindopril/amlodipine/indapamide);
- Nalgesin Forte (naproxen);
- Dulsevia (duloxetine), and
- Kventiax (quetiapine)

Year on year, sales of non-prescription products presented a drop. Flebaven (diosmin), Panzynom (pancreatin), and Dasseltino (desloratadine) contributed most substantially to sales total. Our animal health products presented 39% growth. Key products included those of Enroxil (enrofloxacin), the Fypryst brand products, and Quiflox (marbofloxacin).

In **Lithuania**, we generated €6.4 million by product sales, or 79% of sales total in the first quarter last year. Prescription pharmaceuticals constituted the bulk, with Captopril Krka (captopril), Nolpaza (pantoprazole), Roswera (rosuvastatin), Valsacor (valsartan), and Valsacombi (valsartan/hydrochlorothiazide) in the lead. Nalgesin S (naproxen) and Septabene (benzylamine/

cetylpyridinium chloride) were the leading non-prescription products. Animal health product sales saw a drop compared to the same period last year. Products sold under the Fypryst brand and Milprazon (milbemycin/praziquantel) were at the forefront.

In **Latvia**, sales value reached €4 million and exceeded year-on-year sales. Prescription pharmaceuticals accounted for the largest share in sales, especially:

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

Non-prescription sales fell behind sales made in the first quarter last year. The most important product was Nalgedol (naproxen). Also, sales of animal health products saw a drop compared to the same quarter last year. Milprazon (milbemycin/praziquantel) products were at the forefront.

Region West Europe

Countries of Region West Europe as a whole classify as our key market. In the first quarter of 2021, sales reached €80.5 million, 15% below sales in the same period last year. Last year, we achieved record sales in the first quarter, so year-on-year sales dropped in most regional markets, but in particular in the Scandinavian countries and Spain. Sales were the highest in Germany, the Scandinavian countries, and France. We recorded the steepest absolute sales growth in France. Our own product brands accounted for 74% of total sales. Sales through unrelated parties amounted to €20.8 million. The most important medicines were those containing esomeprazole, candesartan, venlafaxine, and valsartan.

Sales of our animal health products amounted to €8.7 million, up 38% on sales in the same period last year. Sales increased as a result of higher sales through our own network. Growth was most substantial in the United Kingdom, Italy, and Belgium. The leading animal health products comprised milbemycin and praziquantel combinations; fipronil, and flubendazole.

Sales of non-prescription products generated €1.7 million, accounting for 2% of regional sales. Our products containing paracetamol generated the strongest sales.

Sales in **Estonia** totalled €2.4 million, down 43% on the same period last year. In the same period last year our tender sales of Darunavir Krka (darunavir) were strong, but this year the extraordinary market situation was affecting our sales. Prescription products also contributed to sales most substantially this year, of which

- Roswera (rosuvastatin);
- Co-Prenessa (perindopril/indapamide);
- Dexamethasone Krka (dexamethasone);
- Co-Dalnessa (perindopril/amlodipine/indapamide);
- Atoris (atorvastatin);
- Prenessa (perindopril); and
- Escadra (esomeprazole) recorded the strongest sales.

Nalgessin S (naproxen) products were our top-selling non-prescription products, and the Dehinel brand products and Milprazon (milbemycin/praziquantel) from our animal health range generated the strongest sales.

Germany remained our largest regional market and generated €22.6 million by product sales. Advanced antihypertensives recorded good sales and contributed most substantially to good results. We remained the leading provider of generic varieties of sartans in Germany. Prescription pharmaceuticals were at the forefront, especially

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

Animal health product sales decreased by 1%, but non-prescription sales dropped by 27% because of the shrinking demand.

In the **Scandinavian countries**, our product sales went down by 35% and totalled €12.1 million. Sweden remained our leading individual market and was followed by Finland, Norway, Denmark, and Iceland. Sales were driven by medicines containing esomeprazole, candesartan, mirtazapine, sertraline, metoprolol, and venlafaxine. In Norway, we retained the leading position with many medicines, above all those containing esomeprazole, valsartan, and enalapril.

In **France**, product sales amounted to €10 million, a 22% year-on-year climb. The bulk was made by sales through unrelated parties, primarily by medicines containing esomeprazole, clopidogrel, and gliclazide, and a combination of milbemyacin and praziquantel – an animal health product. Sales through our subsidiary Krka France recorded a 31% year-on-year rise. The strongest sales were made by medicines containing tadalafil; paracetamol; emtricitabine in combination with tenofovir and dasatinib; and the combination of milbemyacin and praziquantel – an animal health product.

In **Italy**, we recorded a 7% drop in terms of value compared to the same period last year, amounting to €8.5 million. Medicines containing clopidogrel, pantoprazole, paliperidone, gliclazide, and atorvastatin generated the most substantial sales. Sales of our animal health products saw two-digit growth.

In **Spain**, we generated €5.8 million by product sales, 50% less than in the same period last year. The drop resulted from changed practices in dispensing medicines in Andalusia. Medicines containing donepezil, pramipexole, galantamine, and memantine generated the strongest sales.

In **Portugal**, products sold under our own brands accounted for more than 80% of sales. We recorded a 24% drop in sales that totalled €5.2 million. Sales through our subsidiary presented 3% year-on-year growth. This strengthened the market share of our brand names in the Portuguese market of generic pharmaceuticals already exceeding 6%. The leading prescription pharmaceuticals were products

Region Overseas Markets

Region Overseas Markets generated product sales in the amount of €12.5 million, a 7% decline on the same period last year and the same as in the first quarter of 2019. Prescription pharmaceuticals sold under our own brands in most markets accounted for the major portion of total sales.

When doing business in the countries of the **Middle East**, we still encounter challenges posed by economic and security circumstances in the area. Sales of our products amounted to €5.2 million, a 17% year-on-year drop. The main reason for the sales decline were restrictions imposed on Iran. Year-on-year, sales dropped by 26%. Next to Iran, our largest regional markets were Iraq, Saudi Arabia, Lebanon and Yemen. Asentra (sertraline), Yasnal

containing esomeprazole, olanzapine, emtricitabine in combination with tenofovir, and rosuvastatin in combination with ezetimibe.

Sales in the **United Kingdom** totalled €4.5 million, a 53% year-on-year hike. Prescription pharmaceuticals accounted for the bulk of total sales. Medicines containing esomeprazole and duloxetine recorded the strongest sales. Milbemyacin in combination with praziquantel and imidacloprid in combination with moxidectin were the leading animal health products. Sales through our subsidiary Krka UK increased by 85%.

In the first quarter, sales in the **Benelux countries** totalled €3.9 million, down 15% year on year. Medicines containing esomeprazole and venlafaxine stood out in terms of sales. Our subsidiary Krka Belgium recorded sales in total of €2.6 million and 21% growth.

In **Ireland**, we generated €2.9 million by product sales, a 5% year-on-year rise. We remained one of the leading providers of generic medicines containing valsartan, esomeprazole, tadalafil, venlafaxine, duloxetine, and pregabalin.

In **Austria**, our sales decreased by 26% and totalled €2.3 million. Sales were driven by medicines containing pregabalin, duloxetine, and valsartan.

In **other western European countries**, we made most of our sales through unrelated parties. Year-on-year sales climbed by 38% to €2.7 million.

(donepezil), and Emanera (esomeprazole) generated the strongest sales.

Our sales in the countries of the **Far East** and **Africa** amounted to €7 million, matching the last year's figure in the first quarter. Our product sales were the highest in Vietnam, the Republic of South Africa, and China. Emanera (esomeprazole), Palprostes (saw palmetto extract), Gliclada (gliclazide), and Lanzul (lansoprazole) recorded the strongest sales.

The Krka Group's sales in China amounted to EUR 0.8 million. In February, through the Ningbo Krka Menovo joint venture, we received a national tender for pregabalin capsules in selected seven provinces

for a period of three years. We will start deliveries in April and May.

The smallest of the three regional offices is the one that operates in the **Americas**. Especially in the

Product and Service Sales by Category

Medicinal products for human use were the most important product group in the sales structure of the Krka Group, and accounted for 93.3% of total sales. Prescription pharmaceuticals constituted 86.4% of the Krka Group total sales, and were followed by non-prescription products, and animal health products.

