



The Krka Group and Krka, d. d. Unaudited Quarterly Report, 1 January to 30 September 2021

Novo mesto, November 2021



Living a healthy life.

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INTRODUCTION

Condensed financial statements of the Krka Group and condensed financial statements of Krka, d. d., Novo mesto (hereinafter also Krka, the Company, or the controlling company) for the nine months ended 30 September 2021 and 30 September 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 Krka, d. d., Novo mesto are available on the Krka website www.krka.biz.

At its regular meeting of 17 November 2021, the Supervisory Board of Krka discussed the unaudited interim report of the Krka Group and Krka for the nine months ended 30 September 2021.

Business Performance Highlights for the Period

- Krka Group sales of products and services amounted to €1,173.3 million. Product sales accounted for 98% of total sales.
- Krka Group sales in the first nine months have been the highest up to date.
- Krka Group product-and-service sales increased by 1% year on year, presenting an 8% rise compared to the same period in 2019.
- We generated 94% of product and service sales outside Slovenia. Exports amounted to 96% of total product sales.
- Accounting for 33.9% of total sales, the Group's largest region in terms of sales value was Region East Europe. The second largest region was Region Central Europe.
- The Krka Group generated operating profit of €271.3 million, down 10% on the same period last year. EBIT margin was 23.1%.
- Operating profit before depreciation and amortization (EBITDA) totalled €352.7 million, while EBITDA margin reached 30.0%.
- The Krka Group recorded net profit of €240.1 million, a 14% rise on the same period last year. Net profit margin (ROS) was 20.4%.
- Unlike last year, we generated a positive net financial result of €8.8 million, mainly owing to favourable exchange rate movements.
- Selling and distribution expenses declined by 4% year on year. Measures adopted to curb the spread of the pandemic still affect marketing activities.
- In the period from January to September 2021, R&D expenses totalled €113.0 million, accounting for 9.6% of revenue.
- As at 30 September 2021, the Krka share traded at €111.50 on the Ljubljana Stock Exchange, up 22.0% on year-end 2020. Market capitalisation amounted to €3.7 billion. From January to September 2021, Krka repurchased treasury shares totalling €10.4 million.
- The Group allocated €45.3 million to investments, of that €34.8 million to the controlling company.
- At the end of September 2021, the Krka Group had 11,470 regularly employed persons on payroll. Total headcount, including agency workers, was 12,410, a slight drop on year-end 2020.

Financial Highlights

€ thousand	Krka Group			Krka		
	Jan–Sept 2021	Jan–Sept 2020	Index	Jan–Sept 2021	Jan–Sept 2020	Index
Revenue	1,176,552	1,160,179	101	1,047,144	1,112,896	94
– Of that revenue from contracts with customers (products and services)	1,173,292	1,156,565	101	917,894	933,725	98
Gross profit	664,702	701,558	95	585,979	638,107	92
EBITDA	352,690	384,555	92	290,815	343,873	85
EBIT ¹	271,269	300,755	90	227,211	281,201	81
EBT	280,107	250,241	112	241,413	232,957	104
Net profit	240,100	210,145	114	209,523	197,268	106
Effective tax rate	14.3%	16.0%		13.2%	15.3%	
R&D expenses	113,043	112,067	101	110,373	110,986	99
Investments	45,320	53,831	84	34,814	39,895	87

€ thousand	30 Sept 2021	31 Dec 2020	Index	30 Sept 2021	31 Dec 2020	Index
Non-current assets	985,560	990,998	99	1,017,836	1,032,949	99
Current assets	1,357,083	1,244,544	109	1,233,064	1,175,430	105
– Inventories	435,448	453,690	96	369,829	389,178	95
– Trade receivables	464,387	383,560	121	448,549	415,286	108
– Cash and cash equivalents	348,625	313,568	111	324,449	296,398	109
Equity	1,849,529	1,751,812	106	1,838,391	1,791,850	103
Non-current liabilities	173,001	172,796	100	138,210	136,380	101
Current liabilities	320,113	310,934	103	274,299	280,149	98
– Trade payables	105,662	107,116	99	142,871	143,294	100

RATIOS	Jan–Sept 2021	Jan–Sept 2020	Jan–Sept 2021	Jan–Sept 2020
Gross profit margin	56.5%	60.5%	56.0%	57.3%
EBITDA margin	30.0%	33.1%	27.8%	30.9%
EBIT margin	23.1%	25.9%	21.7%	25.3%
EBT margin	23.8%	21.6%	23.1%	20.9%
Net profit margin (ROS)	20.4%	18.1%	20.0%	17.7%
Return on equity (ROE) ²	17.8%	16.7%	15.4%	15.6%
Return on assets (ROA) ³	14.0%	12.9%	12.5%	12.3%
Liabilities/Equity	0.267	0.289	0.224	0.255
R&D expenses/Revenue	9.6%	9.7%	10.5%	10.0%

NUMBER OF EMPLOYEES	30 Sept 2021	31 Dec 2020	Index	30 Sept 2021	31 Dec 2020	Index
Balance at	11,470	11,677	98	6,188	6,191	100

SHARE INFORMATION	Jan–Sept 2021	Jan–Sept 2020	Index
Total number of shares issued	32,793,448	32,793,448	100
Earnings per share (EPS) in € ⁴	10.29	8.97	115
Closing price at end of period in € ⁵	111.50	82.00	136
Price/Earnings ratio (P/E)	10.84	9.14	119
Book value in € ⁶	56.40	51.47	110
Price/Book value (P/B)	1.98	1.59	124
Market capitalisation in € thousand (end of period)	3,656,469	2,689,063	136

¹ The difference between operating income and expenses

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

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

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

⁵ Share price on the Ljubljana Stock Exchange

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

ID Card

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

Registered office Šmarješka cesta 6, 8501 Novo mesto, Slovenia

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Website www.krka.biz

Core business Manufacture of pharmaceutical preparations

Business classification code 21,200

Year established 1954

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

Tax number 82646716

VAT number SI82646716

Company ID number 5043611000

Share capital €54,732,264.71

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

At a Glance

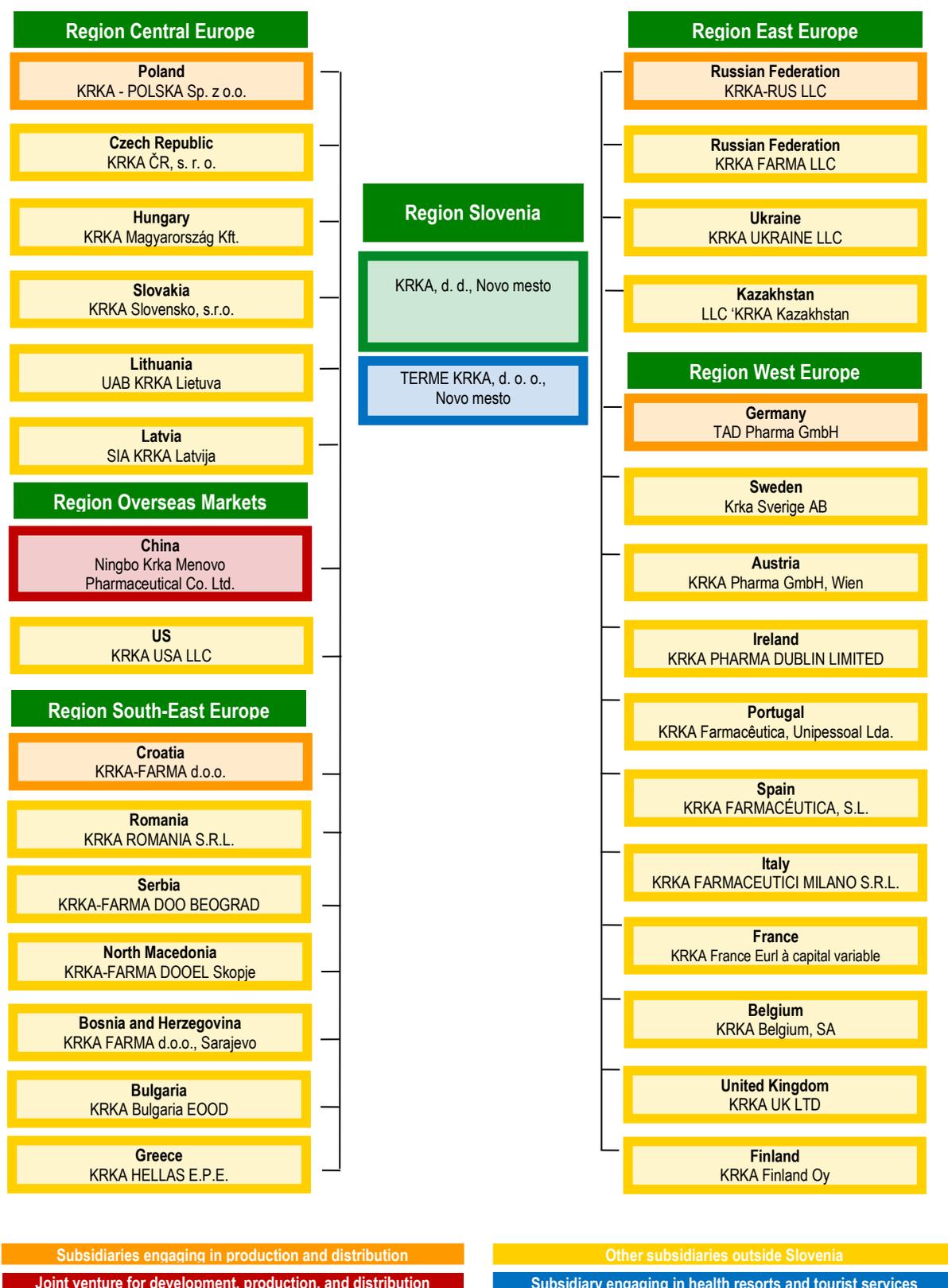
The Krka Group consists of the controlling company, Krka, d. d., Novo mesto, one subsidiary in Slovenia, i.e. Terme Krka, d. o. o., Novo mesto, and 30 subsidiaries abroad. The controlling company, Krka, d. d., Novo mesto, owns a 100% stake in all subsidiaries except in Ningbo Krka Menovo Pharmaceutical Co. Ltd., where Krka holds a 60% stake and the Chinese partner, Ningbo Menovo Pharmaceutical Co. Ltd., a 40% stake.

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

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

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

Organisational Chart



Development Strategy

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

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

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

Key Krka Group strategic objectives and guidelines up to 2026 are set out below.

Key Strategic Objectives up to 2026

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

2021 Krka Group Performance Estimate

- Sales of products and services are in line with the plan. They are estimated at €1,535 million annually. Average annual growth over the five-year period is expected to reach 5.5%.
- Sales outside Slovenia are expected to account for 94% of total sales.
- We expect Region East Europe to be the largest sales region and the Russian Federation to remain the largest individual market. Other regions are projected to follow in this order: Region Central Europe with our second largest individual market Poland, Region West Europe with our third largest individual market Germany, Region South-East Europe, Region Slovenia, and Region Overseas Markets.
- Prescription pharmaceuticals are expected to remain the most important product group, accounting for an 85% share of total sales.
- According to our estimates, net profit will be €35 million higher than planned, amounting to approximately €300 million.
- We estimate we will have allocated €73 million to investments in in-house development, production, and infrastructure facilities. The figure is below the initial plan due to restrictions imposed by the state to curb the COVID-19 pandemic. Despite this, all investments included in our business plan are currently in progress.
- At the end of 2021, the Krka Group is expected to have 11,800 regular employees on payroll, of that a good 46% abroad.

Krka Group 2022 Business Plan

- We estimate sales of products and services at €1,610 million, a 5% rise compared to the 2021 sales estimate.
- Sales outside Slovenia are projected to account for more than 94% of total sales.
- Prescription pharmaceuticals remain the most important product group with 84% share of total sales.
- We plan net profit at approximately €300 million. Average annual growth over the five-year period is projected to reach 14.5%.
- The total number of employees in Slovenia and abroad is projected to grow by 2%.
- We plan to allocate €130 million to investments, primarily to expand and technologically modernise production and development facilities and infrastructure.
- The 2022 business plan ensues from the *2022–2026 Development Strategy of Krka Group* and is based on estimates, assessments, projections, and other available data. The Management Board believe the projections are reasonable. In the event of any major changes in the Group's business environment, e.g. price erosion, rising prices of raw materials, unfavourable FX movements, and decreased demand for pharmaceutical products, the actual operating results could deviate from the plan.

BUSINESS REPORT

Financial Risks

Foreign Exchange Risk

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

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

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

Global economic growth in 2021 was favourable. In the third quarter, global GDP surpassed pre-pandemic levels. Rapid economic recovery increased the risk of rising inflation, posing an issue in certain countries and industries. Rising raw material and energy prices and expected tightening of monetary policies by the world's most important central banks are increasing exchange rate volatility.

Due to rising inflation in the first nine months of this year, the Russian central bank increased its key interest rate by 250 basis points in total. In the first nine months of 2021, growing interest rates, increasing oil prices, relatively calm geopolitical situation, and activities of Russian financial

authorities provided favourable conditions for strengthening the Russian rouble against the euro and US dollar. In the first three quarters of 2021, the value of the rouble against the euro rose by 8.5%. In the same period, the average value of the Russian rouble dropped by 9.7% year on year.

From January to September 2021, the Krka Group generated foreign exchange gains from the long position in the Russian rouble, which were partially offset by expenses from forward contracts.

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

Over the first nine months of 2021, the value of the US dollar increased by 6%. The Krka Group accrued a surplus of liabilities over assets from exposure to the US dollar and a short currency position. As a result, the strengthening of the dollar value has negatively affected the Group's operating profit. The negative impact of the strong dollar was offset by financial instruments.

Taking into account net foreign exchange impact, financial instruments income and expenses, interest income and expense, as well as other financial income and expenses, total net financial result for the first nine months of 2021 was positive and amounted to €8.8 million.

Interest Rate Risk

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

Credit Risk

The key credit risk of the Krka Group arises from trade receivables. This is the risk of customers defaulting on their liabilities on maturity. The Krka Group introduced a centralised credit control process, which includes all customers with credit limits exceeding €20,000. Numbering over 550 at the end of the third quarter of 2021, these 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 Krka Group records low value of receivable write-offs and impairments because receivables are

dispersed across a large number of customers and sales markets, and the majority of outstanding receivables are due from customers with whom Krka has been doing business for many years.

