



# **Unaudited Interim Report for the Krka Group and the Krka Company for January–September 2014**

November 2014

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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 2014 and 2013 are unaudited, while the financial statements for the full 2013 business year present audited figures. 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 Supervisory Board discussed the January–September 2014 Report for the Krka Group and the Krka Company at its regular meeting on 5 November 2014.

## Highlights January–September 2014

- The Krka Group sold EUR 858.0 million worth of products and services, and Krka Company sales amounted to EUR 815.4 million.
- Group sales in EUR remained on the same level as in the same period last year, with Company sales down 2%.
- Sales growth in terms of the quantity of products sold in the nine months this year was 9.1%.
- The highest absolute as well as relative sales growth (up EUR 8.3 million, or 8%) compared to the same period last year was recorded in Region South-East Europe. Krka's largest region in terms of sales is Region East Europe, which contributed 35% of total sales.
- Sales in Krka's largest individual market, the Russian Federation, totalled EUR 213.6 million; this is an increase by 2% or – in the Russian roubles – by 15%.
- The Group generated 93%, and the Company 96% of sales revenues in markets outside Slovenia.
- The Krka Group generated EUR 167.3 million of operating profit, which is on the same level as last year's result for the nine months to September. The Krka Company reported EUR 152.3 million of operating profit, down 2% from last year.
- The Group recorded EUR 127.4 million of profit for the period, up 2% compared to the same period last year, and the Company reported EUR 120.8 million of profit for the period, up 3%.
- As at 30 September 2014 Krka's share traded at EUR 65.40 on the Ljubljana Stock Exchange (up 9% from the year-end of 2013), with Krka Company's market capitalisation as at the same day amounting to EUR 2.1 billion.
- The Group allocated EUR 127.3 million to investments, of which the Krka Company invested EUR 112.4 million and subsidiaries EUR 14.9 million.
- At the end of September 2014 the Krka Group had 10,395 employees, over 3% more than at the beginning of the year.

## Events after the reporting period

- KRKA Finland Oy, a Krka subsidiary, was registered in Espoo, Finland on 15 October 2014. It is 100%-owned by the controlling company Krka, d. d., Novo mesto.

## Krka Group and Krka Company financial highlights

EUR thousand	Krka Group		Krka Company	
	1–9/2014	1–9/2013	1–9/2014	1–9/2013
Revenues	858,034	857,805	815,417	835,318
EBIT <sup>1</sup>	167,322	167,007	152,251	155,927
EBITDA	239,328	236,731	204,892	209,594
Profit for the period	127,371	124,850	120,751	116,942
R&D costs	78,528	76,331	81,772	78,523
Investments	127,264	109,173	112,403	76,946
	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>
Non-current assets	1,030,158	973,954	1,019,626	945,947
Current assets	771,613	785,930	718,159	755,288
Equity	1,373,852	1,332,611	1,377,602	1,332,246
Non-current liabilities	149,727	128,833	118,146	98,778
Current liabilities	278,192	298,440	242,037	270,211
<b>RATIOS</b>	<b>1–9/2014</b>	<b>1–9/2013</b>	<b>1–9/2014</b>	<b>1–9/2013</b>
EBIT margin	19.5%	19.5%	18.7%	18.7%
EBITDA margin	27.9%	27.6%	25.1%	25.1%
Profit margin (ROS)	14.8%	14.6%	14.8%	14.0%
ROE <sup>2</sup>	12.5%	13.1%	11.9%	12.4%
ROA <sup>3</sup>	9.5%	10.0%	9.4%	9.7%
Liabilities/Equity	0.311	0.322	0.261	0.270
R&D costs/Revenues	9.2%	8.9%	10.0%	9.4%
<b>NUMBER OF EMPLOYEES</b>	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>
As at	10,395	10,048	4,700	4,628

<b>SHARE INFORMATION</b>	<b>1–9/2014</b>	<b>1–9/2013</b>
Total number of shares issued <sup>4</sup>	32,793,448	35,426,120
Earnings per share in EUR <sup>5</sup>	5.21	5.04
Closing price at end of period in EUR <sup>6</sup>	65.40	54.95
Price/Earnings ratio (P/E)	12.55	10.90
Book value in EUR <sup>7</sup>	38.78	36.50
Price/Book value (P/B)	1.69	1.51
Market capitalisation in EUR thousand (end of period)	2,144,691	1,946,665

<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> The number of issued shares is down compared to the same period last year due to the cancellation of treasury shares.

<sup>5</sup> Profit for the period attributable to equity holders of the parent, annualised/Average number of shares issued in the period excluding treasury shares

<sup>6</sup> Share price on the Ljubljana Stock Exchange

<sup>7</sup> Equity at the end of the period/Total shares issued

## Krka Group ID card

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

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

**Telephone** ++386 7 331 21 11

**Fax** ++386 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, Slovenia

**Tax number** 82646716

**VAT number** SI82646716

**Company ID number** 5043611

**Share capital (as at 24 July 2014)** EUR 54,732,264.71

**Number of issued shares** Following the reduction of share capital pursuant to the resolution adopted by the 19<sup>th</sup> Annual General Meeting as of 3 July 2014, the Company's share capital is now divided into 32,793,448 ordinary registered no par value shares with the ticker symbol KRKG. 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. It is domiciled in Slovenia and has a 60-year tradition.

Krka is the market leader in its domestic market, and its presence is also significant in the generic pharmaceutical markets of:

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

Over the past few years, we have strengthened our presence in Western European markets, in particular in Germany, France, Great Britain, Scandinavia, Benelux, Italy, Portugal and Spain.

