



**Unaudited Consolidated
Financial Statements of the Krka Group and
Unaudited Financial Statements of
Krka, d. d., Novo mesto
for 2019
with Relevant Notes**

Novo mesto, March 2020

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Based on the provisions of the *Ljubljana Stock Exchange Rules* and Article 17 of the Regulation (EU) No 569/2014, Krka, d. d., Šmarješka cesta 6, 8501 Novo mesto hereby presents hereby presents

RELEVANT NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP AND UNAUDITED FINANCIAL STATEMENTS OF KRKA, D. D., NOVO MESTO FOR 2019

Unaudited consolidated financial statements of the Krka Group, unaudited financial statements of Krka, d. d., Novo mesto for 2019, and comparative data for 2018 have been prepared in accordance with the *International Financial Reporting Standards* (IFRS). The 2018 comparative statements have been audited.

Krka, d. d., Novo mesto has no authorised capital and has not made a conditional share capital increase.

Krka Group at a Glance

Krka, d. d., Novo mesto (hereinafter the Company or Krka) is the controlling company of the Krka Group, which comprised the following companies as at 31 December 2019:

	Ownership share of the controlling company 31 Dec 2019 (%)
TERME KRKA, d. o. o., Novo mesto	100
Farma GRS, d. o. o., Novo mesto	99.7
KRKA-FARMA d.o.o, Zagreb, Croatia	100
KRKA ROMANIA S.R.L., Bucharest, Romania	100
KRKA-FARMA DOO BEOGRAD, Belgrade, Serbia	100
KRKA-FARMA DOOEL Skopje, Skopje, Republic of North Macedonia	100
KRKA Bulgaria EOOD, Sofia, Bulgaria	100
KRKA FARMA d.o.o., Sarajevo, Sarajevo, Bosnia and Herzegovina	100
KRKA-RUS LLC, Istra, Russian Federation	100
KRKA FARMA LLC, Istra, Russian Federation	100
KRKA UKRAINE LLC, Kiev, Ukraine	100
LLC "KRKA Kazakhstan", Almaty, Kazakhstan	100
KRKA - POLSKA Sp. z o.o., Warsaw, Poland	100
KRKA ČR, s. r. o., Prague, Czech Republic	100
KRKA Magyarország Kft., Budapest, Hungary	100
KRKA Slovensko, s.r.o., Bratislava, Slovakia	100
UAB KRKA Lietuva, Vilnius, Lithuania	100
SIA KRKA Latvija, Riga, Latvia	100
TAD Pharma GmbH, Cuxhaven, Germany	100
Krka Sverige AB, Stockholm, Sweden	100
KRKA Pharma GmbH, Wien, Vienna, Austria	100
KRKA Farmacêutica, Unipessoal Lda., Estoril, Portugal	100
KRKA FARMACÉUTICA, S.L., Madrid, Spain	100
KRKA Farmaceutici Milano S.r.l., Milan, Italy	100
KRKA France Eurl, Paris, France	100
KRKA PHARMA DUBLIN LIMITED, Dublin, Ireland	100
KRKA Belgium, SA, Brussels, Belgium	95
Krka Finland Oy, Espoo, Finland	100
KRKA UK LTD, London, United Kingdom	100
KRKA HELLAS SINGLE MEMBER LTD, Athens, Greece	100
KRKA USA LLC, Wilmington, USA	100
Ningbo Krka Menovo Pharmaceutical Company Limited, Ningbo, China	60

At 31 December 2019, the subsidiary Terme Krka, d. o. o. held a 100-percent interest in Golf Grad Otočec, d. o. o.; Farma GRS was a sole owner of GRS TEHFARMA, d. o. o., GRS VIZFARMA, d. o. o., GRS PREK FARMA, d. o. o., GRS EKO FARMA, d. o. o., GRS TREN FARMA, d. o. o., and GRS VRED FARMA, d. o. o.; and the subsidiary Krka France Eurl owned a 100% stake in the HCS bvba in Belgium, and a 5-percent interest in the subsidiary KRKA Belgium, SA subsidiary. Ningbo Menovo Pharmaceutical Company Limited, a Chinese company, held a 40-percent interest in Ningbo Krka Menovo.

Financial Highlights

€ thousand	Krka Group		Company	
	2019	2018	2019	2018
Revenue	1,493,409	1,331,858	1,390,248	1,231,784
- Of that revenue from contracts with customers (products and services)	1,489,080	1,326,747	1,195,677	1,077,644
Operating profit (EBIT) ¹	274,195	232,686	263,852	199,305
EBITDA	385,437	343,280	345,929	282,493
Net profit	244,272	174,008	249,411	163,329
R&D expenses	152,421	130,700	155,495	135,145
Investments	112,568	96,293	90,481	77,982
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Non-current assets	1,041,833	1,010,811	1,069,616	1,038,616
Current assets	1,142,785	974,258	1,060,344	877,449
Equity	1,667,516	1,540,270	1,664,178	1,552,300
Non-current liabilities	160,905	123,058	119,789	89,912
Current liabilities	356,197	321,741	345,993	273,853
RATIOS	2019	2018	2019	2018
EBIT margin	18.4%	17.5%	19.0%	16.2%
EBITDA margin	25.8%	25.8%	24.9%	22.9%
Net profit margin (ROS)	16.4%	13.1%	17.9%	13.3%
Return on equity (ROE) ²	15.2%	11.5%	15.5%	10.7%
Return on assets (ROA) ³	11.7%	8.9%	12.3%	8.7%
Liabilities/Equity	0.310	0.289	0.280	0.234
R&D expenses/Revenue	10.2%	9.8%	11.2%	11.0%
NUMBER OF EMPLOYEES	2019	2018	2019	2018
Year-end	11,696	11,390	5,907	5,496
Average	11,484	11,129	5,616	5,261

SHARE INFORMATION	2019	2018
Total number of shares issued	32,793,448	32,793,448
Earnings per share (EPS) in € ⁴	7.73	5.46
Dividend per share in €	3.20	2.90
Closing price at the end of the period in € ⁵	73.20	57.80
Price/Earnings ratio (P/E)	9.47	10.59
Book value in € ⁶	50.85	46.97
Price/Book value (P/B)	1.44	1.23
Market capitalisation in € thousand (31 Dec)	2,400,480	1,895,461

¹ The difference between operating income and expenses

² Net profit/Average shareholders' equity in the year

³ Net profit/Average total asset balance in the year

⁴ Profit for the year attributable to equity holders of the Krka Group / Average number of shares issued in the year, excluding treasury shares

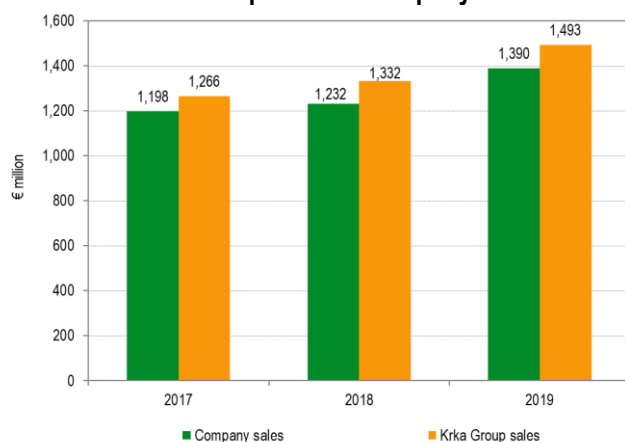
⁵ Share price on the Ljubljana Stock Exchange

⁶ Equity as 31 Dec/Total number of shares issued

Business Performance

Operating Income

Sales of the Krka Group and the Company



In 2019, the Krka Group sales generated €1,493.4 million, of which revenue from contracts with customers on sales of products and services amounted to €1,489.1 million. Revenue from contracts with customers on sales of materials and other sales revenue constituted the difference. Sales increased by €161.6 million and were 12% higher than in 2018. Over the past three years, average annual sales growth reached 8.3% in terms of value.