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

Liquidity Risk

The Krka Group exposure to liquidity risk was low in the first nine months of 2021. We employed cash flows from operating activities to provide for adequate short-term liquidity. From January to September of this year, bank balances increased, primarily as a result of positive cash flows from operating activities exceeding negative cash flows from financing and investing activities in this period.

Property, Liability, and Business Interruption Insurance

Despite the demanding conditions in the global insurance market, we managed to maintain a low premium share in revenue at the level of the past five years. An analysis of car insurance for 2020 confirmed the measures taken to reduce the number of car damages and the amount of insurance premiums were effective.

To increase the competitiveness of our insurance providers, we started activities to find new providers

Investor and Share Information

In the first nine months of 2021, the Krka share price on the Ljubljana Stock Exchange rose by 22%. In the same period, holdings of Slovenian retail investors, legal entities and institutional investors, and treasury

At the end of the third quarter of 2021, total value of trade receivables denominated in euros was at a similar level as at the end of the first six months but 21% higher than at the beginning of the year. Despite the COVID-19-related risks, the result of receivable management was favourable in the first nine months of the year.

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

We did not draw any additional liquid assets from pre-approved short-term 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.

from international markets. We invited an insurance brokerage company to work with us. Together, we prepared a plan to expand the range of quotes by internationally recognised insurance companies with high credit ratings. We pursue our insurance strategy including management of insurance premiums, transparency in conclusion of insurance contracts, and stability of insurance types by subject and extent of coverage.

shares increased, while holdings of foreign investors declined. At the end of September 2021, Krka had a total of 46,960 shareholders.

Shareholder structure (%)

	30 September 2021	31 December 2020
Slovenian retail investors	38.6	38.2
Slovenski državni holding (SDH, Slovenian Sovereign Holding) and the Republic of Slovenia	16.2	16.2
Kapitalska družba, d. d. (Pension Fund Management) and Prvi pokojninski sklad (First Pension Fund)	10.9	10.9
Slovenian legal entities and institutional investors	6.9	6.8
Foreign investors	22.4	23.2
Treasury shares	5.0	4.7
Total	100.0	100.0

From January to September 2021, Krka acquired 99,995 treasury shares.

As at 30 September 2021, Krka held 1,641,769 treasury shares, accounting for 5.006% of share capital.

Ten largest shareholders as at 30 September 2021

	Country	Number of shares	Equity (%)	Voting rights (%)
Kapitalska družba, d. d.	Slovenia	3,493,030	10.65	11.21
Slovenski državni holding, d. d. (SDH)	Slovenia	2,949,876	9.00	9.47
Republic of Slovenia	Slovenia	2,366,105	7.22	7.60
OTP banka d.d.*	Croatia	1,609,953	4.91	5.17
Addiko Bank d.d. Pension Fund 1	Croatia	1,199,638	3.66	3.85
Clearstream Banking S.A.*	Luxembourg	1,062,923	3.24	3.41
State Street Bank and Trust*	US	547,431	1.67	1.76
Luka Koper, d. d.	Slovenia	433,970	1.32	1.39
KDPW*	Poland	321,717	0.98	1.03
Privredna banka Zagreb d. d.*	Croatia	318,434	0.97	1.02
Total		14,303,077	43.62	45.91

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

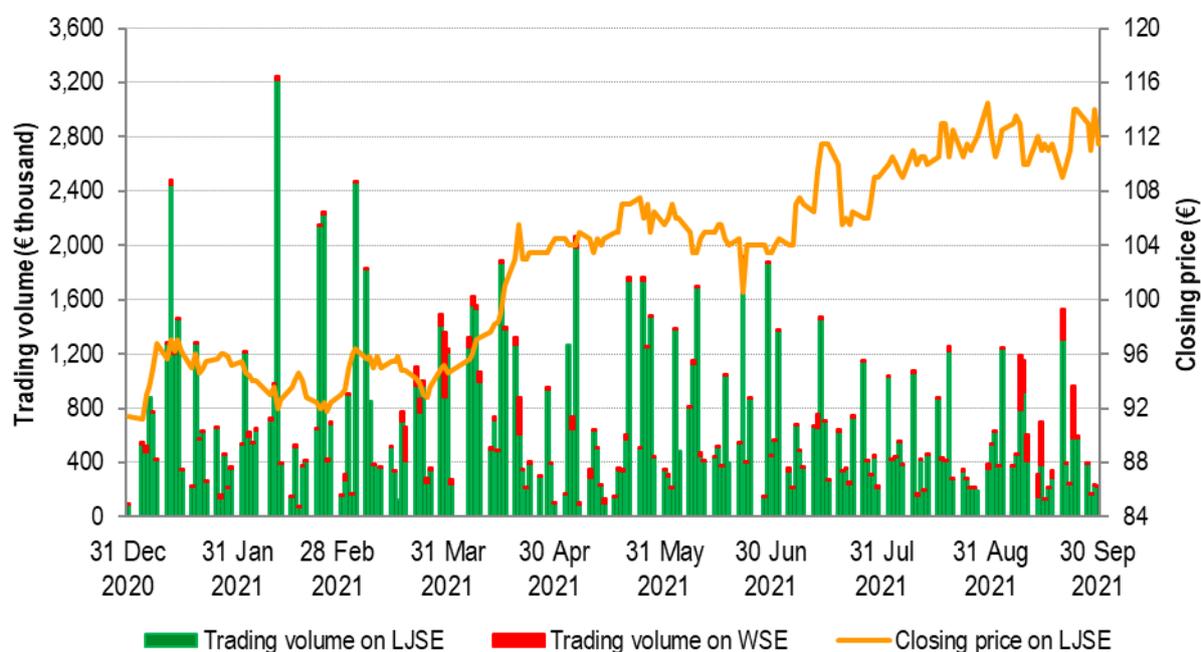
As at 30 September 2021, ten largest Krka shareholders held 14,303,077 shares or 43.62% of total shares issued.

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

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

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

Krka share trades from January to September 2021



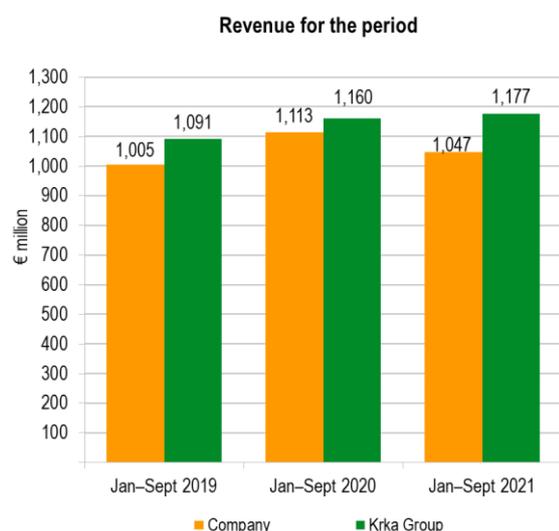
In the first nine months of 2021, the Krka share price on the Ljubljana Stock Exchange peaked at the end of August, when shares traded at €114.50, and reached its low at the beginning of January, when it amounted to €91.20. On 30 September 2021, Krka shares traded at €111.50 per share.

As at the same date, market capitalisation of Krka on the Ljubljana Stock Exchange amounted to €3.7 billion. In this period, the average daily trading volume of Krka shares reached €0.67 million. Since April 2012, Krka shares have been listed on the Warsaw Stock Exchange as well.

Business Performance

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

Revenue



The Krka Group generated revenue totalling €1,176.6 million, of which revenue from contracts with customers on sales of products and services amounted to €1,173.3 million. Revenue from contracts with customers on sales of materials and other sales revenue constituted the difference. Revenue grew by €16.4 million, a 1% rise on last year. In that period, strong revenue growth was recorded primarily due to individual spending peaks spurred by the first wave of the pandemic. Compared to the same period of 2019, sales went up by 8%.

Other operating income amounted to €5.7 million, while financial income totalled €18.2 million. The Krka Group generated total revenue of €1,200.5 million, up 1% on the same period last year.

Please find details on sales breakdown by region and category in the section 'Marketing and Sales'.

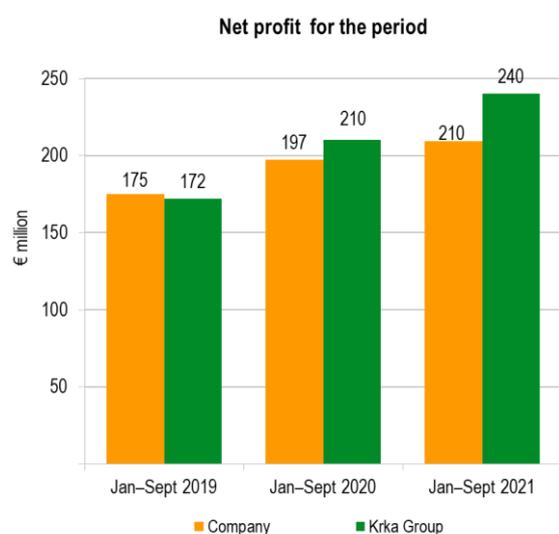
Expenses

Total expenses of the Krka Group amounted to €920.4 million, down 2% year on year.

The Group incurred operating expenses of €911.0 million, up 5% on the same period last year. They comprised cost of goods sold totalling €511.9 million, selling and distribution expenses of €220.5 million, R&D expenses amounting to €113.0 million, and general and administrative expenses totalling €65.6 million.

Cost of goods sold saw a 12% year-on-year rise, accounting for 43.5% of revenue. Selling and distribution expenses declined by 4%, amounting to 18.7% of revenue. R&D expenses increased by 1% and were recognised as expenses for the period in full as the Krka Group does not capitalise them. They accounted for 9.6% of revenue. General and administrative expenses went up by 2% and constituted 5.6% of revenue.

Operating Results



Operating profit (EBIT) of the Krka Group reached €271.3 million, a 10% decrease year on year. Operating profit before depreciation and amortisation (EBITDA) totalled €352.7 million, down by 8% on the first nine months of 2020.

Profit before tax amounted to €280.1 million, up 12% compared to the same period last year. Income tax totalled €40.0 million, and effective tax rate was recorded at 14.3%.

Net profit of the Krka Group reached €240.1 million, a 14% year-on-year increase.

Assets

At the end of September 2021, the Krka Group assets were valued at €2,342.6 million, a 5% rise on year-end 2020.

Non-current assets accounted for 42.1% of total assets, down 2.2 percentage points from the beginning of the year. The most important item under non-current assets totalling €985.6 million was property, plant and equipment valued at €783.3 million. Its value decreased by 3% on year-end 2020, accounting for 33.4% of total Krka Group assets.

Intangible assets amounted to €103.7 million, a 3% decline on year-end 2020.

Current assets increased by 9% to €1,357.1 million. Over the course of the period, inventories decreased by 4% and amounted to €435.4 million. Receivables went up by 21% to €498.9 million, of which trade receivables totalled €464.4 million, up 21% on year-end 2020.

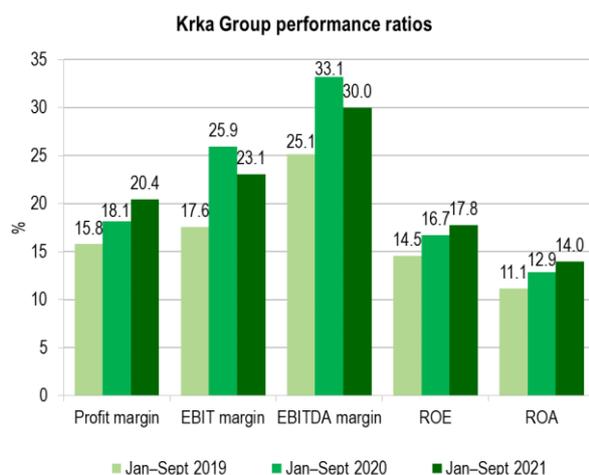
Equity and Liabilities

Equity of the Krka Group totalled €1,849.5 million, a 6% increase on year-end 2020, and accounted for 79.0% of total equity and liabilities.

Amounting to €173.0 million, non-current liabilities accounted for 7.4% of the Krka Group balance sheet total and remained similar to year-end 2020. Provisions totalled €136.2 million (of which post-employment and other non-current employee benefits accounted for €132.0 million, provisions for lawsuits €2.1 million, and other provisions €2.1 million), up 1% on year-end 2020.

Current liabilities increased by 3% on year-end 2020 and amounted to €320.1 million, i.e. 13.7% of balance sheet total. Of current liabilities, trade payables totalled €105.7 million, down 1% on year-end 2020. Liabilities from contracts with customers totalled €113.2 million, up 7% on year-end 2020, while other current liabilities increased by 15% to €90.9 million.

Performance Ratios



In the period from January to September 2021, the Krka Group net profit margin (ROS) amounted to 20.4%, EBIT margin 23.1%, and EBITDA margin 30.0%.

At the Group level, annualised return on equity (ROE) was 17.8% and annualised return on assets (ROA) 14.0%.

Marketing and Sales

In the first nine months of 2021, the Krka Group generated sales revenue in total of €1,176.6 million, a 1% year-on-year increase. Of that revenue from contracts with customers (products and services) amounted to €1,173.3 million. Compared to the same

period of 2019, sales went up by 8%. Sales in markets outside Slovenia reached €1,104.5 million, accounting for 94% of overall Krka Group sales. Year on year, sales volume increased by 3%.

Product and Service Sales by Region

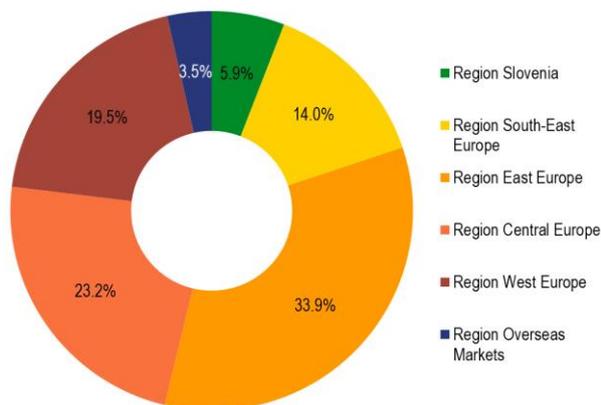
We increased sales in all regions except in Region West Europe. Region East Europe recorded the highest sales, €397.7 million, or 33.9% of total Krka Group sales. Region Central Europe followed with €271.9 million, or 23.2% of total Krka Group sales. Region West Europe ranked third in terms of sales with €229.0 million, or 19.5% of total Krka Group

sales. Region South-East Europe generated €164.2 million in sales or 14.0% of total sales, while Region Overseas Markets contributed €41.8 million or 3.5% to total sales. Sales by Region Slovenia amounted to €68.8 million or 5.9% of total Krka Group sales.