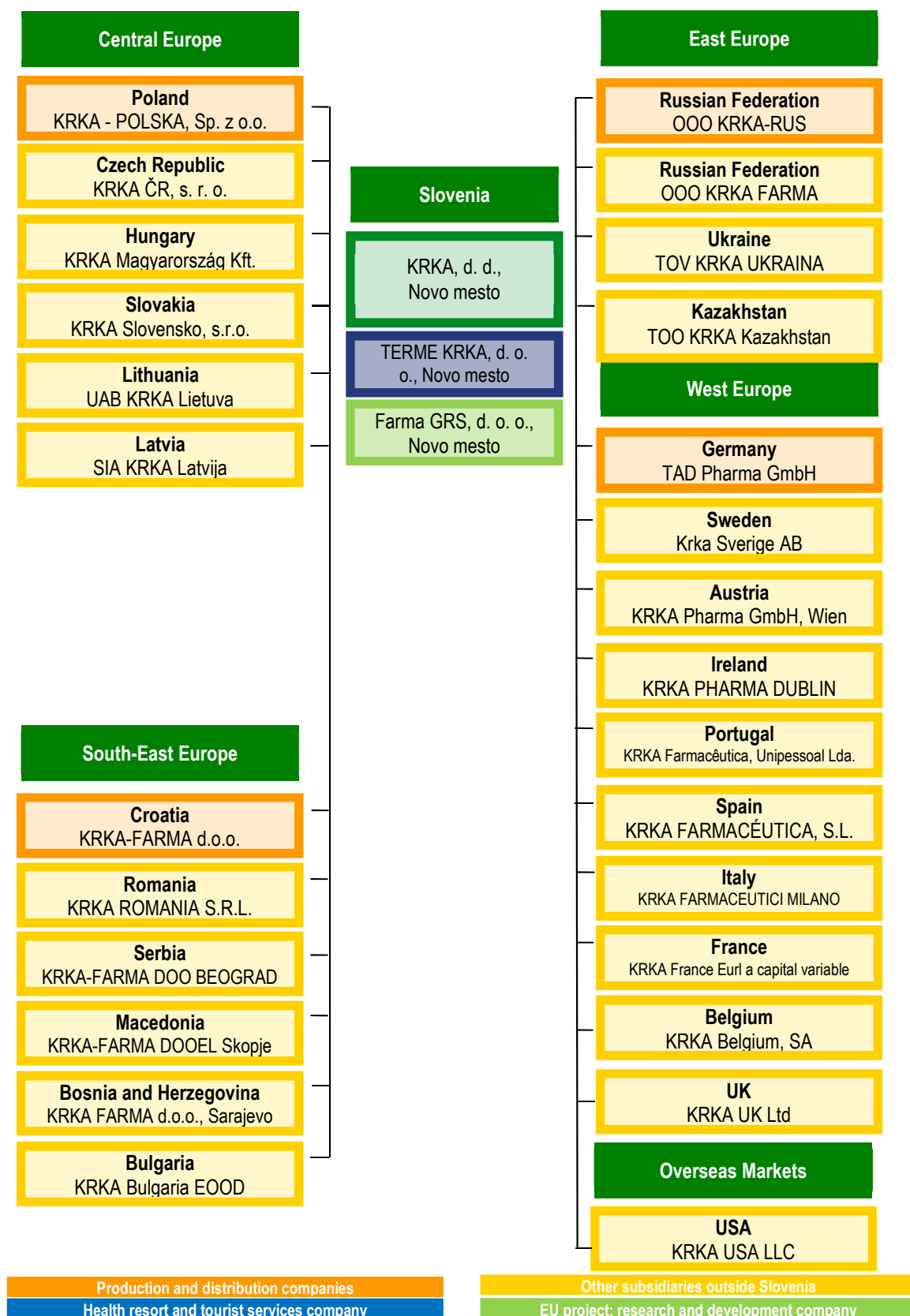
Our modern pharmaceutical production and vertically integrated business model allow us to provide patients in over 70 countries a wide range of safe, high quality and effective prescription pharmaceuticals, non-prescription products and animal health products. Most Krka products are in solid dosage pharmaceutical forms. The Company's product offer is supplemented by the health resort and tourist services of the Terme Krka spa group.

We focus on generic prescription pharmaceuticals marketed under Krka's own brands. Our main therapeutic groups include pharmaceuticals for cardiovascular diseases, for alimentary and metabolic diseases, and for diseases of the central nervous system. We have also entered certain new therapeutic fields.

We will continue to concentrate on marketing and developing our own marketing-and-sales network in the future, both by establishing new companies and through mergers in target markets. Our objective is to strengthen the Krka Group market position in European and Central Asian markets as well as to enter new high-potential markets. Our new sales region, Overseas Markets, will aim to exploit the sales potential of the Middle East, Far East, Africa and the Americas.

In order to increase the competitive advantage of our product portfolio and maintain a large share of vertically integrated products, Krka has been allocating 8 to 10% of our revenues to research and development. We have more than 170 new products in the pipeline. A large proportion of our total revenues is generated by sales of new products, i.e. products launched on different markets in the past five years.

## Krka Group companies (as at 30 September 2014)



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 2013 the Krka Company Management Board adopted the Krka Group development strategy for the 2014–2018 five-year period, and presented it to the Supervisory Board at its November 2013 meeting.

The success of implementing strategic objectives at the level of the Group is measured by the

Management Board, while the success criteria at the level of product and service groups, and 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

- To report an average annual organic sales growth of at least 5%.
- In addition to organic growth, to expand through long-term business arrangements (including joint ventures) and by merging with available companies of interest to us business-wise.
- To have new products account for at least one third of total sales.
- To be the first generic producer to launch selected products on target markets.
- To strengthen the competitive advantages of our products.
- To maintain the largest possible share of vertically integrated products.
- To improve cost efficiency of asset utilization.
- To increase cost efficiency in products.
- To strengthen innovation across all business functions.
- To remain independent.

### Key strategies to 2018

- To prioritise focus on European and Central Asian markets.
- To establish a new sales region, Overseas Markets, with sales offices for the Middle East, Far East and Africa, and the Americas, in order to better exploit the areas' sales potential.
- To focus on key markets (Slovenia, Croatia, Romania, Ukraine, the Russian Federation, Poland, Hungary, the Czech Republic, Western Europe), key customers and key products.
- To strengthen Krka's presence in the markets of Western Europe via our own marketing-and-sales companies and by marketing products under our own brands.
- To intensify pharmaceutical and chemical activities and increase the range of prescription products in three key therapeutic fields (treatment of cardiovascular diseases, the alimentary tract and metabolism, and the central nervous system), while also entering new therapeutic fields and expanding the range of non-prescription products in selected therapeutic fields.
- To strengthen vertical integration from development through to product manufacture.
- To ensure a permanent supply of incoming materials and to optimise supply in order to constantly drive down purchase prices.
- To develop generic pharmaceuticals and prepare their marketing authorisation documentation prior to the expiry of the product patent for the original medicine.
- To strengthen all types of connections with external institutions and companies in the field of development.
- To continue to increase investments in our production, development and infrastructure capacities.
- To acquire local pharmaceutical companies, and plan takeovers, mergers and various kinds



of long-term business arrangements (joint ventures) in selected markets, with the primary objective of acquiring market shares and entering new therapeutic fields.

- To reduce the impact of financial and economic risks on Krka Group operations.
- To pursue a dividend-increase policy whereby up to 50% of the consolidated profit of majority shareholders generated in the previous year is allocated to dividends, provided this is feasible taking into account the Group's financial requirements for investments and major acquisitions each year.
- To strengthen the professional and cost synergy within the Krka Group, and to

maximise the utilisation of competitive advantages in the business environments of Krka companies outside Slovenia.

- To enhance the internationalisation of all business functions by asserting English and Russian as the key foreign languages of communication throughout the Group.
- To maintain economic, social and environmental responsibility to the surroundings in which we operate.
- To operate according to the principles of business excellence, thereby strengthening Krka's recognition and its positive public identity.