Other operating income amounted to €13.7 million and also included reversal of provisions for lawsuits totalling €0.7 million.

Operating Expenses

Operating expenses of the Krka Group amounted to €1,232.9 million, up €121.0 million or 11% compared to 2018. The Company incurred operating expenses in total of €1,130.2 million, 9% more than in 2018.

The Krka Group operating expenses comprised costs of goods sold totalling €646.0 million, selling and distribution expenses of €350.3 million, R&D expenses in the amount of €152.4 million, and general and administrative expenses totalling €84.1 million. Operating expenses accounted for 83% of sales.

Costs of goods sold, which rose by 15% compared to 2018, represented the largest item in the Krka Group operating expense structure. Their proportion in sales reached 43.3% and accounted for 42.1% in 2018. Increased production and product portfolio had a major impact on costs of products sold. Compared to 2018, selling and distribution expenses increased by 2% and accounted for 23.5% of total sales, 2.4 percentage points less than in 2018. R&D expenses amounted to 10.2% of total sales (up by 0.4 percentage points over 2018) and increased by 17% year on year. General and administrative expenses amounted to 5.6% of total sales, a 12% rise compared to 2018, while their proportion in sales decreased by 0.1 percentage points.

Financial Income and Expenses

€ thousand	Krka Group			Company		
	2019	2018	2017	2019	2018	2017
Financial income	24,987	5,935	24,041	34,410	17,382	24,908
Financial expenses	-14,814	-36,048	-46,608	-14,751	-33,891	-46,599
Net financial result	10,173	-30,113	-22,567	19,659	-16,509	-21,691

In 2019, net financial result of the Krka Group amounted to €10.2 million, €40.3 million more than in 2018.

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

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

We generally mitigate currency risks of the Krka Group by natural hedging, primarily by increasing purchases and liabilities in currencies in which sales invoices are issued. When this is not possible, we use derivative financial instruments or do not hedge the risk. Generally, forward contracts are used for hedging.

In 2019, Krka continued its policy of partial hedging against the rouble-related risk. Less than 50% of the risk exposure to Russian roubles were hedged by forward contracts.

As the value of the Russian rouble strengthened from the beginning until the end of the year, we generated net foreign exchange gains from the long position in the Russian roubles totalling €24.2 million.

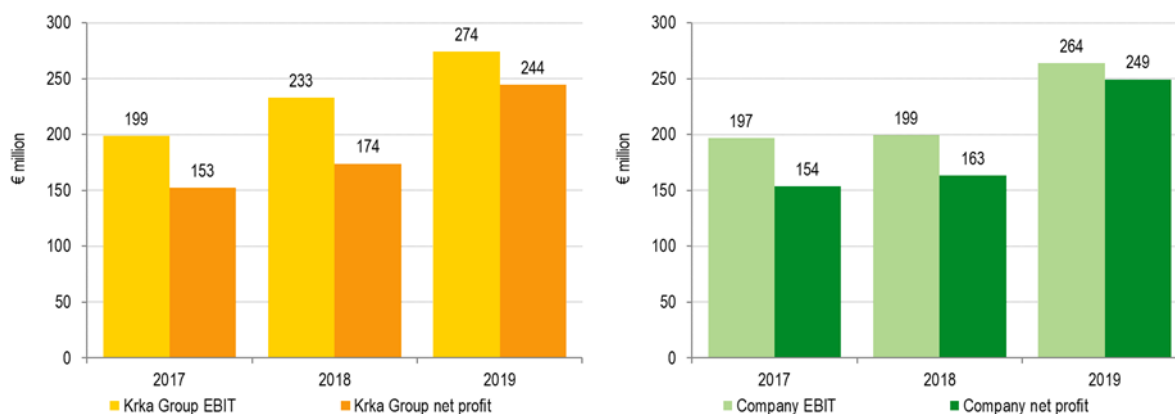
In the fourth quarter, due to increasing exposure to the U.S. dollar, we hedged one part of the exposure by forward contracts.

We accrued net foreign exchange losses from other currencies in the amount of €0.8 million in 2019. Exposure to other currencies was not hedged. A multi-year analysis of exchange rate gains/losses and hedging costs for the Romanian leu, Polish złoty, Czech koruna, Hungarian forint, and Croatian kuna has shown that hedging for these currencies would not be effective in the case of the Krka Group. These currencies are generally subject to less marked fluctuations against the euro. The currency risk management result of the Krka Group was positive and totalled €11.4 million in 2019.

Financial income of the Krka Group comprised net foreign exchange gains of €23.4 million, interest income of €1.3 million and income from dividends and other profit shares totalling €0.3 million. Financial expenses consisted of interest expenses for borrowings in the amount of €0.5 million, derivative financial instrument expenses of €11.9 million, and other financial expenses of €2.4 million.

Operating Results

Operating Profit and Net Profit for the Year



Operating profit (EBIT) of the Krka Group totalled €274.2 million, a €41.5 million or 18% increase compared to 2018. The increase resulted from relatively higher sales growth in comparison to expenses and good product mix. The Krka Group operating profit increased by amortisation and depreciation (EBITDA) totalled €385.4 million, which was a €42.2 million or 12% climb. Profit before tax of the Krka Group grew by €81.8 million or 40%, and totalled €284.4 million. The effective tax rate of the Krka Group was 14.1%.

The Krka Group recorded net profit of €244.3 million, a €70.3 million or 40% rise compared to 2018.

Over the last three years, the average annual growth of the Krka Group operating profit (EBIT) totalled 30.8%. The average annual growth of operating profit increased by amortisation and depreciation (EBITDA) amounted to 19.1% and average annual growth of net profit reached 31.1%.

Assets

€ thousand	Krka Group					Company				
	2019	Share (%)	2018	Share (%)	Index 2019/18	2019	Share (%)	2018	Share (%)	Index 2019/18
Non-current assets	1,041,833	47.7	1,010,811	50.9	103	1,069,616	50.2	1,038,616	54.2	103
Property, plant and equipment (PP&E)	862,848	39.5	839,448	42.3	103	613,210	28.8	604,923	31.6	101
Intangible assets	109,082	5.0	110,329	5.6	99	28,410	1.3	28,842	1.5	99
Investments and loans	20,589	0.9	20,199	1.0	102	375,238	17.6	354,128	18.5	106
Other	49,314	2.3	40,835	2.0	121	52,758	2.5	50,723	2.6	104
Current assets	1,142,785	52.3	974,258	49.1	117	1,060,344	49.8	877,449	45.8	121
Inventories	421,578	19.3	365,149	18.4	115	367,007	17.2	317,499	16.6	116
Trade receivables	434,695	19.9	438,291	22.1	99	443,840	20.9	390,948	20.4	114
Other	286,512	13.1	170,818	8.6	168	249,497	11.7	169,002	8.8	148
Total assets	2,184,618	100.0	1,985,069	100.0	110	2,129,960	100.0	1,916,065	100.0	111

At the end of 2019, assets of the Krka Group amounted to €2,184.6 million, an increase of €199.5 million or 10% compared to the end of 2018. The proportion between non-current and current assets in total asset structure was different than at the end of 2018, as non-current assets declined by 3.2 percentage points and accounted for 47.7%.

The Company assets were valued at €2,130.0 million, which is €213.9 million or 11% more than at the end of 2018. The proportion between non-current and current assets in total asset structure differed from the 2018 year-end, as non-current assets decreased by 4.0 percentage points, accounting for 50.2%.

Non-current assets of the Krka Group amounted to €1,041.8 million, increasing by €31.0 million or 3% over the 2018 year-end. The most important item in the asset structure of the Krka Group was property, plant and equipment (PP&E). It was valued at €862.8 million and accounted for 39% of total Group assets (of which the Company PP&E accounted for €613.2 million or 71% of the Krka Group PP&E). Intangible assets were worth €109.1 million and accounted for 5% of total assets (of which assets of the Company amounted to €28.4 million or 26% of total intangible assets of the Krka Group). Non-current loans of the Krka Group totalled €10.9 million or 0.5% of total Krka Group assets.