Product and Service Sales by Region

€ thousand	Krka Group			Krka		
	Jan-Sept 2021	Jan-Sept 2020	Index	Jan-Sept 2021	Jan-Sept 2020	Index
Region Slovenia	68,805	64,554	107	42,439	42,223	101
Region South-East Europe	164,166	151,813	108	159,565	151,429	105
Region East Europe	397,749	377,183	105	233,966	206,250	113
Region Central Europe	271,858	262,003	104	260,548	251,662	104
Region West Europe	228,956	263,030	87	185,479	248,443	75
Region Overseas Markets	41,758	37,982	110	35,897	33,718	106
Total	1,173,292	1,156,565	101	917,894	933,725	98

January–September 2021 Krka Group Sales Breakdown by Region



Region Slovenia

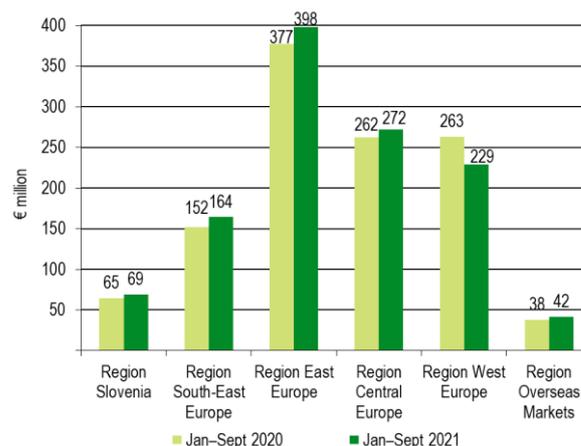
Region Slovenia generated €68.8 million in sales of products and services. The major portion of sales total, €42.4 million, was generated by product sales, up 1%. Prescription pharmaceuticals contributed to regional sales the most, accounting for €31 million or 73% of product sales. Non-prescription products generated €9.4 million or 22% of total product sales. Animal health product sales added up to €2.1 million or 5% of product sales. Holding a 7.4% market share, we maintained the leading position among pharmaceutical and food supplement manufacturers in Slovenia. Health resorts and tourist services generated €26.4 million, up 18% on the same period last year.

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

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

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

January–September 2020 and 2021 Krka Group Sales by Region



a multiple-agent tablet Roxiper (rosuvastatin/perindopril/indapamide), and added to the range a new triple-combination product, Roxampex (rosuvastatin/amlodipine/perindopril) tablets. As regards our pain relief range, we primarily focused on our analgesic Doreta (tramadol/paracetamol), adding a new dosage form, a prolonged-release bilayer tablet Doreta SR 75 mg/650 mg. We extended the range with Alogominal (metamizole), a non-opioid analgesic. We further strengthened recognition of two central nervous system agents, our antipsychotic Parnido (paliperidone) and antidepressant Dulsevia (duloxetine). We extended the product range with Vitamin D3 Krka 1000 (cholecalciferol) in a 90-tablet pack size available on prescription.

Our top-selling brands in Slovenia were Nalgessin and Nolpaza. Nalgessin Forte (naproxen) and Nolpaza (pantoprazole) are available as prescription pharmaceuticals, while Nalgessin S (naproxen) and Nolpaza Control (pantoprazole) are non-prescription products.

Of our prescription pharmaceuticals, Sorvasta (rosuvastatin) and Prenewel (perindopril/indapamide) generated strongest sales.

Nalgessin S (naproxen) and magnesium-containing products Magnezij Krka 300 and Magnesol contributed most to our non-prescription sales. We extended our non-prescription product portfolio with new pack size of Flebaven 1000 mg (diosmin).

Sales of our animal health products were driven by Fypryst Combo (fipronil/S-methoprene) for companion animals.

We continued to raise awareness of the general public about the importance of timely detection,

Region South-East Europe

In the first nine months of 2021, product sales in Region South-East Europe amounted to €164.2 million, an 8% year-on-year increase. Sales growth was recorded in all regional markets. In absolute terms, sales growth was the highest in Bulgaria, and in relative terms in Kosovo.

In **Romania**, our key and leading regional market, sales amounted to €47.1 million, a 6% year-on-year increase.

We were one of the leading providers of generic prescription pharmaceuticals in the country. Our cardiovascular agents Atoris (atorvastatin), Co-Prenessa (perindopril/indapamide), Roswera (rosuvastatin), and Karbis (candesartan) achieved the highest sales figures of all our prescription pharmaceuticals. They were followed by Doreta (tramadol/paracetamol) and Nolpaza (pantoprazole).

Sales of non-prescription products saw a slight decrease year on year. Bilobil (ginkgo leaf extract) and Nalgesin (naproxen) were our best-selling non-prescription products.

Animal health product sales did not change much year on year. We still focused on the companion animal segment, of which we should point out the Fypryst brand products and Milprazon (milbemycin/praziquantel).

Croatia is also one of our key markets. Sales there amounted to €28.1 million, a 4% year-on-year increase. We were the fifth largest provider of generic medicines and took the second place among producers of animal health products in the market.

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

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

recognition, and treatment of various diseases in compliance with our mission *living a healthy life*.

Emanera and Co-Dalneva presented the highest absolute growth. We launched Atixarso (ticagrelor) and Eliskardia (prasugrel) in the first nine months of 2021.

Of non-prescription products, which saw an 8% year-on-year increase, Nalgesin (naproxen), B-Complex, and the Septotele brand products sold best.

Sales of animal health products saw a slight drop year on year. Products sold under the Fypryst brand, Enroxil (enrofloxacin), Marfloxin (marbofloxacin), and Vitamin AD3E recorded the strongest sales.

In **Serbia**, sales amounted to €22.9 million, 8% more than in the same period last year. Sales were driven by:

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

Nolpaza (pantoprazole) and Co-Amlessa (perindopril/amlodipine/indapamide) presented the highest growth in absolute terms.

Non-prescription products contributed 9% to overall sales. Sales were driven by:

- Nalgesin (naproxen);
- Bilobil (ginkgo leaf extract);
- Septotele Total (benzylamine/cetylpyridinium chloride); and
- Letizen (cetirizine).

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

In **Bulgaria**, our sales reached €20.0 million, up 16% year on year. Prescription pharmaceuticals generated strongest sales, above all Co-Valsacor (valsartan/hydrochlorothiazide) that accounted for 65% of the market share in terms of volume. It was followed by:

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

In terms of value, Valtricom (valsartan/amlodipine/hydrochlorothiazide) and Diflazon (fluconazole) presented highest growth.

Compared to the same period last year, we increased sales of non-prescription and animal health products.

In **North Macedonia**, sales amounted to €18.5 million, a 12% year-on-year rise. We have retained the leading place among foreign providers of generic medicines in the country.

Most important prescription pharmaceuticals were:

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

We launched Xerdoxo (rivaroxaban).

Non-prescription product sales were higher than in the same period last year. Daleron (paracetamol), Septanazal (xylometazoline/dexpanthenol), Bilobil (ginkgo leaf extract), and the Septolete brand products contributed the most to overall sales.

Our animal health products also presented growth.

Sales in **Bosnia and Herzegovina** totalled €16.1 million. We retained the first place among foreign providers of generic medicines in the country. Prescription pharmaceuticals accounted for the major part of sales total, with:

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

presenting the strongest sales. We launched Xerdoxo (rivaroxaban).

Of non-prescription products, Nalgesin (naproxen) and B-Complex sold best, and we launched Vitamin D3 (cholecalciferol).

Sales of animal health products were driven by Fypryst (fipronil) and Rycarfa (carprofen).

As we are a foreign generic manufacturer in Bosnia and Herzegovina, we were also officially excluded from certain reimbursement lists, which affected our country sales in the third quarter.

In **Kosovo**, we generated €6.4 million in sales, 24% year-on-year growth, and remained one of the leading providers of medicines in the country.

In **Albania**, we generated €3 million in product sales, or 18% more than in the same period last year.

Our sales in **Montenegro** amounted to €1.7 million, an 18% year-on-year climb.

Our launches in **Greece** included:

- Pitavador (pitavastatin);
- Rosuvador (rosuvastatin);
- Esolib (esomeprazole);
- Zoletad (lansoprazole);
- Atoridor (atorvastatin);
- Valsareta (valsartan); and
- Co-Valsareta (valsartan/hydrochlorothiazide).

We started our promotion activities in the field. In the first nine months of 2021, our products sales amounted to €0.4 million.

Region East Europe

Region East Europe generated sales of €397.7 million, up 5% year on year. More than half of regional sales total was earned in our largest and key market, the Russian Federation. Except in Armenia and Turkmenistan, we recorded growth in all regional markets, the highest in Ukraine and Uzbekistan.

In the **Russian Federation**, which remained our key and largest individual market, product sales reached €240.0 million, comparable to the same period last year. Denominated in the Russian national currency, we increased year-on-year sales value by 14%. According to the latest available data, we ranked second among foreign generic providers of pharmaceuticals in the Russian Federation.

Prescription pharmaceuticals accounted for 85% of the country sales totalling €203.0 million, down 2% on the same period last year, but 13% more than last year when denominated in the national currency. Strongest sales were made by:

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

The highest absolute sales growth was presented by:

- Lorista (losartan) and losartan in combinations;
- Co-Dalneva (perindopril/amlodipine/indapamide);
- Roxera (rosuvastatin); and
- Nolpaza (pantoprazole).

Also two medicines launched last year, Telmista AM (telmisartan/amlodipine) and Roxatenz (rosuvastatin/perindopril/indapamide), achieved good sales results. We further strengthened the position of the leading provider of cardiovascular agents in the Russian Federation.

Non-prescription products generated €23.4 million, up 12% on the same period last year, and a 24% advance in local currency. Septolete Total (benzylamine/cetylpyridinium chloride), Herbion, and Nalgesin (naproxen) sold best, and Septolete Total achieved the highest absolute growth.

Sales of animal health products grew by 4% to €13.6 million. The largest contributors were Milprazon (milbemycin/praziquantel), Doxatib (doxycycline), and Floron (florfenicol).

We have been increasing the manufacturing capacity of our subsidiary Krka-Rus and strengthening our status of a domestic producer. We produce 75% of all products intended for the Russian market at the Krka-Rus plant.

In **Ukraine**, we generated €69.7 million in product sales, a 17% year-on-year increase. We strengthened our marketing position and ranked second among foreign providers of generic pharmaceuticals.

From our prescription pharmaceutical range, cardiovascular agents contributed the most to sales total and were also the leading category of prescription pharmaceuticals. Co-Amlessa (perindopril/amlodipine/indapamide), Co-Prenessa (perindopril/indapamide), and Nolpaza (pantoprazole) recorded the highest sales.

Non-prescription products achieved 30% growth. The Herbion brand products, Nalgesin (naproxen), and Bilobil (ginkgo leaf extract) recorded the strongest sales.

Year on year, sales of animal health products advanced by 15%.

Subregion East Europe B

In the first nine months of 2021, Subregion East Europe B composed of Belarus, Mongolia, Azerbaijan, and Armenia, generated product sales of €31.7 million, up 15% compared to the same period last year.

In **Belarus**, year-on-year sales increased by 7% and totalled €14.3 million. According to the latest available data, we ranked second among foreign providers of generic medicines in the country.

Prescription pharmaceuticals accounted for the largest portion of country sales, especially Co-Amlessa (perindopril/amlodipine/indapamide), Nolpaza (pantoprazole), and Lorista H and Lorista HD (losartan/hydrochlorothiazide). Of non-prescription products, sales were driven by the Septolete and Herbion brand products.

In **Mongolia**, sales of our products generated €9.4 million, and we maintained our position among the leading foreign providers of medicines. Year on year, we increased sales of prescription pharmaceuticals and non-prescription products. A significant proportion of sales was generated by our new medicines Lorista (losartan), Nolpaza (pantoprazole), Amlessa (perindopril/amlodipine), and Vamloset (valsartan/amlodipine). We successfully marketed our recently launched Dilaxa (celecoxib) capsules and Febuxostat (febuxostat) tablets. We also put Co-Vamloset (valsartan/amlodipine/hydrochlorothiazide) on the market.

In **Azerbaijan**, sales of our products totalled €5.2 million. Sales increased by 18% year on year. Key prescription pharmaceuticals included:

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

In **Armenia**, sales climbed to €2.8 million.

Subregion East Europe K

Our Subregion East Europe K includes Kazakhstan, Moldova, and Kyrgyzstan. The subregional sales in the first nine months of 2021 totalled €24.5 million, a 7% year-on-year rise. We recorded growth in all countries of the region.

In **Kazakhstan**, we generated €12.2 million in product sales, or 4% more than in the same period last year. Sales denominated in the national currency grew by 19%. The leading products were Nolpaza (pantoprazole), Enap (enalapril), and Atoris (atorvastatin). Non-prescription products contributed 25% to overall sales. Products of the Herbion, Duovit, and Septolete brands were top-selling non-prescription products. Animal health products

contributed 5% to overall sales and recorded 39% growth.

In **Moldova**, product sales amounted to €8.5 million, a 12% year-on-year increase. The leading products were Dexamethason Krka (dexamethasone), Rawel (indapamide), and Lorista (losartan). Non-prescription products contributed 18% to overall sales. Products sold under the Septolete brand, Septanazal (xylometazoline/dexpanthenol), and Nalgesin (naproxen) sold best. We also marketed animal health products in the country.

In **Kyrgyzstan**, sales amounted to €3.9 million, up 9% year on year. Lorista (losartan), Atoris (atorvastatin), and Nolpaza (pantoprazole) contributed most to sales. Non-prescription products accounted for 23% of overall sales. The leading products were those sold under the Septolete, Duovit, and Pikovit brands.

Subregion East Europe U

Subregion East Europe U, consisting of Uzbekistan, Georgia, Tajikistan, and Turkmenistan, generated €31.9 million in product sales in the first nine months of 2021, up 19% year on year. While sales increased in Uzbekistan, Georgia, and Tajikistan, they dropped in Turkmenistan.