### Estimated realisation of Krka Group operating objectives for 2014

- Full-year product and service sales are forecast to match last year's sales of EUR 1.2 billion, which is less than the originally planned EUR 1.245 billion of sales for 2014. The critical cause of such an anticipated sales result is the decreasing prices of pharmaceuticals in all markets and the depreciation of Eastern European currencies, especially the Russian rouble and the Ukrainian hryvnia. Krka is trying to offset these negative effects to the greatest extent possible by increasing sales volume and by intensifying marketing and sales activities via subsidiaries in West Europe and its other sales regions.
- East Europe is expected to be Krka's largest sales region, and the Russian Federation our

most important individual market.

- Sales outside Slovenia are expected to account for almost 94% of total sales.
- Prescription pharmaceuticals will remain the most important product group, accounting for over 82% of total sales.
- The 2014 full-year profit is forecast at the level of last year's.
- At the end of 2014 the Krka Group is expected to have more than 10,600 employees (6% increase), of which almost 54% outside Slovenia.
- Full-year investment spending is forecast to total around EUR 176 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.

In the third quarter the Krka Group recorded negative exchange rate differences. This was mainly the result of the depreciation of the Russian rouble, with the other currencies having contributed relatively little to the overall foreign exchange differences.

Currency positions in the three quarters were not hedged. We strive to decrease our exposure to exchange rate fluctuations by using natural hedges.

#### Interest rate risk

In 2013 the Krka Group had settled all its non-current borrowings. Changes in reference interest

rates therefore no longer have an 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. Over 400 of the Group's customers are included in the credit control system.

Total trade receivables were down at the end of the third quarter compared to the half year but remain higher than at the year-end of 2013. This is the result of increased sales in markets with longer payment periods.

The amount of past due receivables at the end of the third quarter remained at a level that Krka considers normal and acceptable. Customer payment discipline is estimated to have remained unchanged.

We did not write off any major trade receivables in the three quarters of 2014. Approximately one half of our trade receivables remain under credit insurance coverage or are insured with trade financial instruments. Our policy of hedging receivables did not change in the third quarter.

#### Liquidity risk

In the nine months to September 2014 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 bank balances on

their accounts, subsidiaries were regularly provided with the required cash.

Liquidity risk is estimated to be low. The amount of current borrowings in the reported period was small. The volume of cash inflows exceeded cash outflows, therefore we placed a proportion of cash surpluses into current bank deposits; the majority

were spent on dividend payments at the beginning of September. All our liabilities in the reported

period were settled regularly and on time.

## Property, business interruption and liability insurance

After thoroughly examining insurance arrangements in the Krka Group and after researching the insurance market offers for over 98% of our total insurance premium, we entered at the beginning of 2014 into insurance agreements with domestic and foreign insurers.

We have seen continued positive effects of measures implemented in the area of the Group's car insurance arrangements. Insurance premiums and the number of loss events have decreased considerably, with the cost-effectiveness and availability of cars increasing.

The efficiency and efficacy of our transportation insurance in purchase contracts were further increased from the perspective of the International Commercial Terms, Incoterms 2010.

We are additionally optimising the commercial terms of our insurance arrangements, which is forecast to bring additional savings on our insurance premiums next year while providing optimum insurance coverage.

In the reported period Krka's insurance arrangements ensured the management of risks and liabilities related to the Group's current property and all investment projects.

## Investor and share information

In the nine months to September 2014 the price of Krka's share rose 9% on the Ljubljana Stock Exchange. In the reported period the Company cancelled its treasury shares as decided by the 19<sup>th</sup>

AGM, therefore a comparison of ownership stakes at the beginning and end of the period would not be relevant. At the end of September 2014 Krka had a total of 62,158 shareholders.

### Shareholder structure (%)

	30 Sep 2014	31 Dec 2013
Individual Slovenian investors	41.2	38.6
Slovenian Sovereign Holding	16.2	15.0
KAD fund and PPS	11.0	10.2
Slovenian investment companies and funds	2.5	2.1
Other Slovenian legal entities	6.4	6.6
International investors	22.5	20.3
Treasury shares	0.2	7.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Pursuant to the resolution adopted by the Company's 19<sup>th</sup> AGM dated 3 July 2014, Krka reduced its share capital by cancelling 2,632,672 treasury shares, which represented 7.431% of all issued shares. Following the cancellation, Krka's share capital is now distributed into 32,793,448 shares.

The 19<sup>th</sup> AGM authorised the Company's Management Board to acquire treasury shares up to the amount of 10% of share capital in the period of 36 months. Krka therefore repurchased 59,962 treasury shares worth a total of EUR 3,893,015. On 30 September 2014 Krka held 59,962 treasury shares, which represents 0.183% of its share capital.

## 10 largest shareholders as at 30 September 2014

	Country	No. of shares	Share in equity (%)	Share of voting rights (%)
SLOVENSKI DRŽAVNI HOLDING, d.d.	Slovenia	5,312,070	16.20	16.23
KAPITALSKA DRUŽBA, D.D.	Slovenia	3,493,030	10.65	10.67
SOCIETE GENERALE–SPLITSKA BANKA D.D.	Croatia	1,476,345	4.47	4.48
HYPO ALPE-ADRIA-BANK D.D.	Croatia	1,002,100	3.06	3.06
NEW WORLD FUND INC	USA	710,536	2.17	2.17
KDPW – FIDUCIARY ACCOUNT	Poland	555,582	1.69	1.70
LUKA KOPER, d.d.	Slovenia	433,970	1.32	1.33
ZAVAROVALNICA TRIGLAV, d.d.	Slovenia	388,300	1.18	1.19
THE BANK OF NEW YORK MELLON	USA	310,800	0.95	0.95
AMERICAN FUNDS INSURANCE SERIES	USA	273,409	0.83	0.84
<b>Total</b>		<b>13,947,142</b>	<b>42.53</b>	<b>42.61</b>