Last year the demand for our products peaked temporarily due to the first wave of the COVID-19 pandemic. In the first quarter this year, the trend turned causing a 12% drop in prescription pharmaceuticals, a 37% fall in non-prescription products, and a 3% decline in animal health products. Compared to the first quarter of 2019, sales of prescription pharmaceuticals increased by 8%,

countries of the Central America, our product sales generated €0.4 million, a 16% year-on-year rise. Valsacor (valsartan), Valsaden (valsartan/hydrochlorothiazide), and Yasnal (donepezil) were our medicines in highest demand.

sales of animal health products by 23% , while sales of prescription products decreased by 26%.

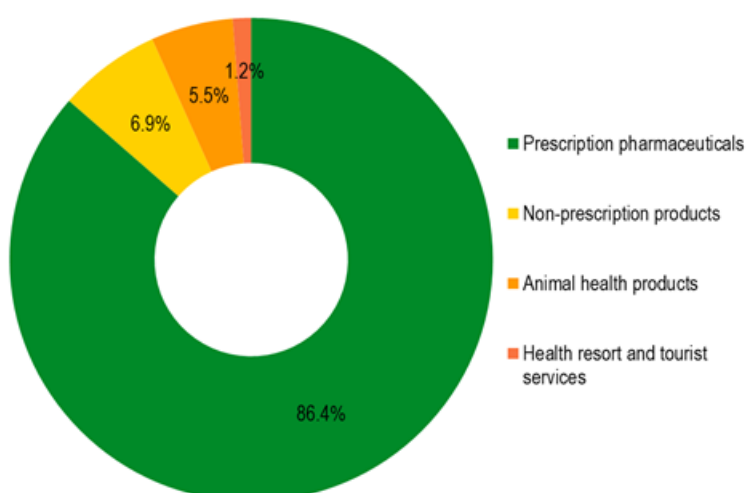
Compared to the last quarter of 2021 total sales growth by 6%, prescription pharmaceuticals advanced by 10%, and animal health products by 8%, respectively. Due to a sharp decrease in common cold and flu infections, the demand for cold and flu products slumped causing a drop in non-prescription product sales.

Sales of health resort and tourist services constituted a good 1% of total Krka Group sales, a 30% decrease on the same period last year on the back of the COVID-19 pandemic.

Product and Service Sales by Category

€ thousand	Krka Group					Company				
	Q1 2021	Q1 2020	Q1 2019	Index Q1 2021-20	Index Q1 2021-19	Q1 2021	Q1 2020	Q1 2019	Index Q1 2021-20	Index Q1 2021-19
Human health medicines	368,010	432,600	351,142	85	105	288,373	349,707	271,899	82	106
– Prescription pharmaceuticals	340,921	389,389	314,367	88	108	263,110	311,576	240,325	84	109
– Non-prescription products	27,089	43,211	36,775	63	74	25,263	38,131	31,574	66	80
Animal health products	21,656	22,221	17,646	97	123	18,891	21,551	16,586	88	114
Health resort and tourist services	4,857	6,908	8,500	70	57					
Total	394,523	461,729	377,288	85	105	307,264	371,258	288,485	83	107

Structure of the Krka Group Product and Service Sales by Category, Q1 2021



Prescription Pharmaceuticals

The Krka Group sales of prescription pharmaceuticals amounted to €340.9 million in the first quarter of 2021, a 12% year-on-year drop, but an 8% rise on the first quarter of 2019.

A year-on-year comparison shows that sales dropped in all our regions as follows:

- Region Overseas Markets by 5%;
- Region East Europe by 9%;
- Region Central Europe and Region Slovenia by 12%;
- Region South-East Europe by 14%; and
- Region West Europe by 18%.

Sales on all our three largest markets declined. The drop was the lowest in Germany (7%) and the highest in the Russian Federation (14%), where sales denominated in the Russian rouble presented an 11% increase.

Sales also turned down on other major markets. Approximating closest to the last year's year-on-year figure, Slovakia recorded a 2% drop in sales, Ukraine an 8% decrease, and Italy a 10% fall.

Even though year-on-year sales declined on several medium size markets, certain markets recorded sales growth. The following markets recorded sales growth:

- The United Kingdom 34%;
- Uzbekistan 22%;
- Latvia 19%;
- France 16%;
- Ireland 9%;

- Serbia 6%; and
- Belarus 4%.

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

- Armenia 57%;
- Mongolia 37%;
- Azerbaijan 32%;
- Kosovo 22%, and
- Georgia 17%.

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

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

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

In comparison to the same period last year, the following medicines recorded the highest sales growth:

- Karbis* (candesartan);
- Dulsevia* (duloxetine); and
- Olsitri* (olmesartan/amlodipine/hydrochlorothiazide).

Sales of many other medicines also went up, but our established medicines that saw the highest increase in demand in the same quarter last year recorded a drop in sales.

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

Non-Prescription Products

Sales of non-prescription products totalled €27.1 million, a 37% decline on the same period last year.

At the beginning of 2020 at the onset of the COVID-19 pandemic, sales of cold and respiratory tract products saw a sharp rise in demand. Later on, the pandemic affected sales of those products, because flu and cold infections significantly decreased due to protective measures taken. Sales of seasonal products that account for more than one half of our total non-prescription sales therefore saw a downturn in fast all markets.

Year on year, sales went down on most markets, but certain small markets recorded increases as follows:

- Kosovo 24%;
- Mongolia 44%;
- Turkmenistan 20%; and
- The Scandinavian countries 32%.

In Hungary and France, we reached almost the same sales figures than last year.

Animal Health Products

Sales of animal health products amounted to €21.7 million in the first quarter of 2021, a 3% year-on-year drop, but a 23% rise on the first quarter of 2019.

Year on year, product sales generated by Region West Europe climbed by 38%. Also, in other regions where we recorded significantly higher demand for

We launched several pharmaceuticals on new markets:

- Pitavador* (pitavastatin) in Greece;
- Rosuvador* (rosuvastatin) in Greece;
- Olsitri* (olmesartan/amlodipine/hydrochlorothiazide) in Lithuania, Latvia, Estonia, and Belgium;
- Co-Prenessa* (perindopril/indapamide) in Uzbekistan;
- Co-Valodip* (valsartan/amlodipine/hydrochlorothiazide) in Uzbekistan and Ireland;
- febuxostat in Mongolia.

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

The leading products of the first quarter were Nalgesin* (naproxen) and Bilobil. They were followed by:

- Septotele*;
- Pikovit;
- Herbion*;
- Duovit;
- Daleron* (paracetamol);
- Panzynom;
- Flebaven* (diosmin); and
- Septanazal (xylometazoline/dexpanthenol).

Sales that do not depend on a particular season of the year presented good growth, for example:

- Flebaven* (diosmin);
- Dasselta* (desloratadine);
- Nolpaza Control* (pantoprazole);
- Palprostes;
- Magnezij Krka 300*; and
- our new products Vitamin D3 Krka (cholecalciferol), and Noctiben Mea* (doxylamine).

our disinfectant Ecocid S in the same period last year, year-on-year sales slightly declined.

Of our major markets, sales increased especially in the United Kingdom and France, and denominated in the national currency also in the Russian Federation.

Antiparasitics for companion animals presented sales growth, of which leading products included the

fixed-dose combination of milbemycin and praziquantel (Milprazon*) and fipronil-containing products (Fypryst*, Fypryst Combo*). Products containing imidacloprid (Ataxxa*, Prinocate*) and

fixed-dose combinations of pyrantel and praziquantel (Dehinel*, Dehinel Plus*) followed. In the first quarter of 2021, the share of companion animal products further increased.

Health Resorts and Tourist Services

Terme Krka recorded sales of services in total of €4.9 million, a 30% drop on the same period last year on the back of the extraordinary situation caused by the COVID-19 pandemic. Due to the government restrictions, providing only selected healthcare services was allowed in the first quarter. We recorded 37,099 overnight stays, 40% down on the same period last year, while normal business operations were still possible in the first two months. Domestic

guests, primarily patients with healthcare referrals, accounted for more than 97% of all overnight stays. Of our health resorts, the most significant 37% portion of the total quarterly revenue was generated by Terme Dolenjske Toplice. Our seaside resort, Talasso Strunjan, contributed 34% and Terme Šmarješke Toplice 26% to the total. Another three percent of total income were generated by our hotels, Hoteli Otočec.

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

Research and Development

We intend to register new products and introduce additional development activities to provide for high quality and safety of established products and obtain marketing authorisations for 16 new products in 2021.

In the first quarter of 2021, we obtained under various registration procedures 118 new marketing authorisations for our established products from all product categories.

We filed documents for approximately 8,000 varieties, and were granted marketing authorisations for almost 8,300 variations.

