



**Unaudited Interim Report  
for the Krka Group  
and the Krka Company  
for January–September 2013**

November 2013

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## INTRODUCTION

The condensed financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (Krka Company) for the periods January–September 2013 and 2012 are unaudited, while the financial statements for the full 2012 business year are audited. The Krka Company has no authorised capital and has not made a conditional share capital increase.

The Krka Company promptly announces all significant changes of the 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 Delo daily newspaper. This interim report for the Krka Group and the Krka Company is available on the Krka website [www.krka.si](http://www.krka.si).

The Krka Company Supervisory Board discussed the January–September 2013 Report for the Krka Group and the Krka Company at its regular meeting on 13 November 2013.

## Highlights January to September 2013

- The Krka Group sold EUR 857.8 million worth of products and services, and Krka Company sales amounted to EUR 835.3 million.
- Krka Group sales were up 5% compared to the same period last year, with Krka Company sales up 11%.
- The Group generated EUR 167.0 million of operating profit, an increase by 21% compared to the same period last year, and the Krka Company generated EUR 155.9 million of operating profit, up 31%.
- The Krka Group recorded EUR 124.9 million of profit for the period, an increase by 12% compared to the same period last year, and the Krka Company generated EUR 116.9 million of profit for the period, up 9%.
- The highest absolute as well as relative sales growth (up EUR 58.3 million, or 24%) was recorded in Region East Europe, which is Krka's largest sales region, representing almost 35% of total sales.
- The Group generated just over 92%, and the Krka Company 95% of its sales revenues in markets outside Slovenia.
- As at 30 September 2013 Krka's share traded at EUR 54.95 on the Ljubljana Stock Exchange, an increase by 10% compared to the year-end of 2012. Krka Company's market capitalisation amounted to EUR 1,947 million.
- The Group allocated EUR 109.2 million to investments, of which the Krka Company invested EUR 76.9 million and subsidiaries EUR 32.3 million.
- At the end of September 2013 the Krka Group had 9,914 employees, 5% more than at the beginning of the year.

## Krka Group and Krka Company financial highlights

	Krka Group		Krka Company	
EUR thousand	1-9/2013	1-9/2012	1-9/2013	1-9/2012
Revenues	857,805	813,934	835,318	752,281
EBIT <sup>1</sup>	167,007	138,592	155,927	118,759
EBITDA	236,731	205,617	209,594	170,626
Profit for the period	124,850	111,496	116,942	107,643
R&D costs	76,331	72,137	78,523	70,298
Investments	109,173	102,038	76,946	47,535
	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
Non-current assets	959,994	926,000	907,718	863,442
Current assets	748,972	700,748	728,032	702,843
Equity	1,293,171	1,240,521	1,287,873	1,232,215
Non-current liabilities	130,833	145,362	100,696	113,310
Current liabilities	284,962	240,865	247,181	220,760
RATIOS	1-9/2013	1-9/2012	1-9/2013	1-9/2012
EBIT margin	19.5%	17.0%	18.7%	15.8%
EBITDA margin	27.6%	25.3%	25.1%	22.7%
Profit margin (ROS)	14.6%	13.7%	14.0%	14.3%
ROE <sup>2</sup>	13.1%	12.7%	12.4%	12.3%
ROA <sup>3</sup>	10.0%	9.5%	9.7%	9.7%
Liabilities/Equity	0.322	0.321	0.270	0.261
R&D costs/Revenues	8.9%	8.9%	9.4%	9.3%
NUMBER OF EMPLOYEES	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
As at	9,914	9,461	4,682	4,495

SHARE INFORMATION	1-9/2013	1-9/2012
Total number of shares issued	35,426,120	35,426,120
Earnings per share in EUR <sup>4</sup>	5.04	4.46
Closing price at end of period in EUR <sup>5</sup>	54.95	49.80
Price/Earnings ratio (P/E)	10.90	11.16
Book value in EUR <sup>6</sup>	36.50	33.82
Price/Book value (P/B)	1.51	1.47
Market capitalisation in EUR thousand (end of period)	1,946,665	1,764,221

<sup>1</sup> Difference between operating income and expenses

<sup>2</sup> Profit for the period, annualised/Average shareholders' equity in the period

<sup>3</sup> Profit for the period, annualised/Average total assets in the period

<sup>4</sup> Profit for the period attributable to equity holders of the parent, annualised/Average number of shares issued in the period, exclusive of treasury shares

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

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

## Krka Group ID card

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

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

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

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

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

**Website** www.krka.si

**Core business** Production of pharmaceutical preparations

**Business clarification code** 21.200

**Year established** 1954

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

**Tax number** 82646716

**VAT number** SI82646716

**Company ID number** 5043611

**Share capital** EUR 59,126,194.28

**Total number of shares issued** 35,426,120 ordinary registered no-par value shares. Krka has been listed on the Ljubljana Stock Exchange under symbol KRKG since 1997, and since April 2012 additionally on the Warsaw Stock Exchange under symbol KRK.

## Krka Group business model

Krka is one of the world's leading generic pharmaceutical companies, and has almost 60 years of experience in the industry. It is headquartered in Slovenia.

Krka has a leading position in its domestic market, and its presence is also significant in the generic pharmaceuticals markets of:

- Eastern Europe – the Russian Federation and Ukraine,
- Central Europe – Poland, the Czech Republic and Hungary, and
- South-Eastern Europe – Croatia and Romania.

In recent years Krka has built up its presence in the markets of Western Europe, especially Germany, France, the UK, the Nordic countries, the Benelux, Italy, Portugal and Spain.

Our production and distribution facilities are located in Slovenia, the Russian Federation, Poland,

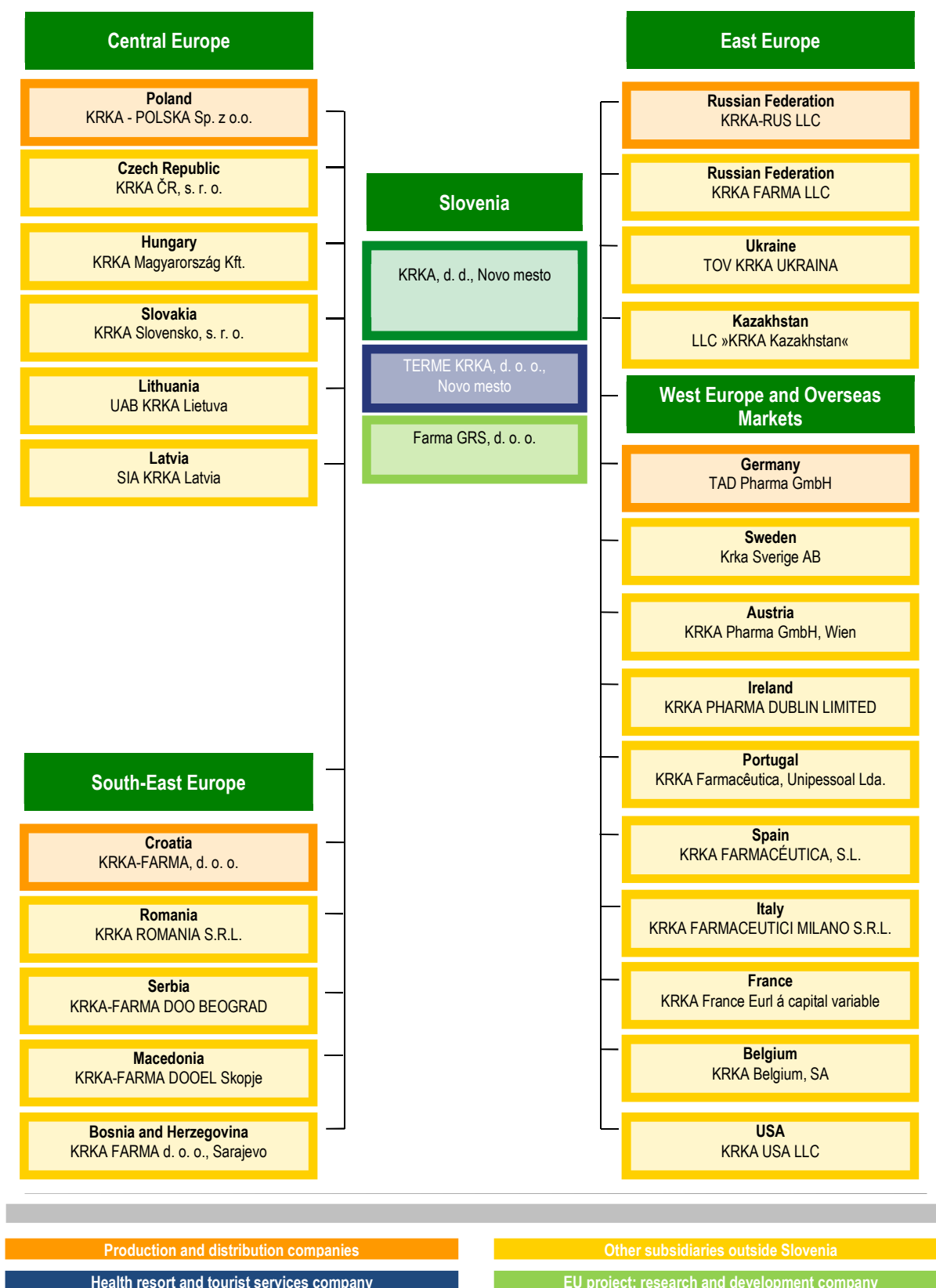
Croatia and Germany.

Modern pharmaceutical production and the vertically integrated business model allow us to offer customers in over 70 countries a broad range of safe, high quality and effective prescription pharmaceuticals, non-prescription products and animal health products. The majority of Krka products are in solid dosage pharmaceutical forms. Our product offer is supplemented by the health resort and tourist services of the Terme Krka Group.

We focus on generic prescription pharmaceuticals marketed under Krka's own brands. In the future we will continue to focus on marketing and on developing our own marketing and sales network, both by establishing new companies and by purchasing local pharmaceutical companies in selected markets. Our objective is to strengthen the market position of the Krka Group in Europe and in the markets of Central Asia as well as to enter new high-potential markets.

In order to increase the competitive advantage of our product portfolio and maintain a high proportion of vertically integrated products, we have been allocating 8 to 9% of our revenues to research and development. A large proportion of our revenues are generated from the sales of new products, i.e. products launched on different markets over the past five years. We will continue to invest in research and development as there are over 170 new Krka products in the pipeline.

## Krka Group companies



The controlling company, Krka, d. d., Novo mesto, holds 100% ownership stakes in all of the above

subsidiaries apart from Farma GRS (99.7%) and Krka Belgium (95%).

## Krka Group development strategy

The Krka Group updates its development strategy on a bi-annual basis. At the beginning of November the Krka Company Management Board adopted the Krka Group development strategy for the new 2014–2018 five-year period, and presented it to the Supervisory Board at its November meeting.

The Management Board measures how well our strategic objectives are being realised at the level of

the Group, while the success criteria at the level of product and service groups as well as business functions are monitored by the relevant committees. The key guideline in monitoring performance criteria is increasing the competitiveness of the entire Krka Group.

The key Krka Group objectives and strategies to 2018 are set out below.

### Key strategic objectives to 2018

- Report an average annual organic sales growth of at least 5%.
- In addition to organic growth, expand through long-term partnerships (including joint ventures) and through acquisitions in case of available commercially appealing acquisition targets.
- Have new products account for at least one third of total sales.
- Be the first generic producer to launch selected products on selected key markets.
- Strengthen the competitive advantage of our product portfolio.
- Maintain vertical integration for as many products as possible.
- Improve asset efficiency.
- Increase cost efficiency in products.
- Strengthen innovation across all business functions.
- Maintain independence.

### Key strategies by 2018

- Prioritise focus on European markets and the markets of Central Asia.
- Create a new sales region, Overseas Markets with sales offices the Middle East, the Far East and Africa, and the Americas, in order to better exploit the area's sales potential.
- Major focus on key markets (Slovenia, Croatia, Romania, Ukraine, the Russian Federation, Poland, Hungary, the Czech Republic, West Europe), key customers and key products.
- Build up Krka's presence in the markets of Western Europe through our own marketing and sales companies and with Krka brand products.
- Strengthen the pharmaceuticals and chemicals business, especially prescription pharmaceuticals for three key therapeutic areas (pharmaceuticals for cardiovascular diseases, pharmaceuticals to treat alimentary and metabolic diseases, and pharmaceuticals for diseases of the central nervous system), while also entering new areas, and also strengthen non-prescription products in selected therapeutic areas.
- Strengthen vertical integration from product development to production.
- Ensure a permanent supply of incoming materials, and optimise supply by continually reducing purchase prices.
- Strengthen the outsourcing of production and development.
- Develop generic pharmaceuticals and prepare their marketing authorisation documentation prior to the expiry of the product patent for the original medicine.
- Strengthen all types of relationships with external institutions and companies in the area of development.
- Continue to increase investments into production, development and infrastructure facilities.
- Purchase local pharmaceutical companies, make business acquisitions and enter into various forms of long-term business



partnerships (joint venture) in selected markets, with the primary objective to acquire market shares and new therapeutic areas.

- Reduce the impact of financial risk and economic hazards on the operations of the Krka Group.
- Pursue a dividend increase policy whereby up to 50% of the Group's profit from the previous period as attributable to equity owners of the parent is allocated to dividends. The proportion of each year's profit devoted to dividend payments will also depend on the Group's financial requirements in connection to investments and major acquisitions.
- Strengthen the professional and cost synergy within the Krka Group, and maximise the

competitive advantages offered by the business environments of Krka companies outside Slovenia.

- Strengthen the internationalisation of all business functions by implementing English and Russian as the key communication tools in the Krka Group.
- Enterprise- and goal-orientated mobilisation of internal human resource potential.
- Maintain the economic, social, and environmental responsibility to the surroundings in which we operate.
- Operate in line with the principles of business excellence and thereby strengthen the identity and positive public image of the Krka Group.

### Estimated realisation of Krka Group business objectives for 2013

- Product and service sales will approach the planned value of EUR 1.2 billion.
- East Europe will be Krka's largest sales region, and the Russian Federation will remain our most important individual market.
- Sales outside Slovenia are expected to account for almost 93% of total sales.
- Prescription pharmaceuticals will remain the most important product group, accounting for over 82% of total sales.
- 2013 full-year profit is expected to be slightly above the level of last year's (EUR 159.8 million).
- At the end of 2013 the Krka Group is expected to have over 10,100 employees (7% increase), more than half outside Slovenia.
- Our estimate is that on account of good pricing conditions negotiated with equipment suppliers and construction contractors, the actual investment spending, which we are allocating primarily to expanding and modernising production facilities, research and development facilities, and infrastructure, will be lower than planned and will presumably total EUR 157 million.

## BUSINESS REPORT

### Financial risk

#### Foreign exchange risk

Due to our widespread international operations, the Group is exposed to foreign exchange risk relating to the Russian rouble, Romanian leu, Polish złoty, Croatian kuna, Serbian dinar, Swedish krona, Czech koruna, Hungarian forint and Ukrainian hryvnia.

The Group statement of financial position shows a surplus of assets over liabilities in these currencies, which we consider a long currency position. The key accounting categories that make up a currency

position are trade receivables and trade payables.

The global negative trend witnessed by emerging market currencies continued in the third quarter. Since this group of currencies accounts for the majority of Krka's currency exposure, we generated negative foreign exchange translation differences in the period.

Our currency positions were not hedged in the third quarter.

#### Interest rate risk

Krka Group's exposure to interest rate risk is low. Our existing non-current borrowings have gradually decreased to the level where market interest rate

changes no longer have a decisive impact on the Group's overall financial expense.

#### Credit risk

The credit control process involves obtaining credit ratings for customers to which the controlling company and subsidiaries make product sales worth an annual EUR 100,000 or more, and regular, dynamic monitoring of customer payment discipline. Approximately 400 Krka Group customers are included in the credit control system.