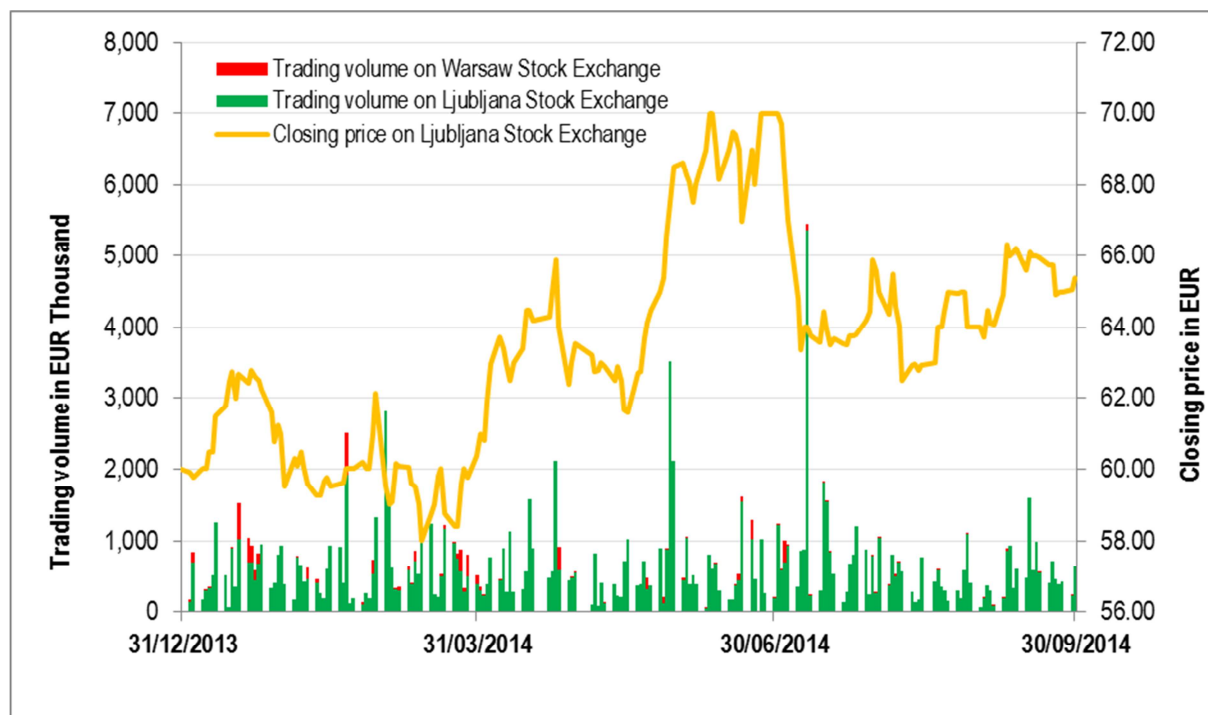
Krka's ten largest shareholders held a total of 13,947,142 shares on 30 September 2014, which is 42.53% of all issued shares.

On 30 September 2014 members of the Krka Management Board and Supervisory Board held a total of 50,495 Krka shares, which is 0.154% of all issued shares.

## Shares in equity and shares of voting rights held by members of the Krka Management and Supervisory Board as at 30 September 2014

	No. of shares	Share in equity (%)	Share of voting rights (%)
<b>Management Board members</b>			
Jože Colarič	22,500	0.069	0.069
Zvezdana Bajc	1,660	0.005	0.005
Aleš Rotar	12,770	0.039	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>0.113</b>	<b>0.113</b>
<b>Supervisory Board members</b>			
Jože Lenič	180	0.001	0.001
Matjaž Rakovec	0	0.000	0.000
Franc Šašek	540	0.002	0.002
Julijana Kristl	230	0.001	0.001
Vincenc Manček	11,543	0.035	0.035
Mojca Osolnik Videmšek	452	0.001	0.001
Tomaž Sever	500	0.002	0.002
Sergeja Slapničar	0	0.000	0.000
Mateja Vrečer	0	0.000	0.000
<b>Total Supervisory Board</b>	<b>13,445</b>	<b>0.041</b>	<b>0.041</b>

## Share trading January–September 2014



In the nine months to September Krka's share price on the Ljubljana Stock Exchange peaked at EUR 70.00 in the second half of June and reached its low in mid-March, when it stood at EUR 58.01. The closing price of Krka's share on 30 September 2014 was EUR 65.40.

Krka's market capitalisation on the Ljubljana Stock Exchange as at the same day totalled EUR 2.1 billion. Trading with Krka's shares generated an

average daily trading volume of EUR 0.6 million over the period.

Since April 2012 Krka's shares have also been listed on the Warsaw Stock Exchange. The daily trading volume in Krka's shares there amounts to 10% of their trading volume on the Ljubljana Stock Exchange on average, and on certain days much more.

## Business operations analysis

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

### Revenues



Krka's sales revenues at Group level remained on a comparable level as in the same period last year, while decreasing by 2% at Company level. The Company sold EUR 815.4 million worth of prescription pharmaceuticals, non-prescription products and animal health products, while the Group generated EUR 858.0 million of sales revenues from these products plus the health resort and tourist services.

### Expenses

Total Group expenses incurred in the nine months to September 2014 amounted to EUR 745.2 million, up 4% compared to the same period last year.

The Group incurred EUR 723.0 million of operating expenses, of which the cost of sales was EUR 343.7 million, distribution expenses were EUR 245.7 million, R&D costs were EUR 78.5 million, and administrative expenses were EUR 55.1 million.

The Group cost of sales increased by 2%, on a costs to sales ratio of 40.1%, and distribution expenses increased by 9%, on a costs to sales ratio of 28.6%. Distribution expenses include EUR 20.6 million of formed provisions, an amount

Sales of prescription pharmaceuticals remained on a comparable level as in the same period last year, and represented over 83% of total Krka Group sales revenues. The Group generated 93% of its sales in markets outside Slovenia.

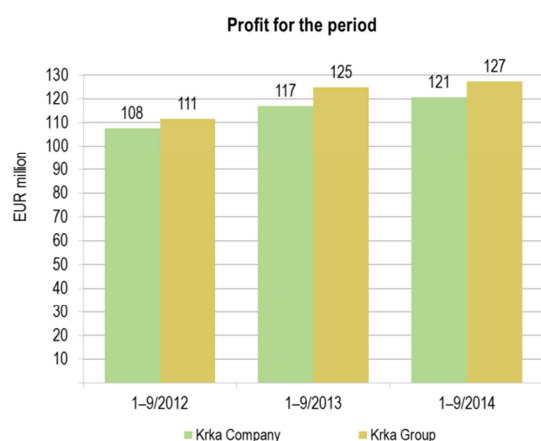
Taking into account other operating and financial income, the Group generated a total of EUR 891.6 million of revenues in the nine months to September, and the Company EUR 847.9 million. Other operating income includes the damages and reimbursement of court fees received in the dispute with AstraZeneca over the unjust preliminary injunction that prevented Krka from marketing its esomeprazole in the UK from mid 2010 to mid 2011, in the total amount of EUR 20.8 million (as received in British pounds sterling).

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.

corresponding to the damages Krka received from AstraZeneca. Since the plaintiff appealed against the court's decision, Krka formed provisions in the amount of the received damages. Without these provisions, distribution expenses would correspond to the distribution expenses incurred in the same period last year.

Group R&D costs increased by 3%, on a costs to sales ratio of 9.2%. The Group does not capitalise R&D costs, therefore they are recognised as expenses for the period in full. Administrative expenses decreased by 2% compared to the same period last year, on a costs to sales ratio of 6.4%.

## Operating result



The Group recorded EUR 167.3 million of operating profit for the period, which is a result comparable to the one reported for the same period last year.

Profit before tax amounted to EUR 146.4 million, also on the same level as in the nine months to September last year. Income tax totalled EUR 19.0 million, and the effective tax rate was 13.0%.