We adjusted to the requirements of the latest edition of the Russian Pharmacopoeia (GF XIV) and to date filed documents for over 170 products.

Also in this period, we put emphasis on safety and risk assessment at all levels of the development process, manufacture, and use of ingredients and finished products alike.

Prescription Pharmaceuticals

In the first quarter of 2021, we obtained 96 new marketing authorisations for the established prescription pharmaceuticals from various therapeutic categories.

After EMA (the European Medicines Agency) gave a positive opinion on our oncology product, **Lenalidomide Krka** (lenalidomide) hard capsules indicated for various types of blood cancer, the European Commission issued a marketing authorisations for the medicine.

In Region East Europe, we extended the portfolio of our cardiovascular agents, central nervous system therapy, pain relief, and medicines for rheumatic diseases. Authorisation of additional strengths of **Dexamethasone Krka** (dexamethasone) tablets in the Russian Federation was very important. In

Belarus, our central nervous system range was designed and this year supplemented by a new marketing authorisation for the antidepressant **Elicea** (escitalopram) film-coated tablets. In Region East Europe, our range of valsartan-containing pharmaceuticals was extended to another two countries by marketing authorisations for our triple single-pill combination **Co-Vamloset** (amlodipine/valsartan/hydrochlorothiazide) film-coated tablets.

In Region South-East Europe, we were granted new marketing authorisations for new Krka products containing APIs of important therapeutic categories. Approvals of our new antithrombotic agent **Xerdoxo** (rivaroxaban) film-coated tablets extended marketing opportunities to Bosnia and Herzegovina. The group of promising antidiabetic agents was extended by a

new marketing authorisation for **Maysiglu** (sitagliptin) film-coated tablets. We extended our product portfolio of triple single-pill cardiovascular combinations and were granted new marketing authorisations in Montenegro for **Roxiper** (perindopril/indapamide/rosuvastatin) film-coated tablets. We obtained new marketing authorisations for **Pemetrexed Krka** (pemetrexed) powder for solution for infusion, an important oncology medicine, in North Macedonia.

We continued obtaining the Certificates of Suitability to the monographs of the European Pharmacopoeia

(CEP) based on our own API preparation procedures for a hypolipemic rosuvastatin and rabeprazole for the treatment of stomach problems. We obtained marketing authorisations and CEPs for our monotherapy **Roswera** (rosuvastatin) film-coated tablets and single-pill combinations **Co-Roswera** (rosuvastatin/ezetimibe), **Roxiper** (rosuvastatin/perindopril/indapamide), and **Valarox** (rosuvastatin/valsartan) film-coated tablets. We obtained marketing authorisations based on CEP for **Zulbex** (rabeprazole) gastro-resistant tablets in south-eastern Europe.

New MAs for established medicinal products

Therapeutic area	Brand or registered name	Active ingredient	Dosage form	Country
Cardiovascular diseases	Co-Vamloset Valtricom	amlodipine/valsartan/hydrochlorothiazide	film-coated tablets	Azerbaijan, Mongolia, Albania
	Roxiper	perindopril/indapamide/rosuvastatin	film-coated tablets	Montenegro
	Amiokordin	amiodarone	tablets	Azerbaijan
Antithrombotics	Xerdoxo	rivaroxaban	film-coated tablets	Bosnia and Herzegovina
Central nervous system	Elicea	escitalopram	film-coated tablets	Belarus
	Alventa	venlafaxine	prolonged-release capsules (hard)	Armenia
Oncology	Pemetrexed Krka	pemetrexed	powder for solution for infusion	North Macedonia
Pain and rheumatic diseases	Dexamethasone Krka	dexamethasone	tablets; solution for injection	Russian Federation; Serbia, Iraq
	Dekenor, Deksiaks	dexketoprofen	solution for injection	Russian Federation, Azerbaijan, Moldova
	Etoxib	etoricoxib	film-coated tablets	Mongolia
	Tramadol	tramadol	prolonged-release tablets	Albania
Diabetes	Maysiglu	sitagliptin	film-coated tablets	Serbia
HIV infection	Efavirenz/Emtricitabine/Tenofovir Krka	efavirenz/emtricitabine/tenofovir	film-coated tablets	Azerbaijan
Gastrointestinal disorders	Nolpaza	pantoprazole	powder for solution for injection	Tajikistan
	Emanera	esomeprazole	gastro-resistant capsules	Iraq
Erectile dysfunction	Vizarsin	sildenafil	film-coated tablets, orodispersible tablets	Armenia, United Arab Emirates
Allergies	Letizen	cetirizine	film-coated tablets	Iraq

Non-Prescription Products

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

We expanded market opportunities for **Vitamin D3 Krka** (cholecalciferol) tablets, and obtained new notifications in Croatia, Montenegro, and Serbia. In Slovenia, we submitted an application

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

We obtained new marketing authorisations for the **Septolete** brand products. We obtain marketing authorisations for **Septolete Total** (benzylamine/cetylpyridinium chloride) honey-and-lemon flavour lozenges in Montenegro, Albania, Mongolia, and the

United Arab Emirates, and for **Septotele Total** (benzydamine/cetylpyridinium chloride) elder-and-lemon flavoured lozenges in Montenegro.

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

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

Animal Health Products

In the first quarter of 2021, we added two animal health products to our market range and expanded our portfolio of animal health products by adding **Selafort** or **Selehold** (selamectin) 60 mg/ml spot-on solution for cats and small dogs and 120 mg/ml spot-on solution for dogs. Selamectin is an advanced medicine effective against external parasites, mange, fleas, lice as well as internal gastrointestinal parasites, heart worms and eye worms. It is also appropriate for the treatment of mixed infestations in cats and dogs. We obtained marketing authorisations in the Russian Federation and North Macedonia.

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

We obtained regulatory approvals for setting up the state-of-the-art dedicated premises for production of various tablet forms in Jastrebarsko, Croatia. We registered the premises for manufacture of 17 animal health products for all countries where they are approved, and have to date carried out procedures for more than 3,000 variations. We adapted the plant to all requirements for manufacturing various tablet forms of animal health products, automated certain work processes, increased production capacities, and separated production rooms in order to further reduce cross contamination. Manufacture of animal health tablets in the new plant will guarantee high quality of animal health tablets for companion animals: **Dehinel** (pyrantel/praziquantel), **Milprazon** (milbemycin/praziquantel), **Rycarfa** (carprofen), **Marfloxin** (marbofloxacin), and **Enroxil** (enrofloxacin).

Investments

In the first quarter of 2021, the Krka Group allocated €9.8 million to investments, of that €7.9 million to the controlling company. Our investments were aimed at increasing and technologically upgrading production facilities and capacities for development and quality management. We also invested in our own production and distribution centres around the world.

At our central site at Ločna, Novo mesto, Slovenia our state-of-the-art facility for manufacturing solid dosage forms, Notol 2 Plant, has been in operation for several years now. The growing need for extra production capacities has incited us to acquire additional technological equipment. In 2019, we started equipping a new packaging facility. We installed twelve highly automated and robotised packaging lines, and plan to purchase and start up more lines over the upcoming two years. The entire investment was estimated at €41 million. The plant will be fully technologically equipped after the small-scale production equipment is moved and large-scale production equipment is installed. Its full production capacity will be 5 billion tablets per year and its full packaging capacity will rise to 8 billion tablets per year.

The high-capacity packaging line purchased for the production plant in Ljutomer, Slovenia allows for increased packaging output of lozenges and tablets. We refurbished the warehousing section of the plant as a temporary storage room in compliance with the standards of good warehousing practice and health and safety at work and built a sprinkler system. Our investment amounted to €5.7 million.

We plan to build new facilities for development and production of active pharmaceutical ingredients (APIs) in Krško, Slovenia. Product documentation has been prepared. We have applied for construction permits for the chemical synthesis plant Sinteza 2 and laboratories for chemical analyses Kemijsko-analitski center. We also plan to build other small facilities for technology and infrastructure allowing for a complete production process. The €163 million investment agrees with our strategy of vertical integration according to which Krka controls all product stages, from a product development to its production.

A €2.5-million investment in the Beta department in Šentjernež, Slovenia is drawing to a close. We upgraded systems and devices in compliance with standards, and will increase production capacities by installing another mixer.

We are investing €21 million in additional capacities for compression mixture preparation and granulation in the double-layer tableting process, and in logistic capacities in the Solid Dosage Form Production Plant (Slovene abbreviation: OTO).

Construction of a packaging facility is planned at our central site in Novo mesto. We are preparing project documentation and obtaining building permits.