Current assets of the Krka Group amounted to €1,142.8 million, a €168.5 million or 17% increment compared to the end of 2018. Trade receivables due from customers outside the Krka Group totalled €434.7 million and inventories €421.6 million. Trade receivables declined by €3.6 million or 1%. In order to ensure sufficient quantities of various products to over 70 markets, inventories saw a rise of €56.4 million or 15%. Current loans of the Krka Group totalled €31.8 million or 1% of total Krka Group assets. They comprised bank deposits with maturity exceeding 90 days in total of €30.0 million. Cash and cash equivalents were valued at €218.7 million, which was €100.9 million or 86% more than at the end of 2018, accounting for 10% of total assets of the Krka Group.

Equity and Liabilities

€ thousand	Krka Group					Company				
	2019	Share (%)	2018	Share (%)	Index 2019/18	2019	Share (%)	2018	Share (%)	Index 2019/18
Equity	1,667,516	76.3	1,540,270	77.6	108	1,664,178	78.1	1,552,300	81.0	107
Non-current liabilities	160,905	7.4	123,058	6.2	131	119,789	5.6	89,912	4.7	133
Current liabilities	356,197	16.3	321,741	16.2	111	345,993	16.3	273,853	14.3	126
Total equity and liabilities	2,184,618	100.0	1,985,069	100.0	110	2,129,960	100.0	1,916,065	100.0	111

As at 31 December 2019, equity of the Krka Group saw a €127.2 million or 8% increase compared to the end of 2018. The increase was attributable to net profit of the Krka Group totalling €244.3 million, other comprehensive income net of tax totalling €4.1 million, and acquisition of non-controlling interests in the amount of €2.5 million. Equity was reduced by the dividend pay-out in total of €101.7 million and further repurchase of treasury shares in the amount of €21.7 million.

Provisions of the Krka Group totalled €120.4 million (of which post-employment and other non-current employee benefits accounted for €115.9 million, provisions for lawsuits €2.1 million, and other provisions €2.4 million). In comparison to the end of 2018, they rose by €19.4 million or 19%, primarily due to an increase in provisions for post-employment and other non-current employee benefits. Other provisions saw a €0.4 million rise, while provisions for lawsuits dropped by €2.1 million.

Among current liabilities of the Krka Group, trade payables decreased by €8.2 million (from that payables to suppliers abroad by €8.1 million and payables to domestic suppliers by €0.2 million). Other current liabilities grew by €11.8 million (from that payables to employees by €11.4 million). Current liabilities from contracts with customers rose by €13.1 million, from that bonuses and discounts by €8.3 million, rights of return by €2.9 million, and payables from advances by €1.8 million.

Cash Flow Statement

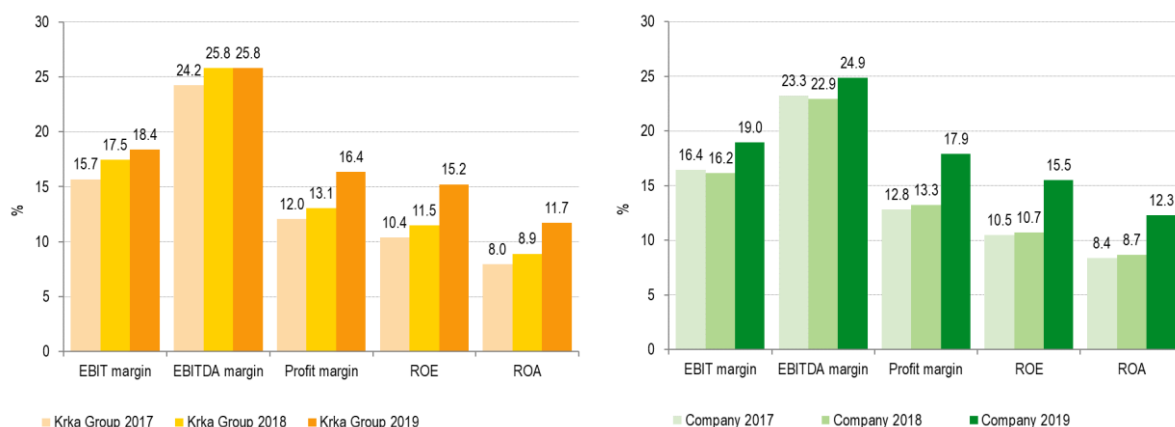
€ thousand	Krka Group		Company	
	2019	2018	2019	2018
Net cash from operating activities	349,523	289,952	276,996	245,326
Net cash from investing activities	-124,807	-114,356	-88,540	-88,237
Net cash from financing activities	-124,274	-102,613	-92,262	-91,801
Net change in cash and cash equivalents	100,442	72,983	96,194	65,288

Net change in cash and cash equivalents (exclusive of exchange rate fluctuations) of the Krka Group amounted to €100.4 million in 2019, since the positive cash flow from operating activities exceeded the negative cash flows from investing and financing activities.

The Krka Group generated profit from operations before changes in net current assets totalling €422.0 million. Changes in current assets that increased cash flows included changes in trade payables, provisions, and other current liabilities, while changes in trade receivables, inventories, and deferred revenue had a negative effect on profit.

Negative cash flows from investing activities of €124.8 million were primarily accrued due to the acquisition of property, plant and equipment, payments in connection with current investments and loans, payments in connection with derivative financial instruments, acquisition of intangible assets, and non-current loans. Negative cash flows from financing activities in the amount of €124.3 million primarily resulted from pay-outs of dividends and other profit shares totalling €101.7 million, and repurchased treasury shares in the amount of €21.7 million.

Performance Ratios



All 2019 performance ratios of the Company and the Krka Group improved compared to 2018 and 2017.

Operating Figures of the Krka Group and the Company for the Past Three Years

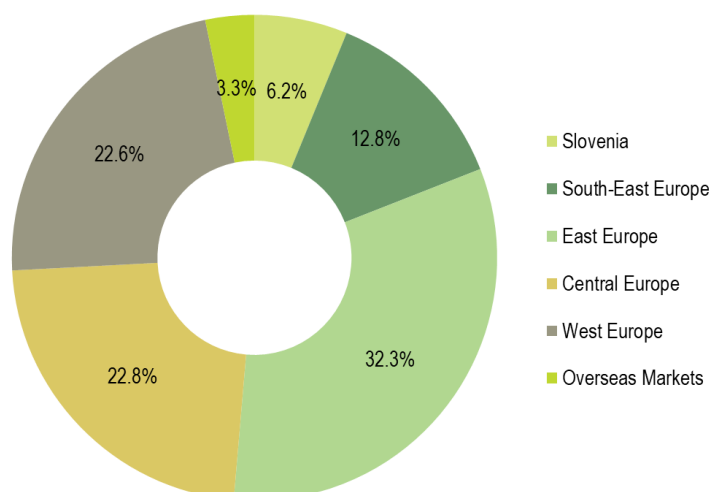
€ thousand	Krka Group			Company		
	2019	2018	2017	2019	2018	2017
Revenue	1,493,409	1,331,858	1,266,392	1,390,248	1,231,784	1,197,756
EBIT	274,195	232,686	198,741	263,852	199,305	196,953
– Profit margin	18.4%	17.5%	15.7%	19.0%	16.2%	16.4%
EBITDA	385,437	343,280	306,638	345,929	282,493	278,627
– Profit margin	25.8%	25.8%	24.2%	24.9%	22.9%	23.3%
Net profit	244,272	174,008	152,576	249,411	163,329	153,730
– Profit margin	16.4%	13.1%	12.0%	17.9%	13.3%	12.8%
Assets	2,184,618	1,985,069	1,919,131	2,129,960	1,916,065	1,837,482
ROA	11.7%	8.9%	8.0%	12.3%	8.7%	8.4%
Equity	1,667,516	1,540,270	1,487,699	1,664,178	1,552,300	1,493,325
ROE	15.2%	11.5%	10.4%	15.5%	10.7%	10.5%

Sales

Krka Group Sales of Products and Services by Region

€ thousand	2019	2018	Index 2019/2018
Slovenia	92,375	88,872	104
South-East Europe	191,320	176,206	109
East Europe	481,155	412,945	117
Central Europe	339,574	318,259	107
West Europe	336,098	287,076	117
Overseas Markets	48,558	43,389	112
Total	1,489,080	1,326,747	112

Structure of Krka Group Sales of Products and Services by Region



In 2019, the Krka Group revenue from contracts with customers on sales of products and services added up to €1,489.1 million, an increase of €162.3 million or 12% over the 2018 results. All sales regions and the majority of markets recorded sales growth. We also increased sales of all product and service groups.