Krka Group profit for the period amounts to EUR 127.4 million, up 2% from the year before, with the Krka Company profit for the period totalling EUR 120.8 million, up 3%.

## Assets

Krka Group assets were worth EUR 1,801.8 million at the end of September 2014, an increase by 2% compared to the end of 2013.

Non-current assets represent 57.2% of total assets, up 1.9 of a percentage point since the beginning of the year. The largest item under non-current assets, which totalled EUR 1,030.2 million, was property, plant and equipment on EUR 867.2 million, which represents 48.1% of the Group's total assets and is a 5% increase from the end of 2013. Intangible

assets amounted to EUR 116.4 million, an increase by 1% from the end of 2013.

Current assets were down 2% in the nine months to September, to EUR 771.6 million. Inventories were up 5% to EUR 246.7 million, and receivables increased by 6% to EUR 488.0 million (of which trade receivables amounted to EUR 457.9 million, which is a 6% increase from the beginning of the year).

## Equity and liabilities

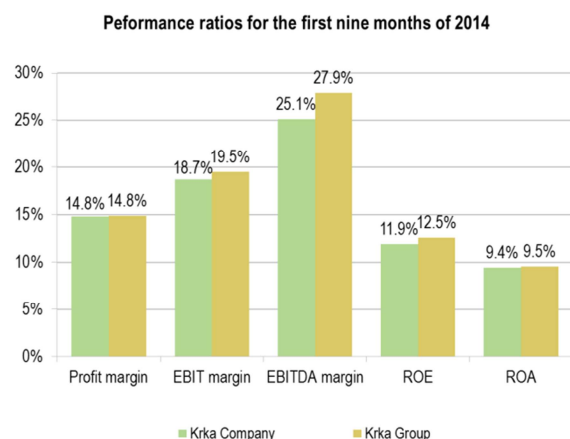
From the end of 2013 the Group's equity increased by 3% to EUR 1,373.9 million, and represents 76.3% of total equity and liabilities.

Amounting to EUR 149.7 million, non-current liabilities represent 8.3% of the Group's total assets. Provisions, which amounted to EUR 123.9 million at the end of the period, were up one fifth from the year-end of 2013, the increase attributable to the

additional formation of provisions for lawsuits in the amount of EUR 20.6 million.

Current liabilities were down 7% compared to the end of 2013 and totalled EUR 278.2 million, which is 15.4% of the Group's total assets. Among current liabilities, trade payables amounted to EUR 116.0 million, down 12% compared to the year-end of 2013, with other current liabilities down 3% to EUR 155.9 million.

## Performance ratios



The Krka Group profit margin for the nine months to September 2014 was 14.8% (Krka Company 14.8%), its EBIT margin 19.5% (Krka Company 18.7%) and its EBITDA margin 27.9% (Krka Company 25.1%).

ROE at the level of the Group was 12.5% (Krka Company 11.9%), with ROA at 9.5% (Krka Company 9.4%).

## Marketing and sales

### Sales by Region

In the nine months to September 2014 Krka Group sales were EUR 858.0 million, which is comparable to the result recorded in the same period last year.

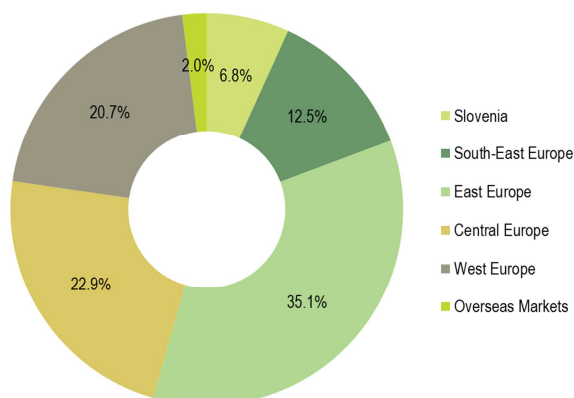
Sales were the highest in Region East Europe, where they amounted to EUR 301.6 million, which is 35.1% of total Group sales. Region Central Europe reported the second best result, sales there amounting to EUR 196.4 million and representing 22.9% of total sales.

The third largest area in terms of sales was Region West Europe, where Krka sold EUR 177.3 million worth of products in the reported period, which is 20.7% of overall sales. In Region South-East Europe product sales amounted to EUR 107.0 million, which represents 12.5% of Group sales. In the domestic market sales totalled EUR 58.0 million, which is 6.8% of total sales, while Overseas Markets sales generated EUR 17.7 million, or 2.0% of Group sales.

EUR thousand	Krka Group			Krka Company		
	1-9/2014	1-9/2013	Index	1-9/2014	1-9/2013	Index
Slovenia	58,019	65,115	89	36,548	42,921	85
South-East Europe	106,968	98,623	108	132,094	119,822	110
East Europe	301,642	297,333	101	287,857	302,231	95
Central Europe	196,416	203,663	96	197,016	201,063	98
West Europe	177,262	171,224	104	146,825	149,320	98
Overseas Markets	17,727	21,847	81	15,077	19,961	76
<b>Total</b>	<b>858,034</b>	<b>857,805</b>	<b>100</b>	<b>815,417</b>	<b>835,318</b>	<b>98</b>



## Krka Group sales by Region, January–September 2014

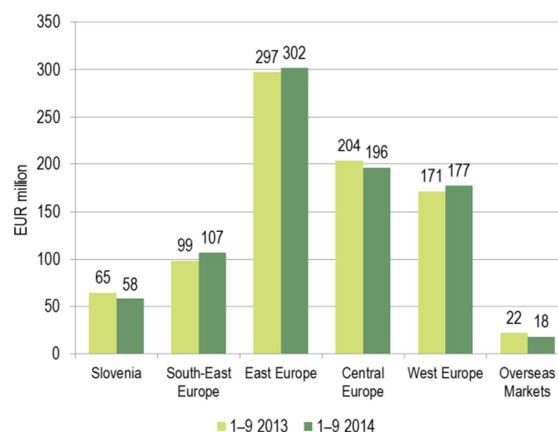


## Slovenia

Product and service sales in the domestic market amounted to EUR 58.0 million in the nine months to September 2014. The majority of sales revenues again came from prescription pharmaceuticals, which contributed EUR 27.3 million. Non-prescription and animal health products generated EUR 4.7 million and EUR 1.6 million of sales, respectively. Compared to the same period last year sales were down, predominantly the result of the introduction of therapeutic groups, which drove down the prices of our ACE inhibitors and statins, and olanzapine. Health resort and tourist service sales in the period were EUR 22.7 million, and other sales amounted to EUR 1.7 million.