Despite sales growth, total receivables at the end of the third quarter were lower than at the beginning of the year, and trade receivables were also lower compared to the half-year. At the end of the third quarter the amount of past due receivables was at a level that Krka considers normal and acceptable.

A part of our trade receivables have credit insurance coverage, and a smaller proportion are hedged with financial instruments issued by banks.

Customer payment discipline is estimated to have remained unchanged, and the quality of trade receivables in terms of maturity structure and assessed customer risk has also remained the same on average.

On account of our active management of receivables, we have not written off any major receivables in the three quarters of 2013.

#### Liquidity risk

In the first nine months of 2013 the risks related to the Group's liquidity were managed by effective short-term cash flow planning. Short-term liquidity was ensured through a stable cash flow, pre-agreed current borrowings from banks, and the daily, rolling

weekly, monthly and longer-term planning, and monitoring of cash inflows and outflows. While optimising the amounts of cash on their bank accounts, subsidiaries were regularly provided with the required funds.

Liquidity risk is estimated to be low. The scope of current borrowings in the reported period was small, and a part of cash surpluses was placed into short-term bank deposits in advance of the dividend

payments at the beginning of September.

All our liabilities were settled regularly and on time.

## Property, business interruption and liability insurance

The Krka Group insurance programme provides for an optimum financial and legal protection of the Group with respect to property, business interruption and liability. Companies abroad are insured locally as well, having insurance policies issued by local insurers, while inside the European Union primary policies are taken out in line with the system of the free movement of services.

An analysis of premiums and loss events has revealed that the introduction of the deductible in Casco/hull insurance and the mandatory monitoring of competitive offers from insurance companies continue to generate positive results. Considerable savings are also expected on account of the exclusion of older vehicles from Casco/hull insurance, implemented early this year. The set objectives aimed at reducing insurance premiums and lowering the number of loss events are increasing asset economy and asset availability.

Based on the inspection carried out by the reinsurers Swiss Re, Munich Re and Triglav Re, and in line with their recommendations, activities were implemented to reduce exposure of property to insured perils and to reduce the likelihood and consequences of loss events. A task force had proposed measures to this end, and determined implementation deadlines and employees in charge. The majority of the recommendations have already been implemented.

The insurance programme has an important role in controlling risk and responsibility in the planning and implementation of new investments and projects, in Slovenia and abroad. Krka's insurance arrangement ensured risk and responsibility control in the investment projects Krka Rus II and Sinteza 1, and we have started insurance activities in the fitting of equipment in our new plant Notol II.

## Investor and share information

In the first nine months of 2013 Krka's share price on the Ljubljana Stock Exchange was up 10%, while the Slovenian benchmark stock index SBI TOP lost 3% in the reported period. International investors increased their shareholdings the most in the reported period, to almost 20%, which is the largest

share they have held to date. The holdings of individual domestic investors as well as domestic investment companies, funds and other domestic companies, on the other hand, decreased. At the end of September 2013 Krka had a total of 65,044 shareholders.

### Shareholder structure (%)

	30 Sep 2013	31 Dec 2012
Individual domestic investors	39.0	39.8
SOD fund	15.0	15.0
KAD fund and PPS	10.2	10.2
Domestic investment companies and funds	2.4	2.6
Other domestic companies	6.6	7.1
International investors	19.8	18.8
Treasury shares	7.0	6.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

In the first nine months of 2013 Krka repurchased 161,896 treasury shares, worth a total of EUR 8,737,310 (purchases recorded in 2013).

On 30 September 2013 Krka held 2,469,635 treasury shares, which is 6.97% of its share capital.

#### The 10 largest shareholders on 30 September 2013

	Country	No. of shares	Share in equity (%)	Share of voting rights (%)
Slovenska odškodninska družba, d. d.	Slovenia	5,312,070	14.99	16.12
Kapitalska družba, d. d.	Slovenia	3,493,030	9.86	10.60
SOCIETE GENERALE – SPLITSKA BANKA d.d	Croatia	1,230,162	3.47	3.73
Hypo Alpe-Adria-Bank d.d.	Croatia	1,016,642	2.87	3.08
New World Fund Inc	USA	755,000	2.13	2.29
Luka Koper, d. d.	Slovenia	433,970	1.23	1.32
Zavarovalnica Triglav, d. d.	Slovenia	388,300	1.10	1.18
American Funds Insurance Series	USA	353,049	1.00	1.07
UniCredit Bank Hungary Zrt.	Hungary	320,025	0.90	0.97
KDPW	Poland	298,247	0.84	0.90
<b>Total</b>		<b>13,600,495</b>	<b>38.39</b>	<b>41.26</b>

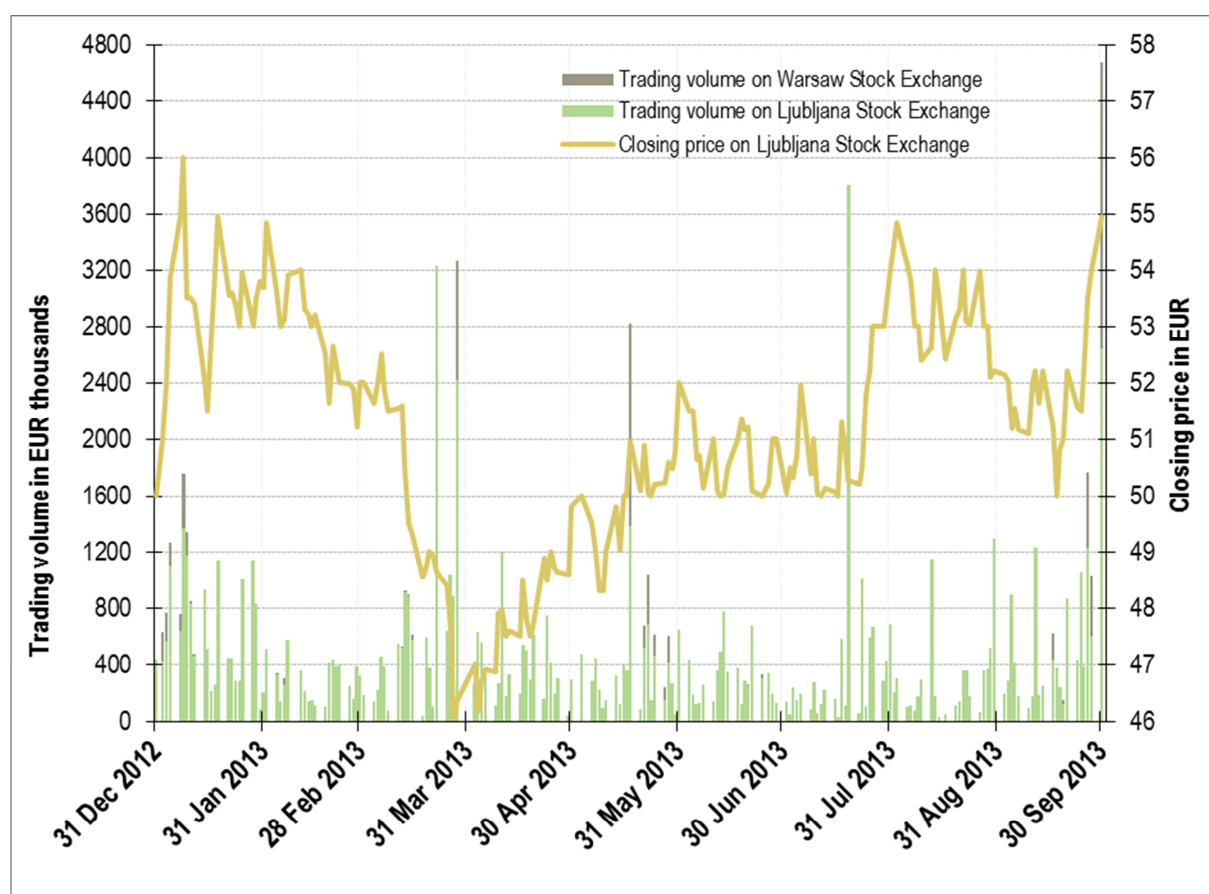
On 30 September 2013 Krka's ten largest shareholders held a total of 13,600,495 shares, which is 38.39% of all issued shares.

On 30 September 2013 members of the Krka Management Board and Supervisory Board held a total of 50,895 Krka shares, which is 0.145% of all issued shares.

#### Shares in equity and shares of voting rights held by members of the Krka Management Board and Supervisory Board on 30 September 2013

	No. of shares	Share in equity (%)	Share of voting rights (%)
<b>Management Board members</b>			
Jože Colarič	22,500	0.064	0.068
Zvezdana Bajc	1,660	0.005	0.005
Aleš Rotar	12,770	0.036	0.039
Vinko Zupančič	120	0.000	0.000
Danica Novak-Malnar	0	0.000	0.000
<b>Total Management Board</b>	<b>37,050</b>	<b>0.105</b>	<b>0.112</b>
<b>Supervisory Board members</b>			
Jože Lenič	180	0.001	0.001
Matjaž Rakovec	400	0.001	0.001
Franc Šašek	540	0.002	0.002
Julijana Kristl	230	0.001	0.001
Vincenc Manček	11,543	0.033	0.035
Mojca Osolnik Videmšek	452	0.001	0.001
Tomaž Sever	500	0.001	0.002
Sergeja Slapničar	0	0.000	0.000
Mateja Vrečer	0	0.000	0.000
<b>Total Supervisory Board</b>	<b>13,845</b>	<b>0.040</b>	<b>0.042</b>

## Share trading January–September 2013



In the first nine months Krka's share price on the Ljubljana Stock Exchange peaked at EUR 56.00 on 8 January and reached its low on 27 March, when it stood at EUR 46.05. On 30 September 2013 Krka's share was worth EUR 54.95.

Since April 2012 Krka's shares have also been listed on the Warsaw Stock Exchange. During the initial months of the listing trading in Warsaw had been scarce, but in September, October and December 2012 it stepped up considerably. The positive trend continued in the initial days of

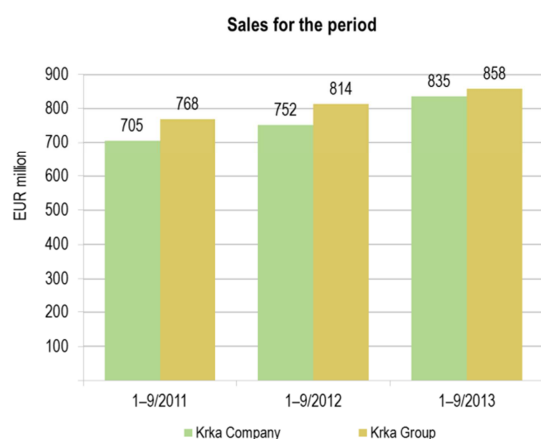
January this year, whereupon trading volume first decreased, and then turned upwards again toward the end of March. Trading on the Warsaw Stock Exchange increased again in the second half of May and the last week of September.

On 30 September 2013 Krka's market capitalisation on the Ljubljana Stock Exchange was EUR 1.9 billion. Deals in Krka's share on the LJSE generated an average daily trading volume of EUR 0.5 million over the period.

## Business operations analysis

The business operations analysis includes data for the Krka Group and the Krka Company, whereas the comments relate primarily to the Group.

### Revenues



Compared to the same period last year, Krka Group sales revenues increased by 5%, with Krka Company sales revenues up 11%. The Krka Company sold EUR 835.3 million worth of prescription pharmaceuticals, non-prescription products and animal health products, while the Group generated EUR 857.8 million of sales

revenues from these products plus the health resort and tourist services.

The sales of prescription pharmaceuticals increased by 5% compared to the same period last year, representing 83% of total Krka Group sales revenues. The Group generated over 92% of its sales revenues in markets outside Slovenia.

Taking into account other operating and financial income, the Group generated a total of EUR 864.8 million of revenues, and the Krka Company EUR 842.0 million.

A more detailed analysis of sales results by individual markets and groups of products and services is given in the chapter Marketing and Sales below.

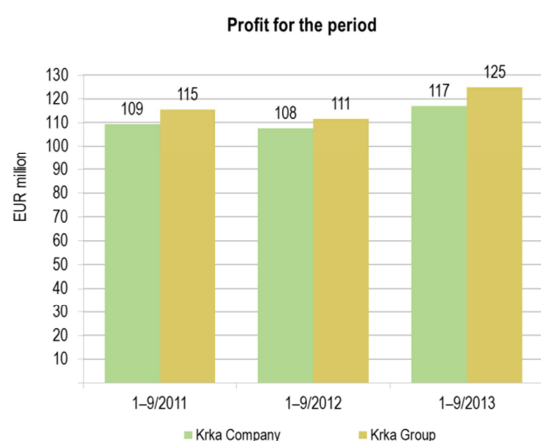
### Expenses

Total Group expenses incurred in the first nine months of 2013 amounted to EUR 718.2 million, up 5% compared to the same period last year.

The Group incurred EUR 696.7 million of operating expenses, of which the cost of sales amounted to EUR 338.2 million, distribution expenses amounted to EUR 225.8 million, R&D costs amounted to EUR 76.3 million, and administrative expenses amounted to EUR 56.4 million.

The Group cost of sales increased by 3%, on the costs to sales ratio of 39.4%. Distribution expenses remained on the same level as in the first nine months last year, on a costs to sales ratio of 26.3%. Group R&D costs increased by 6%, on the costs to sales ratio of 8.9%. The Group does not capitalise R&D costs, therefore they are recognised as expenses for the period in full. Administrative expenses increased by 6% compared to the same period last year, on a costs to sales ratio of 6.6%.

## Operating result



The Group recorded EUR 167.0 million of operating profit, up 21% compared to the same period last year. Profit before tax amounted to EUR 146.6 million, up 7% compared to the same period last year.

Income tax totalled EUR 21.7 million, and the effective tax rate was 14.8%.

The Group reported EUR 124.9 million of profit for the period, up 12% compared to the same period last year, and the Krka Company generated EUR 116.9 million of profit for the period, up 9%.

## Assets

Krka Group assets were worth EUR 1,709.0 million at the end of September 2013, an increase by 5% compared to the end of 2012.

Non-current assets represent 56.2% of total assets, the proportion down 0.7 of a percentage point from the beginning of the year. The largest item under non-current assets, which totalled EUR 960.0 million, was property, plant and equipment on EUR 803.1 million. They represented 47.0% of the

Group's total assets, their value having increased by 4% from the beginning of the year. Intangible assets amounted to EUR 116.3 million.

Current assets increased by 7% in the first nine months of 2013, to EUR 749.0 million. Inventories were up 12% to EUR 281.2 million, and receivables decreased by 4% to EUR 398.2 million (of which trade receivables amounted to EUR 358.6 million, down 4% from the beginning of the year).

## Equity and liabilities

The Group's equity increased by 4% compared to the end of 2012, to EUR 1,293.2 million, and represents 75.7% of total equity and liabilities.

Amounting to EUR 130.8 million, non-current liabilities represent 7.7% of the Group's total assets. Provisions, which amounted to EUR 104.6 million at the end of the period, are at the same level as at the year-end of 2012. All non-current borrowings have been paid back.

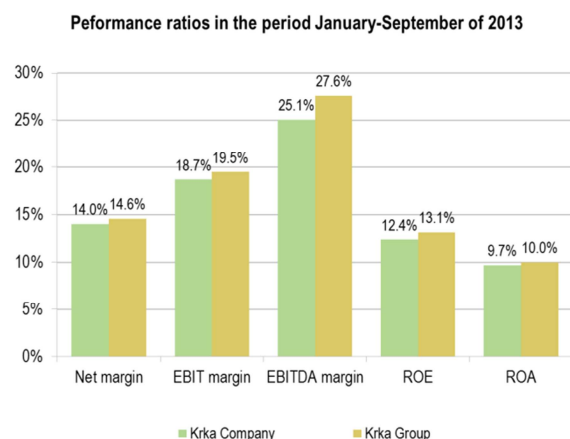
Current liabilities increased by 18% compared to the

end of 2012 and totalled EUR 285.0 million, which is 16.7% of the Group's total assets. Among current liabilities, trade payables amounted to EUR 129.5 million, up 23% compared to the end of 2012, with current borrowings down 90%, to EUR 1.3 million. The combined value of non-current and current borrowings decreased by 95% compared to the year-end of 2012.