Region East Europe recorded the highest sales, €481.2 million, a 17% rise over 2018. In the Russian Federation, product sales were valued at €310.5 million and accounted for 13% increase compared to 2018. Growth expressed in the Russian rouble was 12%. Sales growth dynamics in the Russian Federation has been above the average for several years now. More than 70% of needs for Krka's product are covered by local production at the Krka-Rus plant. In Ukraine, one of Krka's key markets, sales of pharmaceuticals had been decreasing in the past years before levelling off. In 2019, the local currency appreciated and we recorded sales totalling €79.8 million and 42% growth, which was significantly higher than overall market growth. In Uzbekistan, our sales of products totalled €22.5 million, an 18% year-on-year increase. This earned us a place among the most important providers of medicines in the country, especially of medicines for the treatment of cardiovascular diseases. Double-digit sales growth in terms of value was also reached in Turkmenistan (30%), Kyrgyzstan (24%), Belarus (21%), Tajikistan (21%), Armenia (13%), and Moldova (13%).

Region Central Europe, comprising the Visegrad Group and the Baltic states, followed with sales at €339.6 million. Year-on-year, sales grew by 7%. In Poland, the largest regional and our key market, product sales reached €159.5 million, 7% more than in 2018. We recorded the highest growth rates of all foreign providers of generic medicines in the country and took the fourth place. Hungary, another key market, recorded 9% sales growth, reaching €51.6 million. This placed us second among primarily foreign providers of generic medicines in the market. In the Czech Republic, also one of our key markets, sales lagged slightly behind the 2018 figure. We recorded €46.4 million in sales value. We ranked third among foreign providers of generic medicines. Sales growth was also recorded in Lithuania (23%), Estonia (18%), Slovakia (8%), and Latvia (5%).

In terms of the Krka Group sales value, Region West Europe placed third with €336.1 million or a 17% increase over 2018. Germany, the Scandinavian countries, Spain, and Italy led in terms of sales. Sales through subsidiaries were essential for continued sales growth and accounted for 76% of the regional sales. Sales through unrelated parties levelled off with the 2018 figure. In Germany, our most important regional market, we generated sales in total of €85.4 million, an 18% climb over 2018. In Scandinavia, the second largest market in Region West Europe, sales saw a 67% increase and totalled €54.0 million. Double-digit market growth was also recorded in Finland (68%), Benelux (27%), Portugal (11%), and Italy (10%).

Sales of products in Region South-East Europe amounted to €191.3 million, a 9% rise over the year before. In Romania, our key and largest regional market, sales amounted to €56.4 million, a 6% year-on-year increase, which places us second among foreign providers of medicines in this market. In Croatia, one of our key markets, our product sales generated €35.5 million. We recorded 6% growth and consolidated the fourth place among all manufacturers of generic medicines and second place among manufacturers of medicines for veterinary use. Sales increased in all markets in the region except in Albania.

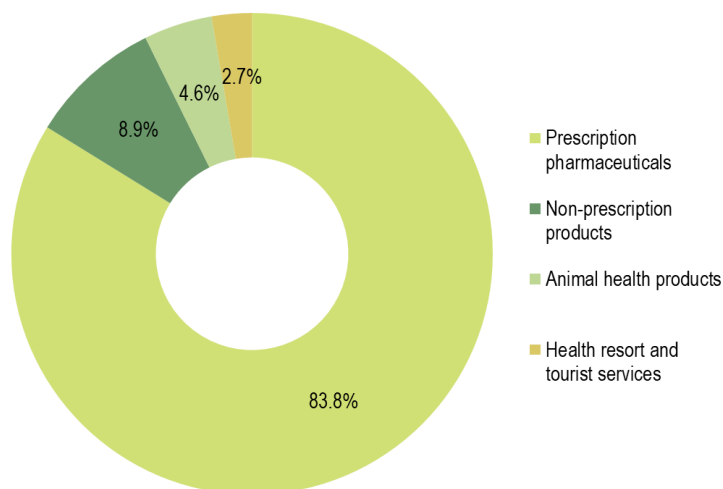
Sales of products and services in Slovenia amounted to €92.4 million (of that health resorts and tourist services totalled €39.5 million). The value of product sales was up 3%.

Region Overseas Markets generated €48.6 million by product sales and retained 12% growth. Individual markets of the Middle East, the Far East, and Africa, in particular Iran and Vietnam, contributed the most to total regional sales.

Krka Group Sales of Products and Services by Product Groups

€ thousand	2019	2018	Index 2019/2018
Human health medicines	1,380,512	1,225,986	113
– Prescription pharmaceuticals	1,247,250	1,102,802	113
– Non-Prescription products	133,262	123,184	108
Animal health products	69,094	63,169	109
Health resorts and tourist services	39,474	37,592	105
Total	1,489,080	1,326,747	112

Structure of Krka Group Sales of Products and Services by Product Groups



In 2019, the Krka Group sales of prescription pharmaceuticals amounted to €1,247.3 million, a 13% year-on-year upsurge. The Russian Federation, Scandinavian countries, and Ukraine contributed the most to sales growth. All regions saw higher sales: 18% Region East Europe, 18% Region West Europe, 11% Region Overseas Markets, 9% Region South-East Europe, 6% Region Central Europe, and 1% Region Slovenia. Out of our ten largest individual markets Ukraine, Germany, and the Russian Federation, increased prescription pharmaceutical sales in relative terms the most. Of other markets, Finland, Belarus, and Kyrgyzstan stood out.

As far as sales of prescription pharmaceuticals are concerned, medicines for the treatment of cardiovascular diseases remained the key therapeutic group in 2019, followed by medicines for the treatment of the central nervous system, and medicines for the treatment of gastrointestinal tract.

In 2019, sales of new products, i.e. products launched in individual markets in the past five years, accounted for 33% of the Krka Group overall sales or 4 percentage points more than in the year before. In 2019, the following new products were most important as regards sales growth in absolute terms: Darunasta (darunavir), Valtricom (valsartan/amlodipine/hydrochlorothiazide), and Parnido (paliperidone) that were put on the market in 2018, and Ezesimin (simvastatin/ezetimibe) presented in 2019. Among products presenting highest sales growth were those containing the combination of benzydamine and cetylpyridinium chloride, sold under the Septolete Total brand, which we started marketing in 2015. In the same year, we started promoting Dulsevia (duloxetine) and Bravadin (ivabradine). Together with Septolete Total, they topped the list of best-selling new products of Krka in 2019. Products may be marketed under different brand names or the Krka trademark in individual markets.

Ten leading prescription pharmaceuticals in terms of sales were product groups containing: valsartan, perindopril, losartan, atorvastatin, pantoprazole, rosuvastatin, esomeprazole, enalapril, clopidogrel, and candesartan. Combination medicines that incorporate this active ingredient are also included.

In 2019, the Krka Group sales of non-prescription products totalled €133.3 million, an 8% year-on-year increase. Ukraine, the Russian Federation, and Uzbekistan contributed to sales growth the most. We market non-prescription products through our own marketing-and-sales network in most countries of Regions Central, East, and South-East Europe. Septotele, Herbion, Nalgesin, and Bilobil were our most important non-prescription product brands in terms of sales. Products may be marketed under different brand names or the Krka trademark in individual markets.