Several investments in our development-and-research facility RKC are in progress. Their total stands at €8.2 million.

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

Also in 2021, purchases of manufacturing and quality control equipment for production rooms for our joint venture Ningbo Krka Menovo in China will continue. In these production rooms, we manufacture products for markets outside China, and since January 2021, the first product intended for the Chinese market.

Employees

At the end of March, the Krka Group had 11,639 employees, of that 5,375 abroad, which accounts for 46% of the total Krka Group headcount. The Group employees with at least university-level qualifications accounted for 51% of the headcount, and 204 employees held doctoral degrees.

Together with agency workers, the Krka Group had 12,539 employees.

Krka Group Employees by Education

	31 March 2021		31 December 2020	
	Number of employees	Share (%)	Number of employees	Share (%)
PhD	204	1.7	206	1.8
Master of Science	403	3.5	394	3.4
University degree	5,326	45.8	5,355	45.9
Higher professional education	1,730	14.9	1,707	14.6
Vocational college education	305	2.6	309	2.6
Secondary school education	2,642	22.7	2,648	22.7
Other	1,029	8.8	1,058	9.0
Krka Group	11,639	100.0	11,677	100.0

We provide for continuous recruitment of talented employees by awarding scholarships. At the end of March, we listed 109 scholarship holders, primarily pharmacy and chemistry students. We also grant scholarships to exceptional students from other fields of interest to Krka. Due to our staff development and succession planning system, we can greatly meet our human resource needs for key professionals and managers within the Krka Group.

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

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

At the end of March, 150 employees were enrolled in part-time graduate studies co-funded by Krka, 42 of them in postgraduate studies.

Krka is also included in the national vocational qualification (NVQ) system. Between 2002 and the end of March 2021, we awarded 1,600 NVQ certificates to Krka employees for four vocational qualifications. At the end of March 2021, 172 Krka employees were included in the process of obtaining NVQ.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP WITH NOTES

Consolidated Statement of Financial Position of the Krka Group

€ thousand	31 Mar 2021	31 Dec 2020	Index
Assets			
Property, plant and equipment	794,859	807,824	98
Intangible assets	106,149	107,371	99
Loans	22,148	15,376	144
Investments	11,601	10,420	111
Deferred tax assets	49,743	48,969	102
Other non-current assets	1,045	1,038	101
Total non-current assets	985,545	990,998	99
Assets held for sale	41	41	100
Inventories	441,806	453,690	97
Contract assets	2,953	1,644	180
Trade receivables	411,102	383,560	107
Other receivables	25,670	27,768	92
Loans	44,768	54,774	82
Investments	1,424	9,499	15
Cash and cash equivalents	412,378	313,568	132
Total current assets	1,340,142	1,244,544	108
Total assets	2,325,687	2,235,542	104
Equity			
Share capital	54,732	54,732	100
Treasury shares	-102,153	-99,279	103
Reserves	112,472	103,595	109
Retained earnings	1,767,937	1,684,285	105
Total equity holders of the controlling company	1,832,988	1,743,333	105
Non-controlling interests	8,682	8,479	102
Total equity	1,841,670	1,751,812	105
Liabilities			
Provisions	135,533	134,686	101
Deferred revenue	7,570	7,804	97
Trade payables	10,006	10,006	100
Lease liabilities	9,262	9,121	102
Deferred tax liabilities	11,099	11,179	99
Total non-current liabilities	173,470	172,796	100
Trade payables	104,721	107,116	98
Lease liabilities	3,044	2,712	112
Income tax payable	19,262	15,748	122
Contract liabilities	106,061	106,299	100
Other current liabilities	77,459	79,059	98
Total current liabilities	310,547	310,934	100
Total liabilities	484,017	483,730	100
Total equity and liabilities	2,325,687	2,235,542	104

Consolidated Income Statement of the Krka Group

€ thousand	Jan–Mar 2021	Jan–Mar 2020	Index
Revenue	395,797	462,852	86
– Revenue from contracts with customers	394,935	461,976	85
– Other revenue	862	876	98
Cost of goods sold	-167,775	-185,093	91
Gross profit	228,022	277,759	82
Other operating income	1,837	1,054	174
Selling and distribution expenses	-71,975	-85,240	84
– Of that net impairments and write-offs of receivables	417	28	1,489
R&D expenses	-39,091	-37,618	104
General and administrative expenses	-22,533	-22,029	102
Operating profit	96,260	133,926	72
Financial income	5,362	15,410	35
Financial expenses	-475	-48,149	1
Net financial result	4,887	-32,739	
Profit before tax	101,147	101,187	100
Income tax	-14,792	-16,005	92
Net profit	86,355	85,182	101
Attributable to:			
– Equity holders of the controlling company	86,526	85,635	101
– Non-controlling interests	-171	-453	38
Basic earnings per share* (€)	2.77	2.72	102
Diluted earnings per share** (€)	2.77	2.72	102

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

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

Consolidated Statement of Other Comprehensive Income of the Krka Group

€ thousand	Jan–Mar 2021	Jan–Mar 2020	Index
Net profit	86,355	85,182	101
Other comprehensive income for the period			
Other comprehensive income for the period reclassified to profit or loss at a future date			
Translation reserve	5,420	–33,283	
Net other comprehensive income for the period reclassified to profit or loss at a future date	5,420	–33,283	
Other comprehensive income for the period that will not be reclassified to profit or loss at a future date			
Change in fair value of financial assets	1,181	–958	
Restatement of post-employment benefits	0	–4	
Deferred tax effect	–224	182	
Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date	957	–780	
Total other comprehensive income for the period (net of tax)	6,377	–34,063	
Total comprehensive income for the period (net of tax)	92,732	51,119	181
Attributable to:			
– Equity holders of the controlling company	92,529	51,551	179
– Non-controlling interests	203	–432	

Consolidated Statement of Changes in Equity of the Krka Group

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

€ thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the controlling company	Non-controlling interests	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other profit reserves	Retained earnings	Profit for the period			
At 1 Jan 2020	54,732	-73,774	73,774	105,897	14,990	30,000	-26,925	-67,865	1,211,292	118,350	223,847	1,664,318	3,198	1,667,516
Net profit	0	0	0	0	0	0	0	0	0	0	85,635	85,635	-453	85,182
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	-780	-33,304	0	0	0	-34,084	21	-34,063
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	-780	-33,304	0	0	85,635	51,551	-432	51,119
Transactions with owners, recognised in equity														
Transfer of previous period's profits to retained earnings	0	0	0	0	0	0	0	0	0	223,847	-223,847	0	0	0
Acquisition of a stake in Farna GRS	0	0	0	0	0	0	0	0	0	106	0	106	-109	-3
Repurchase of treasury shares	0	-4,924	0	0	0	0	0	0	0	0	0	-4,924	0	-4,924
Formation of reserves for treasury shares	0	0	4,924	0	0	0	0	0	0	0	-4,924	0	0	0
Total transactions with owners, recognised in equity	0	-4,924	4,924	0	0	0	0	0	0	223,953	-228,771	-4,818	-109	-4,927
At 31 Mar 2020	54,732	-78,698	78,698	105,897	14,990	30,000	-27,705	-101,169	1,211,292	342,303	80,711	1,711,051	2,657	1,713,708

Consolidated Statement of Cash Flows of the Krka Group

€ thousand	Jan–Mar 2021	Jan–Mar 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	86,355	85,182
Adjustments for:	44,198	18,314
– Amortisation/Depreciation	27,320	28,113
– Foreign exchange differences	2,352	-14,007
– Investment income	-857	-15,605
– Investment expenses	288	3,325
– Interest income and other financial income	-27	-3
– Interest expense and other financial expenses	330	486
– Income tax	14,792	16,005
Operating profit before changes in net current assets	130,553	103,496
Change in trade receivables	-27,154	-68,017
Change in inventories	11,884	12,104
Change in trade payables	4,784	24,248
Change in provisions	626	832
Change in deferred revenue	-234	-239
Change in other current liabilities	-1,571	23,952
Income tax paid	-11,952	-7,872
Net cash from operating activities	106,936	88,504
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	120	148
Dividends received	67	0
Proceeds from sale of property, plant and equipment	297	486
Purchase of property, plant and equipment	-16,514	-25,565
Purchase of intangible assets	-491	-614
Acquisition of subsidiaries and a share of minority interests net of financial assets acquired	0	-109
Non-current loans	-7,146	-499
Proceeds from repayment of non-current loans	297	532
Payments for acquisition of non-current investments	-19	-12
Proceeds from sale of non-current investments	14	24
Proceeds from current investments and loans	18,012	2,212
Payments for derivatives	0	-3,258
Proceeds from derivatives	425	17
Net cash from investing activities	-4,938	-26,638
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-39	-48
Lease liabilities paid	-812	-752
Payments for current borrowings	0	-3
Repurchase of treasury shares	-2,874	-4,924
Net cash from financing activities	-3,725	-5,727
Net increase in cash and cash equivalents	98,273	56,139
Cash and cash equivalents at beginning of year	313,568	218,667
Effect of foreign exchange rate fluctuations on cash held	537	-677
Closing balance of cash and cash equivalents	412,378	274,129