Other current liabilities amounted to EUR 144.2 million, up 21% from the end of last year.



## Performance ratios



The Krka Group profit margin for the period January to September 2013 was 14.6% (Krka Company 14.0%), its EBIT margin 19.5% (Krka Company 18.7%) and its EBITDA margin 27.6% (Krka Company 25.1%).

ROE at the Group level was 13.1% (Krka Company 12.4%), with ROA at 10.0% (Krka Company 9.7%).

## Marketing and sales

Both the Krka Company and the Krka Group exceeded the nine months' sales figures recorded last year. Group sales were EUR 857.8 million and

Krka Company sales amounted to EUR 835.3 million.

## Sales by Region

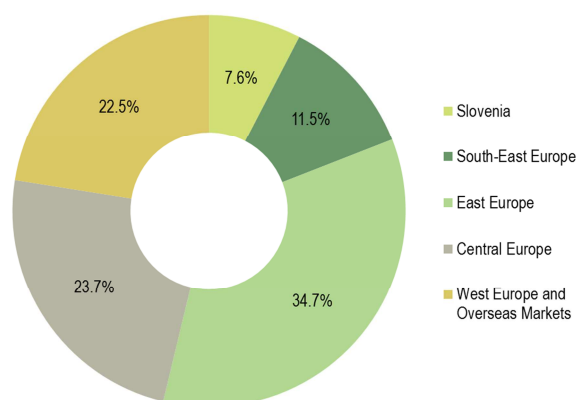
Krka's sales were the highest in Region East Europe, where they amounted to EUR 297.3 million, which is 34.7% of total Group sales. Region Central Europe reported the second best result, sales there amounting to EUR 203.7 million and representing 23.7% of total sales. The third largest area in terms of sales was Region West Europe and Overseas

Markets, where Krka sold EUR 193.1 million worth of products in the reported period, which is 22.5% of its total sales. Sales in Region South-East Europe amounted to EUR 98.6 million, which is 11.5% of total sales, while in the domestic market sales totalled EUR 65.1 million, which is 7.6% of total Krka Group sales.

EUR thousand	Krka Group			Krka Company		
	1-9/2013	1-9/2012	Index	1-9/2013	1-9/2012	Index
Slovenia	65,115	69,273	94	42,921	45,182	95
South-East Europe	98,623	102,855	96	119,822	111,355	108
East Europe	297,333	239,063	124	302,231	214,684	141
Central Europe	203,663	205,852	99	201,063	209,847	96
West Europe and Overseas Markets	193,071	196,891	98	169,281	171,213	99
<b>Total</b>	<b>857,805</b>	<b>813,934</b>	<b>105</b>	<b>835,318</b>	<b>752,281</b>	<b>111</b>



## Krka Group sales by Region, January–September 2013



### Slovenia

In the first nine months this year product and service sales in the Slovenian market amounted to EUR 65.1 million. Prescription pharmaceuticals contributed EUR 34.1 million, which is more than half, with non-prescription product sales amounting to EUR 5.0 million, and animal health product sales totalling EUR 1.5 million. More than one third of total sales came from health resort and tourist services, which contributed EUR 23.1 million.

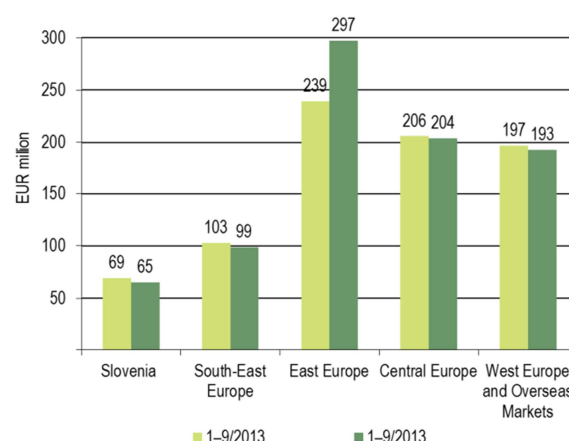
Pressures to reduce the prescribing of medicines and lower their prices continued in the domestic market. Nevertheless Krka managed to maintain an 11.6% market share in the reported period and thus remain the leading producer of pharmaceuticals in the Slovenian market.

We continue to devote special attention to strengthening the identity and stepping up the sales of products treating cardiovascular diseases. Two of the most important product groups are antihypertensives and statins, for which we further increased our leading market shares, to over 50% for antihypertensives and to 40% for statins. Our

### South-East Europe

Product sales in the markets of South-Eastern Europe totalled EUR 98.6 million in the first nine months of 2013, down 4% compared to the same period last year. Krka remains the leading foreign supplier of medicines in the markets of Bosnia and

## Krka Group sales by Region, January–September 2012 and 2013



well-established and well-performing brands from this group include the best-selling Prenessa (perindopril), Prenewel (perindopril and indapamide), Sorvasta (rosuvastatin) and Atoris (atorvastatin).

In the area of anti-dementia treatments, we focused on building up brand recognition for Memaxa (memantine), which was launched in July 2013. Expecting the introduction of therapeutic groups for proton pump inhibitors, where our market share is over 50%, we strengthened the Nolpaza (pantoprazole) brand, pantoprazole being a reference medicinal product.

Our best-selling non-prescription products were Nalgesin S (naproxen), which remains Krka's leading non-prescription analgesic, and Bilobil (ginkgo biloba), the sales of which were up. The most important animal health products were Kvestigin (amoxicillin) and Fypryst (fipronil). In August we launched Misoxin (doxycycline), strengthening our presence in the area of antimicrobial veterinary medicinal products.

Herzegovina, Macedonia and Kosovo, and the leading foreign supplier of generic medicines in Romania and Croatia.

In **Romania**, the Region's largest market, sales amounted to EUR 32.8 million, up 9% compared to the same period last year. Krka has thus additionally strengthened its market position in Romania.

Our best-selling pharmaceuticals in the reported period were Atoris (atorvastatin), Bilobil (ginkgo biloba), Enap (enalapril), Karbis (candesartan), Lorista (losartan), Prenessa/Co-Prenessa (perindopril, and perindopril with indapamide), Roswera (rosuvastatin), Tramadol (tramadol) and Tolura (telmisartan). A considerable contribution to overall sales came from prescription pharmaceuticals launched on the market in the last three years.

Among non-prescription products, we have high expectations for Naldorex (naproxen) and Herbion ivy syrup, both launched last year. Animal health product sales were the highest for Enroxil (enrofloxacin) and Floron (florfenicol), intended for use on large animal farms, and for Fypryst (fipronil), a product for companion animals.

Product sales in key market **Croatia** amounted to EUR 23.4 million, a 14% decrease compared to the same period last year. Krka nevertheless remains the leading foreign producer of generic pharmaceuticals in this market. We have preserved our large market shares for statins and certain groups of antimicrobial substances (macrolides and quinolones), while also recording sales growth in the important groups of sartans, proton pump inhibitors and ACE inhibitors.

Our best-selling products in terms of sales were Atoris (atorvastatin), Helex (alprazolam), Valsacor (valsartan), Ampril (ramipril), Nolpaza (pantoprazole), Perineva (perindopril), Enap (enalapril), Emanera (esomeprazole), Ciprinol (ciprofloxacin) and Dexamethason (dexamethasone). We also recorded good results for products successfully launched on the market this year: Rolpryna SR (ropinirole) and Herbion ivy syrup, launched in February, Nolpaza control (pantoprazole), launched in April, and our first oncology medication, Neopax (imatinib), launched in August.

Sales in the market of **Bosnia and Herzegovina** amounted to EUR 13.2 million. This is a decrease by 6% compared to the same period last year, however Krka is nevertheless the leading foreign provider of pharmaceuticals in the market.

The largest contributors to sales were prescription pharmaceuticals, especially Enap (enalapril), Lorista (losartan), Naklofen (diclofenac), Roswera (rosuvastatin), Zyllt (clopidogrel), Atoris (atorvastatin) and Lexaurin (bromazepam). The highest sales growth rates among new products were recorded for Roswera (rosuvastatin), Valsacor (valsartan) and Elicea (escitalopram). Our best-selling non-prescription products were Septotele, B-complex, Bilobil (ginkgo biloba) and Nalgesin (naproxen).

In the **Macedonian market** sales in the first nine months totalled EUR 9.5 million, a decrease by 1% from the comparable period last year. The most important products in terms of sales were prescription pharmaceuticals, especially Enap (enalapril), Tanyz (tamsulosin), Helex (alprazolam), Atoris (atorvastatin), Lorista (losartan), Cordipin (nifedipine) and Roswera (rosuvastatin). Among non-prescription products, the best sales results were recorded for Bilobil (ginkgo biloba), Daleron (paracetamol), B-complex, Herbion and Septotele.

Sales in **Bulgaria** amounted to EUR 7.0 million, up 2% compared to the same period last year. The most important product group in terms of sales was prescription pharmaceuticals, among them especially Lorista/Lorista H (losartan, and losartan with hydrochlorothiazide), Valsacor (valsartan, and valsartan with hydrochlorothiazide), Atoris (atorvastatin), Enap (enalapril, and enalapril with hydrochlorothiazide) and Prenessa/Co-Prenessa (perindopril, and perindopril with indapamide). In the third quarter we launched Tolucombi (telmisartan and hydrochlorothiazide). Sales growth was chiefly driven by non-prescription products and animal health products; sales of the former increased nearly by half, while for the latter sales doubled.

In **Serbia** we sold EUR 6.5 million worth of products. This is a 21% decrease compared to the same period last year, and it is mainly the result of pressures to reduce prices. Our most important products in terms of sales were Atoris (atorvastatin), Ampril (ramipril) and Zyllt (clopidogrel). We expect sales growth to pick up, mainly on account of our increasing the number of products on the reimbursement list, our taking part in public tenders published by pharmacies, and due to increased sales to private pharmacies. Extensive promotional and sales activities focusing on pharmaceuticals on the reimbursement list are still ongoing, and by working with selected cooperation partners we are strengthening our status as a domestic producer.

Sales in **Kosovo** totalled EUR 3.5 million in the nine months to September, remaining on last year's level. Prescription pharmaceuticals remained the leaders in term of sales, especially Enap (enalapril), Lorista (losartan) and Atoris (atorvastatin). Sales growth was recorded for products available without prescription, particularly Daleron (paracetamol), Septolete and Pikovit.

In **Albania** sales amounted to EUR 1.9 million. This is a decrease by 29%, chiefly attributable to the legally imposed reduction of the prices of some of our key products. Our most important prescription

pharmaceuticals were Lorista (losartan), Enap (enalapril) and Atoris (atorvastatin), while the leading non-prescription product was Daleron (paracetamol).

The sales value recorded in **Montenegro** was EUR 0.7 million, up 1% from the nine month period last year. Sales were mainly driven by prescription pharmaceuticals, particularly Efloran (metronidazole), Lorista (losartan), Oспен (phenoxymethylpenicillin) and Atoris (atorvastatin), while the leading non-prescription products in terms of sales were Kamagel, Septolete and Fitoval.

## East Europe

Sales in Region East Europe amounted to EUR 297.3 million in the first nine months and exceeded last year's sales by 24%. Sales growth was recorded in the majority of markets in the Region, including all the most important ones.

In the **Russian Federation**, Krka's largest individual market as well as key market, sales in the nine months to September were up 29% to EUR 209.6 million. Our leading products in terms of sales were Lorista (losartan), Enap (enalapril), Atoris (atorvastatin), Zyllt (clopidogrel), Orsoten (orlistat), Herbion, Perineva (perindopril), Pikovit, Nolicin (norfloxacin) and Nalpaza (pantoprazole). Products introduced to the market in recent years are also becoming increasingly important. The ones that recorded the highest sales growth in the reported period were Lorista (losartan), Perineva (perindopril), Herbion, individual products of the Pikovit brand, and Orsoten (orlistat). Sales results were also good for Roxera (rosuvastatin), which had been launched last year.

Krka remains one of the leading suppliers of ACE inhibitors, statins, sartans, multivitamin products for children and cough syrups, proton pump inhibitors and pharmaceutical products for the treatment of obesity. Good sales results are also being recorded for our products treating diseases of the central nervous system, for which sales growth was high in the reported period.

Sales in **Ukraine** totalled EUR 41.6 million, up 8% compared to the same period last year. A stronger market presence and additional commercial activities have increased our market share. The reorganisation of fieldwork drove non-prescription product sales up 27%, which is the

highest sales growth rate among our product groups. Nonetheless, the largest contributors to overall sales remain prescription pharmaceuticals, particularly Enap (enalapril), Atoris (atorvastatin), Coryol (carvedilol), Naklofen (diclofenac), and Roxera (rosuvastatin), which had been launched last year and which recorded the highest sales growth among all of them. The best-selling non-prescription product was Herbion, while the highest sales growth was recorded for Nalgesin (naproxen).

In **Kazakhstan** Krka's sales totalled EUR 12.3 million, which is an increase by 26%, a growth rate that outperformed market growth. The main contributors were prescription pharmaceuticals, especially Enap (enalapril), Lorista (losartan) and Zyllt (clopidogrel), while the most important non-prescription products in terms of sales were Herbion and Duovit. Sales growth is set to continue also due to Emanera (esomeprazole), Monkasta (montelukast) and Nalgesin (naproxen), products introduced to the market in the first half of the year. In the third quarter we also launched Amlessa (perindopril and amlodipine), Niperten (bisoprolol) and Naklofen (diclofenac).

In **Uzbekistan** we sold EUR 9.9 million worth of products. This 15% sales increase compared to the same period last year was mainly due to prescription pharmaceuticals, especially Enap (enalapril) and Lorista (losartan). The second best-selling group were non-prescription products, particularly Pikovit, Septolete and Duovit. We expect the products that were successfully launched on the market this year to also make their contribution in the future: Niperten (bisoprolol), produced by our Russian subsidiary, Vizarsin (sildenafil), Meglimid (glimepiride), Herbion ivy syrup, Duovit for men and

Duovit for women. Due to specifics in payment transactions in this market, a lot of attention continues to be devoted to the payment specifics of customers from this country.

Sales in **Belarus** were up 38% to EUR 6.2 million. Krka's sales growth has thus remained the highest among all generic pharmaceutical companies on the market. Our most important products in terms of sales in the reported period were Lorista (losartan), Septotele and Enap (enalapril), while good sales results were also recorded for Amlessa (perindopril and amlodipine), launched earlier this year. The highest sales growth compared to the same period last year was recorded for non-prescription products, which were up 79%.

Sales in **Mongolia** were up 32% compared to the same period last year, to EUR 4.0 million. Sales growth was the highest for non-prescription products, however the largest contributors to overall sales remain prescription pharmaceuticals. High sales growth in the latter group was recorded for the recently launched Lorista (losartan), Nolzapa (pantoprazole) and Tenox (amlodipine).

Product sales in **Moldova** totalled EUR 3.8 million in the nine months to September, up 4% compared to the same period last year. The majority came from prescription pharmaceuticals, especially Ampril (ramipril), which is the best-selling medicine in the Moldovan market, as well as from Rawel (indapamide) and Enap (enalapril). Next according to sales value were our best-selling non-prescription products, Herbion and Septotele. Holding a 5% market share in Moldova, Krka is one of the three largest providers of pharmaceuticals in the market.

In **Georgia** sales amounted to EUR 2.2 million, up 28% compared to the first nine months last year.

## Central Europe

Sales in the markets of Central Europe totalled EUR 203.7 million, down 1% compared to the first nine months last year. Sales growth was recorded in Poland, Slovakia, Latvia and Estonia, while in the Czech Republic, Hungary and Lithuania sales were down.