In 2019, sales of animal health products amounted to €69.1 million, a 9% year-on-year climb. Sales generated in the Russian Federation, United Kingdom, and Germany contributed most to sales growth. We market animal health products through our own marketing-and-sales network in Regions Slovenia, Central, East, and South-East Europe. We have also been extending it to the markets of Region West Europe. It successfully performs in Germany, the United Kingdom, Belgium, France, Italy, Portugal, Finland, and the Netherlands. In other countries of Regions West Europe and Overseas Markets, we market our animal health products through our business partners. The combination of milbemicin oxime and praziquantel (Milprazon) was our most important animal health product in terms of sales in 2019. It was followed by products containing fipronil (Fypryst, Fypryst Combo), florfenicol (Floron), and enrofloxacin (Enroxil), and products combining pyrantel embonate and praziquantel (Dehinel, Dehinel Plus). Products may be marketed under different brand names or the Krka trademark in individual markets.

Sales of health resorts and tourist services increased by 5% to €39.5 million.

Research and Development

In 2019, Krka obtained marketing authorisations for 20 new products (13 prescription pharmaceuticals, three non-prescription products, and four animal health products) in 43 pharmaceutical forms and strengths.

We filed nine patent applications for technological solutions we have developed and evaluated as inventions. Based on priority applications from 2018, we submitted five international patent applications. We were granted eight patents in various countries. More than 200 patents filed by Krka are currently in force.

We submitted 62 applications for Krka trademarks in Slovenia and 38 international and 18 national trademark applications. More than 1,100 trademarks are registered in several countries.

New Prescription Pharmaceuticals

We introduced 13 new prescription pharmaceuticals in 2019.

We added four new medicines to our cardiovascular portfolio. Under the decentralised procedure, we obtained marketing authorisation for Rosamera or Roxampex (perindopril/amlodipine/rosuvastatin) film-coated tablets in six strengths, our new single-pill combination for lowering blood pressure and cholesterol levels. It is indicated for adult patients whose levels are adequately controlled by the same doses of rosuvastatin and perindopril/amlodipine combination taken concomitantly.

We obtained marketing authorisation under the decentralised procedure for Pitavastatin Krka (pitavastatin) film-coated tablets in three strengths. Pitavastatin showed comparable efficacy to other statins and a reduced risk of interaction with other medicinal products compared to other statins.

We were granted marketing authorisation for our new pharmaceutical Nolibeta or Nebivolol Krka (nebivolol) tablets for the treatment of hypertension in adults. It can also be used for the treatment of stable mild and moderate chronic heart failure in addition to standard therapies in elderly patients 70 years of age and older.

We received marketing authorisation for Camlocor or Kandoset or Camdero (candesartan/amlodipine) 16 mg/10 mg tablets, a new strength of our single-pill combination indicated for the treatment of hypertension.

Marketing authorisation under the decentralised procedure was obtained for our advanced medicine Maysiglu or Sitagavia (sitagliptin) film-coated tablets in three strengths. Sitagliptin is a dipeptidyl peptidase-4 (DPP-4) inhibitor often combined with other medicines used to control blood glucose levels. It does not increase the risk of cardiovascular events or cause weight gain.

We also obtained marketing authorisation for our new oncology pharmaceutical Dasatinib Krka or Dasatilen (dasatinib) film-coated tablets in six strengths. Dasatinib is used to treat Philadelphia chromosome-positive acute lymphoblastic leukemia in adults, adolescents, and children aged one year and older.

Marketing authorisation was obtained for a new formulation of our established medicine Dexeto or Deksametazon Krka (dexamethasone) solution for injection. Dexamethasone, a synthetic glucocorticoid, is a basic medication for in-hospital use indicated as a supportive therapy for certain types of cancer and autoimmune disorders. Our portfolio of products for inpatient care was extended with Metamizol Krka (metamizole) solution for injection or infusion, which was authorised for marketing under the decentralised procedure.

We supplemented the range of antivirals with Atazanavir Krka (atazanavir) hard capsules in three strengths. This new medication is indicated for the treatment of HIV infection, as it reduces the viral load in a body and chances of developing the disease. It is used concomitantly with other medicines to treat infected adults and children six years of age and older in a once-daily dose. We obtained marketing authorisations under the centralised procedure in the European countries.

We were granted marketing authorisations for two new pharmaceuticals indicated for the treatment of an enlarged prostate. Tadusta or Twinpros or Dutamyz (dutasteride/tamsulosin) hard capsules are indicated for treating moderate to severe symptoms of benign prostatic hyperplasia. This single-pill combination reduces the risk of developing acute urinary retention and the need for prostate surgery. Marketing authorisations were also granted for Sidarso or Silbesan (silodosin) hard capsules used to treat the signs of an enlarged prostate. The medicine is taken once daily, does not cause cardiovascular adverse reactions, and can therefore be used in the elderly and patients with cardiovascular diseases.

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

We supplemented our range of analgesics by a new strength of established Paracetamol Krka 1000 (paracetamol) 1 000 mg tablets. The medicine is indicated for the symptomatic treatment of mild to moderate pain and fever in adults and children weighing more than 50 kg.

New Non-Prescription Products

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

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

We obtained marketing authorisation for Herbion Ivy (ivy leaf dry extract) lozenges. The product thins the mucus in the respiratory tract and facilitates expectoration in wet cough. It is intended for adults and children aged 6 years and older.

In the Russian Federation, we were granted marketing authorisation for our new medicine KontrDiar (nifuroxazide) oral suspension. It is used for treating acute diarrhea if it is presumed to be of bacterial origin and is without complications. An oral syringe is supplied with the medicine for precise measuring of doses, also for children one month of age and older.

New Animal Health Products

We supplemented our animal health range for companion animals and farm animals with four new products.

We were granted marketing authorisations for two combination medicines from the group of products for companion animals. Prinocate or Imoxicate (imidacloprid/moxidectin) is a spot-on solution for dogs and cats. We obtained marketing authorisations for 100 mg/25 mg/ml spot-on for dogs in four filling sizes and 100 mg/10 mg/ml spot-on 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.

In the EU countries, registration procedures were concluded for our new companion animal broad-spectrum wormer Milprazon Chewable or Milpragold or Aderexa or Amcofen Sabor or Milprazon Plus or Mektix or Milgusto Chewable (milbemycin/praziquantel) film-coated tablets for the treatment of mixed infections in cats. The product contains natural flavour, which makes it palatable and easy to give. Easy application and efficacy of the product are most important to pet owners.

We obtained marketing authorisations under the European decentralised procedure for our new medicine Awazom (amoxicillin) powder for use in drinking water. The medicine is indicated for the treatment of bacterial infections in chickens, ducks, and turkeys.

Investments

In 2019, the Krka Group allocated €112.6 million to investments, of that €90.5 million to the controlling company. We primarily invested in increasing and technologically advancing production and development, providing quality assurance, and in Krka owned production-and-distribution centres around the world. All projects comply with environmental standards and take into consideration direct and indirect environmental impacts. The approved equipment corresponds to the best available technology as regards environmental protection and energy efficiency, and guarantees safe and efficient operations.

At the beginning of October 2019, an opening ceremony was held for the product development and quality control facility, Razvojno-kontrolni center 4 (RKC 4), in Ločna, Novo mesto. This €55.6 million investment almost doubled our research-and-development and analytical capacities necessary to provide high-quality products. Another important phase in the technological development of Krka has been completed, providing for coordinated operations of research and development, and production and control, essential advantages of our vertically integrated business model.

At the end of 2017, we started building a multi-purpose warehouse to ensure additional storage room for incoming materials and finished products. This will improve production speed and flexibility, product availability and market supply. In December 2019, we passed the last technical inspection and obtained operating permits for all buildings. At the beginning of 2020, Javna agencija Republike Slovenije za zdravila in medicinske pripomočke (JAZMP; Agency for Medicinal Products and Medical Devices of the Republic of Slovenia) carried out the final examination of sampling rooms and transport equipment, so all requirements for the start-up of the multi-purpose warehouse were met. The entire investment was estimated at €36 million.