In **Uzbekistan**, we generated sales of €23.3 million, a 23% year-on-year increase. According to the latest available data, we earned the leading place among providers of medicines in the country, especially cardiovascular agents. Our leading product group were prescription pharmaceuticals, and Amlessa (perindopril/amlodipine), Lorista (losartan), and Nolpaza (pantoprazole) generated the strongest sales. Key non-prescription products were those marketed under the Septolete and Pikovit brands.

In **Georgia**, our product sales advanced by 13% to €5.5 million. Key medicines were Atoris (atorvastatin); Enap H and Enap HL (enalapril/hydrochlorothiazide); and Co-Amlessa (perindopril/amlodipine/indapamide).

In **Tajikistan**, sales totalled €1.7 million. Nolpaza (pantoprazole), Naklofen (diclofenac), and Dexamethason Krka (dexamethasone) stood out in terms of sales.

In **Turkmenistan**, we generated €1.3 million in product sales.

Region Central Europe

Region Central Europe generated sales of €271.9 million or 4% more than in the same period last year. We recorded growth in all regional markets, except in Estonia, where sales saw a slight year-on-year drop.

Poland remained our leading and key regional market. Product sales there reached €126.2 million, up 2% year on year. We were the third largest foreign provider of generic pharmaceuticals in the country. Sales growth denominated in the zloty reached 5%.

Prescription pharmaceuticals remained primary contributors to overall sales, especially:

- Atoris (atorvastatin);
- Roswera (rosuvastatin);
- Valsacor (valsartan);
- Co-Valsacor (valsartan/hydrochlorothiazide);
- Doreta (tramadol/paracetamol);
- Karbis (candesartan); and
- Karbikombi (candesartan/hydrochlorothiazide).

Certain newly launched products, especially Valtricom (valsartan/amlodipine/hydrochlorothiazide) and Co-Roswera (rosuvastatin/ezetimibe), presented sales increases. Of other prescription pharmaceuticals, we should mention Dulsevía (duloxetine), up 64%; Nalgesin (naproxen), up 33%; and Pragiola (pregabalin), up 49% year on year. We remained one of the leading producers of prescription pharmaceuticals from the reimbursement list for patients aged 75 years plus.

Sales of non-prescription products totalled €1.9 million, up 90% year on year. The Septolete brand products and Bilobil (ginkgo leaf extract) were our leading non-prescription products.

Sales of animal health products totalled €4.9 million, 91% of total generated in the same period last year. Milprazon (milbemyacin/praziquantel) generated strongest sales and was followed by Floron (florfenicol), the Dehinel and Fypryst brand products, and Enroxil (enrofloxacin).

In **Hungary**, also our key market, we recorded a 6% increase year on year and generated €41.0 million in product sales.

Prescription pharmaceuticals accounted for the major part of sales total, in particular:

- Co-Prenessa (perindopril/indapamide);
- Roxera (rosuvastatin);
- Valsacor (valsartan);

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

Sales of non-prescription products totalled €3.1 million, up 47% year on year. Most important products were: Bilobil (ginkgo leaf extract); Venter (sucralfate); and Flebaven (diosmin).

Sales of animal health products slightly declined compared to the same period last year. Fypryst (fipronil), Milprazon (milbemyacin/praziquantel), and Enroxil (enrofloxacin) generated the strongest sales.

In the **Czech Republic**, also one of our key markets, we ranked fourth among foreign suppliers of generic medicines. Our product sales amounted to €37.2 million, higher than in the same period last year.

Prescription pharmaceuticals remained our leading category in terms of sales, in particular:

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

Prenewel (perindopril/indapamide), Emanera (esomeprazole), and Tonarssa (perindopril/amlodipine) also recorded good sales.

With non-prescription products we achieved 81% of sales in the same period last year. Most important products remained Nalgesin S (naproxen) and Bisacodyl (bisacodyl).

Sales of our animal health products reached 95% of sales made in the same period last year. Products sold under the Fypryst and Dehinel brands were at the forefront.

Another key market is **Slovakia**, where we recorded product sales in total of €31.9 million, up 10% year on year. We ranked third among all foreign suppliers of generic medicines in the country.

Prescription pharmaceuticals contributed the most to sales total, especially:

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

Year on year, sales of non-prescription products recorded a 19% climb. The following medicines added the most to sales:

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

Our animal health product sales saw 10% growth, primarily on account of Enroxil (enrofloxacin), the Fypryst brand products, and Milprazon (milbemycin/praziquantel).

In **Lithuania**, product sales yielded €16.9 million, a 1% year-on-year increase.

Prescription pharmaceuticals accounted for the major part of country sales, and key medicines were:

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

Sales of non-prescription products were 40% higher year on year. Nalgesin S (naproxen) and Septabene (benzylamine/cetylpyridinium chloride) were the leading non-prescription products.

Region West Europe

The markets of Region West Europe are collectively regarded as one of our key markets. In the first nine months of 2021, sales amounted to €229.0 million, a 13% year-on-year drop. We recorded lower sales because we launched fewer new products, use of medicines decreased due to the COVID-19 pandemic, and especially in the northern countries of Region West Europe price pressures increased. Sales were the highest in Germany, the Scandinavian countries, France, and Italy. We recorded the steepest absolute

Animal health product sales remained on the same level as last year. Products sold under the Fypryst brand and Milprazon (milbemycin/praziquantel) were at the forefront.

In **Latvia**, sales value reached €11.5 million and exceeded year-on-year sales by 6%.

Prescription pharmaceuticals accounted for the largest proportion in sales, especially:

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

Year on year, sales of non-prescription products reached 90% of the last year's figure. The most important product in terms of sales was Nalgedol (naproxen).

Animal health products saw a 7% slip in sales year on year. The Fypryst brand products were sales leaders.

Sales in **Estonia** totalled €7.2 million, a 12% year-on-year drop. In the same period last year our tender sales of Darunavir Krka (darunavir) were strong, but this year the extraordinary market situation impacted our sales. Prescription pharmaceuticals constituted the largest part of total sales, and sales leaders were:

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

sales growth in France. The most important medicines were those containing esomeprazole, candesartan, the combination of milbemycin and praziquantel; valsartan, and venlafaxine.

Sales of our animal health products amounted to €27.9 million, up 51% on sales in the same period last year. Flavoured tablets combining milbemycin and praziquantel were our top-selling animal health products in the region. They, selamectin, and a

combination of imidacloprid and moxidectin contributed most to animal health sales increase in the region.

Sales of non-prescription products generated €4.7 million, accounting for 2% of regional sales. We recorded the steepest sales growth in France and the Scandinavian countries.

Generating €58.9 million in product sales, **Germany** remained our largest and key regional market. Advanced antihypertensives recorded high sales and contributed most substantially to the result. We remained the leading provider of generic varieties of sartans in Germany. Prescription pharmaceuticals were at the forefront, especially candesartan; combinations of candesartan and hydrochlorothiazide; esomeprazole; valsartan; and combinations of valsartan and hydrochlorothiazide. Sales of animal health products increased by 2% year on year.

In the **Scandinavian countries**, our product sales went down by 26% and totalled €34.0 million. Sweden remained our leading individual market and was followed by Finland, Norway, Denmark, and Iceland. Sales were driven by medicines containing candesartan, esomeprazole, losartan, venlafaxine, sertraline, pramipexole, and mirtazapine. In Norway, we retained the leading position with many medicines, above all those containing esomeprazole, valsartan, and enalapril.

In **France**, we generated €29.2 million in product sales, or 11% more than in the same period last year. We recorded strongest sales with esomeprazole, clopidogrel and gliclazide of prescription pharmaceuticals. Another top-selling product was the combination of milbemycin and praziquantel from our animal health range. Medicines based on tadalafil, paracetamol, dasatinib, and emtricitabine in combination with tenofovir also recorded strong sales figures.

In **Italy**, year-on-year sales saw an 11% drop in terms of value, and totalled €23.8 million. Medicines containing esomeprazole, pantoprazole, clopidogrel, paliperidone, and gliclazide created strongest sales. Sales of our animal health products presented 10% growth.

In **Portugal**, we made €17.9 million in sales, a 6% year-on-year drop. The leading prescription pharmaceuticals were products containing esomeprazole, olanzapine, rosuvastatin in combination with ezetimibe, and perindopril in combination with amlodipine. We recorded sales growth in non-prescription and animal health products.

In **Spain**, we generated €17.3 million in product sales, or 39% less than in the same period last year. The drop resulted as practices in dispensing medicines in Andalusia changed. Prescription pharmaceuticals containing donepezil, tulathromycin, pramipexole, esomeprazole, and galantamine generated the strongest sales. Sales of our animal health products saw a 168% leap.

In **Benelux**, product sales amounted to €12.8 million, a 1% year-on-year climb. Prescription pharmaceuticals containing esomeprazole, valsartan, valsartan/hydrochlorothiazide and emtricitabine/tenofovir combinations stood out in terms of sales. Sales of animal health products increased by 14%.

Sales in the **United Kingdom** totalled €11.4 million, a 20% year-on-year advance. Prescription pharmaceuticals accounted for the major part of overall sales. Pharmaceuticals containing esomeprazole and duloxetine recorded the strongest sales. We recorded a 87% jump in sales of our animal health products. Sales leaders were two combination products, milbemycin/praziquantel and imidacloprid/moxidectin.

In **Ireland**, we generated €9.1 million in product sales, a 19% year-on-year rise. We remained one of the leading providers of generic medicines containing esomeprazole, tadalafil, venlafaxine, duloxetine, and pregabalin.

In **Austria**, our sales grew by 5% and totalled €7.8 million. Sales leaders were medicines containing pregabalin, duloxetine, and valsartan.

In **other western European countries**, we generated €6.8 million in product sales, or 14% more than in the same period last year.

Region Overseas Markets

Region Overseas Markets generated product sales in the amount of €41.8 million, or 10% more than in the same period a year ago. Prescription pharmaceuticals in most markets sold under our own brands accounted for the major portion of overall sales.

In countries of the **Far East** and **Africa**, we made €22.0 million in sales, and recorded 2% growth. Products that recorded strongest sales were:

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

We recorded strongest sales in Vietnam, the Republic of South Africa, and China. In China, our company Ningbo Krka Menovo was awarded tender sales of a medicine containing pregabalin. Ghana, Malaysia, and Sudan followed.

When doing business in the countries of the **Middle East**, we still encounter complex economic and security issues. Sales of our products amounted to €18.7 million, a 22% year-on-year rise. Good performance in Iran, our largest regional market, where year-on-year sales advanced by 39%, significantly contributed to the overall regional sales increase. Iraq, Saudi Arabia, the United Arab Emirates, Lebanon, and Yemen followed. Asentra (sertraline), Zyllt (clopidogrel), Emanera (esomeprazole), Bloxazoc (metoprolol), and Yasnal (donepezil) were our leading products with respect to sales.

The smallest regional office operates in markets of the **Americas**. Especially in the countries of Central America, our product sales generated €1.1 million, almost the same as in the first three quarters of 2020. Valsacor (valsartan), Valsaden (valsartan/hydrochlorothiazide), Yasnal (donepezil), and Roswera (rosuvastatin) were our medicines in highest demand.

Sales by Product and Service Group

In the period from January to September 2021, medicinal products for human use were the most important product group in the sales structure of the Krka Group, and accounted for 92.3% of total sales. Prescription pharmaceuticals constituted 84.2% of the Krka Group total sales, and were followed by non-prescription products, and animal health products.

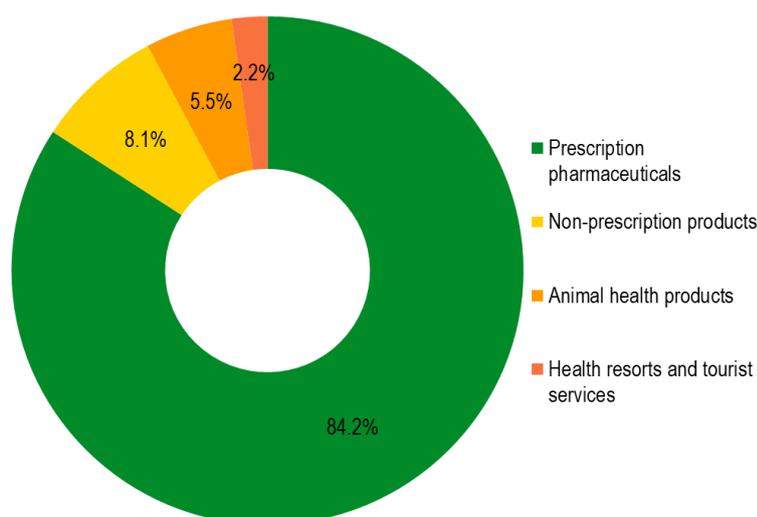
Compared to the same period last year, prescription pharmaceutical sales remained the same, while sales of non-prescription and animal health products increased by 8% and 16%, respectively.

Sales of health resort and tourist services constituted 2.2% of total Krka Group sales, an 18% climb on the same period last year.

Sales by Product and Service Group

	Krka Group			Krka		
	Jan–Sept 2021	Jan–Sept 2020	Index	Jan–Sept 2021	Jan–Sept 2020	Index
€ thousand						
Human health	1,082,344	1,078,414	100	859,368	880,613	98
– Prescription pharmaceuticals	987,685	990,864	100	779,391	801,820	97
– Non-prescription products	94,659	87,550	108	79,977	78,793	102
Animal health products	64,579	55,819	116	58,526	53,112	110
Health resorts and tourist services	26,369	22,332	118			
Total	1,173,292	1,156,565	101	917,894	933,725	98

January–September 2021 Krka Group Breakdown of Sales by Product and Service Group



Prescription Pharmaceuticals

The Krka Group delivered €987.7 million worth prescription pharmaceuticals in the reported period, approximately the same as in the first three quarters last year. Sales volume went up by 2%.

Year on year, we increased sales in all our regions except in Region West Europe, where we recorded an 18% drop. Sales increases were as follows:

- Region Overseas Markets 12%;
- Region South-East Europe 10%;
- Region Central Europe 4%;
- Region East Europe 4%;
- Region Slovenia 1%.

As far as our three largest markets are concerned, sales increased by 3% in Poland. In Germany, as tender sales ended and there were fewer new launches, sales presented a 20% drop. Sales also decreased in the Russian Federation (by 2%), but when denominated in the Russian rouble, they saw a 13% increase.

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

- Ukraine 15%;
- Slovakia 10%;
- Romania 10%;
- The Czech Republic 9%; and
- Hungary 6%.