Key market **Poland** remains our leading market in the Region. Product sales there were up 9% in the nine months, to EUR 90.6 million. The largest contributors to overall sales were prescription

The increase was driven by the 18% sales growth recorded for prescription pharmaceuticals and the more than doubled sales of non-prescription products. These sales results consolidated our market position and increased our market share to 3%.

The newly-hired staff and intensified marketing activities in **Kyrgyzstan** drove sales up 34% compared to the same period last year, to EUR 2.0 million. The leading products were those available without prescription, especially Pikovit, Herbion and Duovit.

Sales in **Azerbaijan** totalled EUR 1.9 million, down 6% compared to the same period last year. Regulatory reasons drove down the sales of prescription pharmaceuticals, however non-prescription product sales were up.

In **Turkmenistan**, where marketing activities have been implemented by our own representative office since March, sales in the nine-month period amounted to EUR 1.8 million, up 14% compared to the same period last year. Our best-selling products were Pikovit, Herbion and Naklofen (diclofenac).

In **Armenia** sales increased by 7% to EUR 1.2 million. The best-selling products from the group of prescription pharmaceuticals, which is our most important group, were Enap (enalapril), Kaptopril (captopril) and Atoris (atorvastatin).

Sales in **Tajikistan** were up 26% to EUR 1.0 million. Even though we recorded the highest sales growth rates for non-prescription products, overall growth was driven chiefly by the strong sales of prescription pharmaceuticals.

pharmaceuticals, of which the best-selling ones were Atoris (atorvastatin), Roswera (rosuvastatin), Valsacor (valsartan), Lorista (losartan), Nolzapa (pantoprazole) and Prenessa (perindopril). Important contributions to total sales also came from the more recently launched medicines introduced to the market over the last three years: Karbis (candesartan), Doreta (paracetamol and tramadol), Tolura/Tolucombi (telmisartan, and telmisartan and hydrochlorothiazide), Emanera (esomeprazole) and Amlessa (perindopril and

amlodipine). The best-selling non-prescription products were those of the Septotele and Bilobil (ginkgo biloba) brands. The leading animal health products in terms of sales were Fypryst (fipronil) and Floron (florfenicol).

The **Czech Republic** is one of Krka's key markets and the second most important sales market in the Region. Sales there amounted to EUR 43.7 million, which is a 9% decrease compared to the same period last year, attributable to changes in the country's health care system and the related reductions in the prices of medicinal products. Our leading product group in terms of sales was prescription pharmaceuticals, of which the best-selling one was Atoris (atorvastatin), followed by Lorista (losartan), Prenessa (perindopril), Lexaurin (bromazepam), Nolzapa (pantoprazole) and Lanzul (lansoprazole). The leading non-prescription products in terms of sales were Nalgesin (naproxen) and the Septotele brand products.

Sales in **Hungary**, the Region's third key market, amounted to EUR 28.2 million, down 18% compared to the first nine months last year. Sales there remain impacted by changes in the reimbursement of medicines and the formation of their prices, caused by the reform of the country's health care system. The leading sales drivers were

prescription pharmaceuticals, especially Prenessa/Perineva (perindopril), Atoris (atorvastatin), Roxera (rosuvastatin), Lavestra (losartan), Tenox (amlodipine), Nolzapa (pantoprazole) and Emozul (esomeprazole).

Sales in **Slovakia** totalled EUR 20.0 million in the nine months, up 3% from the same period last year. The largest contributors were prescription pharmaceuticals, especially the best-selling Prenessa (perindopril) as well as Atoris (atorvastatin), Valsacor (valsartan), Nolzapa (pantoprazole) and Amlessa (perindopril and amlodipine). The best-selling non-prescription products were Nalgesin (naproxen) and the Septotele brand products.

As to the three Baltic markets, sales growth in the nine months to September was recorded in two: sales were up the most, by 12%, in **Latvia**, and by 3% in **Estonia**. In **Lithuania** sales were down 5% compared to the same period last year. In all three markets the main sales drivers were prescription pharmaceuticals. The best-selling products in Lithuania were Valsacor (valsartan) and Prenessa (perindopril), in Latvia they were Prenessa (perindopril) and Enap (enalapril), and in Estonia, Enap (enalapril) and Valsacor (valsartan).

## West Europe and Overseas Markets

Product sales in Region West Europe and Overseas Markets amounted to EUR 193.1 million in the nine months of 2013, down 2% compared to the same period last year. The most sales were generated in the markets of Western Europe, where the leader remains Germany, followed by France, the Nordic countries, Spain, the UK and Ireland. Sales also continue to increase in the overseas markets, where the best results were recorded in the Arabian Peninsula and Iran.

Sales via unaffiliated companies in the markets of Western Europe have decreased, most notably in Germany and the UK. We are offsetting this with the growing sales of Krka brand products marketed via eight subsidiaries in the Region. Sales growth was the highest in Spain, where the subsidiary Krka Farmacéutica continues to generate good sales results. High sales growth was also recorded by the Sweden-based Krka Sverige and the Portugal-based Krka Farmacéutica. The latter remains one of the fastest growing companies in Portugal.

According to reported sales growth rates, the next best-performing subsidiaries are the ones in Austria, France and Italy. The Vienna-based Krka Pharma increased sales by 22%.

The main sales drivers were prescription pharmaceuticals, of which the best-selling ones were esomeprazole, clopidogrel, pantoprazole, candesartan with combinations, perindopril with combinations, ropinirole SR, gliclazide SR and memantine. We were the only generic producer to launch gliclazide SR 60 mg in Portugal, the UK and France in the third quarter, and we were the first generic producer to introduce the fixed-dose combination of enalapril and lercanidipine in Portugal. In the markets of Western Europe Krka remains the leading generic producer of esomeprazole, clopidogrel, galantamine SR, gliclazide SR, ropinirole SR and memantine.

The sales of animal health products in the first nine months were down 3% compared to the same



period last year, however our estimates suggest that full-year sales should surpass last year's sales result. The best-selling products were enrofloxacin, florfenicol and marbofloxacin, and sales results were also good for the fipronil spray and flubendazole, which we had launched in March.

Continued sales growth was reported by all sales offices in the Overseas Markets, where sales increased by a fourth. The highest growth rates were recorded in the markets of the Arabian Peninsula and Iran, followed by the markets of Iran, Iraq, the Republic of South Africa, Malaysia and Ghana.

## Krka Group and Krka Company sales by product and service group

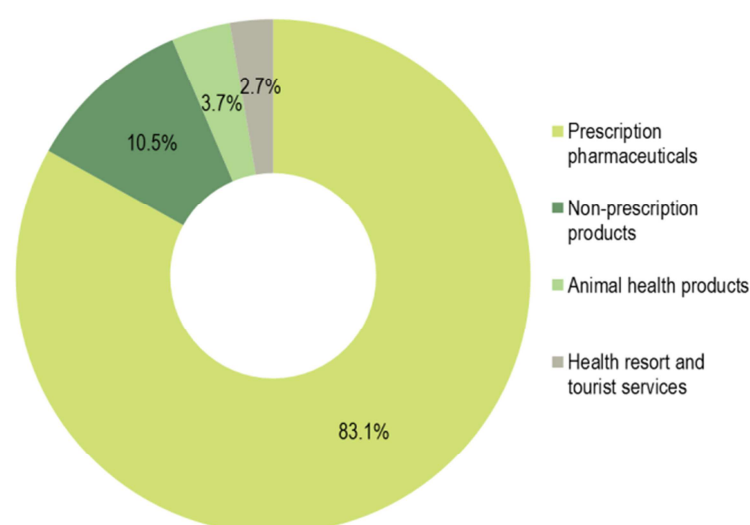
The Group generated 93.6% of overall sales during the period January to September 2013 in human health products, making this Krka's most important product group. Their sales increased by 6%. The most human health product sales, 83.1%, were generated in prescription pharmaceuticals, followed by non-prescription products on 10.5% of total Group sales, and animal health products, which

represent 3.7%. Health resort and tourist services contributed 2.7% of overall Krka Group sales.

Compared to the same period last year sales increased the most for non-prescription products, followed in terms of the sales growth rate by prescription pharmaceuticals.

EUR thousand	Krka Group			Krka Company		
	1-9/2013	1-9/2012	Index	1-9/2013	1-9/2012	Index
Human health products	801,636	756,198	106	800,079	718,887	111
– Prescription pharmaceuticals	711,708	677,103	105	715,430	654,528	109
– Non-prescription products	89,928	79,095	114	84,649	64,359	132
Animal health products	31,736	32,167	99	33,001	31,917	103
Health resort and tourist services	23,116	24,715	94			
Other	1,317	854	154	2,238	1,477	152
<b>Total</b>	<b>857,805</b>	<b>813,934</b>	<b>105</b>	<b>835,318</b>	<b>752,281</b>	<b>111</b>

### Krka Group sales by product and service group, January–September 2013



## Prescription pharmaceuticals

The Krka Group sold EUR 711.7 million worth of prescription pharmaceuticals in the reported period, 5% more than in the same period last year. A substantial sales increase was recorded in Region East Europe (up 28%).

With respect to large markets, the highest sales growth rates for prescription pharmaceuticals were recorded in the Russian Federation (up 37%), Poland (up 8%) and Romania (up 7%).

As to mid-size markets, high sales growths were recorded in Spain (up 91%), the Arabian Peninsula and Iran (up 37%), Kazakhstan (up 23%), France (up 18%), Portugal (up 16%) and Italy (up 5%).

Among smaller markets for Krka's prescription pharmaceuticals, the highest sales growths were recorded in Belarus (up 29%), Mongolia (up 27%), Uzbekistan (up 22%), Kyrgyzstan (up 19%), Georgia (up 18%), Latvia (up 11%), Armenia (up 9%) and Turkmenistan (up 7%).

The ten leading prescription pharmaceuticals in terms of sales are Atoris (atorvastatin), Lorista/Lavestra (losartan), Enap (enalapril), Prenessa/Perineva (perindopril), Zyllt (clopidogrel), Nolpaza (pantoprazole), Emozul/Emanera (esomeprazole), Valsacor (valsartan), Roswera/Roxera (rosuvastatin) and Karbis/Candecor (candesartan).

The highest sales growth rates in absolute terms compared to the same period last year were recorded by the leading products Lorista/Lavestra (losartan), Roswera/Roxera (rosuvastatin), Karbis/Candecor (candesartan), Zyllt (clopidogrel) and Atoris (atorvastatin), and by Memando/Marixino (memantine), Rolpryna SR/Ralnea SR (ropinirole), Vizarsin (sildenafil) and Orsoten (orlistat) among other products.

In the first half of 2013 we entered the important new therapeutic area of oncology medications. We began marketing medicinal products with three active substances, imatinib, letrozole and exemestane, and in the third quarter we added docetaxel to our portfolio. Meaxin/Neopax (imatinib) was launched in Slovenia, the Russian Federation, Latvia, Estonia, Lithuania, Slovakia and Croatia, Lortanda/Likarda (letrozole) in Poland, the Czech Republic, Slovakia, Estonia and Lithuania, Etadron/Escepran (exemestane) in Poland, the

Czech Republic, Slovakia, Lithuania and Estonia, and Tolnexa (docetaxel) in the Czech Republic and Lithuania.

New launches supplement the range of products in our key therapeutic areas. We are particularly expanding our large groups of ACE inhibitors, sartans, statins, proton pump inhibitors, analgesics and different products for the heart and circulation. In the initial nine months of 2013 we launched the following medicinal products:

- Karbis (candesartan) and Karbicombi (candesartan and hydrochlorothiazide) in Hungary, Poland and Italy;
- Valsacor (valsartan) in Spain, and Valsacor (valsartan) and Valsacombi (valsartan and hydrochlorothiazide) in Kosovo;
- Ifirmasta (irbesartan) in France and Albania, and Ifirmacombi (irbesartan and hydrochlorothiazide) in Spain and Portugal;
- Co-Olimestra (olmesartan and hydrochlorothiazide) in Latvia;
- Prenessa (perindopril) in Azerbaijan and Albania;
- Amlessa/Dalnessa/Dalneva (amlodipine and perindopril) in Macedonia, Bulgaria, Estonia, Ukraine and Belarus;
- Ampril/Amprilan (ramipril) in Bulgaria;
- Niperten (bisoprolol) in Uzbekistan and Kyrgyzstan;
- Gliclada (gliclazide) in Slovenia, and the additional higher strength of gliclazide in several markets;
- Emanera (esomeprazole) in the Russian Federation, Kazakhstan, Ukraine and Albania;
- Zalbex/Gelbra (rabeprazole) in Lithuania, the Czech Republic, Austria and Spain;
- Memaxa/Maruxa/Marixino/Mentixa/Maryzola (memantine) in France, the UK, Portugal, Ireland, Austria, the Nordic countries, Slovenia, the Czech Republic, Slovakia, Lithuania, Estonia and Romania;
- Elicea/Ecytara (escitalopram) in Kosovo and Portugal;
- Zypsila/Zipsilan (ziprasidone) in Germany, Austria, Spain, the Nordic countries and the Czech Republic;
- Rolpryna SR (ropinirole) in Croatia;
- Dasselta/Esradin (desloratadine) in Poland, Italy and Spain;

- Nalgesin/Analgesin/Naldorex (naproxen) in Poland, Hungary, Portugal, Romania and Kyrgyzstan;
- Doreta (tramadol and paracetamol) in France and the UK, and Tadol (tramadol) in Tajikistan;
- Monkasta (montelukast) in Germany, France, Spain, Italy, and Austria.

## Non-prescription products

We sold EUR 89.9 million worth of non-prescription products, 14% more than in the same period last year.

Sales increased in Slovenia (up 5%) and Region South-East Europe (up 11%), with the highest increases reported for Region East Europe, Region Central Europe and Region West Europe and Overseas Markets (up 15% in each).

We managed to increase sales in the majority of markets, with high growth rates reported for large

Parallel to growing sales we have been strengthening our marketing network, especially in the Russian Federation and the other markets of Eastern Europe, and we have also preserved a strong marketing presence in the other markets of Central and South-Eastern Europe. We are also consolidating our marketing and sales network in the markets of Western Europe, where we have entered numerous markets in recent years.

markets, including the Russian Federation (up 6%), Ukraine (up 27%), Slovenia (up 5%), Poland (up 28%), Romania (up 31%), Kazakhstan (up 30%), Uzbekistan (up 6%) and Belarus (up 79%).

In most markets we witnessed sales growth for cold and flu products like Herbion, Pikovit, Septotele, Duovit and Daleron (paracetamol), while significant sales increases were also recorded for Bilobil and Panzynom.

## Animal health products

Animal health product sales totalled EUR 31.7 million in the nine months to September, which is 1% less than in the same period last year.

A substantial sales increase was recorded in Region Central Europe (up 23%), while the individual markets where we recorded the highest sales growth were Poland (up 26%), the Czech Republic (up 89%), Ukraine (up 16%) and Lithuania (up 11%).

The leading products in terms of sales remain Enroxil (enrofloxacin), Floron (florfenicol) and

Fypryst (fipronil), followed by the recently launched products Toltarox/Tolzesya (toltrazuril) and Quiflox/Marfloxin (marbofloxacin).

In the reported period we launched on several markets a product for farm animals with a new active substance, Flimabend/Flimabo (flubendazole). We also introduced Entemulin/Tiavalt (tiamulin) to additional markets, and launched new pharmaceutical forms of our existing products Fypryst (fipronil) and Floron (florfenicol) on several markets – the former as spray, the latter as oral powder.

## Health resort and tourist services

In the nine months to September the Terme Krka Group generated EUR 23.1 million of sales, a decrease by 6% compared to the same period last year. Overnight stays by foreign guests were up 7%, however domestic guests decreased by 5%.

As to foreign guests, overnight stays were up 9% for German guests, 33% for Dutch guests, and 18% for Israeli guests. Italian guests, our most numerous

foreign group, were also again on the rise, their overnight stays up 3%. One of Krka's key guest groups is the Russians, which represent 12% of all overnight stays by foreigners. They are almost exclusively individual guests who use our high added value complex medical wellness programmes.