Notol 2, the state-of-the-art facility for manufacturing solid dosage forms, is also in Ločna, Novo mesto. The increasing demand for additional production capacities has incited us to acquire extra technological equipment. In 2019, we started equipping the new packaging facility. We installed seven highly automated and robotised packaging lines. In the coming two years, we plan to purchase and start up another seven lines. In 2019, we allocated €18 million to equipping the packaging facility. Total investment is estimated at €41 million. After the small-scale production equipment is moved in and large-scale production equipment is installed, the plant will be fully technologically equipped in 2021, and its full production capacity will rise to 5 billion tablets per year.

We increased manufacturing capacities for animal health products with biocidal effect at our Bršljin plant in Novo mesto. This investment totalled €4.2 million.

We purchased an inspection machine to increase the capacity for production of lozenges at our Ljutomer plant. We also upgraded the systems and equipment in one part of the plant. We apportioned €1.9 million to the investment.

In Krško, construction of a new warehouse started in June 2019. The investment will ensure sufficient warehousing capacities for raw materials used in chemical and pharmaceutical production in compliance with the guidelines for spatial separation of hazardous substances of the Technical Rules for Hazardous Substances (TRGS). At the end of 2019, the warehousing facility was constructed to the extent that mechanical and electrical wiring installation works could start. Completion of the €8.2 million building is planned for July 2020.

In February 2019, the European Union introduced new rules for the protection of public health by preventing the entry of falsified medicinal products into the pharmaceutical supply chain. In compliance with the Directive, we

introduced obligatory safety features on the outer packaging of medicines, which prevent falsified medicines from reaching patients. We also made several upgrades to technological equipment and production procedures. Over the last three years, we allocated approximately €20 million for the new equipment and technology. Safety measures required by Russian legislation as of 1 July 2020 are also part of this investment.

We constructed a new office building in Ljubljana, which was officially put to use in mid-September 2019. The investment amounted to €12 million.

One of the most important investments in Krka subsidiaries abroad is investment in the Krka-Rus plant in the industrial zone of the town of Istra, north-west of Moscow, where we manufacture slightly more than 2 billion tablets or 72% of products that Krka currently sells in the Russian Federation. We have the status of a domestic producer in the Russian Federation.

In the coming years, we plan to increase manufacturing and laboratory capacities of the existing and partly refurbished premises of Krka-Rus 1 and Krka-Rus 2. One by one, four tablet presses and four packaging lines will be installed and additional microbiological and physico-chemical laboratories set up. The investment is estimated at €33 million.

We completed the €1.7 million investment in production of solid forms of animal health products at the production-and-distribution centre in Jastrebarsko, Croatia. We invested a total of €0.5 million in optimisation of production equipment in our subsidiary TAD Pharma, Germany, and €0.6 million in Krka - Polska.

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

At the end of 2017, we established a joint venture Ningbo Krka Menovo with a local partner Menovo in the city of Ningbo, China. We obtained an EU GMP certificate for the leased production facilities. Commercial manufacture of the first product intended for markets outside China started at the end of 2018, when we also filed all marketing authorisation documents required for the sales in the Chinese market. In 2019, we started manufacturing several products for markets outside China in facilities taken on lease that we additionally equipped with production and control equipment.

Employees

At the end of 2019, the Krka Group had 11,696 employees, of which 5997 (51.3%) worked in Slovenia and 5699 (48.7%) abroad. Together with agency workers, the Krka Group had 12,770 persons on payroll, 288 more than at the end of 2018.

The proportion of Krka Group employees with at least university-level qualifications was 52% or 6104 employees. Of that 198 held a doctoral degree, and 388 a master's degree or specialisation.

Investor and Share Information

In 2019, the Krka share price rose by almost 27% and amounted to €73.20 at the end of the year. Market capitalisation of the Company amounted to €2.4 billion.

At the end of 2019, Krka had a total of 48,631 shareholders. The shareholders' structure, with 38.5% of individual Slovenian retail investors and 23% of foreign investors, is stable and without any major changes.

In 2019, Krka acquired 340,805 treasury shares. On 31 December 2019, Krka held 1,234,252 treasury shares, which accounted for 3.764% of the share capital.

Subsequent events

Alleged irregularities in Krka Romania

In the period from 14 to 24 January 2020, the media cited reports by the Romanian internet portal and newspaper the Libertatea, claiming the press had obtained information on the alleged irregularities that involved employees of a Krka subsidiary, Krka Romania S.R.L., Bucharest (hereafter Krka Romania). On 17 January 2020, we informed the public that we had appointed a special team to review in detail the operations of the Krka subsidiary in relation to the allegations. The internal investigation findings showed that allegations about the corruption in Romania, according to which Krka Romania has acted unlawfully and marketed medications by bribing healthcare professionals, allegedly following the instructions given to the employees of the subsidiary by the controlling company, are not justified. According to the investigation, the subsidiary in Romania received relevant instructions from the controlling company. However, it cannot be completely ruled out that, in the past, a certain individual employee of the subsidiary had violated the bylaws of Krka and contractual obligations arising from the employment relationship. Based on the findings, Krka is implementing measures that also aim to further improve transparency and compliance. The Supervisory Board were informed about the Management Board report and support all measures adopted in relation to this matter.

Impact of SARS-CoV-2 (Coronavirus) on Business Performance

We have been carefully monitoring the epidemiological situation and new developments in China and elsewhere around the world since the coronavirus outbreak. At the beginning of 2020, even before it spread, we secured sufficient supplies of raw materials and thus made sure that our processes have been uninterrupted as far as possible. In order to prepare for the current situation, we have also taken preventive sanitary, health, and organisational measures to provide suitable conditions for reducing the risk of employee infections and enable business operations without major disruptions.

Following the declaration of a national epidemic and other government actions, the Management Board of the Company adopted additional measures to contain the spread of the coronavirus with the aim to further protect the health of all employees and consequently ensure uninterrupted business operations. This is the primary objective of medicine manufacturers such as Krka, as it is the only way to make sure there is no supply chain disruption or lack of necessary medicines on the global markets while we fight the coronavirus. Krka is a member of the European generics medicines association Medicines for Europe, which also issued a statement calling for implementation of various measures to make sure the production facilities operate without interruption.

The Management Board of the Company carefully monitor new developments in the countries where the Krka Group is present. Through development, quality control, well-organised supply chain, numerous own production facilities, marketing-and-sales activities, and support services, the vertically integrated business model of Krka covers a wide range of processes and activities at the global level. The developments with regard to the spread of the infection, its consequences, and the related measures taken by counties are fast and unpredictable. Currently, the Krka Group does not record any negative impact of the coronavirus on its business operations.

Acquisition of Treasury Shares in 2020

In 2020, Krka acquired 64,220 treasury shares. At the end of March 2020, Krka held 1.298.472 treasury shares, accounting for 3.960% of share capital.