Segment Reporting of the Krka Group

€ thousand	European Union		South-Eastern Europe		Eastern Europe		Other		Eliminations		Total	
	Jan–Mar 2021	Jan–Mar 2020	Jan–Mar 2021	Jan–Mar 2020	Jan–Mar 2021	Jan–Mar 2020	Jan–Mar 2021	Jan–Mar 2020	Jan–Mar 2021	Jan–Mar 2020	Jan–Mar 2021	Jan–Mar 2020
Revenue from external customers	220,535	266,030	23,032	25,057	132,131	153,114	20,099	18,651	0	0	395,797	462,852
– Revenue from contracts with customers	219,701	265,206	23,032	25,057	132,121	153,085	20,081	18,628	0	0	394,935	461,976
– Other revenue	834	824	0	0	10	29	18	23	0	0	862	876
Sales between Group companies	46,341	70,824	11,466	16,627	70,880	84,277	869	764	-129,556	-172,492	0	0
Other operating income	1,720	976	8	2	109	76	0	0	0	0	1,837	1,054
Operating costs	-176,504	-206,347	-13,734	-14,950	-95,654	-96,074	-15,482	-12,609	0	0	-301,374	-329,980
Operating expenses to Group companies	-81,031	-100,245	-12,838	-15,417	-133,175	-183,942	-3,666	-2,889	230,710	302,493	0	0
Operating profit	45,751	60,659	9,306	10,109	36,586	57,116	4,617	6,042	0	0	96,260	133,926
Interest income	34	46	0	0	32	96	52	6	0	0	118	148
Interest income from Group companies	67	129	0	0	0	1	1	2	-68	-132	0	0
Interest expense	-45	-43	-3	-4	-26	-50	-1	-1	0	0	-75	-98
Interest expense to Group companies	-70	-78	0	0	0	-4	0	0	70	82	0	0
Net financial result	-1,506	-7,327	-118	374	5,968	-25,697	543	-89	0	0	4,887	-32,739
Income tax	-8,192	-5,907	-1,277	-854	-4,833	-8,769	-490	-475	0	0	-14,792	-16,005
Net profit	36,053	47,425	7,911	9,629	37,721	22,650	4,670	5,478	0	0	86,355	85,182
Investments	8,989	11,603	23	64	757	1,136	10	2,085	0	0	9,779	14,888
Depreciation of property, plant and equipment	18,337	18,145	505	563	5,392	6,555	605	382	0	0	24,839	25,645
Depreciation of right-of-use assets	567	499	25	27	128	160	24	29	0	0	744	715
Depreciation of right-of-use assets within Group	1	2	0	0	2	1	0	0	-3	-3	0	0
Amortisation	1,067	1,103	85	91	512	503	73	56	0	0	1,737	1,753
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
Total assets	1,854,852	1,743,793	54,079	49,641	370,187	404,474	46,569	37,634	0	0	2,325,687	2,235,542
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	35,571	35,788	0	0	0	0	0	0	0	0	35,571	35,788
Total liabilities	326,892	338,453	14,703	15,444	108,077	110,326	34,345	19,507	0	0	484,017	483,730

Notes to Consolidated Financial Statements of the Krka Group

Costs by nature

€301,374 thousand

€ thousand	Jan–Mar 2021	Jan–Mar 2020	Index
Cost of goods and materials	101,216	123,377	82
Cost of services	55,270	63,029	88
Employee benefits	105,752	107,741	98
Amortisation and depreciation	27,320	28,113	97
Inventory write-offs and allowances (net)	4,318	2,249	192
Receivable impairments and write-offs (net)	417	28	1,489
Other operating expenses	8,071	10,028	80
Total costs	302,364	334,565	90
Change in the value of inventories of finished products and work in progress	-990	-4,585	22
Total	301,374	329,980	91

Employee benefits

€105,752 thousand

€ thousand	Jan–Mar 2021	Jan–Mar 2020	Index
Gross wages and salaries and continued pay	80,940	83,147	97
Social security contributions	6,633	6,753	98
Pension insurance contributions	10,557	10,837	97
Payroll tax	203	224	91
Post-employment benefits and other non-current employee benefits	1,962	1,662	118
Other employee benefits	5,457	5,118	107
Total employee benefits	105,752	107,741	98

Other operating expenses

€8,071 thousand

€ thousand	Jan–Mar 2021	Jan–Mar 2020	Index
Grants and assistance for humanitarian and other purposes	318	237	134
Environmental protection expenditures	1,149	1,287	89
Other taxes and levies	5,322	6,653	80
Loss on sale and write-offs of property, plant and equipment and intangible assets	177	554	32
Other operating expenses	1,105	1,297	85
Total other operating expenses	8,071	10,028	80

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

Financial income and expenses

€ thousand	Jan–Mar 2021	Jan–Mar 2020	Index
Net foreign exchange differences	4,803	0	
Interest income	118	148	80
Derivatives income	425	15,259	3
– Realised revenue	425	17	2,500
– Fair value change	0	15,242	0
Other financial income	16	3	533
Total financial income	5,362	15,410	35
Net foreign exchange differences	0	-44,386	0
Interest expense	-75	-98	77
– Interest paid	-3	-19	16
– Interest expense on lease liabilities	-72	-79	91
Derivatives expenses	-142	-3,258	4
– Expenses incurred	0	-3,258	0
– Fair value change	-142	0	
Other financial expenses	-258	-407	63
Total financial expenses	-475	-48,149	1
Net financial result	4,887	-32,739	

Income tax

€14,792 thousand

Current income tax amounted to €15,802 thousand or 14.6% of profit before tax. Taking into account deferred tax of –€1,010 thousand, tax totalling

€14,792 thousand was expensed in the income statement. The effective tax rate was 15.6%.

Property, plant and equipment

€794,859 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Land	40,359	40,345	100
Buildings	370,946	376,130	99
Equipment	328,106	338,059	97
Property, plant and equipment being acquired	39,589	38,042	104
Advances for property, plant and equipment	3,851	3,685	105
Right-of-use assets	12,008	11,563	104
Total property, plant and equipment	794,859	807,824	98

Value of property, plant, and equipment accounted for 34% of the Krka Group balance sheet total. See section 'Investments' in the business report for details on Krka's major investments.

Intangible assets

€106,149 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Goodwill	42,644	42,644	100
Trademark	35,571	35,788	99
Concessions, trademarks and licences	23,515	24,452	96
Intangible assets being acquired	4,419	4,487	98
Total intangible assets	106,149	107,371	99

Loans

€66,916 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Non-current loans	22,148	15,376	144
– Loans to others	22,148	15,376	144
Current loans	44,768	54,774	82
– Portion of non-current loans maturing next year	1,619	1,641	99
– Loans to others	43,146	53,128	81
– Current interest receivables	3	5	60
Total loans	66,916	70,150	95

Non-current loans constituted 33% of total loans.

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

Current loans to others included bank deposits of the controlling company in total of €42,984 thousand maturing in more than 90 days.

Investments

€13,025 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Non-current investments	11,601	10,420	111
– Financial assets at fair value through OCI (equity instruments)	11,601	10,420	111
Current investments including derivatives	1,424	9,499	15
– Financial assets at fair value through profit or loss	1,041	8,975	12
– Derivatives	383	524	73
Total investments	13,025	19,919	65

Financial assets at fair value through OCI comprised shares and interests in companies in Slovenia totalling €852 thousand and shares and interests in companies located abroad totalling €10,749 thousand.