Our best-selling brands of prescription pharmaceuticals in the reported period were Prenessa (perindopril), Prenewel (perindopril and indapamide), Nolpaza (pantoprazole), Atoris (atorvastatin) and Sorvasta (rosuvastatin). Among non-prescription products, the best sales results were recorded for Nalgesin S (naproxen), B-complex, Bilobil (ginkgo biloba) and for products of the Daleron (paracetamol) brand. The main sales

## Krka Group sales by Region, January–September 2013 and 2014



drivers among animal health products were Fypryst (fipronil), Enroxil (enrofloxacin), Grovit and Ecocid S.

Products to treat cardiovascular diseases were at the forefront of our marketing efforts. We strengthened brand identity for Elyrno (enalapril and lercanidipine) and the beta receptor blocker Sobycor (bisoprolol). Good sales results were recorded for statins Atoris (atorvastatin) and Sorvasta (rosuvastatin), and oncology medications Meaxin (imatinib) and Ecansya (capecitabine).

New product launches in the reported period include larger packs of Nalgesin S and Nalgesin forte (naproxen), and the animal health product Fypryst Combo (fipronil and S-methoprene).

The annual survey we perform by the end of the third quarter each year revealed a 93.6% satisfaction rate in 2014; the ratings we received from direct customers in Slovenia reveal they consider Krka a highly esteemed and trustworthy company.

## South-East Europe

Product sales in the majority of South-Eastern European markets were up in the nine months to September. Sales in the Region as a whole were up 8% from last year's, to EUR 107.0 million. The largest contribution came from Romania, while sales also increased considerably in the markets of Serbia, Bulgaria, Kosovo, Albania and Montenegro. Let us single out the 94.4% satisfaction rate of Krka's direct customers in those markets.

Sales in the leading regional market, **Romania**, totalled EUR 40.2 million in the period, up 23% compared to last year. The best-selling products were prescription pharmaceuticals, especially Atoris (atorvastatin), Roswera (rosuvastatin), Prenessa (perindopril) and its combination with a diuretic, Co-Prenessa (perindopril and indapamide), Tolura (telmisartan), Karbis (candesartan), Enap (enalapril) and Nalpaza (pantoprazole).

The leading non-prescription product remained Bilobil (ginkgo biloba), sales of which were slightly down from the same period last year, while for the other non-prescription product brands – including Nalgesin/Naldorex (naproxen), Daleron (paracetamol), Herbion, Pikovit and Septotele – sales increased. As to veterinary products, we devoted particular attention to introducing new medicinal products for companion animals. This is the group that drove the entire animal health section sales up despite the sales in other groups of veterinary products being down due to stringent economic conditions and liquidity issues faced by major farms.

Sales in **Croatia** amounted to EUR 20.9 million, down 11% compared to the same period last year. We are the fourth largest provider of generic pharmaceuticals for human health in the country, and the number two animal health products provider.

The main sales drivers were prescription pharmaceuticals, especially Atoris (atorvastatin), Helex (alprazolam), Nalpaza (pantoprazole), Emanera (esomeprazole), Co-Perineva (perindopril and indapamide), Ciprinol (ciprofloxacin), Roswera (rosuvastatin) and Valsacor (valsartan). New product launches in the reported period included Tolucombi (telmisartan and hydrochlorothiazide) and Atordapin (atorvastatin and amlodipine), oncology medications Tolnexa (docetaxel), Cansata (capecitabine), Etadron (exemestane) and Lortanda

(letrozole), and an additional strength of the antidiabetic Gliclada (gliclazide).

In **Bosnia and Herzegovina** product sales in the nine months totalled EUR 12.9 million, down 3% compared to the same period last year. We preserved the largest market share in human health pharmaceuticals in the country. The main sales drivers were prescription pharmaceuticals, especially Enap (enalapril), Lorista (losartan), Naklofen (diclofenac), Lexaurin (bromazepam), Atoris (atorvastatin), Valsacor (valsartan), Roswera (rosuvastatin) and Nalpaza (pantoprazole). Our product offer was expanded with oncology medications Meaxin (imatinib), Tolnexa (docetaxel) and Ecansya (capecitabine).

Non-prescription product sales were up 3% compared to the same period last year, mainly on account of the good sales results for B-complex, Nalgesin (naproxen) and Bilobil (ginkgo biloba), while sales growth was also recorded in the animal health products group.

In **Macedonia** sales totalled EUR 10.1 million, up 6% compared to the same period last year, Krka remaining the leading foreign producer of generic pharmaceuticals in the market. Despite decreasing reference prices, the highest sales growth – of 9% – was recorded for prescription pharmaceuticals, our leading group of products in terms of sales value there. The best-selling products in the reported period were Enap (enalapril), Tanyz (tamsulosin) and Roswera (rosuvastatin), with new product launches including prescription pharmaceuticals Azibiot (azithromycin), Esradin (desloratadine) and Atordapin (atorvastatin and amlodipine). Good sales results were also reported for Meaxin (imatinib) and Tolnexa (docetaxel), which were placed on the market via public tenders.

Sales of non-prescription products were slightly down compared to the same period last year, with the best results reported for the brands Bilobil (ginkgo biloba) and Daleron (paracetamol). In the group of animal health products the best-sellers were Fypryst (fipronil) and Floron (florfenicol).

Sales in **Serbia** increased in the recent months, reaching EUR 8.4 million at the end of the third quarter, up 28% compared to the same period last year. The main sales drivers were prescription pharmaceuticals, especially Atoris (atorvastatin),

Ampril (ramipril), Nolpaza (pantoprazole), Zyllt (clopidogrel) and Roswera (rosuvastatin).

Our best-selling product in terms of sales was B-complex, its sales up 35% compared to the same period last year. In the animal health product group the main sales driver was the Calfozet injections.

Product sales in **Bulgaria** totalled EUR 7.5 million, up 7% compared to the same period last year. Prescription pharmaceuticals were up 4%, mainly due to newly launched products, especially Roswera (rosuvastatin), Emanera (esomeprazole), Amlessa (perindopril and amlodipine), Doreta (tramadol and paracetamol), and Tolura (telmisartan) with its fixed-dose combination

Tolucombi (telmisartan and hydrochlorothiazide). Sales increased even more, by 26 and 39%, for non-prescription products and veterinary products, respectively.

Nine-month sales in **Kosovo** totalled EUR 3.9 million, up one tenth compared to the same period last year. Krka remains one of the leading providers of pharmaceutical products in this market. In **Albania** product sales were EUR 2.3 million, up 23%, and in **Montenegro** they were up 14% to EUR 0.8 million. Sales in this market continue to depend to a large extent on government tenders, and on expanding our product offer by means of obtaining new marketing authorisations.

## East Europe

Region East Europe, where sales were up 1% to EUR 301.6 million, remains Krka's most important sales region. Sales were up in most of the several markets of the Region, including the largest, the Russian Federation. According to customer satisfaction surveys conducted in the Region's markets, Krka is viewed as a highly reputable company by our direct customers there, receiving a 94.2% satisfaction rating.