Unaudited Consolidated Statement of Financial Position of the Krka Group

€ thousand	31 Dec 2019	31 Dec 2018
Assets		
Property, plant and equipment	862,848	839,448
Intangible assets	109,082	110,329
Loans	10,908	10,810
Investments	9,681	9,389
Deferred tax assets	48,825	40,376
Other non-current assets	489	459
Total non-current assets	1,041,833	1,010,811
Assets held for sale	41	41
Inventories	421,578	365,149
Contract assets	1,874	395
Trade receivables	434,695	438,291
Other receivables	31,924	26,370
Loans	31,832	21,491
Investments	2,174	4,720
Cash and cash equivalents	218,667	117,801
Total current assets	1,142,785	974,258
Total assets	2,184,618	1,985,069
Equity		
Share capital	54,732	54,732
Treasury shares	-73,774	-52,076
Reserves	129,871	104,062
Retained earnings	1,553,489	1,430,817
Total equity holders of the controlling company	1,664,318	1,537,535
Non-controlling interests within equity	3,198	2,735
Total equity	1,667,516	1,540,270
Liabilities		
Provisions	120,403	100,989
Deferred revenue	8,709	9,798
Trade payables	10,000	0
Lease liabilities	10,201	0
Deferred tax liabilities	11,592	12,271
Total non-current liabilities	160,905	123,058
Trade payables	128,574	136,806
Borrowings	3	0
Lease liabilities	2,799	0
Income tax payable	18,824	3,842
Contract liabilities	123,312	110,225
Other current liabilities	82,685	70,868
Total current liabilities	356,197	321,741
Total liabilities	517,102	444,799
Total equity and liabilities	2,184,618	1,985,069

Unaudited Consolidated Income Statement of the Krka Group

€ thousand	2019	2018
Revenue	1,493,409	1,331,858
– Revenue from contracts with customers	1,490,090	1,327,190
– Other revenue	3,319	4,668
Cost of goods sold	-646,048	-561,131
Gross profit	847,361	770,727
Other operating income	13,709	12,791
Selling and distribution expenses	-350,327	-344,686
– Net impairment and write-off of receivables	333	-223
R&D expenses	-152,421	-130,700
General and administrative expenses	-84,127	-75,446
Operating profit	274,195	232,686
Financial income	24,987	5,935
Financial expenses	-14,814	-36,048
Net financial result	10,173	-30,113
Profit before tax	284,368	202,573
Income tax	-40,096	-28,565
Net profit	244,272	174,008
Attributable to:		
– Equity holders of the controlling company	245,545	174,585
– Non-controlling interest	-1,273	-577
Basic earnings per share (€)	7.73	5.46
Diluted earnings per share (€)	7.73	5.46

Unaudited Consolidated Statement of Other Comprehensive Income of the Krka Group

€ thousand	2019	2018
Net profit	244,272	174,008
Other comprehensive income for the year		
Other comprehensive income for the year reclassified to profit or loss at a future date		
Translation reserve	19,151	-19,510
Net other comprehensive income for the year reclassified to profit or loss at a future date	19,151	-19,510
Other comprehensive income for the year that will not be reclassified to profit or loss at a future date		
Change in fair value of available-for-sale financial assets	292	568
Restatement of post-employment benefits	-17,034	-520
Deferred tax effect	1,644	-32
Net other comprehensive income for the year that will not be reclassified to profit or loss at a future date	-15,098	16
Total other comprehensive income for the year (net of tax)	4,053	-19,494
Total comprehensive income for the year (net of tax)	248,325	154,514
Attributable to:		
– Equity holders of the controlling company	249,565	155,093
– Non-controlling interest	-1,240	-579

Unaudited Consolidated Statement of Changes in Equity of the Krka Group for 2019

€ thousand	Reserves								Retained earnings			Total equity holders of the controlling company	Non-controlling interests within equity	Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other profit reserves	Retained earnings	Profit for the year			
Balance at 1 Jan 2019	54,732	-52,076	52,076	105,897	14,990	30,000	-11,918	-86,983	1,167,388	100,332	163,097	1,537,535	2,735	1,540,270
Net profit	0	0	0	0	0	0	0	0	0	0	245,545	245,545	-1,273	244,272
Total other comprehensive income for the year (net of tax)	0	0	0	0	0	0	-14,357	19,118	0	-741	0	4,020	33	4,053
Total comprehensive income for the year (net of tax)	0	0	0	0	0	0	-14,357	19,118	0	-741	245,545	249,565	-1,240	248,325
Transactions with owners recognised in equity														
Formation of other profit reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	0	43,904	-43,904	0	0	0	0
Transfer of profit from previous periods to retained earnings	0	0	0	0	0	0	0	0	0	163,097	-163,097	0	0	0
Repurchase of treasury shares	0	-21,698	0	0	0	0	0	0	0	0	0	-21,698	0	-21,698
Formation of reserves for treasury shares	0	0	21,698	0	0	0	0	0	0	0	-21,698	0	0	0
Other – TAD	0	0	0	0	0	0	-650	0	0	650	0	0	0	0
Acquisition of a stake in Golf Grad Otočec	0	0	0	0	0	0	0	0	0	575	0	575	-846	-271
Dividends paid	0	0	0	0	0	0	0	0	0	-101,659	0	-101,659	0	-101,659
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	2,549	2,549
Total transactions with owners recognised in equity	0	-21,698	21,698	0	0	0	-650	0	43,904	18,759	-184,795	-122,782	1,703	-121,079
Balance at 31 Dec 2019	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

Unaudited Consolidated Statement of Changes in Equity of the Krka Group for 2018

€ thousand	Reserves								Retained earnings			Total equity holders of the controlling company	Non-controlling interests within equity	Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other profit reserves	Retained earnings	Profit for the year			
Balance at 1 Jan 2018	54,732	-40,588	40,588	105,897	14,990	30,000	-12,523	-67,475	1,129,172	90,233	141,702	1,486,728	971	1,487,699
Net profit	0	0	0	0	0	0	0	0	0	0	174,585	174,585	-577	174,008
Total other comprehensive income for the year (net of tax)	0	0	0	0	0	0	605	-19,508	0	-589	0	-19,492	-2	-19,494
Total comprehensive income for the year (net of tax)	0	0	0	0	0	0	605	-19,508	0	-589	174,585	155,093	-579	154,514
Transactions with owners recognised in equity			0											
Formation of other profit reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	0	38,216	-38,216	0	0	0	0
Transfer of profit from previous periods to retained earnings	0	0	0	0	0	0	0	0	0	141,702	-141,702	0	0	0
Repurchase of treasury shares	0	-11,488	0	0	0	0	0	0	0	0	0	-11,488	0	-11,488
Formation of reserves for treasury shares	0	0	11,488	0	0	0	0	0	0	0	-11,488	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	-92,798	0	-92,798	0	-92,798
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	2,343	2,343
Total transactions with owners recognised in equity	0	-11,488	11,488	0	0	0	0	0	38,216	10,688	-153,190	-104,286	2,343	-101,943
Balance at 31 Dec 2018	54,732	-52,076	52,076	105,897	14,990	30,000	-11,918	-86,983	1,167,388	100,332	163,097	1,537,535	2,735	1,540,270

Unaudited Consolidated Statement of Cash Flows of the Krka Group

€ thousand	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	244,272	174,008
Adjustments for:	177,690	130,325
– Amortisation/Depreciation	111,242	110,594
– Foreign exchange differences	8,386	-6,750
– Investment income	-6,249	-7,978
– Investment expenses	21,356	3,806
– Interest expense and other financial expenses	2,882	2,198
– Financial income	-23	-110
– Income tax	40,096	28,565
Operating profit before changes in net current assets	421,962	304,333
Change in trade receivables	-4,152	61,863
Change in inventories	-56,429	-54,478
Change in trade payables	11,190	29,634
Change in provisions	374	852
Change in deferred revenue	-1,089	-1,155
Change in other current liabilities	9,267	-8,326
Income tax paid	-31,600	-42,771
Net cash from operating activities	349,523	289,952
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,254	470
Dividends received	358	975
Proceeds from sale of property, plant and equipment	1,465	1,526
Purchase of intangible assets	-6,120	-6,984
Purchase of property, plant and equipment	-104,502	-86,259
Acquisition of subsidiaries and a share of minority interests net of financial assets acquired	-271	0
Non-current loans	-2,414	-2,881
Proceeds from repayment of non-current loans	2,239	1,086
Payments to acquire non-current investments	-69	-153
Proceeds from sale of non-current investments	37	27
Payments for current investments and loans	-9,244	-22,681
Payments for derivative financial instruments	-7,540	-2,737
Proceeds from derivative financial instruments	0	3,255
Net cash from investing activities	-124,807	-114,356
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-490	-657
Payments for current borrowings	3	0
Lease payments	-2,970	0
Dividends and other profit shares paid	-101,668	-92,811
Repurchase of treasury shares	-21,698	-11,488
Proceeds from payment of non-controlling interests	2,549	2,343
Net cash from financing activities	-124,274	-102,613
Net increase in cash and cash equivalents	100,442	72,983
Cash and cash equivalents at the beginning of the year	117,801	45,948
Effect of foreign exchange rate fluctuations on cash held	424	-1,130
Closing balance of cash and cash equivalents	218,667	117,801