In the "Top Wellness Centre 2013" contest, our



Vitarium Spa & Clinique of the Šmarješke Toplice resort was again declared the best small relaxation centre, and our Balnea Centre of the Dolenjske

Toplice resort was declared the second best among the competition of large relaxation centres.

## Research and development

In the nine months of 2013 Krka obtained first marketing authorisations for **13 new products in 22 different dosage forms and strengths**. A total of

382 new marketing authorisations were obtained in all Krka's markets for 110 different products.

### Prescription pharmaceuticals

In the nine months of 2013 we obtained marketing authorisations for nine new prescription pharmaceuticals in 18 dosage forms and strengths. By acquiring marketing authorisations under European (Mutual Recognition Procedure – MRP, Decentralised Procedure – DCP, Centralised Procedure – CP) and national procedures we expanded marketing opportunities for our key existing products in all regions.

Applying the DCP we obtained approvals for the new medicine **Amaloris** (fixed-dose combination of **atorvastatin** and **amlodipine**) in the form of film-coated tablets. The medicine contains 10 mg of each of the two active substances and supplements our range of products indicated in the treatment of cardiovascular diseases. The fixed-dose combination of the two substances from different indication areas allows for a holistic treatment of patients with cardiovascular conditions, and efficiently reduces cardiovascular risks.

Our range of products used to lower blood pressure was supplemented with the new medicinal product **Tolucombi** (fixed-dose combination of **telmisartan** and **hydrochlorothiazide**) in the form of tablets, for which marketing authorisations were granted under the CP in all European countries. It is used to lower blood pressure in patients in which monotherapy is insufficiently effective.

By having obtained approvals for Tolucombi, Krka successfully completed the development of our first product in the form of bilayer tablets. Bilayer tableting enables the incorporation of several active substances into one tablet, even with substances that are not well compatible on account of their physical and chemical properties and mutual interactions. The bilayer form also allows for

different releases of one or more active substances from the different layers.

Applying the CP we acquired marketing authorisations for **memantine** film-coated tablets in two strengths. It is used to treat patients with moderate to severe Alzheimer's disease. Treatment with memantine enables a gradual increase of dosage up to the maintenance dose, therefore decreasing the likelihood of adverse effects.

Applying the DCP we obtained marketing authorisations in 15 European countries for **Elnap** (fixed-dose combination of **enalapril** and **lercanidipine**) in two strengths. It is indicated in the treatment of essential hypertension in cases when monotherapy with lercanidipine proves insufficient and does not yield the adequate effect in reducing blood pressure.

Our range of products for the treatment of the central nervous system was supplemented with the antidepressant **Elicea Q-Tab (escitalopram)** in the form of orodispersible tablets in four strengths, which was approved in nine European countries under the DCP. The new form eases the taking of the medicine, as the orodispersible tablet dissolves rapidly in the mouth and is therefore appropriate for patients that have difficulty swallowing a tablet.

The U.S. Food and Drug Administration (FDA) approved our proton pump inhibitor **lansoprazole** in the form of capsules in two strengths.

In the Russian Federation we obtained marketing authorisations for the new product **Naklofen Protect dual pack**, which contains capsules with 75 mg of **diclofenac** and 15 mg of **lansoprazole** in the same pack. It is used to alleviate pain and treat all forms of rheumatic diseases that require long-

term treatment with diclofenac. The simultaneous use of lansoprazole decreases the possibility of bleeding, ulceration and perforations of the intestinal mucosa. These are frequent adverse effects caused by diclofenac in older patients and in patients with pre-existing intestinal hypersensitivity and gastric erosions, especially during long-term use.

New products have been added to our group of oncology medications. Applying the DCP we obtained approvals for **Meaxin (imatinib)** film-coated tablets and for the **Tolnexa (docetaxel)** concentrate for the preparation of solution for infusion, while in the Russian Federation we obtained a new marketing authorisation for **Neopax (imatinib)** hard gelatin capsules. Imatinib is used to treat chronic myeloid leukaemia, and Tolnexa is used either separately or in combination therapy to treat breast cancer, locally advanced or non-small cell metastatic lung cancer, metastatic prostate cancer, metastatic stomach cancer, and locally advanced head and neck cancer. In the Russian Federation we obtained approvals under the national procedure for **Balutar (bicalutamide)** in the form of film-coated tablets in two strengths, used in the treatment of prostate cancer.

An important acquisition was the marketing authorisations obtained for our new medicine **Dalneva/Amlessa** (fixed-dose combination of **perindopril** and **amlodipine**) in the form of tablets in four strengths. It was approved in the Russian Federation, Ukraine, Kazakhstan, Uzbekistan, Georgia, and Bosnia and Herzegovina. The two active substances in this product supplement each

other to enable a safer and more effective lowering of high blood pressure, and reduce the risk of cardiovascular complications.

In the markets of Eastern Europe new marketing authorisations were granted for **Emanera (esomeprazole)** in the Russian Federation and Ukraine, and for **Roxera (rosuvastatin)** in Ukraine, Turkmenistan, Kazakhstan and Kyrgyzstan. In Uzbekistan and Ukraine we received approvals to market our ACE inhibitors **Zonixem (lisinopril)**, and **Zonixem H** and **Zonixem HD** (fixed-dose combinations of **lisinopril** and **hydrochlorothiazide**). We expanded marketing opportunities for our well-established medicine **Atoris (atorvastatin)** in Uzbekistan, where it was approved in the form of film-coated tablets in three additional strengths (30 mg, 60 mg and 80 mg).

We adjusted to the regulatory changes that followed Croatia's joining the European Union. European CPs were expanded to obtain the first European marketing authorisations in Croatia for six Krka products. We also obtained new approvals under Croatian national procedures to market our **Atordapin** (fixed-dose combination of **atorvastatin** and **amlodipine**) film-coated tablets in two strengths, **Memando (memantine)** film-coated tablets in two strengths, and our oncology medications **Neopax (imatinib)**, **Lortanda (letrozole)**, **Etadron (exemestane)** and **Cansata (capecitabine)**.

In Macedonia we were granted marketing approvals for **Meaxin (imatinib)** and **Lortanda (letrozole)**.

## Non-prescription products

We finalised marketing authorisation procedures for three new non-prescription products in the reported period.

Approvals were obtained under the DCP in seven European countries for the new product available without prescription, **Nalgesin 220 mg (naproxen sodium)**, thereby expanding marketing opportunities for Krka's analgesics. Nalgesin 220 mg supplements Krka's range of pain relievers with a dosage permitted for self-medication in most markets.

Two new products were added to the group of cold remedies: applying the DCP we were granted

approvals for **Septanazal nasal spray for adults** and **Septanazal nasal spray for children**. Both products combine the local decongestant **xylometazoline**, which reduces the swelling of the nasal mucosa and nasal secretions, and **dexpantenol**, which has a moisturising and healing effect. The two sprays are intended to relieve breathing problems with nasal congestion during colds.

The well-established **Septolete** brand was expanded to the markets of Western Europe, where we obtained approvals for the **Septolete Plus honey and lime** and **Septolete Plus menthol** lozenges in Austria. A new marketing authorisation

was obtained for the **Septotele Plus oromucosal spray** in Georgia.

Marketing approvals were also granted for **Septoaqua nasal spray for children** and **Septoaqua nasal spray for adults** in the Russian Federation, Ukraine, Lithuania, Latvia, the Czech Republic, Slovakia and Estonia.

## Animal health products

In Slovenia, as well as in the Russian Federation, Lithuania, Slovakia and the Czech Republic, we obtained the certificate of the first notification for our new veterinary hygiene biocidal product **Ecocid Advanced** in the form of water-soluble powder. It is an all-purpose highly active disinfectant intended for the disinfection of surfaces and equipment in veterinary health and contemporary animal breeding. The release of peracetic acid decontaminates from viruses, bacteria and their spores, yeasts and moulds.

We successfully completed the DCP for the **toltrazuril** oral suspension, expanding its applicability to bovine animals. The product is used to prevent *Coccidia* infestations and the related diarrhoea in neonatal calves.

Also under the DCP, we obtained approvals for our **Enrox/Enroxal (enrofloxacin)** 100 mg/ml solution

As to herbal products, additional marketing authorisations were granted for our key brands **Bilobil** and **Herbion**. The 120 mg **Bilobil Intense** capsules were approved in the Russian Federation, Armenia, Tajikistan and Lithuania, the **Herbion Iceland moss** syrup in Hungary, Latvia, Macedonia and Croatia, and the **Herbion ivy** syrup in the Russian Federation.

for injection for cattle and pigs. This product has the advantage of being administered in a single dosage to treat respiratory diseases, and we were the first generic manufacturer to expand its use to pigs.

We expanded marketing opportunities for the **Marfloxin (marbofloxacin)** solution for injection for calves and pigs, which was approved in Croatia and Ukraine, and in Kazakhstan, where it was also approved in the form of tablets for cats and dogs. In the markets of South-Eastern Europe we obtained marketing authorisations for the **Fypryst spot on (fipronil)** solution, for the **Fypryst (fipronil)** cutaneous spray, and for the **Flimabend (flubendazole)** oral suspension for pigs and poultry. In Ukraine and Serbia we were granted approvals for **tiamulin** granules for the preparation of drinking water for pigs and poultry.

## Investments

In the first nine months of the year the Krka Group allocated EUR 109.2 million to investments, of which the controlling company invested EUR 76.9 million and subsidiaries EUR 32.3 million. Investments are primarily increasing and modernising our production, and research and development infrastructure.

Over 20 investment projects are ongoing in the Krka Group. In all of them we are taking into account environmental standards, as the used equipment corresponds to the best available technology (BAT) in the areas of environmental protection and energy efficiency, while at the same time ensuring safety and efficacy of operations.

In June 2012 construction works started at Krka's central location at Ločna in Novo mesto, Slovenia for the Notol 2 production plant for solid dosage pharmaceuticals. This is the largest investment in the Krka Company's history. The estimated investment value of the 55,000 m<sup>2</sup> plant is EUR 200 million, and its target production capacity is 4.5 billion finished products per year. Production will start by the end of 2015.

The investment into Krka's subsidiary Farma GRS, d. o. o., a company which we founded together with partners in a project aimed at advancing the pharmaceuticals industry, is in its final stage. At our location in Ločna, Novo mesto, Slovenia we are setting up new research and development, and production facilities. The project's investment value

is EUR 45 million, and it is being co-funded by the European Union, contributing over EUR 10 million from the European Regional Development Fund. The newly-founded company will set up the conditions for developing new products and technologies related to pharmaceutical chemistry and technology.

The construction of a new complex for the production of active pharmaceutical ingredients in Krško, Slovenia had begun in July 2012. In the first stage we have been building the Sinteza 1 production plant and the related infrastructure. The investment is worth an estimated EUR 85 million. The Sinteza 1 project substantiates Krka's vertical integration approach, which keeps us in control of the entire product development and production process, from the production of APIs to the production of finished products, and to the launching of products on the market. Construction is going according to plans. All production and infrastructure facilities have been built, with testing, and equipment and system start-ups to follow next year. Production will start by the end of 2014.

The Sterile product production plant will gradually increase ampoule production to 130 million ampoules per year. The entire project's estimated investment value is EUR 22 million.

Cogeneration, i.e. the simultaneous generation of useful heat and electricity, increases the recovery of energy conversion and enables an efficient use of primary energy. At Ločna in Novo mesto, Slovenia, we have set up a natural-gas-powered gas engine cogeneration system. The investment has increased the economic efficiency of our generation of electricity and utilisation of heat energy. In June we passed the technical inspection and were issued the operating permit at the beginning of July. The project's investment value totals EUR 1.7 million.

Also at Ločna we are constructing a new water preparation plant to ensure sufficient capacity for

the preparation of purified waters and tower feedwater, and to provide for a secure supply after Notol 2 has been constructed and the existing location has been developed further. The project's investment value is an estimated EUR 13.7 million. We obtained the building permit at the beginning of October, detailed design is completed and preparatory work has started. The facility will presumably be constructed by the end of 2014.

One of the Group's more important ongoing investments is the Krka Rus 2 project, the construction of a new plant and expansion of our logistics centre in the Russian Federation. The plant with the target production capacity of 1.8 billion tablets and capsules per year and a total surface area of 36,000 m<sup>2</sup>, is consolidating Krka's status as a domestic pharmaceuticals producer in this country. The project's estimated investment value is EUR 135 million, with the first stage, which is to be completed this year, worth EUR 95 million. Construction is going according to plans; the new logistics centre with the high-bay warehouse entered into use in July, and the packaging of certain finished products began in the new production plant in October.

In April the subsidiary Terme Krka opened an adventure park in Otočec, Slovenia. It is diversifying our tourist offer, increasing the area's tourist appeal, and providing an innovative form of recreation to the youth and families who wish to be active outdoors in their free time. The project was partly co-funded by the European Agricultural Fund for Rural Development (EAFRD) under Axis 4: LEADER.

In the Dolenjske Toplice health spa resort we are constructing a new geothermal well to supply sufficient thermal water and provide heating for the Balnea Wellness Centre building. In the health spa resort Šmarješke Toplice we have started renovating and expanding the restaurant, with the works to be completed by the end of the year.

## Employees

In the first nine months of 2013 the number of Krka Group employees increased by 453 (by 82 in Slovenia and 371 abroad). At the end of September the Krka Group had 9,914 employees, which is 5% more than at the beginning of the year.

Krka's subsidiaries and representation offices outside Slovenia employ 51% of the Group's employees, with 53% of the Krka team having at least a university level education.

### Educational structure

	30 Sep 2013		31 Dec 2012	
	No. of employees	Share (%)	No. of employees	Share (%)
Doctorate	109	1.1	106	1.1
Master of science	317	3.2	281	3.0
University education	4,825	48.7	4,522	47.8
Higher professional education	1,153	11.6	1,072	11.3
Vocational college education	273	2.8	263	2.8
Secondary school education	1,900	19.2	1,864	19.7
Other	1,337	13.4	1,353	14.3
<b>Total</b>	<b>9,914</b>	<b>100.0</b>	<b>9,461</b>	<b>100.0</b>

We ensure a continuous inflow of new talented employees by offering study grants to students. Currently there are 51 Krka scholarship holders. They are primarily pharmacy and chemistry students, while scholarships are also granted to promising students from other fields of interest to Krka. During the last school year, 18 of our scholarship holders completed their studies. Through a staff development and succession planning system we make sure that most of Krka's key personnel requirements – both in terms of field experts and managers – are catered for within the Krka Group.

Krka employees undergo additional training, both in Slovenia and abroad, related to various professional areas of expertise, quality, management, personal growth, foreign languages and informatics. Trainings are adjusted to the development needs of the Krka Group, the technological process, the market situation and the needs of our employees. The majority of these trainings are organised in-house, and they are constantly updated and

supplemented with new types better adjusted to the contemporary line of work.

Employees show a keen interest in gaining new knowledge and attaining higher academic degrees. At the end of September, 408 employees were enrolled into part-time university studies co-funded by Krka, 85 of them postgraduate students. By the end of September, 27 Krka's employees had graduated from university this year.