Krka's largest individual market is the **Russian Federation**, where nine-month sales totalled EUR 213.6 million, up 2% compared to the same period last year or – in the Russian roubles – up 15%. Most sales value came from prescription pharmaceuticals, while veterinary products recorded the highest sales growth rate. Due to the poor winter-spring season, non-prescription product sales were slightly down compared to last year.

In the Russian market, Krka is one of the leading suppliers of ACE inhibitors, statins, sartans, proton pump inhibitors, weight care pharmaceutical products, multivitamin products for children and cough syrups. Another important product group are medications treating diseases of the central nervous system, for which high sales growth was recorded in the nine months to September and of which we are among the most important providers in the Russian market.

The most sales are generated in human health products, among them especially Lorista (losartan), Enap (enalapril) and Atoris (atorvastatin) – the latter having witnessed the highest sales growth in

absolute terms –, followed by Zyllt (clopidogrel), Herbion, Nolpaza (pantoprazole), Perineva (perindopril), Orsoten (orlistat), Nolicin (norfloxacin) and Bilobil (ginkgo biloba). An important contribution to sales, and especially to sales growth, came from products launched on the market in the last five years. The ones that recorded fast sales growth are Nolpaza (pantoprazole), Roxera (rosuvastatin), Emanera (esomeprazole) and Dalneva (perindopril and amlodipine). The more recent new product launches include Vizarsin (sildenafil), Vamloset (valsartan and amlodipine) and Pikovit Unique.

The best-selling animal health products were Floron (florfenicol) and Enroxil (enrofloxacin), with fast sales growth recorded for Fypryst (fipronil).

Special attention was also devoted in the reported period to consolidating our domestic producer status in the Russian Federation, which represents an important marketing advantage. Compared to the same period last year, the quantity of products manufactured in our subsidiary Krka-Rus increased by 22%.

Despite the major, more than 15% decline of the pharmaceuticals market, the depreciation of the local currency by 40% and difficult operating conditions in **Ukraine**, our nine-month sales there reached EUR 36.3 million. This is down 13% compared to the same period last year. Sales dropped the most for non-prescription products, with prescription product sales falling 5% and animal health product sales down 3%.

However, given the dynamics of the local pharmaceuticals market, our market share increased in the reported period. The main contributors to overall sales were prescription pharmaceuticals, especially Enap (enalapril), Atoris (atorvastatin), Coryol (carvedilol) and Naklofen (diclofenac). Our best-selling non-prescription and animal health products in terms of sales in the reported period were Herbion and Enroxil (enrofloxacin), respectively.

After the decline of the **Kazakhstan** pharmaceuticals market due to the depreciation of the local currency by 20% over the initial months of 2014, our market share there increased in the reported period, driving sales up 1% compared to the same period last year. Total sales value amounted to EUR 12.4 million, mainly driven by prescription pharmaceuticals, especially Enap (enalapril), Zyllt (clopidogrel) and Prenessa (perindopril), while the best-selling non-prescription products were Herbion and Duovit. We expanded our product offer by launching new products of the Kventiax (quetiapine), Asentra (sertraline), Elicea (escitalopram), Alventa (venlafaxine), Helex SR (alprazolam) and Naklofen (diclofenac) gel brands.

Sales growth also continued in **Uzbekistan**, where sales revenues were up 24% to EUR 12.3 million. The sales of our best-selling product group, prescription pharmaceuticals, were up 28% with the main sales drivers being Enap (enalapril), Lorista (losartan) and Amprilan (ramipril). We recently launched a new prescription product, Amlessa (perindopril and amlodipine), on the market. Two-digit sales growth was also recorded for non-prescription products, of which the main sales drivers were products of the Pikovit, Septotele and Herbion brands.

Despite increasing protectionism in the **Belarus** pharmaceuticals market, our sales there were up one tenth compared to the same period last year. The main contributors to total sales, which amounted to EUR 6.8 million, were prescription pharmaceuticals, especially Lorista (losartan), Nalpaza (pantoprazole) and Enap (enalapril). The

prominent non-prescription products were those of the Septotele and Pikovit brands.

In **Moldavia** sales were up 9% to EUR 4.2 million. Prescription pharmaceuticals contributed the largest share, especially Rawel (indapamide), Ampril (ramipril) and Enap (enalapril), while the leading non-prescription products in terms of sales were Septotele and Nalgesin (naproxen). Among recently launched products good results were reported for the additional strengths of Atoris (atorvastatin) and Azibiot (azithromycin) tablets, for Glyclada (gliklazide) and Nalpaza (pantoprazole) control, and for the Septoaqua and Septonazal sprays for children and adults, respectively.

Despite the poor economic situation and deteriorated purchasing power in **Mongolia**, Krka's product sales there amounted to EUR 3.9 million. This is a decrease by 4% compared to the same period last year. We obtained a marketing authorisation for and launched Roxera (rosuvastatin), and strengthened our field sales team in the country's remote areas.

Sales in **Turkmenistan** were up two thirds compared to the same period last year, to EUR 2.9 million. The largest contribution to overall sales came from prescription pharmaceuticals, a group we expanded in the reported period by launching Roswera (rosuvastatin), Cezera (levocetirizine) and Rutacid.

In **Azerbaijan** sales were up 43% to EUR 2.7 million. Sales increased the most, 58%, for prescription pharmaceuticals, among which the best-selling product remains Enap (enalapril). Non-prescription product sales in that market were up 23%.

Sales in **Georgia** increased by 3% to EUR 2.3 million, especially due to prescription pharmaceuticals, and in **Armenia** sales totalled EUR 1.2 million, up 1%. Nine-month sales in **Kyrgyzstan** were down 2% compared to the same period last year, to EUR 1.9 million, and in **Tajikistan**, they were up 24% to EUR 1.2 million.

## Central Europe

Contributing EUR 196.4 million of sales for the period, Region Central Europe is Krka's second largest sales region. Despite a moderate sales growth witnessed in Poland, the Region's most

important market, overall sales in the Region were down 4% compared to the same period last year. Nevertheless, the high 91.5% customer satisfaction

rating reaffirms Krka's status of a trustworthy company as seen by buyers in the Region.

Almost one half of total sales are generated in **Poland** which has thus remained Krka's leading Central European market. Despite a severe price erosion, Krka's sales there were up 2% to EUR 92.8 million, with the largest contribution coming from prescription pharmaceuticals, especially Atoris (atorvastatin), Roswera (rosuvastatin), Valsacor (valsartan), Nalpaza (pantoprazole), Lorista (losartan), and Tolura (telmisartan) together with its fixed-dose combination with a diuretic, Tolucombi (telmisartan and hydrochlorothiazide). An important contribution to sales, and especially to sales growth, came from products launched on the market in the last three years. Foremost among them are Doreta (paracetamol and tramadol), Emanera (esomeprazole), Amlessa (perindopril and amlodipine) and the newly-launched oncology medication Meaxin (imatinib).