Inventories

€441,806 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Materials	174,970	191,649	91
Work in progress	107,452	100,741	107
Finished products	145,788	150,263	97
Merchandise	9,425	9,614	98
Advances for inventories	4,171	1,423	293
Total inventories	441,806	453,690	97

Trade and other receivables

€436,772 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Current trade receivables	411,102	383,560	107
– Trade receivables	414,238	385,237	108
– Deferred revenue from contracts with customers	-3,136	-1,677	187
Other current receivables	25,670	27,768	92
Total trade and other receivables	436,772	411,328	106

Cash and cash equivalents

€412,378 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Cash in hand	24	17	141
Bank balances	412,354	313,551	132
Total cash and cash equivalents	412,378	313,568	132

Equity

€1,841,670 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Share capital	54,732	54,732	100
Treasury shares	-102,153	-99,279	103
Reserves	112,472	103,595	109
– Reserves for treasury shares	102,153	99,279	103
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	-34,102	-35,059	97
– Translation reserve	-106,466	-111,512	95
Retained earnings	1,767,937	1,684,285	105
Total equity holders of the controlling company	1,832,988	1,743,333	105
Non-controlling interests	8,682	8,479	102
Total equity	1,841,670	1,751,812	105

Trade payables

€114,727 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Non-current trade payables	10,006	10,006	100
Current trade payables	104,721	107,116	98
Payables to domestic suppliers	41,536	38,317	108
Payables to foreign suppliers	63,185	68,799	92
Total trade payables	114,727	117,122	98

The majority of non-current trade payables included liabilities to the European Commission. In 2014, the Commission of the European Union ruled that Krka infringed the provision of Article 101 of the *Treaty on the Functioning of the European Union*, which resulted in a distortion of competition on the perindopril market of the European Union. Thus, it imposed a fine of €10,000 thousand on Krka. Krka paid the penalty imposed within the deadline set by the Commission and filed a lawsuit against the Commission's decision before the General Court of

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

Provisions

€135.533 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Provisions for lawsuits	2,118	2,164	98
Provisions for post-employment benefits and other non-current employee benefits	130,267	129,536	101
Other provisions	3,148	2,986	105
Total provisions	135,533	134,686	101

Deferred revenue

€7,570 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Grants received from the European Regional Development Fund and budget of the Republic of Slovenia intended for the production of pharmaceuticals in the new Notol 2 plant	1,252	1,317	95
Grants received from the budget for the Dolenjske and Šmarješke Toplice health resorts and Golf Grad Otočec	3,386	3,408	99
Grants received from the European Regional Development Fund – development of new technologies (FBD project)	2,816	2,960	95
Subsidy for acquisition of electric drive vehicles	4	4	100
Property, plant and equipment received free of charge	13	16	81
Subsidy for the purchase of joinery	95	95	100
Subsidy for acquisition of other equipment	4	4	100
Total deferred revenue	7,570	7,804	97

Current contract liabilities

€106,061 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Refund liabilities	103,092	102,070	101
– Bonuses and volume rebates	100,996	99,097	102
– Right of return	2,096	2,973	71
Contract liabilities	2,969	4,229	70
– Contract liabilities – advances from other customers	2,969	4,229	70
Total current contract liabilities	106,061	106,299	100

Other current liabilities

€77,459 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Payables to employees – gross salaries, other receipts and charges	57,164	61,643	93
Other	20,295	17,416	117
Total other current liabilities	77,459	79,059	98

Contingent liabilities

€25,858 thousand

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

Fair value

€ thousand	31 Mar 2021		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans	22,148	22,148	15,376	15,376
Financial assets at fair value through OCI (equity instruments)	11,601	11,601	10,420	10,420
Current loans	44,768	44,768	54,774	54,774
Current investments	1,424	1,424	9,499	9,499
– Financial assets at fair value through profit or loss	1,041	1,041	8,975	8,975
– Derivatives	383	383	524	524
Trade receivables	411,102	411,102	383,560	383,560
Cash and cash equivalents	412,378	412,378	313,568	313,568
Non-current trade payables	-10,006	-10,006	-10,006	-10,006
Lease liabilities	-12,306	-12,306	-11,833	-11,833
Current trade payables excluding advances	-104,721	-104,721	-107,116	-107,116
Current contract liabilities excluding advances	-100,996	-100,996	-99,097	-99,097
Other current liabilities excluding amounts owed to the state, to employees, and advances	-9,042	-9,042	-15,174	-15,174
Total	666,350	666,350	543,971	543,971

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

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

Assets at fair value

€ thousand	31 Mar 2021				31 Dec 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Financial assets at fair value through OCI (equity instruments)	10,214	0	1,387	11,601	9,033	0	1,387	10,420
Financial assets at fair value through profit or loss	1,041	0	0	0	8,975	0	0	8,975
Derivatives	0	0	383	383	0	0	524	524
Total assets at fair value	11,255	0	1,770	13,025	18,008	0	1,911	19,919
Assets for which fair value is disclosed								
Non-current loans	0	0	22,148	22,148	0	0	15,376	15,376
Current loans	0	0	44,768	44,768	0	0	54,774	54,774
Trade receivables	0	0	411,102	411,102	0	0	383,560	383,560
Cash and cash equivalents	0	0	412,378	412,378	0	0	313,568	313,568
Total assets for which fair value is disclosed	0	0	890,396	890,396	0	0	767,278	767,278
Total	11,255	0	892,166	903,421	18,008	0	769,189	787,197

Liabilities at fair value

€ thousand	31 Mar 2021				31 Dec 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities for which fair value is disclosed								
Non-current trade payables	0	0	10,006	10,006	0	0	10,006	10,006
Lease liabilities	0	0	12,306	12,306	0	0	11,833	11,833
Current trade payables excluding advances	0	0	104,721	104,721	0	0	107,116	107,116
Current contract liabilities excluding advances	0	0	100,996	100,996	0	0	99,097	99,097
Other current liabilities excluding amounts owed to the state, to employees, and advances	0	0	9,042	9,042	0	0	15,174	15,174
Total liabilities for which fair value is disclosed	0	0	237,071	237,071	0	0	243,226	243,226
Total	0	0	237,071	237,071	0	0	243,226	243,226

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

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

€ thousand	31 Mar 2021	31 Dec 2020	Index
Assets			
Property, plant and equipment	593,230	605,164	98
Intangible assets	26,789	27,893	96
Investments in subsidiaries	339,611	339,612	100
Loans	35,108	35,024	100
Investments	11,600	10,419	111
Deferred tax assets	14,061	14,222	99
Other non-current assets	612	615	100
Total non-current assets	1,021,011	1,032,949	99
Assets held for sale	41	41	100
Inventories	381,062	389,178	98
Contract assets	2,028	500	406
Trade receivables	423,664	415,286	102
Other receivables	12,689	15,667	81
Loans	48,633	57,836	84
Investments	383	524	73
Cash and cash equivalents	391,871	296,398	132
Total current assets	1,260,371	1,175,430	107
Total assets	2,281,382	2,208,379	103
Equity			
Share capital	54,732	54,732	100
Treasury shares	-102,153	-99,279	103
Reserves	222,618	218,787	102
Retained earnings	1,694,231	1,617,610	105
Total equity	1,869,428	1,791,850	104
Liabilities			
Provisions	120,630	119,830	101
Deferred revenue	4,177	4,387	95
Trade payables	10,000	10,000	100
Lease liabilities	2,283	2,163	106
Total non-current liabilities	137,090	136,380	101
Trade payables	144,282	143,294	101
Borrowings	51,466	46,345	111
Lease liabilities	930	659	141
Income tax payable	16,968	13,354	127
Contract liabilities	8,568	16,581	52
Other current liabilities	52,650	59,916	88
Total current liabilities	274,864	280,149	98
Total liabilities	411,954	416,529	99
Total equity and liabilities	2,281,382	2,208,379	103

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

€ thousand	Jan–Mar 2021	Jan–Mar 2020	Index
Revenue	357,257	434,883	82
– Revenue from contracts with customers	355,678	433,213	82
– Other revenue	1,579	1,670	95
Cost of goods sold	-148,463	-181,843	82
Gross profit	208,794	253,040	83
Other operating income	686	347	198
Selling and distribution expenses	-63,470	-70,492	90
– Of that net impairments and write-offs of receivables	-287	-232	124
R&D expenses	-38,704	-38,052	102
General and administrative expenses	-20,257	-18,689	108
Operating profit	87,049	126,154	69
Financial income	5,101	15,380	33
Financial expenses	-555	-46,758	1
Net financial result	4,546	-31,378	
Profit before tax	91,595	94,776	97
Income tax	-12,100	-11,401	106
Net profit	79,495	83,375	95
Basic earnings per share* (€)	2.55	2.65	96
Diluted earnings per share** (€)	2.55	2.65	96