Our medium-sized markets presented sales growth as follows:

- Uzbekistan 25%;
- Bulgaria 16%;
- Ireland 14%;
- North Macedonia 11%;
- Serbia 10%;
- Latvia 9%;
- Belarus 7%; and
- Austria 5%.

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

- Mongolia 40%;
- Turkmenistan 29%;
- Kosovo 23%;
- Tajikistan 20%;
- Azerbaijan 18%;
- Albania 18%; and
- Georgia 16%.

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*);
- enalapril (Enap, Enap H, Enap HL, Elnap*);
- candesartan (Kabis*, Karbicombi*, Kandoset*); and
- tramadol (Doreta*, Tadol*).

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

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

In the first nine months of 2021, we launched the following completely new medicines:

- In Croatia Atixarso* (ticagrelor) for the prevention of atherothrombotic events; and
- In Slovenia pemetrexed – an oncology agent, and Algominal (metamizole) for relieving pain.

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

We launched several pharmaceuticals on new markets:

- Xerdoxo* (rivaroxaban) in North Macedonia, Serbia, Bosnia and Herzegovina; and Malta;

Non-Prescription Products

Sales of non-prescription products delivered €94.7 million, 8% more than in the same period last year.

Year on year, sales went up in most markets. The increase was most notable in the Scandinavian countries, where it more than doubled. In other countries, we recorded increases as follows:

- Montenegro 67%;
- France 58%;
- Mongolia 56%;
- Hungary 47%;
- Lithuania 40%;
- Ukraine 30%;

- Riolma* (eplerenone) in the Russian Federation;
- Eliskardia* (prasugrel) in Croatia;
- Pitavador* (pitavastatin) in Greece;
- Rosuvador* (rosuvastatin) in Greece;
- Roxera Plus* (rosuvastatin/ezetimibe) in Armenia;
- Canocord (candesartan) and Canocombi (candesartan/hydrochlorothiazide) in Latvia;
- Telmista* (telmisartan) and Telmista H (telmisartan/hydrochlorothiazide) in Belarus;
- Olsitri* (olmesartan/amlodipine/hydrochlorothiazide) in Lithuania, Latvia, Estonia, Belgium, and Ireland;
- Co-Prenessa* (perindopril/indapamide) in Uzbekistan;
- Valsareta* (valsartan) and Co-Valsareta* (valsartan/hydrochlorothiazide) in Greece;
- Wamlox* (valsartan/amlodipine) in Hungary;
- Co-Valodip* (valsartan/amlodipine/hydrochlorothiazide) in Uzbekistan, Kazakhstan, Mongolia, and Ireland;
- Roxiper* (perindopril/indapamide/rosuvastatin) in Ukraine;
- Mirzaten (mirtazapine) in Moldova;
- pregabalin in Azerbaijan;
- Dekenor* (dexketoprofen) in Hungary, Spain, Italy, and Moldova;
- febuxostat in Italy and Mongolia.

From January to September 2021, we continued marketing activities adapted to the COVID-19 pandemic situation and maintained contacts with our customers through a combination of various communication channels.

- Kosovo 27%;
- Bulgaria 25%;
- Slovakia 19%;
- Uzbekistan 17%;
- North Macedonia 17%;
- Albania 16%;
- Belarus 14%; and
- The Russian Federation 12%.

The leading products in the first nine months of 2021 included

- Septolete*; followed by
- Nalgesin* (naproxen);
- Herbion*;

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

Products that contributed most to sales growth in absolute terms were:

- Nalgesin* (naproxen);
- Flebaven* (diosmin);
- Vitamin D3 Krka (cholecalciferol); and
- Bilobil.

Animal health

Animal health product sales generated €64.6 million or 16% more than in the same period last year.

Year-on-year sales increased by 51% in the Region West Europe. Sales also rose in Region East Europe by 6% and in Region South-East Europe by 2%.

Of our major markets, we recorded the highest sales growth in Spain, where sales figures more than doubled. We recorded sales increases in:

- The United Kingdom 87%;
- France 76%;
- Portugal 21%;
- Ukraine 15%;
- Benelux 14%; and
- The Russian Federation 4%.

Health resorts and tourist services

In the first half of 2021, all units of Terme Krka had to comply with government measures for curbing the COVID-19 pandemic. They therefore provided healthcare services only, and the related overnight stays and catering. After the measures were lifted in May, we opened our facilities for tourists. The ensuing tourist season was successful with almost fully booked accommodation and tourist services in July, August and September. In the first nine months of 2021, our sales amounted to €26.4 million, up 18% year on year.

Products that saw significant sales growth were:

- Noctiben Mea* (doxylamine);
- Panzynom;
- B-Complex;
- Palprostes;
- Magnesium Krka;
- Pikovit;
- Daleron* (paracetamol); and
- Duovit.

This season, sales of cough and cold products improved in most markets compared to the past cold season.

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

We recorded 219,161 overnight stays in the said period, up 13% year on year. Talaso Strunjan, our coastal resort, recorded the highest share of overnight stays (35%). Our health resorts Terme Dolenjske Toplice and Terme Šmarješke Toplice recorded 31% and 28% of overnight stays, respectively. Hoteli Otočec accounted for the remaining 7%. Guests from Slovenia accounted for more than 89% of total overnight stays.

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

Research and Development

In 2021, marketing authorisations for 16 new products are planned.

We added 11 new products to our product portfolio from January to September 2021. We obtained marketing authorisations for several prescription pharmaceuticals:

- An anti-thrombotic agent **Aboxoma**, also marketed as **Abidalo** (apixaban);
- A perindopril-based medicine **Prenessa**, in markets also available as **Prenessa neo**, **Prenessa as**, **Neoprenessa**, **Arprenessa**, or **Perineva** (perindopril/arginine);
- Two cardiovascular agents, **atorvastatin** and **rosuvastatin** tablets, in China;
- A fixed-dose combination for the treatment of diabetes, **Vimetso**, marketed also as **Vildakombi** (vildagliptin/metformin);
- Two oncology agents **Abiraterone Krka** (abiraterone) and **Sunitinib Krka** (sunitinib);
- An analgesic **Apeneta**, marketed also as **Adoben** (tapentadol); and
- An antibiotic **Hiconcil** (amoxicillin) in a new pharmaceutical form.

Of animal health products, we obtained marketing authorisations for:

- A fixed-dose combination **Cladaxxa**, marketed also as **Twinox**, (amoxicillin/clavulanic acid) from our antibiotic range; and
- A new formulation of a fixed-dose combination **Milprazon** (milbemycin/praziquantel) for dogs, also marketed as **Amcofen**, **Mektix**, or **Milgusto**.

We obtained 790 new marketing authorisations in various countries under different registration procedures for our established products from all product categories.

Due to constant monitoring, completion, and harmonisation with the latest findings and requests,

Prescription Pharmaceuticals

In the first nine months of 2021, we obtained marketing authorisations for nine new prescription pharmaceuticals.

we submitted documents for more than 26,000 variations for approval, and received approvals for more than 22,000 variations.

We adjusted to the requirements of the latest edition of the Russian Pharmacopoeia (GF 14) and filed documents for variations of over 170 products.

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

A regulatory approval was given for our production plant in Jastrebarsko, Croatia, for several animal health products. We adapted the plant to the requirements for production of tablets for veterinary use, introduced certain automated working processes, and increased manufacturing capacities. The new plant ensures high quality and safety of animal health products, including;

- **Dehinel** (pyrantel/praziquantel);
- **Milprazon** (milbemycin/praziquantel);
- **Rycarfa** (carprofen);
- **Marfloxin** (marbofloxacin); and
- **Enroxil** (enrofloxacin).

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

We developed and obtained marketing authorisations for a new molecule **Aboxoma** (apixaban) film-coated tablets, also marketed as **Abidalo**, from our important new therapeutic area of anti-thrombotic agents. It is used for the prevention of

atherothrombotic events in adults with cardiovascular diseases. The vertically integrated model of development was followed for the product. API synthesis and formulation development were results of our in-house expertise.

To the portfolio of cardiovascular agents we added a new pharmaceutical form of our key API and obtained marketing authorisations for **Prenessa**, also marketed as **Prenessa neo**, **Prenessa as**, **Neoprenessa**, **Arprenessa**, or **Perineva**, (perindopril/arginine) tablets. The medicinal product supplements the perindopril-based range of medications and is indicated for the treatment of high blood pressure and heart failure.

We continued obtaining new marketing authorisations for our products in China. We conducted the registration procedure with additional studies on two cardiovascular agents, **atorvastatin** and **rosuvastatin** tablets.

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

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

Abiraterone Krka (abiraterone) film-coated tablets for the treatment of prostate cancer and

Sunitinib Krka (sunitinib) hard capsules for the treatment of tumours of the stomach, pancreas, and kidneys, our two new oncology agents, received approvals. We manufacture them at our greenfield state-of-the-art production plant in Jastrebarsko, Croatia dedicated to production of highly active APIs.

Our established antibiotic **Hiconcil** (amoxicillin) dispersible tablets was approved. It is indicated for the treatment of bacterial infections in adults and children. Tablets can be taken whole or dissolved in water, making administration easier for the patient.

In Region East Europe, marketing authorisations were granted in Moldova for our new antithrombotic agent **Rivaroxia** (rivaroxaban) film-coated tablets. We obtained marketing authorisations for **Tadalafil Krka** (tadalafil) film-coated tablets in the Russian Federation according to the product registration procedure applied by the Eurasian Economic Union, and extended our range of medicines for the treatment of erectile dysfunction. New marketing authorisations for central nervous system agents and medicines for treatment of erectile dysfunctions are important. In Belarus, we obtained marketing authorisations under shortened procedure for **Rivestar** (rivastigmine) and from the central nervous system category also for **Elicea** (escitalopram) film-coated tablets; **Duloxenta** (duloxetine) hard gastro-resistant capsules; **Kventiax** (quetiapine) film-coated tablets; and **Zalasta** (olanzapine) tablets and have hence prepared the grounds for launching and positioning this important therapeutic category products in the region.

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

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.

Non-Prescription Products

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

Vitamin D3 Krka (cholecalciferol) tablets were approved in Italy, Bulgaria, Armenia, Croatia, Montenegro, Serbia, and Kosovo. 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 renewed formulation of our established product **B-Complex** (thiamine/riboflavin/pyridoxine/cyanocobalamin/calcium pantothenate/nicotinamide) film-coated tablets in Croatia and Albania.

We obtained new marketing authorisations for the Septolete brand products. We obtained marketing authorisations for **Septolete Total** (benzylamine/cetylpyridinium chloride) honey-and-lemon flavoured lozenges in Denmark, Iceland, Spain, Montenegro, Albania, Mongolia, and the United Arab Emirates, and for **Septolete Total** (benzylamine/cetylpyridinium chloride) elder-and-lemon flavoured lozenges in Montenegro. **Septolete Total** (benzylamine/cetylpyridinium chloride) spray was approved for marketing in Germany, Iceland and Denmark; and **Septanazal** alias **Septanasal** (xylometazoline/dexpanthenol) nasal spray in Spain and Malta.

Of the Herbion product brand products, we obtained new marketing authorisations for **Herbion Ivy** (ivy leaf dry extract) lozenges in Albania, Montenegro, Armenia, Georgia, and Turkmenistan. Legislative requirements regarding the registration status of

Animal health

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

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

medicinal devices have changed, so we completed the dossier for requalification in the EU countries and obtained the certificate for **Herbisland** (Iceland moss extract) syrup.

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

We, as the first generic manufacturer in Spain, obtained a marketing authorisation for **Emanera** (esomeprazole) 20 mg gastro-resistant capsules classified as a non-prescription product.

In Azerbaijan, we obtained marketing authorisation for **KontrDiar** (nifuroxazide) capsules used in acute bacterial diarrhoea.

Region South-East Europe expanded marketing opportunities by obtaining marketing authorisations for **Nalgesin** (naproxen) 220 mg film-coated tablets, and dietary supplement notifications for **Duovit** for Women and **Duovit** for Men film-coated tablets and **Fitoval** capsules.

Region Overseas Markets expanded marketing opportunities by approvals for **Novolax** (bisacodyl) film-coated tablets, and the **Septolete**, **Bilobil** and **Pikovit** brand products.

We concluded the registration procedure for a new formulation of a fixed-dose combination **Milprazon** (milbemycin/praziquantel) film-coated tablets, on markets also available as **Amcofen**, **Mektix**, or **Milgusto**. Improved palatability is key to the new formulation, and chewable tablets can be given to pets without food. The fixed-dose combination of active substances treats the infestations with internal parasites thanks to its systemic mechanism of action, and at the same time also prevents the infestations with heartworms and eyeworms.

New indications of **Ataxxa** (imidacloprid/permethrin), our spot-on solution for the treatment and prevention of flea and tick infestations in dogs, were approved. One treatment provides repellent activity against *I. ricinus* ticks, and protects pets from sand flies and *A. aegypti* mosquitoes.

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

In Ukraine, we were granted marketing authorisations for **Prinocate** (imidacloprid/moxidectin) 100 mg/25 mg/ml spot-on solution for dogs in four filling sizes and 100 mg/10 mg/ml spot-on solutions for cats and ferrets in two filling sizes. The combination of imidacloprid and moxidectin is an advanced medicine effective against external parasites such as mange, fleas, and lice, as well as against internal gastrointestinal parasites, heart worms, lung worms, and eye worms. It is appropriate for the treatment of mixed infestations in dogs, cats, and ferrets. We obtained further marketing authorisations for **Rycarfa** (carprofen) tablets in three strengths for dogs and a solution for injection for dogs and cats. Tablets are indicated for relieving pain and inflammation in chronic arthritis in dogs, while solutions for injection are indicated for relieving postoperative pain in dogs and cats.

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

Investments

In the first nine months of 2021, the Krka Group allocated €45.3 million to investments, of that €34.8 million to the controlling company. Our investments were used for 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. We estimate we will have allocated €73 million to investments by the end of this year – similar to last year but slightly less than originally planned.

In Ločna, Novo mesto, Slovenia our state-of-the-art facility for manufacturing solid dosage forms, the Notol 2 Plant, has been in operation for several years now. The growing need for production capacities has incited us to acquire additional technological equipment for the plant. The investment was estimated at €41 million. In the first nine months of 2021, we allocated €7.9 million for it. When the plant is fully technologically equipped, its full production capacity will be 5 billion tablets per year and its full packaging capacity will be 8 billion tablets per year.