Krka is the only certificate-awarding body in Slovenia with the power to examine and approve candidates taking the National Vocational Qualification (NVQ) exams in the area of pharmaceuticals. By examining and approving candidates under the NVQ system between 2002 and May 2013, we have awarded 875 NVQ certificates to Krka employees and 142 to participants from other organisations in the pharmaceutical industry, a total of 1,017 certificates for four vocational qualifications.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP, WITH NOTES

## Consolidated statement of financial position of the Krka Group

EUR thousand	30 Sep 2013	31 Dec 2012	Index
<b>Assets</b>			
Property, plant and equipment	803,134	772,291	104
Intangible assets	116,312	118,507	98
Deferred tax assets	28,450	24,512	116
Non-current loans	6,587	5,387	122
Non-current investments	5,309	5,100	104
Other non-current assets	202	203	100
<b>Total non-current assets</b>	<b>959,994</b>	<b>926,000</b>	<b>104</b>
Inventories	281,192	250,751	112
Trade receivables	358,559	372,305	96
Other receivables	39,648	42,928	92
Current loans	46,337	11,091	418
Current investments	744	679	110
Cash and cash equivalents	22,492	22,994	98
<b>Total current assets</b>	<b>748,972</b>	<b>700,748</b>	<b>107</b>
<b>Total assets</b>	<b>1,708,966</b>	<b>1,626,748</b>	<b>105</b>
<b>Equity</b>			
Share capital	59,126	59,126	100
Treasury shares	-63,994	-55,656	115
Reserves	189,682	192,069	99
Retained earnings	1,106,959	1,043,544	106
<b>Equity holders of the parent</b>	<b>1,291,773</b>	<b>1,239,083</b>	<b>104</b>
Non-controlling interest	1,398	1,438	97
<b>Total equity</b>	<b>1,293,171</b>	<b>1,240,521</b>	<b>104</b>
<b>Liabilities</b>			
Non-current borrowings	0	12,900	0
Provisions	104,590	104,746	100
Deferred revenue	13,465	12,424	108
Deferred tax liabilities	12,778	15,292	84
<b>Total non-current liabilities</b>	<b>130,833</b>	<b>145,362</b>	<b>90</b>
Trade payables	129,497	105,415	123
Current borrowings	1,272	13,355	10
Income tax liabilities	10,004	2,497	401
Other current liabilities	144,189	119,598	121
<b>Total current liabilities</b>	<b>284,962</b>	<b>240,865</b>	<b>118</b>
<b>Total liabilities</b>	<b>415,795</b>	<b>386,227</b>	<b>108</b>
<b>Total equity and liabilities</b>	<b>1,708,966</b>	<b>1,626,748</b>	<b>105</b>



## Consolidated income statement of the Krka Group

EUR thousand	1-9/2013	1-9/2012	Index
Revenues	857,805	813,934	105
Cost of sales	-338,152	-328,581	103
<b>Gross profit</b>	<b>519,653</b>	<b>485,353</b>	<b>107</b>
Other income	5,846	4,832	121
Distribution expenses	-225,757	-226,342	100
R&D costs	-76,331	-72,137	106
Administrative expenses	-56,404	-53,114	106
<b>Operating profit</b>	<b>167,007</b>	<b>138,592</b>	<b>121</b>
Financial income	1,141	4,360	26
Financial expenses	-21,576	-6,459	334
<b>Net financial expenses</b>	<b>-20,435</b>	<b>-2,099</b>	<b>974</b>
<b>Profit before tax</b>	<b>146,572</b>	<b>136,493</b>	<b>107</b>
Income tax expense	-21,722	-24,997	87
<b>Profit for the period</b>	<b>124,850</b>	<b>111,496</b>	<b>112</b>
Attributable to:			
– equity holders of the parent	124,890	111,538	112
– non-controlling interest	-40	-42	95
<b>Basic earnings per share (in EUR)*</b>	<b>3.78</b>	<b>3.35</b>	<b>113</b>
<b>Diluted earnings per share (in EUR)**</b>	<b>3.78</b>	<b>3.35</b>	<b>113</b>

\* Profit for the period/Average number of shares issued in the period, exclusive of treasury shares.

\*\* All issued shares are ordinary registered shares, therefore the diluted EPS equals the basic EPS.

## Consolidated statement of comprehensive income of the Krka Group

EUR thousand	1-9/2013	1-9/2012	Index
<b>Profit for the period</b>	<b>124,850</b>	<b>111,496</b>	<b>112</b>
<b>Other comprehensive income for the period</b>			
Changes in profits of previous periods	3	0	
Change in fair value of available-for-sale financial assets	209	346	60
Deferred tax effect – change in fair value of available-for-sale financial assets	-15	-69	22
Translation reserve	-10,919	5,342	-204
<b>Total other comprehensive income for the period</b>	<b>-10,722</b>	<b>5,619</b>	<b>-191</b>
<b>Total comprehensive income for the period</b>	<b>114,128</b>	<b>117,115</b>	<b>97</b>
Attributable to:			
– equity holders of the parent	114,168	117,157	97
– non-controlling interest	-40	-42	95

## Consolidated statement of changes in equity of the Krka Group

EUR thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity of the parent	Non-controlling interest	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other revenue reserves	Profit for the period	Retained earnings			
Balance at 1 Jan 2013	59,126	-55,656	55,656	101,503	14,990	30,000	1,667	-11,747	846,998	121,843	74,703	1,239,083	1,438	1,240,521
Profit for the period	0	0	0	0	0	0	0	0	0	124,890	0	124,890	-40	124,850
Other comprehensive income for the period														
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	209	0	0	0	0	209	0	209
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	-15	0	0	0	0	-15	0	-15
Changes in profits of previous periods	0	0	0	0	0	0	0	0	0	0	3	3	0	3
Translation reserve	0	0	0	0	0	0	0	-10,919	0	0	0	-10,919	0	-10,919
Total other comprehensive income for the period	0	0	0	0	0	0	194	-10,919	0	0	3	-10,722	0	-10,722
Total comprehensive income for the period	0	0	0	0	0	0	194	-10,919	0	124,890	3	114,168	-40	114,128
Transactions with owners, recognised directly in equity														
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	-121,843	121,843	0	0	0
Transfer to other revenue reserves under the resolution of the Annual Meeting of Shareholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	8,338	0	0	0	0	0	0	-8,338	0	0	0	0
Repurchase of treasury shares	0	-8,338	0	0	0	0	0	0	0	0	0	-8,338	0	-8,338
Dividends paid	0	0	0	0	0	0	0	0	0	0	-53,140	-53,140	0	-53,140
Acquisitions of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners, recognised directly in equity	0	-8,338	8,338	0	0	0	0	0	0	-130,181	68,703	-61,478	0	-61,478
Balance at 30 Sep 2013	59,126	-63,994	63,994	101,503	14,990	30,000	1,861	-22,666	846,998	116,552	143,409	1,291,773	1,398	1,293,171



EUR thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity of the parent	Non-controlling interest	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other revenue reserves	Profit for the period	Retained earnings			
Balance at 1 Jan 2012	59,126	-42,584	42,584	101,503	14,990	30,000	1,542	-16,210	760,611	124,150	62,528	1,138,240	1,514	1,139,754
Profit for the period	0	0	0	0	0	0	0	0	0	111,538	0	111,538	-42	111,496
Other comprehensive income for the period														
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	346	0	0	0	0	346	0	346
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	-69	0	0	0	0	-69	0	-69
Translation reserve	0	0	0	0	0	0	0	5,342	0	0	0	5,342	0	5,342
Total other comprehensive income for the period	0	0	0	0	0	0	277	5,342	0	0	0	5,619	0	5,619
Total comprehensive income for the period	0	0	0	0	0	0	277	5,342	0	111,538	0	117,157	-42	117,115
Transactions with owners, recognised directly in equity														
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	-124,150	124,150	0	0	0
Transfer to other revenue reserves under the resolution of the Annual Meeting of Shareholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	8,800	0	0	0	0	0	0	-8,800	0	0	0	0
Repurchase of treasury shares	0	-8,800	0	0	0	0	0	0	0	0	0	-8,800	0	-8,800
Dividends paid	0	0	0	0	0	0	0	0	0	0	-49,938	-49,938	0	-49,938
Acquisitions of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners, recognised directly in equity	0	-8,800	8,800	0	0	0	0	0	0	-132,950	74,212	-58,738	0	-58,738
Balance at 30 Sep 2012	59,126	-51,384	51,384	101,503	14,990	30,000	1,819	-10,868	760,611	102,738	136,740	1,196,659	1,472	1,198,131

## Consolidated statement of cash flows of the Krka Group

EUR thousand	1–9/2013	1–9/2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	124,850	111,496
Adjustments for:	91,622	100,064
– amortisation/depreciation	69,724	67,025
– foreign exchange differences	-826	2,390
– investment income	-1,498	-1,412
– investment expense	1,847	5,593
– interest expense and other financial expense	652	1,470
– income tax	21,723	24,998
<b>Operating profit before changes in net operating current assets</b>	<b>216,472</b>	<b>211,560</b>
Change in trade receivables	9,651	10,067
Change in inventories	-30,441	-5,348
Change in trade payables	24,082	4,507
Change in provisions	-156	-108
Change in deferred revenue	1,041	2,488
Change in other current liabilities	24,336	15,851
Income taxes paid	-13,695	-23,712
<b>Net cash from operating activities</b>	<b>231,290</b>	<b>215,305</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,130	794
Dividends received	24	17
Proceeds from sale of property, plant and equipment	537	733
Purchase of intangible assets	-3,850	-4,449
Purchase of property, plant and equipment	-105,715	-102,259
Non-current loans	-1,296	-1,300
Proceeds from repayment of non-current loans	662	731
Acquisition of non-current investments	-36	-120
Proceeds from sale of non-current investments	37	33
Payments/Proceeds in connection with current investments and loans	-35,846	-12,810
Payments in connection with derivative financial instruments	0	-4,987
Proceeds from derivative financial instruments	0	102
<b>Net cash used in investing activities</b>	<b>-144,353</b>	<b>-123,515</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-1,026	-2,304
Repayment of non-current borrowings	-25,500	-30,900
Payments/Proceeds in connection with current borrowings	894	721
Dividends paid	-52,886	-49,667
Repurchase of treasury shares	-8,338	-8,800
<b>Net cash used in financing activities</b>	<b>-86,856</b>	<b>-90,950</b>
<b>Net increase in cash and cash equivalents</b>	<b>81</b>	<b>840</b>
Cash and cash equivalents at beginning of period	22,994	20,187
Effect of exchange rate fluctuations on cash held	-583	-500
<b>Net cash and cash equivalents at end of period</b>	<b>22,492</b>	<b>20,527</b>

## Segment reporting of the Krka Group

EUR thousand	European Union		South-East Europe		East Europe		Other		Elimination		Total	
	1-9/2013	1-9/2012	1-9/2013	1-9/2012	1-9/2013	1-9/2012	1-9/2013	1-9/2012	1-9/2013	1-9/2012	1-9/2013	1-9/2012
<b>Revenues to non-Group companies</b>	<b>493,790</b>	<b>511,716</b>	<b>35,332</b>	<b>38,693</b>	<b>297,333</b>	<b>239,063</b>	<b>31,350</b>	<b>24,462</b>	<b>0</b>	<b>0</b>	<b>857,805</b>	<b>813,934</b>
<b>Revenues to Group companies</b>	<b>117,035</b>	<b>88,337</b>	<b>14,337</b>	<b>19,515</b>	<b>187,709</b>	<b>108,462</b>	<b>0</b>	<b>0</b>	<b>-319,081</b>	<b>-216,314</b>	<b>0</b>	<b>0</b>
Revenues from reversal of long-term provisions and other operating income	4,070	3,809	63	541	1,713	482	0	0	0	0	5,846	4,832
Operating expenses	-399,372	-423,909	-28,308	-28,276	-249,199	-211,755	-19,765	-16,234	0	0	-696,644	-680,174
Operating expenses to Group companies	-226,771	-200,195	-16,773	-20,901	-320,165	-230,081	-8	-6	563,717	451,183	0	0
<b>Operating profit</b>	<b>98,488</b>	<b>91,616</b>	<b>7,087</b>	<b>10,958</b>	<b>49,847</b>	<b>27,790</b>	<b>11,585</b>	<b>8,228</b>	<b>0</b>	<b>0</b>	<b>167,007</b>	<b>138,592</b>
Interest revenue	905	772	1	1	141	18	0	0	0	0	1,047	791
Interest revenue to Group companies	950	731	0	0	754	58	0	0	-1,704	-789	0	0
Interest expenses	-479	-1,340	0	0	0	7	0	0	0	0	-479	-1,333
Interest expenses to Group companies	-770	-522	0	0	0	-212	0	0	770	734	0	0
Net financial expenses/income	-1,355	-1,777	-121	-1,213	-19,034	1,273	75	-382	0	0	-20,435	-2,099
Income tax expense	-14,926	-15,569	-988	-1,683	-4,578	-6,851	-1,230	-894	0	0	-21,722	-24,997
<b>Profit for the period</b>	<b>82,207</b>	<b>74,270</b>	<b>5,978</b>	<b>8,062</b>	<b>26,235</b>	<b>22,212</b>	<b>10,430</b>	<b>6,952</b>	<b>0</b>	<b>0</b>	<b>124,850</b>	<b>111,496</b>
Investments	85,638	67,790	117	96	23,418	34,152	0	0	0	0	109,173	102,038
Depreciation of property, plant and equipment	46,033	47,578	1,220	1,418	16,523	11,084	174	270	0	0	63,950	60,350
Amortisation of intangible assets	3,595	5,015	187	236	1,833	1,294	159	130	0	0	5,774	6,675
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	41,767	42,403	0	0	0	0	0	0	0	0	41,767	42,403
	<b>30 Sep 2013</b>	<b>31 Dec 2012</b>	<b>30 Sep 2013</b>	<b>31 Dec 2012</b>	<b>30 Sep 2013</b>	<b>31 Dec 2012</b>	<b>30 Sep 2013</b>	<b>31 Dec 2012</b>	<b>30 Sep 2013</b>	<b>31 Dec 2012</b>	<b>30 Sep 2013</b>	<b>31 Dec 2012</b>
<b>Total assets</b>	<b>1,276,229</b>	<b>1,228,787</b>	<b>33,411</b>	<b>36,778</b>	<b>393,110</b>	<b>350,559</b>	<b>6,216</b>	<b>10,624</b>	<b>0</b>	<b>0</b>	<b>1,708,966</b>	<b>1,626,748</b>
<b>Total liabilities</b>	<b>305,957</b>	<b>283,925</b>	<b>8,095</b>	<b>10,422</b>	<b>81,995</b>	<b>76,507</b>	<b>19,748</b>	<b>15,373</b>	<b>0</b>	<b>0</b>	<b>415,795</b>	<b>386,227</b>

Due to Croatia's accession to the European Union it is now included into the European Union segment, after having been included in the South-East Europe segment in previous annual and interim reports. Comparable data have been corrected accordingly.

## Notes to the consolidated financial statements of the Krka Group

### Costs by nature

EUR 696,644 thousand

EUR thousand	1-9/2013	1-9/2012	Index
Cost of goods and material	250,677	220,665	114
Cost of services	156,840	153,505	102
Employee benefits cost	232,705	215,309	108
Depreciation and amortisation expense	69,724	67,025	104
Inventory write-offs and allowances	6,052	6,282	96
Impairments and write-offs of receivables	608	5,964	10
Formation of provisions for lawsuits	32	0	
Other operating expenses	21,524	30,557	70
<b>Total costs</b>	<b>738,162</b>	<b>699,307</b>	<b>106</b>
Change in value of inventories	-41,518	-19,133	217
<b>Total</b>	<b>696,644</b>	<b>680,174</b>	<b>102</b>

### Employee benefits cost

EUR 232,705 thousand

EUR thousand	1-9/2013	1-9/2012	Index
Gross wages and salaries and continued pay	180,119	166,083	108
Social security contributions	13,918	12,965	107
Pension insurance contributions	24,847	22,909	108
Payroll tax	707	766	92
Retirement benefits and anniversary bonuses	2,466	2,608	95
Other employee benefits cost	10,648	9,978	107
<b>Total employee benefits cost</b>	<b>232,705</b>	<b>215,309</b>	<b>108</b>

### Other expenses

EUR 21,524 thousand

EUR thousand	1-9/2013	1-9/2012	Index
Grants and assistance for humanitarian and other purposes	1,378	2,325	59
Environmental levies	2,205	1,945	113
Other taxes and levies	13,465	22,035	61
Loss on sale of property, plant and equipment and intangible assets	1,847	604	306
Other operating expenses	2,629	3,648	72
<b>Total other expenses</b>	<b>21,524</b>	<b>30,557</b>	<b>70</b>

Other taxes and levies include taxes (claw-back and similar) that have recently been imposed in several markets of Krka's operations.