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

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

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

€ thousand	Jan–Mar 2021	Jan–Mar 2020	Index
Net profit	79,495	83,375	95
Other comprehensive income for the period			
Other comprehensive income for the period that will not be reclassified to profit or loss at a future date			
Change in fair value of financial assets	1,181	-958	
Deferred tax effect	-224	182	
Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date	957	-776	
Total other comprehensive income for the period (net of tax)	957	-776	
Total comprehensive income for the period (net of tax)	80,452	82,599	97

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

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

€ thousand	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Other profit reserves	Retained earnings	Profit for the period	
At 1 Jan 2020	54,732	-73,774	73,774	105,897	14,990	30,000	-23,604	1,211,292	43,158	227,713	1,664,178
Net profit	0	0	0	0	0	0	0	0	0	83,375	83,375
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	-776	0	0	0	-776
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	-776	0	0	83,375	82,599
Transactions with owners, recognised in equity											
Transfer of previous period's profits to retained earnings	0	0	0	0	0	0	0	0	227,713	-227,713	0
Repurchase of treasury shares	0	-4,924	0	0	0	0	0	0	0	0	-4,924
Formation of reserves for treasury shares	0	0	4,924	0	0	0	0	0	0	-4,924	0
Total transactions with owners, recognised in equity	0	-4,924	4,924	0	0	0	0	0	227,713	-232,637	-4,924
At 31 Mar 2020	54,732	-78,698	78,698	105,897	14,990	30,000	-24,380	1,211,292	270,871	78,451	1,741,853

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

€ thousand	Jan–Mar 2021	Jan–Mar 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	79,495	83,375
Adjustments for:	33,047	21,382
– Amortisation/Depreciation	21,362	20,860
– Foreign exchange differences	-460	742
– Investment income	-644	-15,440
– Investment expenses	276	3,294
– Interest income and other financial income	1	0
– Interest expense and other financial expenses	412	525
– Income tax	12,100	11,401
Operating profit before changes in net current assets	112,542	104,757
Change in trade receivables	-6,999	-19,433
Change in inventories	8,116	16,958
Change in trade payables	-219	-12,983
Change in provisions	580	744
Change in deferred revenue	-210	-63
Change in other current liabilities	-7,266	6,287
Income tax paid	-8,549	-4,786
Net cash from operating activities	97,995	91,481
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	103	124
Dividends received	67	0
Proportionate profit of subsidiaries	0	500
Proceeds from sale of property, plant and equipment	136	569
Purchase of property, plant and equipment	-14,371	-20,679
Purchase of intangible assets	-337	-555
Acquisition of subsidiaries and a share of minority interests net of financial assets acquired	0	-4
Non-current loans	-580	-419
Proceeds from repayment of non-current loans	461	1,612
Payments for acquisition of non-current investments	-7	-12
Proceeds from sale of non-current investments	11	13
Proceeds from/Payments for current investments and loans	9,233	-334
Payments for derivatives	0	-3,258
Proceeds from derivatives	425	17
Net cash from investing activities	-4,859	-22,426
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-182	-158
Proceeds from/Payments for current borrowings	5,085	-5,133
Lease liabilities paid	-199	-176
Repurchase of treasury shares	-2,874	-4,924
Net cash from financing activities	1,830	-10,391
Net increase in cash and cash equivalents	94,966	58,664
Cash and cash equivalents at beginning of year	296,398	195,236
Effect of foreign exchange rate fluctuations on cash held	507	-792
Closing balance of cash and cash equivalents	391,871	253,108

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

€ thousand	European Union		South-Eastern Europe		Eastern Europe		Other		Total	
	Jan–Mar 2021	Jan–Mar 2020	Jan–Mar 2021	Jan–Mar 2020	Jan–Mar 2021	Jan–Mar 2020	Jan–Mar 2021	Jan–Mar 2020	Jan–Mar 2021	Jan–Mar 2020
Revenue	196,259	250,523	20,921	27,853	122,269	139,897	17,808	16,610	357,257	434,883
– Revenue from contracts with customers	194,700	248,882	20,921	27,853	122,267	139,891	17,790	16,587	355,678	433,213
– Other revenue	1,559	1,641	0	0	2	6	18	23	1,579	1,670
Other operating income	686	346	0	0	0	1	0	0	686	347
Operating costs	-157,809	-188,634	-13,203	-15,354	-85,389	-93,821	-14,493	-11,267	-270,894	-309,076
Operating profit	39,136	62,235	7,718	12,499	36,880	46,077	3,315	5,343	87,049	126,154
Interest income	99	117	0	0	0	4	0	0	99	121
Interest expense	-76	-142	0	-1	-3	-3	-1	-3	-80	-149
Net financial result	-1,613	-6,502	-14	503	5,658	-25,197	515	-182	4,546	-31,378
Income tax	-5,440	-5,624	-1,073	-1,131	-5,126	-4,164	-461	-482	-12,100	-11,401
Net profit	32,083	50,109	6,631	11,871	37,412	16,716	3,369	4,679	79,495	83,375
Investments	7,902	9,808	0	0	0	0	0	0	7,902	9,808
Depreciation of property, plant and equipment	15,217	14,297	428	487	3,688	4,238	421	274	19,754	19,296
Depreciation of right-of-use assets	138	119	4	4	35	36	4	2	181	161
Amortisation	784	808	84	90	488	451	71	54	1,427	1,403
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
Total assets	1,751,388	1,644,023	50,475	47,873	430,065	470,677	49,454	45,806	2,281,382	2,208,379
Total liabilities	279,749	288,890	13,933	15,112	89,806	95,513	28,466	17,014	411,954	416,529

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

Costs by nature

€270,894 thousand

€ thousand	Jan–Mar 2021	Jan–Mar 2020	Index
Cost of goods and material	97,508	125,091	78
Cost of services	75,793	84,067	90
Employee benefits	72,740	69,834	104
Amortisation and depreciation	21,362	20,860	102
Inventory write-offs and allowances (net)	1,771	2,738	65
Receivable impairments and write-offs (net)	-287	-232	124
Other operating expenses	5,799	7,336	79
Total costs	274,686	309,694	89
Change in the value of inventories of finished products and work in progress	-3,792	-618	614
Total	270,894	309,076	88

Employee benefits

€72,740 thousand

€ thousand	Jan–Mar 2021	Jan–Mar 2020	Index
Gross wages and salaries and continued pay	55,426	53,655	103
Social security contributions	4,456	4,297	104
Pension insurance contributions	6,810	6,477	105
Post-employment benefits and other non-current employee benefits	1,815	1,523	119
Other employee benefits	4,233	3,882	109
Total employee benefits	72,740	69,834	104

Other operating expenses

€5,799 thousand

€ thousand	Jan–Mar 2021	Jan–Mar 2020	Index
Grants and assistance for humanitarian and other purposes	296	196	151
Environmental protection expenditures	761	949	80
Other taxes and levies	3,720	4,759	78
Loss on sale and write-offs of property, plant and equipment and intangible assets	165	523	32
Other operating expenses	857	909	94
Total other operating expenses	5,799	7,336	79

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

Financial income and expenses

€ thousand	Jan–Mar 2021	Jan–Mar 2020	Index
Net foreign exchange differences	4,577	0	
Interest income	99	121	82
Derivatives income	425	15,259	3
– Realised revenue	425	17	2,500
– Fair value change	0	15,242	0
Total financial income	5,101	15,380	33
Net foreign exchange differences	0	-42,970	0
Interest expense	-80	-149	54
– Interest paid	-68	-136	50
– Interest expense on lease liabilities	-12	-13	92
Derivatives expenses	-142	-3,258	4
– Expenses incurred	0	-3,258	0
– Fair value change	-142	0	
Other financial expenses	-333	-381	87
Total financial expenses	-555	-46,758	1
Net financial result	4,546	-31,378	

Income tax

€12,100 thousand

Current income tax amounted to €12,163 thousand or 13.3% of profit before tax. Taking into account deferred tax of –€63 thousand, tax totalling

€12,100 thousand was expensed in the income statement. The effective tax rate was 13.2%.

Property, plant and equipment

€593,230 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Land	27,758	27,758	100
Buildings	258,692	263,859	98
Equipment	268,887	280,433	96
Property, plant and equipment being acquired	31,492	27,242	116
Advances for property, plant and equipment	3,163	3,021	105
Right-of-use assets – leases	3,238	2,851	114
Total property, plant and equipment	593,230	605,164	98

Value of property, plant, and equipment accounted for 26% of Krka balance sheet total. See section 'Investments' in the business report for details on Krka's major investments.