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

We plan to build new facilities for development and production of active pharmaceutical ingredients (APIs) in Krško, Slovenia. We have prepared the project documentation and are in the process of obtaining the required permits to build the Sinteza 2 production plant for manufacturing active pharmaceutical ingredients and centre for chemical analyses. In addition to those, we also plan to build small facilities for technology and infrastructure necessary for an uninterrupted production process. The €163-million investment complies with our strategy of vertical integration according to which Krka controls all product stages, from product development to its production.

We are currently spending €26 million on additional capacities for compression mixture preparation and granulation in the tablet compression process, and in logistic capacities at the Solid Dosage Form Production Plant.

In our development-and-research facilities, several investments in total of €8.2 million are also in progress.

We are also currently investing in minor refurbishments at our two plants Beta Šentjernej and Notol. At our Beta Šentjernej Plant, we upgraded the systems and equipment in compliance with ATEX standards. The installation of another mixer is expected to increase the production capacity for preparation of dry granules. We plan to upgrade and renew the automated washing systems at our Notol Plant in compliance with cGMP guidelines. Total amount for renewal of systems and devices was valued at €5.6 million.

As our production capacities increase, so does the demand for energy. We are currently investing in increased capacity for production of compressed air and new utility lines for energy supplies to manufacturing facilities. Extending energy infrastructure at our Novo mesto production facility was valued at €2.5 million.

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

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

Employees

At the end of September 2021, the Krka Group employed 11,470 persons of whom 5,271 worked abroad, constituting 46% of the total Krka Group headcount. Of all Krka Group employees, 51% have at least university-level qualifications; of that, 204 hold a doctoral degree.

Together with agency workers, the Krka Group employed 12,410 members of staff.

Employees by Education

	30 September 2021		31 December 2020	
	Number of employees	%	Number of employees	%
PhD	204	1.8	206	1.8
Master of Science	398	3.5	394	3.4
University degree	5,267	45.9	5,355	45.9
Higher professional education	1,716	15.0	1,707	14.6
Vocational college education	304	2.6	309	2.6
Secondary school education	2,584	22.5	2,648	22.7
Other	997	8.7	1,058	9.0
Krka Group	11,470	100.0	11,677	100.0

We provide for continuous recruitment of talented employees by awarding scholarships. At the end of September, we listed 106 scholarship holders, primarily pharmacy and chemistry students. We also grant scholarships to exceptional students from other fields of interest to Krka. This year, 14 new scholarships were granted. Due to our staff development and succession planning system, we can greatly meet our human resource needs for key professionals and managers within the Krka Group.

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

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

At the end of September, 184 employees were enrolled in part-time graduate studies co-funded by Krka, 49 of them in postgraduate studies.

Krka is also included in the national vocational qualification (NVQ) system. Between 2002 and September 2021, we awarded 1,581 NVQ certificates to Krka employees and 142 to participants from other organisations in the pharmaceutical industry, a total of 1,723 certificates for four vocational qualifications. At the end of September 2021, 237 Krka employees were included in the process of obtaining NVQ.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP WITH NOTES

Consolidated Statement of Financial Position of the Krka Group

€ thousand	30 Sept 2021	31 Dec 2020	Index
Assets			
Property, plant and equipment	783,302	807,824	97
Intangible assets	103,747	107,371	97
Loans	29,862	15,376	194
Investments	17,840	10,420	171
Deferred tax assets	49,755	48,969	102
Other non-current assets	1,054	1,038	102
Total non-current assets	985,560	990,998	99
Assets held for sale	41	41	100
Inventories	435,448	453,690	96
Contract assets	1,520	1,644	92
Trade receivables	464,387	383,560	121
Other receivables	34,470	27,768	124
Loans	69,956	54,774	128
Investments	2,636	9,499	28
Cash and cash equivalents	348,625	313,568	111
Total current assets	1,357,083	1,244,544	109
Total assets	2,342,643	2,235,542	105
Equity			
Share capital	54,732	54,732	100
Treasury shares	-109,655	-99,279	110
Reserves	131,935	103,595	127
Retained earnings	1,758,767	1,684,285	104
Total equity holders of the controlling company	1,835,779	1,743,333	105
Non-controlling interests	13,750	8,479	162
Total equity	1,849,529	1,751,812	106
Liabilities			
Provisions	136,175	134,686	101
Deferred revenue	7,108	7,804	91
Trade payables	10,006	10,006	100
Lease liabilities	8,781	9,121	96
Deferred tax liabilities	10,931	11,179	98
Total non-current liabilities	173,001	172,796	100
Trade payables	105,662	107,116	99
Lease liabilities	3,203	2,712	118
Income tax payable	7,082	15,748	45
Contract liabilities	113,226	106,299	107
Other current liabilities	90,940	79,059	115
Total current liabilities	320,113	310,934	103
Total liabilities	493,114	483,730	102
Total equity and liabilities	2,342,643	2,235,542	105

Consolidated Income Statement of the Krka Group

€ thousand	Jan–Sept 2021	Jan–Sept 2020	Index
Revenue	1,176,552	1,160,179	101
– Revenue from contracts with customers	1,174,081	1,158,079	101
– Other revenue	2,471	2,100	118
Cost of goods sold	-511,850	-458,621	112
Gross profit	664,702	701,558	95
Other operating income	5,739	5,620	102
Selling and distribution expenses	-220,487	-229,869	96
– Of that net impairments and write-offs of receivables	1,182	-651	
R&D expenses	-113,043	-112,067	101
General and administrative expenses	-65,642	-64,487	102
Operating profit	271,269	300,755	90
Financial income	18,170	21,264	85
Financial expenses	-9,332	-71,778	13
Net financial result	8,838	-50,514	
Profit before tax	280,107	250,241	112
Income tax	-40,007	-40,096	100
Net profit	240,100	210,145	114
Attributable to:			
– Equity holders of the controlling company	240,754	211,513	114
– Non-controlling interests	-654	-1,368	48
Basic earnings per share* (€)	7.72	6.73	115
Diluted earnings per share** (€)	7.72	6.73	115

* 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–Sept 2021	Jan–Sept 2020	Index
Net profit	240,100	210,145	114
Other comprehensive income for the period			
Other comprehensive income for the period reclassified to profit or loss at a future date			
Translation reserve	15,400	-44,089	
Net other comprehensive income for the period reclassified to profit or loss at a future date	15,400	-44,089	
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	4,062	267	1,521
Restatement of post-employment benefits	0	2	0
Deferred tax effect	-772	-51	1,514
Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date	3,290	218	1,509
Total other comprehensive income for the period (net of tax)	18,690	-43,871	
Total comprehensive income for the period (net of tax)	258,790	166,274	156
Attributable to:			
– Equity holders of the controlling company	258,718	167,674	154
– Non-controlling interests	72	-1,400	

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	240,754	240,754	-654	240,100
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	3,290	14,674	0	0	0	17,964	726	18,690
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	3,290	14,674	0	0	240,754	258,718	72	258,790
Transactions with owners, recognised in equity														
Formation of other profit reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	0	90,812	-90,812	0	0	0	0
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	-10,376	0	0	0	0	0	0	0	0	0	-10,376	0	-10,376
Formation of reserves for treasury shares	0	0	10,376	0	0	0	0	0	0	0	-10,376	0	0	0
Dividends and other profit shares paid	0	0	0	0	0	0	0	0	0	-155,896	0	-155,896	0	-155,896
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	5,199	5,199
Total transactions with owners, recognised in equity	0	-10,376	10,376	0	0	0	0	0	90,812	18,782	-275,866	-166,272	5,199	-161,073
At 30 Sept 2021	54,732	-109,655	109,655	105,897	14,990	30,000	-31,769	-96,838	1,370,902	157,487	230,378	1,835,779	13,750	1,849,529

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

Consolidated Statement of Cash Flows of the Krka Group

€ thousand	Jan–Sept 2021	Jan–Sept 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	240,100	210,145
Adjustments for:	133,921	96,244
– Amortisation/Depreciation	81,421	83,800
– Foreign exchange differences	6,607	-19,431
– Investment income	-4,032	-21,911
– Investment expenses	8,901	12,346
– Interest income and other financial income	-38	-92
– Interest expense and other financial expenses	1,054	1,436
– Income tax	40,008	40,096
Operating profit before changes in net current assets	374,021	306,389
Change in trade receivables	-84,542	81,366
Change in inventories	18,242	-32,487
Change in trade payables	10,213	-25,213
Change in provisions	828	2,131
Change in deferred revenue	-696	-661
Change in other current liabilities	8,604	4,256
Income tax paid	-52,432	-43,647
Net cash from operating activities	274,238	292,134
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	471	337
Dividends received	668	574
Proceeds from sale of property, plant and equipment	1,583	38
Purchase of property, plant and equipment	-48,981	-57,084
Purchase of intangible assets	-1,945	-2,887
Acquisition of subsidiaries and a share of minority interests net of financial assets acquired	0	-5
Non-current loans	-15,796	-5,797
Proceeds from repayment of non-current loans	1,059	1,386
Payments for acquisition of non-current investments	-3,401	-47
Proceeds from sale of non-current investments	28	38
Payments for current investments and loans	-8,593	-32,033
Payments for derivatives	-4,429	-11,555
Proceeds from derivatives	2,002	11,642
Net cash from investing activities	-77,334	-95,393
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-166	-140
Lease liabilities paid	-2,683	-2,294
Payments for current borrowings	0	-3
Dividends and other profit shares paid	-155,904	-133,275
Repurchase of treasury shares	-10,376	-20,155
Proceeds from payment of non-controlling interests	5,199	7,515
Net cash from financing activities	-163,930	-148,352
Net increase in cash and cash equivalents	32,974	48,389
Cash and cash equivalents at beginning of period	313,568	218,667
Effect of foreign exchange rate fluctuations on cash held	2,083	-1,504
Closing balance of cash and cash equivalents	348,625	265,552

Segment Reporting of the Krka Group

€ thousand	European Union		South-Eastern Europe		Eastern Europe		Other		Eliminations		Total	
	Jan–Sept 2021	Jan–Sept 2020	Jan–Sept 2021	Jan–Sept 2020	Jan–Sept 2021	Jan–Sept 2020	Jan–Sept 2021	Jan–Sept 2020	Jan–Sept 2021	Jan–Sept 2020	Jan–Sept 2021	Jan–Sept 2020
Revenue from external customers	649,509	664,984	68,569	63,050	397,832	377,250	60,642	54,895	0	0	1,176,552	1,160,179
– Revenue from contracts with customers	647,189	662,983	68,569	63,050	397,749	377,191	60,574	54,855	0	0	1,174,081	1,158,079
– Other revenue	2,320	2,001	0	0	83	59	68	40	0	0	2,471	2,100
Sales between Group companies	149,380	203,047	36,774	37,258	189,217	232,215	4,654	2,131	-380,025	-474,651	0	0
Other operating income	5,425	5,283	105	13	209	324	0	0	0	0	5,739	5,620
Operating costs	-533,476	-541,685	-44,696	-39,983	-288,062	-243,289	-44,788	-40,087	0	0	-911,022	-865,044
Operating expenses to Group companies	-251,849	-283,042	-40,297	-39,244	-391,389	-445,041	-11,753	-8,738	695,288	776,065	0	0
Operating profit	121,458	128,582	23,978	23,080	109,979	134,285	15,854	14,808	0	0	271,269	300,755
Interest income	114	118	4	0	140	197	212	24	0	0	470	339
Interest income from Group companies	206	386	0	-1	-6	3	1	6	-201	-394	0	0
Interest expense	-180	-127	-6	-12	-90	-106	-4	-3	0	0	-280	-248
Interest expense to Group companies	-203	-236	0	0	-1	-7	0	-1	204	244	0	0
Net financial result	-1,193	-6,248	-135	-218	8,007	-43,529	2,159	-519	0	0	8,838	-50,514
Income tax	-21,401	-16,455	-3,364	-2,934	-13,572	-19,082	-1,670	-1,625	0	0	-40,007	-40,096
Net profit	98,864	105,879	20,479	19,928	104,414	71,674	16,343	12,664	0	0	240,100	210,145
Investments	38,911	45,357	326	106	5,770	5,314	313	3,054	0	0	45,320	53,831
Depreciation of property, plant and equipment	54,432	54,376	1,480	1,600	15,995	18,763	2,044	1,686	0	0	73,951	76,425
Depreciation of the right-of-use assets	1,855	1,574	63	84	426	458	53	91	0	0	2,397	2,207
Depreciation of the right-of-use assets within Group	3	2	0	0	4	8	0	0	-7	-10	0	0
Amortisation	3,178	3,267	259	239	1,424	1,474	212	188	0	0	5,073	5,168
	30 Sept 2021	31 Dec 2020	30 Sept 2021	31 Dec 2020	30 Sept 2021	31 Dec 2020	30 Sept 2021	31 Dec 2020	30 Sept 2021	31 Dec 2020	30 Sept 2021	31 Dec 2020
Total assets	1,841,400	1,743,793	53,363	49,641	393,945	404,474	53,935	37,634	0	0	2,342,643	2,235,542
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	35,135	35,788	0	0	0	0	0	0	0	0	35,135	35,788
Total liabilities	331,436	338,453	15,975	15,444	115,873	110,326	29,830	19,507	0	0	493,114	483,730

Notes to Consolidated Financial Statements of the Krka Group

Costs by nature

€911,022 thousand

€ thousand	Jan–Sept 2021	Jan–Sept 2020	Index
Cost of goods and material	300,961	294,690	102
Cost of services	166,628	166,013	100
Employee benefits	324,467	326,092	100
Amortisation and depreciation	81,421	83,800	97
Inventory write-offs and allowances (net)	10,412	15,503	67
Receivable impairments and write-offs (net)	1,182	-651	
Other operating expenses	22,723	25,735	88
Total costs	907,794	911,182	100
Change in the value of inventories of finished products and work in progress	3,228	-46,138	
Total	911,022	865,044	105

Employee benefits

€324,467 thousand

€ thousand	Jan–Sept 2021	Jan–Sept 2020	Index
Gross wages and salaries and continued pay	248,647	251,563	99
Social security contributions	19,516	19,161	102
Pension insurance contributions	33,355	33,345	100
Payroll tax	630	636	99
Post-employment benefits and other non-current employee benefits	5,877	4,963	118
Other employee benefits	16,442	16,424	100
Total employee benefits	324,467	326,092	100

Other operating expenses

€22,723 thousand

€ thousand	Jan–Sept 2021	Jan–Sept 2020	Index
Grants and assistance for humanitarian and other purposes	986	786	125
Environmental protection expenditures	4,009	3,757	107
Other taxes and levies	14,192	17,445	81
Loss on sale and write-offs of property, plant and equipment and intangible assets	736	1,278	58
Other operating expenses	2,800	2,469	113
Total other operating expenses	22,723	25,735	88

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

Financial income and expenses

€ thousand	Jan–Sept 2021	Jan–Sept 2020	Index
Net foreign exchange differences	14,979	0	
Interest income	470	339	139
Derivatives income	2,002	20,188	10
– Realised revenue	2,002	11,642	17
– Fair value change	0	8,546	0
Income from dividends and other profit shares	691	650	106
Other financial income	28	87	32
Total financial income	18,170	21,264	85
Net foreign exchange differences	0	-58,759	0
Interest expense	-280	-248	113
– Interest paid	-52	-28	186
– Interest expenses on lease liabilities	-228	-220	104
Derivatives expenses	-8,277	-11,555	72
– Incurred expenses	-4,429	-11,555	38
– Fair value change	-3,848	0	
Other financial expenses	-775	-1,216	64
Total financial expenses	-9,332	-71,778	13
Net financial result	8,838	-50,514	

Income tax

€40,007 thousand

Current income tax amounted to €41,260 thousand or 14.7% of profit before tax. Taking into account deferred tax of -€1,253 thousand, income tax

totalling €40,007 thousand was expensed in the income statement. Effective tax rate was recorded at 14.3%.