## Financial income and expenses

EUR thousand	1-9/2013	1-9/2012	Index
Net foreign exchange gain	0	3,386	0
Interest income	1,047	791	132
Change in fair value of investments through profit or loss	65	64	102
Income from derivative financial instruments	0	102	0
– income	0	102	0
Income from dividends and other interests in profit	24	17	141
Other income	5	0	
<b>Total financial income</b>	<b>1,141</b>	<b>4,360</b>	<b>26</b>
Net foreign exchange loss	–20,927	0	
Interest expense	–479	–1,333	36
Change in fair value of investments through profit or loss	0	–2	0
Expenses for derivative financial instruments	0	–4,987	0
– expenses	0	–4,987	0
Other expenses	–170	–137	124
<b>Total financial expenses</b>	<b>–21,576</b>	<b>–6,459</b>	<b>334</b>
<b>Net financial expenses</b>	<b>–20,435</b>	<b>–2,099</b>	<b>974</b>

## Income tax expense

EUR 21,722 thousand

Current income tax amounts to EUR 28,578 thousand, which is 19.5% of pre-tax profit. Together with the deferred tax of EUR –6,856 thousand, the total income tax expense in the income statement

equals EUR 21,722 thousand. The effective tax rate is 14.8%, which is 3.4 of a percentage point less than in the same period last year.

## Property, plant and equipment

EUR 803,134 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Property	32,309	31,083	104
Plant	367,079	318,078	115
Equipment	302,376	293,397	103
Property, plant and equipment under construction	101,370	129,733	78
<b>Total property, plant and equipment</b>	<b>803,134</b>	<b>772,291</b>	<b>104</b>

The value of property, plant and equipment represents 47% of the Group's total assets. Krka's

major investments are described in the chapter Investments in the Business Report.

## Intangible assets

EUR 116,312 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Goodwill	42,644	42,644	100
Trademark	41,767	42,403	99
Concessions, patents, licences and similar rights	26,406	28,627	92
Intangible assets under construction	5,495	4,833	114
<b>Total intangible assets</b>	<b>116,312</b>	<b>118,507</b>	<b>98</b>

## Loans

EUR 52,924 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
<b>Non-current loans</b>	<b>6,587</b>	<b>5,387</b>	<b>122</b>
– loans to others	6,587	5,387	122
<b>Current loans</b>	<b>46,337</b>	<b>11,091</b>	<b>418</b>
– portion of non-current loans maturing next year	262	984	27
– loans to others	46,072	10,069	458
– current interest receivable	3	38	8
<b>Total loans</b>	<b>52,924</b>	<b>16,478</b>	<b>321</b>

Non-current loans represent 12% of total loans.

loans.

Non-current loans to others include loans that the Group extends in accordance with its internal acts to its employees, and that are primarily housing

Current loans to others include EUR 46,000 of bank deposits with maturities longer than 30 days.

## Investments

EUR 6,053 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
<b>Non-current investments</b>	<b>5,309</b>	<b>5,100</b>	<b>104</b>
– available-for-sale financial assets	5,309	5,100	104
<b>Current investments including derivative financial instruments</b>	<b>744</b>	<b>679</b>	<b>110</b>
– shares and interests held for trading	116	103	113
– other current investments	628	576	109
<b>Total investments</b>	<b>6,053</b>	<b>5,779</b>	<b>105</b>

Available-for-sale financial assets include EUR 834 thousand of investments in shares and interests in companies in Slovenia, and EUR 4,475 thousand of investments in shares and interests in companies abroad.

Other current investments refer to EUR 332 thousand worth of shares in Slovenian mutual funds, and to EUR 296 thousand worth of assets under management.

## Inventories

EUR 281,192 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Material	94,457	98,118	96
Work in progress	64,366	54,081	119
Products	114,926	92,711	124
Merchandise	5,438	4,638	117
Inventory advances	2,005	1,203	167
<b>Total inventories</b>	<b>281,192</b>	<b>250,751</b>	<b>112</b>

## Trade and other receivables

EUR 398,207 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Current trade receivables	358,559	372,305	96
Other current receivables	39,648	42,928	92
<b>Total receivables</b>	<b>398,207</b>	<b>415,233</b>	<b>96</b>

## Cash and cash equivalents

EUR 22,492 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Cash in hand	29	108	27
Bank balances	22,463	22,886	98
<b>Total cash and cash equivalents</b>	<b>22,492</b>	<b>22,994</b>	<b>98</b>

## Equity

EUR 1,293,171 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Share capital	59,126	59,126	100
Treasury shares	-63,994	-55,656	115
Reserves:	189,682	192,069	99
– reserves for treasury shares	63,994	55,656	115
– share premium	101,503	101,503	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserve	1,861	1,667	112
– translation reserves	-22,666	-11,747	193
Retained earnings	1,106,959	1,043,544	106
<b>Total equity of the parent</b>	<b>1,291,773</b>	<b>1,239,083</b>	<b>104</b>
Non-controlling interest	1,398	1,438	97
<b>Total equity</b>	<b>1,293,171</b>	<b>1,240,521</b>	<b>104</b>

## Borrowings

EUR 1,272 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
<b>Non-current borrowings</b>	<b>0</b>	<b>12,900</b>	<b>0</b>
– borrowings from domestic banks	0	12,900	0
<b>Current borrowings</b>	<b>1,271</b>	<b>13,355</b>	<b>10</b>
– portion of non-current borrowings maturing next year	0	12,600	0
– borrowings from foreign banks	960	0	
– borrowings from other entities	309	375	82
– current interest payable	2	380	1
<b>Total borrowings</b>	<b>1,271</b>	<b>26,255</b>	<b>5</b>

## Provisions

EUR 104,590 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Provisions for retirement benefits and anniversary bonuses	49,826	49,928	100
Other provisions:	54,764	54,818	100
– provisions for lawsuits	49,032	49,100	100
– other provisions	5,732	5,718	100
<b>Total provisions</b>	<b>104,590</b>	<b>104,746</b>	<b>100</b>

## Deferred revenue

EUR 13,465 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Grants received for the Beta production plant in Šentjernej	4	37	11
Grants received for the Dolenjske and Šmarješke Toplice health resorts and for Golf Grad Otočec	4,588	4,675	98
Grants by the European Regional Development Fund	14	17	82
Grants by the European Regional Development Fund – development of new technologies (FBD project)	657	731	90
Grants by a European Fund – Development Centres of the Slovene Economy	7,646	6,377	120
Property, plant and equipment received for free	556	565	98
Emission coupons	0	22	0
<b>Total deferred revenue</b>	<b>13,465</b>	<b>12,424</b>	<b>108</b>

The FBD project is partly funded by the European Union (European Regional Development Fund). The project is implemented as part of the Operational Programme 2007–2013 »Strengthening Regional

Development Potentials«; 1. Priority axis: competitiveness and research excellence; 1.1. Priority objective: improving competitiveness and research excellence.



## Trade payables

EUR 129,497 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Payables to domestic suppliers	43,082	37,074	116
Payables to foreign suppliers	78,041	62,978	124
Payables from advances	8,374	5,363	156
<b>Total trade payables</b>	<b>129,497</b>	<b>105,415</b>	<b>123</b>

## Other current liabilities

EUR 144,189 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Accrued contractual discounts on products sold to other customers	92,740	70,895	131
Payables to employees – gross wages, other receipts and charges	35,247	32,505	108
Other	16,202	16,198	100
<b>Total other current liabilities</b>	<b>144,189</b>	<b>119,598</b>	<b>121</b>

## Contingent liabilities

EUR 18,927 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Guarantees issued	18,307	16,779	109
Other	620	620	100
<b>Total contingent liabilities</b>	<b>18,927</b>	<b>17,399</b>	<b>109</b>

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

## Statement of financial position of Krka, d. d., Novo mesto

EUR thousand	30 Sep 2013	31 Dec 2012	Index
<b>Assets</b>			
Property, plant and equipment	542,431	519,219	104
Intangible assets	28,359	29,908	95
Investments in subsidiaries	283,356	259,455	109
Deferred tax assets	15,326	16,987	90
Non-current loans	33,004	32,837	101
Non-current investments	5,099	4,891	104
Other non-current assets	143	145	99
<b>Total non-current assets</b>	<b>907,718</b>	<b>863,442</b>	<b>105</b>
Inventories	196,734	190,555	103
Trade receivables	409,572	412,856	99
Other receivables	12,715	20,079	63
Current loans	102,348	65,305	157
Current investments	744	679	110
Cash and cash equivalents	5,919	13,369	44
<b>Total current assets</b>	<b>728,032</b>	<b>702,843</b>	<b>104</b>
<b>Total assets</b>	<b>1,635,750</b>	<b>1,566,285</b>	<b>104</b>
<b>Equity</b>			
Share capital	59,126	59,126	100
Treasury shares	-63,994	-55,656	115
Reserves	212,348	203,816	104
Retained earnings	1,080,393	1,024,929	105
<b>Total equity</b>	<b>1,287,873</b>	<b>1,232,215</b>	<b>105</b>
<b>Liabilities</b>			
Non-current borrowings	2,000	13,700	15
Provisions	96,491	96,491	100
Deferred revenue	2,205	2,752	80
Deferred tax liabilities	0	367	0
<b>Total non-current liabilities</b>	<b>100,696</b>	<b>113,310</b>	<b>89</b>
Trade payables	133,761	118,496	113
Current borrowings	60,388	58,917	102
Income tax liabilities	7,373	0	
Other current liabilities	45,659	43,347	105
<b>Total current liabilities</b>	<b>247,181</b>	<b>220,760</b>	<b>112</b>
<b>Total liabilities</b>	<b>347,877</b>	<b>334,070</b>	<b>104</b>
<b>Total equity and liabilities</b>	<b>1,635,750</b>	<b>1,566,285</b>	<b>104</b>

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

EUR thousand	1-9/2013	1-9/2012	Index
Revenues	835,318	752,281	111
Cost of sales	-349,616	-314,843	111
<b>Gross profit</b>	<b>485,702</b>	<b>437,438</b>	<b>111</b>
Other income	2,392	2,229	107
Distribution expenses	-210,546	-209,470	101
R&D costs	-78,523	-70,298	112
Administrative expenses	-43,098	-41,140	105
<b>Operating profit</b>	<b>155,927</b>	<b>118,759</b>	<b>131</b>
Financial income	4,321	14,265	30
Financial expenses	-21,886	-7,126	307
<b>Net financial expenses/income</b>	<b>-17,565</b>	<b>7,139</b>	<b>-246</b>
<b>Profit before tax</b>	<b>138,362</b>	<b>125,898</b>	<b>110</b>
Income tax expense	-21,420	-18,255	117
<b>Profit for the period</b>	<b>116,942</b>	<b>107,643</b>	<b>109</b>
<b>Basic earnings per share (in EUR)*</b>	<b>3.54</b>	<b>3.23</b>	<b>110</b>
<b>Diluted earnings per share (in EUR)**</b>	<b>3.54</b>	<b>3.23</b>	<b>110</b>

\* Profit for the period/Average number of shares issued in the period, exclusive of treasury shares.

\*\* All issued shares are ordinary registered shares, therefore the diluted EPS equals the basic EPS.

## Statement of comprehensive income of Krka, d. d., Novo mesto

EUR thousand	1-9/2013	1-9/2012	Index
<b>Profit for the period</b>	<b>116,942</b>	<b>107,643</b>	<b>109</b>
<b>Other comprehensive income for the period</b>			
Change in fair value of available-for-sale financial assets	209	346	60
Deferred tax effect – change in fair value of available-for-sale financial assets	-15	-69	22
<b>Total other comprehensive income for the period</b>	<b>194</b>	<b>277</b>	<b>70</b>
<b>Total comprehensive income for the period</b>	<b>117,136</b>	<b>107,920</b>	<b>109</b>

## Statement of changes in equity of Krka, d. d., Novo mesto

	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Profit for the period	Retained earnings	
EUR thousand											
<b>Balance at 1 Jan 2013</b>	<b>59,126</b>	<b>-55,656</b>	<b>55,656</b>	<b>101,503</b>	<b>14,990</b>	<b>30,000</b>	<b>1,667</b>	<b>846,998</b>	<b>116,543</b>	<b>61,388</b>	<b>1,232,215</b>
<b>Profit for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>116,942</b>	<b>0</b>	<b>116,942</b>
<b>Other comprehensive income for the period</b>											
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	209	0	0	0	209
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	-15	0	0	0	-15
<b>Total other comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>194</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>194</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>194</b>	<b>0</b>	<b>116,942</b>	<b>0</b>	<b>117,136</b>
<b>Transactions with owners, recognised directly in equity</b>											<b>0</b>
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	-116,543	116,543	0
Transfer to other revenue reserves under the resolution of the Annual Meeting of Shareholders	0	0	0	0	0	0	0	62,395	0	-62,395	0
Formation of reserves for treasury shares	0	0	8,338	0	0	0	0	0	-8,338	0	0
Repurchase of treasury shares	0	-8,338	0	0	0	0	0	0	0	0	-8,338
Dividends paid	0	0	0	0	0	0	0	0	0	-53,140	-53,140
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>-8,338</b>	<b>8,338</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>62,395</b>	<b>-124,881</b>	<b>1,008</b>	<b>-61,478</b>
<b>Balance at 30 Sep 2013</b>	<b>59,126</b>	<b>-63,994</b>	<b>63,994</b>	<b>101,503</b>	<b>14,990</b>	<b>30,000</b>	<b>1,861</b>	<b>909,393</b>	<b>108,604</b>	<b>62,396</b>	<b>1,287,873</b>

EUR thousand	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Profit for the period	Retained earnings	
<b>Balance at 1 Jan 2012</b>	<b>59,126</b>	<b>-42,584</b>	<b>42,584</b>	<b>101,503</b>	<b>14,990</b>	<b>30,000</b>	<b>1,542</b>	<b>760,611</b>	<b>111,741</b>	<b>60,972</b>	<b>1,140,485</b>
<b>Profit for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>107,643</b>	<b>0</b>	<b>107,643</b>
<b>Other comprehensive income for the period</b>											
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	346	0	0	0	346
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	-69	0	0	0	-69
<b>Total other comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>277</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>277</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>277</b>	<b>0</b>	<b>107,643</b>	<b>0</b>	<b>107,920</b>
<b>Transactions with owners, recognised directly in equity</b>											
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	-111,741	111,741	0
Transfer to other revenue reserves under the resolution of the Annual Meeting of Shareholders	0	0	0	0	0	0	0	61,387	0	-61,387	0
Formation of reserves for treasury shares	0	0	8,800		0	0	0	0	-8,800	0	0
Repurchase of treasury shares	0	-8,800	0	0	0	0	0	0	0	0	-8,800
Dividends paid	0	0	0	0	0	0	0	0	0	-49,938	-49,938
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>-8,800</b>	<b>8,800</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61,387</b>	<b>-120,541</b>	<b>416</b>	<b>-58,738</b>
<b>Balance at 30 Sep 2012</b>	<b>59,126</b>	<b>-51,384</b>	<b>51,384</b>	<b>101,503</b>	<b>14,990</b>	<b>30,000</b>	<b>1,819</b>	<b>821,998</b>	<b>98,843</b>	<b>61,388</b>	<b>1,189,667</b>