Intangible assets

€26,789 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Concessions, trademarks and licences	22,419	23,443	96
Intangible assets being acquired	4,370	4,450	98
Total intangible assets	26,789	27,893	96

Intangible assets comprised software and registration documents for new pharmaceuticals.

Loans

€83,741 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Non-current loans	35,108	35,024	100
– Loans to subsidiaries	23,650	23,650	100
– Loans to others	11,458	11,374	101
Current loans	48,633	57,836	84
– Portion of non-current loans maturing next year	4,058	4,022	101
– Loans to subsidiaries	1,514	707	214
– Loans to others	43,052	53,094	81
– Current interest receivables	9	13	69
Total loans	83,741	92,860	90

Non-current loans constituted 42% of total loans.

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

Current loans to others included bank deposits in total of €42,984 thousand maturing in more than 90 days.

Investments

€11,983 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Non-current investments	11,600	10,419	111
Financial assets at fair value through OCI (equity instruments)	11,600	10,419	111
Current investments including derivatives	383	524	73
– Derivatives	383	524	73
Total investments	11,983	10,943	110

Financial assets at fair value through OCI comprised shares and interests in companies in Slovenia totalling €851 thousand and shares and interests in companies located abroad totalling €10,749 thousand.

Inventories

€381,062 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Material	167,962	182,523	92
Work in progress	92,348	90,196	102
Finished products	105,335	105,170	100
Merchandise	11,349	10,062	113
Advances for inventories	4,068	1,227	332
Total inventories	381,062	389,178	98

Trade and other receivables

€436,353 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Current trade receivables	423,664	415,286	102
– Receivables due from subsidiaries	232,014	242,370	96
– Receivables due from customers other than Group companies	196,323	174,505	113
– Deferred revenue from contracts with customers	-4,673	-1,589	294
Current receivables for dividends – subsidiaries	8	76	11
Other current receivables	12,681	15,591	81
Total trade and other receivables	436,353	430,953	101

Cash and cash equivalents

€391,871 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Cash in hand	1	1	100
Bank balances	391,870	296,397	132
Total cash and cash equivalents	391,871	296,398	132

Equity

€1,869,428 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Share capital	54,732	54,732	100
Treasury shares	-102,153	-99,279	103
Reserves	222,618	218,787	102
– Reserves for treasury shares	102,153	99,279	103
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	-30,422	-31,379	97
Retained earnings	1,694,231	1,617,610	105
Total equity	1,869,428	1,791,850	104

Trade payables

€154,282 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Non-current trade payables	10,000	10,000	100
Current trade payables	144,282	143,294	101
Payables to subsidiaries	66,799	66,205	101
Payables to domestic suppliers	39,219	36,329	108
Payables to foreign suppliers	38,264	40,760	94
Total trade payables	154,282	153,294	101

Non-current trade payables included liabilities to the European Commission. In 2014, the Commission of the European Union ruled that Krka infringed the provision of Article 101 of the *Treaty on the Functioning of the European Union*, which resulted in a distortion of competition on the perindopril market of the European Union. Thus, it imposed a fine of €10,000 thousand on Krka. Krka paid the penalty imposed within the deadline set by the Commission and filed a lawsuit against the Commission's decision before the General Court of the European Union(,)

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

Provisions

€120.630 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Provisions for lawsuits	2,100	2,100	100
Provisions for post-employment benefits and other non-current employee benefits	118,530	117,730	101
Total provisions	120,630	119,830	101

Deferred revenue

€4,177 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Grants received from the European Regional Development Fund and budget of the Republic of Slovenia intended for the production of pharmaceuticals in the new Notol 2 plant	1,252	1,317	95
Subsidy for acquisition of electric drive vehicles	4	4	100
Property, plant and equipment received free of charge	6	7	86
Subsidy for the purchase of joinery	95	95	100
Subsidy for acquisition of other equipment	4	4	100
Grants received from the European Regional Development Fund – development of new technologies (FBD project)	2,816	2,960	95
Total deferred revenue	4,177	4,387	95

Borrowings

€51,466 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Current borrowings	51,466	46,345	111
– Borrowings from subsidiaries	51,440	46,317	111
– Current interest payable	26	28	93
Total borrowings	51,466	46,345	111

Current contract liabilities

€8,568 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Refund liabilities	7,038	11,940	59
– Bonuses and volume rebates	7,038	11,940	59
Contract liabilities	1,530	4,641	33
– Contract liabilities – advances from Group companies	0	2,021	0
– Contract liabilities – advances from other customers	1,530	2,620	58
Total current contract liabilities	8,568	16,581	52

Other current liabilities

€52,650 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Payables to employees – gross salaries, other receipts and charges	45,263	52,202	87
Other	7,387	7,714	96
Total other current liabilities	52,650	59,916	88

Contingent liabilities

€13,756 thousand

€ thousand	31 Mar 2021	31 Dec 2020	Index
Guarantees issued	13,756	14,204	97
Total contingent liabilities	13,756	14,204	97

Fair value

€ thousand	31 Mar 2021		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans	35,108	35,108	35,024	35,024
Financial assets at fair value through OCI (equity instruments)	11,600	11,600	10,419	10,419
Current loans	48,633	48,633	57,836	57,836
Current investments	383	383	524	524
– Derivatives	383	383	524	524
Trade receivables	423,664	423,664	415,286	415,286
Cash and cash equivalents	391,871	391,871	296,398	296,398
Current borrowings	-51,466	-51,466	-46,345	-46,345
Non-current trade payables	-10,000	-10,000	-10,000	-10,000
Lease liabilities	-3,213	-3,213	-2,822	-2,822
Current trade payables excluding advances	-144,282	-144,282	-143,294	-143,294
Current contract liabilities excluding advances	-7,038	-7,038	-11,940	-11,940
Other current liabilities excluding amounts owed to the state, to employees, and advances	-3,089	-3,089	-2,499	-2,499
Total	692,171	692,171	598,587	598,587

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

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

Assets at fair value

€ thousand	31 Mar 2021				31 Dec 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Financial assets at fair value through OCI (equity instruments)	10,214	0	1,386	11,600	9,033	0	1,386	10,419
Derivatives	0	0	383	383	0	0	524	524
Total assets at fair value	10,214	0	1,769	11,983	9,033	0	1,910	10,943
Assets for which fair value is disclosed								
Non-current loans	0	0	35,108	35,108	0	0	35,024	35,024
Current loans	0	0	48,633	48,633	0	0	57,836	57,836
Trade receivables	0	0	423,664	423,664	0	0	415,286	415,286
Cash and cash equivalents	0	0	391,871	391,871	0	0	296,398	296,398
Total assets for which fair value is disclosed	0	0	899,276	899,276	0	0	804,544	804,544
Total	10,214	0	901,045	911,259	9,033	0	806,454	815,487

Liabilities at fair value

€ thousand	31 Mar 2021				31 Dec 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities for which fair value is disclosed								
Current borrowings	0	0	51,466	51,466	0	0	46,345	46,345
Non-current trade payables	0	0	10,000	10,000	0	0	10,000	10,000
Lease liabilities	0	0	3,213	3,213	0	0	2,822	2,822
Current trade payables excluding advances	0	0	144,282	144,282	0	0	143,294	143,294
Current contract liabilities excluding advances	0	0	7,038	7,038	0	0	11,940	11,940
Other current liabilities excluding amounts owed to the state, to employees, and advances	0	0	3,089	3,089	0	0	2,499	2,499
Total liabilities for which fair value is disclosed	0	0	219,088	219,088	0	0	216,900	216,900
Total	0	0	219,088	219,088	0	0	216,900	216,900

STATEMENT OF COMPLIANCE

The Management Board of Krka, d. d., Novo mesto hereby states that the condensed financial statements of Krka and the condensed consolidated financial statements of the Krka Group for the period ended 31 March 2021 have been prepared so as to provide a true and fair view of the financial position and operating results of Krka and the Krka Group. The condensed statements for the first quarter of 2021 have been prepared using the same accounting policies as for the annual financial statements of Krka and the Krka Group for 2020.

The condensed financial statements for the period ended 31 March 2021 have been prepared pursuant to IAS 34 – *Interim Financial Reporting* and have to

Novo mesto, 10 May 2021

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

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

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



Jože Colarič
President of the Management Board and CEO



Dr. Aleš Rotar
Member of the Management Board



Dr. Vinko Zupančič
Member of the Management Board



David Bratož
Member of the Management Board



Milena Kastelic
Member of the Management Board – Worker Director