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

€ thousand	31 12. 2019	31 12. 2018
Assets		
Property, plant and equipment	613,210	604,923
Intangible assets	28,410	28,842
Investments in subsidiaries	329,335	325,502
Trade receivables due from subsidiaries	39,491	38,885
Loans	36,223	19,238
Investments	9,680	9,388
Deferred tax assets	13,187	11,780
Other non-current assets	80	58
Total non-current assets	1,069,616	1,038,616
Assets held for sale	41	41
Inventories	367,007	317,499
Contract assets	565	1,464
Trade receivables	443,840	390,948
Other receivables	18,011	15,404
Loans	35,644	51,819
Investments	0	1,800
Cash and cash equivalents	195,236	98,474
Total current assets	1,060,344	877,449
Total assets	2,129,960	1,916,065
Equity		
Share capital	54,732	54,732
Treasury shares	-73,774	-52,076
Reserves	201,057	192,788
Retained earnings	1,482,163	1,356,856
Total equity	1,664,178	1,552,300
Liabilities		
Provisions	105,677	87,882
Deferred revenue	1,659	2,030
Trade payables	10,000	0
Lease liabilities	2,453	0
Total non-current liabilities	119,789	89,912
Trade payables	182,423	170,354
Borrowings	73,033	40,435
Lease liabilities	640	0
Income tax payable	16,668	1,570
Liabilities from contracts with customers	14,609	17,340
Other current liabilities	58,620	44,154
Total current liabilities	345,993	273,853
Total liabilities	465,782	363,765
Total equity and liabilities	2,129,960	1,916,065

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

€ thousand	2019	2018
Revenue	1,390,248	1,231,784
– Revenue from contracts with customers	1,383,855	1,223,763
– Other revenue	6,393	8,021
Cost of goods sold	-597,369	-532,668
Gross profit	792,879	699,116
Other operating income	3,780	3,765
Selling and distribution expenses	-308,050	-305,066
– Net impairment and write-off of receivables	300	-311
R&D expenses	-155,495	-135,145
General and administrative expenses	-69,262	-63,365
Operating profit	263,852	199,305
Financial income	34,410	17,382
Financial expenses	-14,751	-33,891
Net financial result	19,659	-16,509
Profit before tax	283,511	182,796
Income tax	-34,100	-19,467
Net profit	249,411	163,329
Basic earnings per share (€)	7.85	5.10
Diluted earnings per share (€)	7.85	5.10

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

€ thousand	2019	2018
Net profit	249,411	163,329
Other comprehensive income for the year		
Other comprehensive income for the year that will not be reclassified to profit or loss at a future date		
Change in fair value of financial assets	292	568
Restatement of post-employment benefits	-15,926	-583
Deferred tax effect	1,458	-53
Net other comprehensive income for the year that will not be reclassified to profit or loss at a future date	-14,176	-68
Total other comprehensive income for the year (net of tax)	-14,176	-68
Total comprehensive income for the year (net of tax)	235,235	163,261

Unaudited Statement of Changes in Equity of Krka, d. d., Novo mesto for 2019

€ thousand	Reserves							Retained earnings			Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Other profit reserves	Retained earnings	Profit for the year	
Balance at 1 Jan 2019	54,732	-52,076	52,076	105,897	14,990	30,000	-10,175	1,167,388	37,627	151,841	1,552,300
Net profit	0	0	0	0	0	0	0	0	0	249,411	249,411
Total other comprehensive income for the year (net of tax)	0	0	0	0	0	0	-13,429	0	-747	0	-14,176
Total comprehensive income for the year (net of tax)	0	0	0	0	0	0	-13,429	0	-747	249,411	235,235
Transactions with owners recognised in equity											
Formation of other profit reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	43,904	-43,904	0	0
Transfer of profit from previous periods to retained earnings	0	0	0	0	0	0	0	0	151,841	-151,841	0
Repurchase of treasury shares	0	-21,698	0	0	0	0	0	0	0	0	-21,698
Formation of reserves for treasury shares	0	0	21,698	0	0	0	0	0	0	-21,698	0
Dividends paid	0	0	0	0	0	0	0	0	-101,659	0	-101,659
Total transactions with owners recognised in equity	0	-21,698	21,698	0	0	0	0	43,904	6,278	-173,539	-123,357
Balance at 31 Dec 2019	54,732	-73,774	73,774	105,897	14,990	30,000	-23,604	1,211,292	43,158	227,713	1,664,178

Unaudited Statement of Changes in Equity of Krka, d. d., Novo mesto for 2018

€ thousand	Reserves							Retained earnings			Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Other profit reserves	Retained earnings	Profit for the year	
Balance at 1 Jan 2018	54,732	-40,588	40,588	105,897	14,990	30,000	-10,696	1,129,172	26,398	142,832	1,493,325
Net profit	0	0		0	0	0	0	0	0	163,329	163,329
Total other comprehensive income for the year (net of tax)	0	0	0	0	0	0	521	0	-589	0	-68
Total comprehensive income for the year (net of tax)	0	0	0	0	0	0	521	0	-589	163,329	163,261
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	38,216	-38,216	0	0
Transfer of profit from previous periods to retained earnings	0	0	0	0	0	0	0	0	142,832	-142,832	0
Repurchase of treasury shares	0	-11,488	0	0	0	0	0	0	0	0	-11,488
Formation of reserves for treasury shares	0	0	11,488	0	0	0	0	0	0	-11,488	0
Dividends paid	0	0	0	0	0	0	0	0	-92,798	0	-92,798
Total transactions with owners recognised in equity	0	-11,488	11,488	0	0	0	0	38,216	11,818	-154,320	-104,286
Balance at 31 Dec 2018	54,732	-52,076	52,076	105,897	14,990	30,000	-10,175	1,167,388	37,627	151,841	1,552,300

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

€ thousand	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	249,411	163,329
Adjustments for:	122,935	91,193
– Amortisation/Depreciation	82,077	83,188
– Foreign exchange differences	-758	1,172
– Investment income	-11,359	-17,769
– Investment expenses	16,047	3,178
– Interest expense and other financial expenses	2,828	1,957
– Income tax	34,100	19,467
Operating profit before changes in net current assets	372,346	254,522
Change in trade receivables	-54,708	62,626
Change in inventories	-49,508	-53,325
Change in trade payables	31,353	9,242
Change in provisions	-135	254
Change in deferred revenue	-371	-378
Change in other current liabilities	-3,029	4,899
Income tax paid	-18,952	-32,514
Net cash from operating activities	276,996	245,326
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,215	566
Dividends received	358	975
Proportionate profit of subsidiaries	8,692	11,427
Proceeds from sale of property, plant and equipment	733	658
Purchase of property, plant and equipment	-82,141	-67,242
Purchase of intangible assets	-5,435	-6,331
Acquisition of subsidiaries and a share of minority interests net of financial assets acquired	-3,834	-3,603
Non-current loans	-4,177	-8,600
Proceeds from repayment of non-current loans	10,182	1,351
Payments to acquire non-current investments	-43	-24
Proceeds from sale of non-current investments	21	26
Payments for current investments and loans	-6,571	-17,958
Payments for derivative financial instruments	-7,540	-2,737
Proceeds from derivative financial instruments	0	3,255
Net cash from investing activities	-88,540	-88,237
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-742	-433
Proceeds from current borrowings	32,564	12,931
Lease payments	-718	0
Dividends and other profit shares paid	-101,668	-92,811
Purchase of treasury shares	-21,698	-11,488
Net cash from financing activities	-92,262	-91,801
Net increase in cash and cash equivalents	96,194	65,288
Cash and cash equivalents at the beginning of the year	98,474	34,117
Effect of foreign exchange rate fluctuations on cash held	568	-931
Closing balance of cash and cash equivalents	195,236	98,474