## Statement of cash flows of Krka, d. d., Novo mesto

EUR thousand	1-9/2013	1-9/2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	116,942	107,643
Adjustments for:	75,749	67,769
– amortisation/depreciation	53,667	51,867
– foreign exchange differences	2,281	-197
– investment income	-4,426	-9,604
– investment expense	1,440	5,311
– interest expense and other financial expense	1,367	2,137
– income tax	21,420	18,255
<b>Operating profit before changes in net operating current assets</b>	<b>192,691</b>	<b>175,412</b>
Change in trade receivables	2,537	-6,246
Change in inventories	-6,179	4,621
Change in trade payables	15,265	981
Change in deferred revenue	-547	-511
Change in other current liabilities	2,059	-3,560
Income taxes paid	-5,664	-14,493
<b>Net cash from operating activities</b>	<b>200,162</b>	<b>156,204</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	2,496	1,486
Dividends received	23	17
Proportionate profit of subsidiaries	2,670	7,537
Proceeds from sale of property, plant and equipment and intangible assets	304	1,285
Purchase of intangible assets	-3,116	-3,795
Purchase of property, plant and equipment	-73,852	-43,755
Acquisition of subsidiaries and a share of minority interest	-25,485	-25,205
Refund of subsequent payments in subsidiaries	1,585	185
Non-current loans	-1,945	-6,824
Proceeds from repayment of non-current loans	612	2,920
Acquisition of non-current investments	37	33
Proceeds from sale of non-current investments	-35	-75
Payments in connection with current investments and loans	-37,643	-21,022
Payments in connection with derivative financial instruments	0	-4,987
Proceeds from derivative financial instruments	0	102
<b>Net cash used in investing activities</b>	<b>-134,349</b>	<b>-92,098</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-1,768	-2,962
Repayment of non-current borrowings	-25,500	-30,900
Non-current borrowings	1,200	550
Acquisition of current borrowings	14,471	21,430
Dividends paid	-52,886	-49,667
Repurchase of treasury shares	-8,338	-8,800
<b>Net cash used in financing activities</b>	<b>-72,821</b>	<b>-70,349</b>
<b>Net increase in cash and cash equivalents</b>	<b>-7,008</b>	<b>-6,243</b>
Cash and cash equivalents at beginning of period	13,369	15,023
Effect of exchange rate fluctuations on cash held	-442	-334
<b>Net cash and cash equivalents at end of period</b>	<b>5,919</b>	<b>8,446</b>

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

	European Union		South-East Europe		East Europe		Other		Total	
EUR thousand	1-9/2013	1-9/2012	1-9/2013	1-9/2012	1-9/2013	1-9/2012	1-9/2013	1-9/2012	1-9/2013	1-9/2012
<b>Revenues</b>	<b>471,201</b>	<b>475,862</b>	<b>33,168</b>	<b>39,485</b>	<b>302,231</b>	<b>214,685</b>	<b>28,718</b>	<b>22,249</b>	<b>835,318</b>	<b>752,281</b>
Revenues from reversal of provisions and other income	2,137	1,666	19	93	236	470	0	0	2,392	2,229
Operating expenses	-383,853	-398,521	-25,436	-28,672	-252,729	-192,324	-19,765	-16,234	-681,783	-635,751
<b>Operating profit</b>	<b>89,485</b>	<b>79,007</b>	<b>7,751</b>	<b>10,906</b>	<b>49,738</b>	<b>22,831</b>	<b>8,953</b>	<b>6,015</b>	<b>155,927</b>	<b>118,759</b>
Interest revenue	1,816	1,450	0	0	754	58	0	0	2,570	1,508
Interest expenses	-1,233	-1,834	0	0	0	-212	0	0	-1,233	-2,046
<b>Net financial expenses/income</b>	<b>-898</b>	<b>6,387</b>	<b>14</b>	<b>159</b>	<b>-16,756</b>	<b>975</b>	<b>75</b>	<b>-382</b>	<b>-17,565</b>	<b>7,139</b>
Income tax expense	-12,293	-12,097	-1,065	-1,681	-6,832	-3,583	-1,230	-894	-21,420	-18,255
<b>Profit for the period</b>	<b>76,294</b>	<b>73,297</b>	<b>6,700</b>	<b>9,384</b>	<b>26,150</b>	<b>20,223</b>	<b>7,798</b>	<b>4,739</b>	<b>116,942</b>	<b>107,643</b>
Investments	76,946	47,535	0	0	0	0	0	0	76,946	47,535
Depreciation of property, plant and equipment	35,583	38,360	1,053	1,230	12,222	7,598	174	270	49,032	47,458
Amortisation of intangible assets	2,615	2,790	184	231	1,677	1,258	159	130	4,635	4,409
	<b>30 Sep 2013</b>	<b>31 Dec 2012</b>	<b>30 Sep 2013</b>	<b>31 Dec 2012</b>	<b>30 Sep 2013</b>	<b>31 Dec 2012</b>	<b>30 Sep 2013</b>	<b>31 Dec 2012</b>	<b>30 Sep 2013</b>	<b>31 Dec 2012</b>
<b>Total assets</b>	<b>1,184,931</b>	<b>1,168,636</b>	<b>35,373</b>	<b>38,206</b>	<b>409,231</b>	<b>348,820</b>	<b>6,215</b>	<b>10,623</b>	<b>1,635,750</b>	<b>1,566,285</b>
<b>Total liabilities</b>	<b>252,939</b>	<b>248,105</b>	<b>6,679</b>	<b>9,371</b>	<b>68,510</b>	<b>61,221</b>	<b>19,749</b>	<b>15,373</b>	<b>347,877</b>	<b>334,070</b>

Due to Croatia's accession to the European Union this country is now included into the European Union segment, after having been included in the South-East Europe segment in previous annual and interim reports. Comparable data have been corrected accordingly.



## Notes to the financial statements of Krka, d. d., Novo mesto

### Costs by nature

EUR 681,783 thousand

EUR thousand	1-9/2013	1-9/2012	Index
Cost of goods and material	264,271	216,355	122
Cost of services	222,838	209,502	106
Employee benefits cost	140,408	130,930	107
Depreciation and amortisation	53,667	51,867	103
Inventory write-offs and allowances	3,636	3,818	95
Impairments and write-offs of receivables	177	4,753	4
Other operating expenses	14,747	22,235	66
<b>Total costs</b>	<b>699,744</b>	<b>639,460</b>	<b>109</b>
Change in value of inventories	-17,961	-3,709	484
<b>Total</b>	<b>681,783</b>	<b>635,751</b>	<b>107</b>

### Employee benefits cost

EUR 140,408 thousand

EUR thousand	1-9/2013	1-9/2012	Index
Gross wages and salaries and continued pay	108,323	100,468	108
Social security contributions	8,189	7,708	106
Pension insurance contributions	14,248	13,300	107
Retirement benefits and anniversary bonuses	2,269	2,587	88
Other employee benefits cost	7,379	6,867	107
<b>Total employee benefits cost</b>	<b>140,408</b>	<b>130,930</b>	<b>107</b>

### Other expenses

EUR 14,747 thousand

EUR thousand	1-9/2013	1-9/2012	Index
Grants and assistance for humanitarian and other purposes	1,007	1,080	93
Environmental levies	1,613	1,599	101
Other taxes and levies	9,417	17,541	54
Loss on the sale of property, plant and equipment and intangible assets and write-offs	1,440	322	447
Other operating expenses	1,270	1,693	75
<b>Total other expenses</b>	<b>14,747</b>	<b>22,235</b>	<b>66</b>

Other taxes and levies include taxes (claw-back and similar) that have recently been imposed in several markets of Krka's operations.

## Financial income and expenses

EUR thousand	1-9/2013	1-9/2012	Index
Net foreign exchange gain	0	5,037	0
Interest income	2,570	1,508	170
Change in fair value of investments through profit or loss	65	64	102
Income from derivative financial instruments	0	102	0
– income	0	102	0
Income from dividends and other interests in profit	1,686	7,554	22
<b>Total financial income</b>	<b>4,321</b>	<b>14,265</b>	<b>30</b>
Net foreign exchange loss	–20,519	0	
Interest expense	–1,233	–2,046	60
Change in fair value of investments through profit or loss	0	–2	0
Expenses for derivative financial instruments	0	–4,987	0
– expenses	0	–4,987	0
Other expenses	–134	–91	147
<b>Total financial expenses</b>	<b>–21,886</b>	<b>–7,126</b>	<b>307</b>
<b>Net financial expenses</b>	<b>–17,565</b>	<b>7,139</b>	<b>–246</b>

## Income tax expense

EUR 21,420 thousand

Current income tax amounts to EUR 20,141 thousand, which is 14.6% of pre-tax profit. Together with the deferred tax of EUR 1,279 thousand, the total income tax expense in the

income statement equals EUR 21,420 thousand. The effective tax rate is 15.5%, which is 1.0 of a percentage point more than in the same period last year.

## Property, plant and equipment

EUR 542,431 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Property	19,326	19,020	102
Plant	209,528	218,714	96
Equipment	226,714	235,022	96
Property, plant and equipment under construction	86,863	46,463	187
<b>Total property, plant and equipment</b>	<b>542,431</b>	<b>519,219</b>	<b>104</b>

The value of property, plant and equipment represents almost 33% of the Krka Company's total

assets. Krka's major investments are described in the chapter Investments in the Business Report.

## Intangible assets

EUR 28,359 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Concessions, patents, licences and similar rights	22,944	25,671	89
Intangible assets under construction	5,415	4,237	128
<b>Total intangible assets</b>	<b>28,359</b>	<b>29,908</b>	<b>95</b>

Intangible assets refer to software and marketing authorisation documentation for new medicines.

## Loans

EUR 135,352 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
<b>Non-current loans</b>	<b>33,004</b>	<b>32,837</b>	<b>101</b>
– loans to subsidiaries	26,819	27,744	97
– loans to others	6,185	5,093	121
<b>Current loans</b>	<b>102,348</b>	<b>65,305</b>	<b>157</b>
– portion of non-current loans maturing next year	632	1,307	48
– loans to subsidiaries	55,230	53,550	103
– loans to others	46,007	10,043	458
– current interest receivable	479	405	118
<b>Total loans</b>	<b>135,352</b>	<b>98,142</b>	<b>138</b>

Non-current loans represent 24% of total loans.

housing loans.

Non-current loans to others include loans that the Krka Company extends in accordance with its internal acts to its employees and that are primarily

Current loans to others include EUR 46,000 thousand of bank deposits with maturities longer than 30 days.

## Investments

EUR 5,843 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
<b>Non-current investments</b>	<b>5,099</b>	<b>4,891</b>	<b>104</b>
– available-for-sale financial assets	5,099	4,891	104
<b>Current investments including derivative financial instruments</b>	<b>744</b>	<b>679</b>	<b>110</b>
– shares and interests held for trading	116	103	113
– other current investments	628	576	109
<b>Total investments</b>	<b>5,843</b>	<b>5,570</b>	<b>105</b>

Available-for-sale financial assets include EUR 625 thousand of investments in shares and interests in companies in Slovenia, and EUR 4,474 thousand of investments in shares and interests in companies abroad.

Other current investments refer to EUR 332 thousand worth of shares in Slovenian mutual funds, and to EUR 296 thousand worth of assets under management.

## Inventories

EUR 196,734 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Material	79,082	88,138	90
Work in progress	57,059	45,085	127
Products	53,528	50,650	106
Merchandise	6,896	6,399	108
Inventory advances	169	283	60
<b>Total inventories</b>	<b>196,734</b>	<b>190,555</b>	<b>103</b>

## Trade and other receivables

EUR 422,287 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Current receivables due from subsidiaries	251,039	226,858	111
Current receivables due from customers other than Group companies	158,533	185,998	85
Current receivables relating to dividends of subsidiaries	0	1,008	0
Other current receivables	12,715	19,071	67
<b>Total receivables</b>	<b>422,287</b>	<b>432,935</b>	<b>98</b>

## Cash and cash equivalents

EUR 5,919 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Cash in hand	5	7	71
Bank balances	5,914	13,362	44
<b>Total cash and cash equivalents</b>	<b>5,919</b>	<b>13,369</b>	<b>44</b>

## Equity

EUR 1,287,873 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Share capital	59,126	59,126	100
Treasury shares	-63,994	-55,656	115
Reserves:	212,348	203,816	104
– share premium	101,503	101,503	100
– reserves for treasury shares	63,994	55,656	115
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserve	1,861	1,667	112
Retained earnings	1,080,393	1,024,929	105
<b>Total equity</b>	<b>1,287,873</b>	<b>1,232,215</b>	<b>105</b>

## Borrowings

EUR 62,388 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
<b>Non-current borrowings</b>	<b>2,000</b>	<b>13,700</b>	<b>15</b>
– borrowings from subsidiaries	2,000	800	250
– borrowings from domestic banks	0	12,900	0
<b>Current borrowings</b>	<b>60,388</b>	<b>58,917</b>	<b>102</b>
– portion of non-current borrowings maturing next year	0	12,600	0
– borrowings from subsidiaries	60,000	45,463	132
– borrowings from other entities	309	375	82
– current interest payable	79	479	16
<b>Total borrowings</b>	<b>62,388</b>	<b>72,617</b>	<b>86</b>

## Provisions

EUR 96,491 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Provisions for retirement benefits and anniversary bonuses	47,491	47,491	100
Provisions for lawsuits	49,000	49,000	100
<b>Total provisions</b>	<b>96,491</b>	<b>96,491</b>	<b>100</b>

## Deferred revenue

EUR 2,205 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Grants received for the Beta production plant in Šentjernej	4	37	11
Grants by the European Regional Development Fund	14	17	82
Grants by the European Regional Development Fund – development of new technologies (FBD project)	657	731	90
Property, plant and equipment received for free	556	565	98
Emission coupons	0	22	0
Other deferred revenue	974	1,380	71
<b>Total deferred revenue</b>	<b>2,205</b>	<b>2,752</b>	<b>80</b>

The FBD project is partly funded by the European Union (European Regional Development Fund). The project is implemented as part of the Operational Programme 2007–2013 »Strengthening Regional

Development Potentials«; 1. Priority axis: competitiveness and research excellence; 1.1. Priority objective: improving competitiveness and research excellence.

## Trade payables

EUR 133,761 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Payables to subsidiaries	40,691	41,571	98
Payables to domestic suppliers	40,185	32,479	124
Payables to foreign suppliers	48,571	42,710	114
Payables from advances	4,314	1,736	249
<b>Total trade payables</b>	<b>133,761</b>	<b>118,496</b>	<b>113</b>

## Other current liabilities

EUR 45,659 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Accrued contractual discounts on products sold to other customers	12,373	12,373	100
Payables relating to unpaid equity of subsidiaries	258	258	100
Payables to employees – gross wages, other receipts and charges	27,736	25,612	108
Other	5,292	5,104	104
<b>Total other current liabilities</b>	<b>45,659</b>	<b>43,347</b>	<b>105</b>

## Contingent liabilities

EUR 20,873 thousand

EUR thousand	30 Sep 2013	31 Dec 2012	Index
Guarantees issued	20,253	19,273	105
Other	620	620	100
<b>Total contingent liabilities</b>	<b>20,873</b>	<b>19,893</b>	<b>105</b>



## MANAGEMENT BOARD STATEMENT OF RESPONSIBILITIES

The Management Board of Krka, d. d., Novo mesto hereby states that the condensed financial statements of the Krka Company and the condensed consolidated financial statements of the Krka Group for the nine months ended 30 September 2013 were drawn up so as to provide a true and fair view of the financial standing and operating results of the Krka Company and the Krka Group. The condensed statements for the period January–September 2013 were drawn up using the same accounting principles as for the annual financial statements of the Krka Company and Group for 2012.

The condensed interim financial statements for the nine months ended 30 September 2013 were drawn

up pursuant to IAS 34 – Interim Financial Reporting, and must be read in conjunction with the annual financial statements drawn up for the business year ended 31 December 2012.

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

The Management Board states that all transactions between related parties in the Krka Group were executed on the basis of purchase contracts, using market prices for products and services.

Novo mesto, 6 November 2013



Jože Colarič  
President of the Management Board and Chief Executive



Dr Aleš Rotar  
Member of the Management Board



Zvezdana Bajc  
Member of the Management Board



Dr Vinko Zupančič  
Member of the Management Board



Danica Novak Malnar  
Worker Director – Member of the Management Board