Property, plant and equipment

€783,302 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Land	40,654	40,345	101
Buildings	361,605	376,130	96
Equipment	318,150	338,059	94
Property, plant and equipment being acquired	46,470	38,042	122
Advances for property, plant and equipment	4,727	3,685	128
Right-of-use assets	11,696	11,563	101
Total property, plant and equipment	783,302	807,824	97

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

Intangible assets

€103,747 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Goodwill	42,644	42,644	100
Trademark	35,135	35,788	98
Concessions, trademarks and licences	21,143	24,452	86
Intangible assets being acquired	4,825	4,487	108
Total intangible assets	103,747	107,371	97

Loans

€99,818 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Non-current loans	29,862	15,376	194
– Loans to others	29,862	15,376	194
Current loans	69,956	54,774	128
– Portion of non-current loans maturing next year	1,773	1,641	108
– Loans to others	68,178	53,128	128
– Current interest receivables	5	5	100
Total loans	99,818	70,150	142

Non-current loans constituted 30% 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 €67,967 thousand, maturing in more than 90 days.

Investments

€20,476 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Non-current investments	17,840	10,420	171
– Financial assets at fair value through OCI (equity instruments)	14,481	10,420	139
– Financial assets at amortised cost	3,359	0	
Current investments including derivatives	2,636	9,499	28
– Financial assets at fair value through profit or loss	0	8,975	0
– Derivatives	0	524	0
– Financial assets at amortised cost	2,636	0	
Total investments	20,476	19,919	103

Available-for-sale financial assets comprised shares and interests in companies in Slovenia totalling €924 thousand and shares and interests in companies abroad totalling €13,557 thousand.

Inventories

€435,448 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Material	174,905	191,649	91
Work in progress	105,949	100,741	105
Finished products	145,379	150,263	97
Merchandise	7,858	9,614	82
Advances for inventories	1,357	1,423	95
Total inventories	435,448	453,690	96

Trade and other receivables

€498,857 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Current trade receivables	464,387	383,560	121
– Trade receivables	468,686	385,237	122
– Deferred revenue from contracts with customers	-4,299	-1,677	256
Other current receivables	34,470	27,768	124
Total trade and other receivables	498,857	411,328	121

Cash and cash equivalents

€348,625 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Cash in hand	28	17	165
Bank balances	348,597	313,551	111
Total cash and cash equivalents	348,625	313,568	111

Equity

€1,849,529 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Share capital	54,732	54,732	100
Treasury shares	-109,655	-99,279	110
Reserves	131,935	103,595	127
– Reserves for treasury shares	109,655	99,279	110
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	-31,769	-35,059	91
– Translation reserve	-96,838	-111,512	87
Retained earnings	1,758,767	1,684,285	104
Total equity holders of the controlling company	1,835,779	1,743,333	105
Non-controlling interests	13,750	8,479	162
Total equity	1,849,529	1,751,812	106

Trade payables

€115,668 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Non-current trade payables	10,006	10,006	100
Current trade payables	105,662	107,116	99
Payables to domestic suppliers	46,492	38,317	121
Payables to foreign suppliers	59,170	68,799	86
Total trade payables	115,668	117,122	99

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

Provisions

€136,175 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Provisions for lawsuits	2,118	2,164	98
Provisions for post-employment benefits and other non-current employee benefits	132,005	129,536	102
Other provisions	2,052	2,986	69
Total provisions	136,175	134,686	101

Deferred revenue

€7,108 thousand

€ thousand	30 Sept 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	1,122	1,317	85
Grants received from the budget for the Dolenjske and Šmarješke Toplice health resorts and Golf Grad Otočec	3,341	3,408	98
Grants received from the European Regional Development Fund (Farma GRS)	2,518	2,960	85
Subsidy for acquisition of electric drive vehicles	4	4	100
Property, plant and equipment received free of charge	16	16	100
Emission coupons	10	0	
Subsidy for purchase of joinery	94	95	99
Subsidy for acquisition of other equipment	3	4	75
Total deferred revenue	7,108	7,804	91

Current contract liabilities

€113,226 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Refund liabilities	106,706	102,070	105
– Bonuses and volume rebates	104,718	99,097	106
– Right of return	1,988	2,973	67
Contract liabilities	6,520	4,229	154
– Contract liabilities – advances from other customers	6,520	4,229	154
Total current contract liabilities	113,226	106,299	107

Other current liabilities

€90,940 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Payables to employees – gross salaries, other receipts and charges	61,406	61,643	100
Derivatives	3,324	0	
Other	26,210	17,416	150
Total other current liabilities	90,940	79,059	115

Contingent liabilities

€15,896 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Guarantees issued	15,896	16,111	99
Total contingent liabilities	15,896	16,111	99

Fair value

€ thousand	30 Sept 2021		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans	29,862	29,862	15,376	15,376
Financial assets at fair value through OCI (equity instruments)	14,481	14,481	10,420	10,420
– Non-current financial assets at amortised cost	3,359	3,359	0	0
Current loans	69,956	69,956	54,774	54,774
Current investments	2,636	2,636	9,499	9,499
– Financial assets at fair value through profit or loss	0	0	8,975	8,975
– Derivatives	0	0	524	524
– Financial assets at amortised cost	2,636	2,636	0	0
Trade receivables	464,387	464,387	383,560	383,560
Cash and cash equivalents	348,625	348,625	313,568	313,568
Non-current trade payables	-10,006	-10,006	-10,006	-10,006
Lease liabilities	-11,984	-11,984	-11,833	-11,833
Current trade payables excluding advances	-105,662	-105,662	-107,116	-107,116
Current contract liabilities excluding advances	-104,718	-104,718	-99,097	-99,097
Other current liabilities excluding amounts owed to the state, to employees, and advances	-4,349	-4,349	-15,174	-15,174
Other current liabilities	-3,324	-3,324	0	0
– Derivatives	-3,324	-3,324	0	0
Total	693,263	693,263	543,971	543,971

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

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

Assets at fair value

€ thousand	30 Sept 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)	13,094	0	1,387	14,481	9,033	0	1,387	10,420
Financial assets at fair value through profit or loss	0	0	0	0	8,975	0	0	8,975
Derivatives	0	0	0	0	0	0	524	524
Total assets at fair value	13,094	0	1,387	14,481	18,008	0	1,911	19,919
Assets for which fair value is disclosed								
Non-current financial assets at amortised cost	0	0	3,359	3,359	0	0	0	0
Current financial assets at amortised cost	0	0	2,636	2,636	0	0	0	0
Non-current loans	0	0	29,862	29,862	0	0	15,376	15,376
Current loans	0	0	69,956	69,956	0	0	54,774	54,774
Trade receivables	0	0	464,387	464,387	0	0	383,560	383,560
Cash and cash equivalents	0	0	348,625	348,625	0	0	313,568	313,568
Total assets for which fair value is disclosed	0	0	918,825	918,825	0	0	767,278	767,278
Total	13,094	0	920,212	933,306	18,008	0	769,189	787,197

Liabilities at fair value

€ thousand	30 Sept 2021				31 Dec 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities at fair value								
Derivatives	0	0	3,324	3,324	0	0	0	0
Total liabilities at fair value	0	0	3,324	3,324	0	0	0	0
Liabilities for which fair value is disclosed								
Non-current trade payables	0	0	10,006	10,006	0	0	10,006	10,006
Lease liabilities	0	0	11,984	11,984	0	0	11,833	11,833
Current trade payables excluding advances	0	0	105,662	105,662	0	0	107,116	107,116
Current contract liabilities excluding advances	0	0	104,718	104,718	0	0	99,097	99,097
Other current liabilities excluding amounts owed to the state, to employees, and advances	0	0	4,349	4,349	0	0	15,174	15,174
Total liabilities for which fair value is disclosed	0	0	236,719	236,719	0	0	243,226	243,226
Total	0	0	240,043	240,043	0	0	243,226	243,226

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

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

€ thousand	30 Sept 2021	31 Dec 2020	Index
Assets			
Property, plant and equipment	579,433	605,164	96
Intangible assets	24,815	27,893	89
Investments in subsidiaries	346,444	339,612	102
Loans	34,974	35,024	100
Investments	17,839	10,419	171
Deferred tax assets	13,708	14,222	96
Other non-current assets	623	615	101
Total non-current assets	1,017,836	1,032,949	99
Assets held for sale	41	41	100
Inventories	369,829	389,178	95
Contract assets	398	500	80
Trade receivables	448,549	415,286	108
Other receivables	17,136	15,667	109
Loans	70,026	57,836	121
Investments	2,636	524	503
Cash and cash equivalents	324,449	296,398	109
Total current assets	1,233,064	1,175,430	105
Total assets	2,250,900	2,208,379	102
Equity			
Share capital	54,732	54,732	100
Treasury shares	-109,655	-99,279	110
Reserves	232,453	218,787	106
Retained earnings	1,660,861	1,617,610	103
Total equity	1,838,391	1,791,850	103
Liabilities			
Provisions	122,498	119,830	102
Deferred revenue	3,755	4,387	86
Trade payables	10,000	10,000	100
Lease liabilities	1,957	2,163	90
Total non-current liabilities	138,210	136,380	101
Trade payables	142,871	143,294	100
Borrowings	54,052	46,345	117
Lease liabilities	927	659	141
Income tax payable	5,712	13,354	43
Contract liabilities	14,307	16,581	86
Other current liabilities	56,430	59,916	94
Total current liabilities	274,299	280,149	98
Total liabilities	412,509	416,529	99
Total equity and liabilities	2,250,900	2,208,379	102

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

€ thousand	Jan–Sept 2021	Jan–Sept 2020	Index
Revenue	1,047,144	1,112,896	94
– Revenue from contracts with customers	1,040,745	1,108,450	94
– Other revenue	6,399	4,446	144
Cost of goods sold	-461,165	-474,789	97
Gross profit	585,979	638,107	92
Other operating income	2,819	2,486	113
Selling and distribution expenses	-192,397	-193,008	100
– Of that net impairments and write-offs of receivables	309	-623	
R&D expenses	-110,373	-110,986	99
General and administrative expenses	-58,817	-55,398	106
Operating profit	227,211	281,201	81
Financial income	23,607	21,182	111
Financial expenses	-9,405	-69,426	14
Net financial result	14,202	-48,244	
Profit before tax	241,413	232,957	104
Income tax	-31,890	-35,689	89
Net profit	209,523	197,268	106
Basic earnings per share* (€)	6.71	6.28	107
Diluted earnings per share** (€)	6.71	6.28	107

* 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–Sept 2021	Jan–Sept 2020	Index
Net profit	209,523	197,268	106
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	4,062	267	1,521
Deferred tax effect	-772	-51	1,514
Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date	3,290	216	1,523
Total other comprehensive income for the period (net of tax)	3,290	216	1,523
Total comprehensive income for the period (net of tax)	212,813	197,484	108

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

€ thousand	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Other profit reserves	Retained earnings	Profit for the period	
At 1 Jan 2021	54,732	-99,279	99,279	105,897	14,990	30,000	-31,379	1,280,090	102,773	234,747	1,791,850
Net profit	0	0	0	0	0	0	0	0	0	209,523	209,523
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	3,290	0	0	0	3,290
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	3,290	0	0	209,523	212,813
Transactions with owners, recognised in equity											
Formation of other profit reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	90,812	-90,812	0	0
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	-10,376	0	0	0	0	0	0	0	0	-10,376
Formation of reserves for treasury shares	0	0	10,376	0	0	0	0	0	0	-10,376	0
Dividends paid	0	0	0	0	0	0	0	0	-155,896	0	-155,896
Total transactions with owners, recognised in equity	0	-10,376	10,376	0	0	0	0	90,812	-11,961	-245,123	-166,272
At 30 Sept 2021	54,732	-109,655	109,655	105,897	14,990	30,000	-28,089	1,370,902	90,812	199,147	1,838,391

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

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

€ thousand	Jan–Sept 2021	Jan–Sept 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	209,523	197,268
Adjustments for:	94,404	91,931
– Amortisation/Depreciation	63,604	62,672
– Foreign exchange differences	-1,991	1,438
– Investment income	-8,800	-21,561
– Investment expenses	8,679	12,126
– Interest income and other financial income	-3	-6
– Interest expense and other financial expenses	1,025	1,573
– Income tax	31,890	35,689
Operating profit before changes in net current assets	303,927	289,199
Change in trade receivables	-34,273	71,454
Change in inventories	19,348	-21,708
Change in trade payables	1,398	-26,830
Change in provisions	2,008	1,975
Change in deferred revenue	-632	-148
Change in other current liabilities	-6,801	2,389
Income tax paid	-39,790	-33,963
Net cash from operating activities	245,185	282,368
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	311	342
Dividends received	668	574
Proportionate profit of subsidiaries	5,419	500
Proceeds from sale of property, plant and equipment	947	330
Purchase of property, plant and equipment	-37,825	-44,906
Purchase of intangible assets	-1,611	-2,537
Acquisition of subsidiaries and a share of minority interests net of financial assets acquired	-7,824	-11,281
Refund of subsequent payments in subsidiaries	992	0
Non-current loans	-2,210	-1,956
Proceeds from repayment of non-current loans	4,633	3,330
Payments for acquisition of non-current investments	-3,383	-28
Proceeds from sale of non-current investments	18	24
Payments for current loans	-14,565	-22,991
Payments for current investments	-2,636	0
Payments for derivatives	-4,429	-11,555
Proceeds from derivatives	2,002	11,642
Net cash from investing activities	-59,493	-78,512
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-331	-355
Proceeds from current borrowings	7,666	-1,195
Lease liabilities paid	-733	-539
Dividends and other profit shares paid	-155,904	-133,275
Repurchase of treasury shares	-10,376	-20,155
Net cash from financing activities	-159,678	-155,519
Net increase in cash and cash equivalents	26,014	48,337
Cash and cash equivalents at beginning of period	296,398	195,236
Effect of foreign exchange rate fluctuations on cash held	2,037	-1,567
Closing balance of cash and cash equivalents	324,449	242,006

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

€ thousand	European Union		South-Eastern Europe		Eastern Europe		Other		Total	
	Jan–Sept 2021	Jan–Sept 2020	Jan–Sept 2021	Jan–Sept 2020	Jan–Sept 2021	Jan–Sept 2020	Jan–Sept 2021	Jan–Sept 2020	Jan–Sept 2021	Jan–Sept 2020
Revenue	588,295	634,897	64,184	62,755	342,399	366,732	52,266	48,512	1,047,144	1,112,896
– Revenue from contracts with customers	581,981	630,510	64,184	62,755	342,383	366,713	52,197	48,472	1,040,745	1,108,450
– Other revenue	6,314	4,387	0	0	16	19	69	40	6,399	4,446
Other operating income	2,819	2,355	0	0	0	131	0	0	2,819	2,486
Operating costs	-487,252	-502,061	-43,149	-39,480	-252,096	-257,015	-40,255	-35,625	-822,752	-834,181
Operating profit	103,862	135,191	21,035	23,275	90,303	109,848	12,011	12,887	227,211	281,201
Interest income	309	336	0	0	0	7	0	1	309	344
Interest expense	-275	-418	-1	-2	-8	-8	-3	-7	-287	-435
Net financial result	4,517	-5,639	-43	-62	7,769	-41,806	1,959	-737	14,202	-48,244
Income tax	-14,578	-17,158	-2,952	-2,954	-12,674	-13,941	-1,686	-1,636	-31,890	-35,689
Net profit	93,801	112,394	18,040	20,259	85,398	54,101	12,284	10,514	209,523	197,268
Investments	34,814	39,895	0	0	0	0	0	0	34,814	39,895
Depreciation of property, plant and equipment	45,211	42,908	1,236	1,367	10,804	12,405	1,504	1,245	58,755	57,925
Depreciation of the right-of-use assets	537	414	15	13	132	127	18	12	702	566
Amortisation	2,330	2,385	254	236	1,356	1,378	207	182	4,147	4,181
	30 Sept 2021	31 Dec 2020	30 Sept 2021	31 Dec 2020	30 Sept 2021	31 Dec 2020	30 Sept 2021	31 Dec 2020	30 Sept 2021	31 Dec 2020
Total assets	1,726,887	1,644,023	48,362	47,873	417,447	470,677	58,204	45,806	2,250,900	2,208,379
Total liabilities	289,155	288,890	14,880	15,112	84,806	95,513	23,668	17,014	412,509	416,529

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

Costs by nature

€822,752 thousand

€ thousand	Jan–Sept 2021	Jan–Sept 2020	Index
Cost of goods and material	287,205	330,814	87
Cost of services	220,620	227,675	97
Employee benefits	224,252	219,676	102
Amortisation and depreciation	63,604	62,672	101
Inventory write-offs and allowances (net)	9,417	9,572	98
Receivable impairments and write-offs (net)	309	-623	
Other operating expenses	17,384	18,103	96
Total costs	822,791	867,889	95
Change in the value of inventories of finished products and work in progress	-39	-33,708	0
Total	822,752	834,181	99

Employee benefits

€224,252 thousand

€ thousand	Jan–Sept 2021	Jan–Sept 2020	Index
Gross wages and salaries and continued pay	171,667	168,484	102
Social security contributions	12,813	12,623	102
Pension insurance contributions	21,898	21,455	102
Post-employment benefits and other non-current employee benefits	5,444	4,568	119
Other employee benefits	12,430	12,546	99
Total employee benefits	224,252	219,676	102

Other operating expenses

€17,384 thousand

€ thousand	Jan–Sept 2021	Jan–Sept 2020	Index
Grants and assistance for humanitarian and other purposes	897	700	128
Environmental protection expenditures	2,853	2,609	109
Other taxes and levies	11,227	12,043	93
Loss on sale and write-offs of property, plant and equipment and intangible assets	513	1,058	48
Other operating expenses	1,894	1,693	112
Total other operating expenses	17,384	18,103	96

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

Financial income and expenses

€ thousand	Jan–Sept 2021	Jan–Sept 2020	Index
Net foreign exchange differences	15,222	0	
Interest income	309	344	90
Derivatives income	2,002	20,188	10
– Realised revenue	2,002	11,642	17
– Fair value change	0	8,546	0
Income from dividends and other profit shares	6,074	650	934
– Dividends	691	650	106
– Profits of subsidiaries	5,383	0	
Total financial income	23,607	21,182	111
Net foreign exchange differences	0	-56,293	0
Interest expense	-287	-435	66
– Interest paid	-251	-398	63
– Interest expenses on lease liabilities	-36	-37	97
Derivatives expenses	-8,277	-11,555	72
– Incurred expenses	-4,429	-11,555	38
– Fair value change	-3,848	0	
Other financial expenses	-841	-1,143	74
Total financial expenses	-9,405	-69,426	14
Net financial result	14,202	-48,244	

Income tax

€31,890 thousand

Current income tax amounted to €32,148 thousand or 13.3% of profit before tax. Taking into account deferred tax of -€258 thousand, income tax totalling

€31,890 thousand was expensed in the income statement. Effective tax rate was recorded at 13.2%.

Property, plant and equipment

€579,433 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Land	28,065	27,758	101
Buildings	250,469	263,859	95
Equipment	261,025	280,433	93
Property, plant and equipment being acquired	35,642	27,242	131
Advances for property, plant and equipment	1,362	3,021	45
Right-of-use assets	2,870	2,851	101
Total property, plant and equipment	579,433	605,164	96

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

€24,815 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Concessions, trademarks and licences	19,990	23,443	85
Intangible assets being acquired	4,825	4,450	108
Total intangible assets	24,815	27,893	89

Intangible assets comprised software and registration documents for new pharmaceuticals.

Loans

€105,000 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Non-current loans	34,974	35,024	100
– Loans to subsidiaries	22,850	23,650	97
– Loans to others	12,124	11,374	107
Current loans	70,026	57,836	121
– Portion of non-current loans maturing next year	1,649	4,022	41
– Loans to subsidiaries	377	707	53
– Loans to others	67,989	53,094	128
– Current interest receivables	11	13	85
Total loans	105,000	92,860	113

Non-current loans constituted 33% 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 €67,976 thousand, maturing in more than 90 days.

Investments

€20,475 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Non-current investments	17,839	10,419	171
Financial assets at fair value through OCI (equity instruments)	14,480	10,419	139
– Financial assets at amortised cost	3,359	0	
Current investments including derivatives	2,636	524	503
– Derivatives	0	524	0
– Financial assets at amortised cost	2,636	0	
Total investments	20,475	10,943	187

Available-for-sale financial assets comprised shares and interests in companies in Slovenia totalling €923 thousand and shares and interests in companies abroad totalling €13,557 thousand.

Inventories

€369,829 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Material	168,071	182,523	92
Work in progress	89,346	90,196	99
Finished products	100,268	105,170	95
Merchandise	11,038	10,062	110
Advances for inventories	1,106	1,227	90
Total inventories	369,829	389,178	95

Trade and other receivables

€465,685 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Current trade receivables	448,549	415,286	108
– Receivables due from subsidiaries	253,393	242,370	105
– Receivables due from customers other than Group companies	209,076	174,505	120
– Deferred revenue from contracts with customers	-13,920	-1,589	876
Current receivables relating to dividends – subsidiaries	99	76	130
Other current receivables	17,037	15,591	109
Total trade and other receivables	465,685	430,953	108

Cash and cash equivalents

€324,449 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Cash in hand	1	1	100
Bank balances	324,448	296,397	109
Total cash and cash equivalents	324,449	296,398	109

Equity

€1,838,391 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Share capital	54,732	54,732	100
Treasury shares	-109,655	-99,279	110
Reserves	232,453	218,787	106
– Reserves for treasury shares	109,655	99,279	110
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	-28,089	-31,379	90
Retained earnings	1,660,861	1,617,610	103
Total equity	1,838,391	1,791,850	103

Trade payables

€152,871 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Non-current trade payables	10,000	10,000	100
Current trade payables	142,871	143,294	100
Payables to subsidiaries	67,982	66,205	103
Payables to domestic suppliers	43,489	36,329	120
Payables to foreign suppliers	31,400	40,760	77
Total trade payables	152,871	153,294	100

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

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

Provisions

€122,498 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Provisions for lawsuits	2,100	2,100	100
Provisions for post-employment benefits and other non-current employee benefits	120,398	117,730	102
Total provisions	122,498	119,830	102

Deferred revenue

€3,755 thousand

€ thousand	30 Sept 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	1,122	1,317	85
Subsidy for acquisition of electric drive vehicles	4	4	100
Property, plant and equipment received free of charge	4	7	57
Emission coupons	10	0	
Subsidy for purchase of joinery	94	95	99
Subsidy for acquisition of other equipment	3	4	75
Grants received from the European Regional Development Fund (Farma GRS)	2,518	2,960	85
Total deferred revenue	3,755	4,387	86

Borrowings

€54,052 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Current borrowings	54,052	46,345	117
– Borrowings from subsidiaries	54,026	46,317	117
– Current interest payable	26	28	93
Total borrowings	54,052	46,345	117

Current contract liabilities

€14,307 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Refund liabilities	9,474	11,940	79
– Bonuses and volume rebates	9,474	11,940	79
Contract liabilities	4,833	4,641	104
– Contract liabilities – advances from Group companies	0	2,021	0
– Contract liabilities – advances from other customers	4,833	2,620	184
Total current contract liabilities	14,307	16,581	86

Other current liabilities

€56,430 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Payables to employees – gross salaries, other receipts and charges	45,621	52,202	87
Derivatives	3,324	0	
Other	7,485	7,714	97
Total other current liabilities	56,430	59,916	94

Contingent liabilities

€13,721 thousand

€ thousand	30 Sept 2021	31 Dec 2020	Index
Guarantees issued	13,721	14,204	97
Total contingent liabilities	13,721	14,204	97

Fair value

€ thousand	30 Sept 2021		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans	34,974	34,974	35,024	35,024
Financial assets at fair value through OCI (equity instruments)	14,480	14,480	10,419	10,419
Non-current financial assets at amortised cost	3,359	3,359	0	0
Current loans	70,026	70,026	57,836	57,836
Current investments	2,636	2,636	524	524
– Derivatives	0	0	524	524
– Financial assets at amortised cost	2,636	2,636	0	0
Trade receivables	448,549	448,549	415,286	415,286
Cash and cash equivalents	324,449	324,449	296,398	296,398
Current borrowings	-54,052	-54,052	-46,345	-46,345
Non-current trade payables	-10,000	-10,000	-10,000	-10,000
Lease liabilities	-2,884	-2,884	-2,822	-2,822
Current trade payables excluding advances	-142,871	-142,871	-143,294	-143,294
Current contract liabilities excluding advances	-9,474	-9,474	-11,940	-11,940
Other current liabilities excluding amounts owed to the state, to employees, and advances	-2,627	-2,627	-2,499	-2,499
Other current liabilities	-3,324	-3,324	0	0
– Derivatives	-3,324	-3,324	0	0
Total	673,241	673,241	598,587	598,587

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

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

Assets at fair value

€ thousand	30 Sept 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)	13,094	0	1,386	14,480	9,033	0	1,386	10,419
Derivatives	0	0	0	0	0	0	524	524
Total assets at fair value	13,094	0	1,386	14,480	9,033	0	1,910	10,943
Assets for which fair value is disclosed								
Non-current financial assets at amortised cost	0	0	3,359	3,359	0	0	0	0
Current financial assets at amortised cost	0	0	2,636	2,636	0	0	0	0
Non-current loans	0	0	34,974	34,974	0	0	35,024	35,024
Current loans	0	0	70,026	70,026	0	0	57,836	57,836
Trade receivables	0	0	448,549	448,549	0	0	415,286	415,286
Cash and cash equivalents	0	0	324,449	324,449	0	0	296,398	296,398
Total assets for which fair value is disclosed	0	0	883,993	883,993	0	0	804,544	804,544
Total	13,094	0	885,379	898,473	9,033	0	806,454	815,487

Liabilities at fair value

€ thousand	30 Sept 2021				31 Dec 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities at fair value								
Derivatives	0	0	3,324	3,324	0	0	0	0
Total liabilities at fair value	0	0	3,324	3,324	0	0	0	0
Liabilities for which fair value is disclosed								
Current borrowings	0	0	54,052	54,052	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	2,884	2,884	0	0	2,822	2,822
Current trade payables excluding advances	0	0	142,871	142,871	0	0	143,294	143,294
Current contract liabilities excluding advances	0	0	9,474	9,474	0	0	11,940	11,940
Other current liabilities excluding amounts owed to the state, to employees, and advances	0	0	2,627	2,627	0	0	2,499	2,499
Total liabilities for which fair value is disclosed	0	0	221,908	221,908	0	0	216,900	216,900
Total	0	0	225,232	225,232	0	0	216,900	216,900

STATEMENT OF COMPLIANCE

The Management Board of Krka, d. d., Novo mesto hereby states that the condensed financial statements of Krka and the condensed consolidated financial statements of the Krka Group for the period ended 30 September 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 period from 1 January to 30 September 2021 have been prepared using the same accounting policies as for the annual financial statements of Krka and the Krka Group for 2020.

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

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

Novo mesto, 21 October 2021



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