The leading non-prescription products in terms of sales were Septotele and Bilobil (ginkgo biloba), while in the group of animal health products the best-sellers were Fypryst (fipronil) and Floron (florfenicol).

The pharmaceuticals market in the **Czech Republic** remains under the decisive influence of the recently introduced changes to the country's healthcare system, which resulted in the lowering of the prices of pharmaceuticals and thus caused a decrease in sales value. With Krka's market share remaining unchanged, sales amounted to EUR 32.6 million, down one quarter compared to the same period last year. The largest proportion of overall sales came from prescription pharmaceuticals, among which the leading product remained Nalpaza (pantoprazole), followed by Prenessa (perindopril), Lexaurin (bromazepam), Atoris (atorvastatin), Asentra (sertraline), and Tolura (telmisartan) together with its fixed-dose combination with a diuretic, Tolucombi (telmisartan and hydrochlorothiazide). The leading non-prescription products in terms of sales were Nalgesin (naproxen) and Septotele.

Nine-month sales in **Hungary** decreased by 1% compared to the same period last year, amounting to EUR 27.9 million. The critical sales impact factor remains the country's reform of the healthcare

system and the related changes in the reimbursement of medicines, which affect the formation of the prices of medicinal products.

The main sales drivers among prescription pharmaceuticals in the reported period were Prenessa (perindopril), Atoris (atorvastatin), Roxera (rosuvastatin), Nalpaza (pantoprazole), Zyllt (clopidogrel), Fromilid (clarithromycin) and Lavestra (losartan).

Sales in **Slovakia** amounted to EUR 22.0 million, up 10%, which is the highest sales growth rate in the Region. The main sales drivers were prescription pharmaceuticals, especially Prenessa (perindopril), Atoris (atorvastatin), Valsacor (valsartan), Nalpaza (pantoprazole) and Amlessa (perindopril and amlodipine), followed by non-prescription products, among which the best-sellers were Nalgesin (naproxen) and Septotele.

In **Lithuania** sales were down 1% to EUR 12.3 million. The sales value drivers among prescription pharmaceuticals were Valsacor (valsartan), Prenessa (perindopril), Tolura (telmisartan) together with its fixed-dose combination with a diuretic, Tolucombi (telmisartan and hydrochlorothiazide), and Atoris (atorvastatin). The leading non-prescription products in terms of sales were Daleron COLD3 (paracetamol and pseudoephedrine) and Nalgesin (naproxen), while in the group of animal health products the best-sellers were Fypryst (fipronil) and Enroxil (enrofloxacin).

Sales in **Latvia** were EUR 5.5 million, down 2% compared to the same period last year. The most important product there remained Prenessa (perindopril), followed by Atoris (atorvastatin), Enap (enalapril) and Nalpaza (pantoprazole). The best-selling non-prescription products were Nalgesin (naproxen) and Daleron (paracetamol).

In the Region's northern-most market, **Estonia**, sales increased by 6% to EUR 3.3 million. The majority came from prescription pharmaceuticals, with the leaders in terms of sales value being Enap (enalapril), Valsacor (valsartan), Roswera (rosuvastatin) and Atoris (atorvastatin). The leading non-prescription products remained Septotele and Nalgesin (naproxen).



## West Europe

Region West Europe includes the pre-enlargement members of the European Union and West European and North European countries not included in any other sales region. The value of sales there reached EUR 177.3 million, up 4% compared to the same period last year. The best sales results were recorded in Germany, the Region's leading market, followed by Spain, France, the Nordic countries, and the UK with Ireland.

The structure of sales has been changing in favour of operations via subsidiaries for some time now, the trend having continued in the third quarter of 2014. At the same we have been noticing a mid-term impact these changes have had on customer satisfaction levels, which have risen over the past two years parallel to the identity of Krka's brands becoming more pronounced in the Region's markets. In 2014 Krka customers' satisfaction rating is 84.9%.

Sales via unaffiliated companies in the markets of Western Europe were down by nearly a fifth compared to the same period last year, the most in France, Italy and Spain. Sales of Krka's brand products sold via nine subsidiaries, on the other hand, increased. Sales via subsidiaries have been up more than 30% for several consecutive quarters and have strongly exceeded sales via unaffiliated companies. Sales growth was again the highest in **Spain**, where the subsidiary Krka Farmacéutica continues to generate good sales results. In **Germany** sales rose by 29%, representing a significant increase in sales value as well. Our German subsidiary TAD Pharma markets a wide range of modern medicinal products treating high blood pressure, and gastrointestinal and metabolic diseases. We expanded our product offer there to generic products treating diseases of the central nervous system. Encouraging sales results were

also reported by the **Portugal** subsidiary Krka Farmacêutica, which remains one of the fastest growing pharmaceutical companies and the fastest growing generic pharmaceutical company in the country. Results were more modest than expected only in the Nordic countries, where downward pressures on the prices of pharmaceuticals were particularly strong in the nine months to September. Of the markets where sales of Krka's brand products via subsidiaries started only recently, sales growth was the highest in **Ireland**, followed by **France** and **Italy**.

As in previous periods, the majority of sales in the Region was generated in prescription pharmaceuticals. Our most important pharmaceuticals to treat diseases of the heart and circulation were clopidogrel, candesartan with fixed-dose combinations, atorvastatin, and perindopril with fixed-dose combinations. As to our medicines for gastrointestinal and metabolic disorders the best sales results were recorded for esomeprazole and pantoprazole, and as to our products for the treatment of diseases of the central nervous system the best-sellers were memantine, olanzapine, ropinirole and pramipexole, the latter two in prolonged-release dosage form.

Sales of animal health products in the nine-month period were down one tenth compared to the same period last year, attributable mainly to the reduced use of certain products and a mild winter. Our best-selling products in this group were florfenicol, marbofloxacin and enrofloxacin. Sales of flubendazole have continued successfully, having more than doubled this year. Krka's largest individual market where almost one half of total veterinary product sales in the Region are generated, remains France.

## Overseas Markets

Nine-month sales in the Overseas Markets, a Region comprising numerous markets organised into three sales offices, totalled EUR 17.7 million, down 19% compared to the same period last year. The majority, 87% of sales came from prescription pharmaceuticals. A large, 15% share of the Region's sales was generated by the subsidiary TAD Pharma, the most in Iraq, China and Lebanon.

The satisfaction rate of Krka's direct customers in those markets is 86.0%.

Our sales office the **Far East and Africa** reported a 28% sales increase, sales there amounting to EUR 8.1 million. In terms of sales value, the most important market was the Republic of South Africa, where sales were up one quarter compared to the same period last year and the best-selling products

were generic prescription pharmaceuticals with lansoprazole, amlodipine, enalapril and carvedilol. The second market in terms of sales was Malaysia, where sales doubled, the increase again attributable mainly to prescription pharmaceuticals, especially Kamiren (doxazosin), Cordipin (nifedipine) and Novolax (bisacodyl). The other important markets under this sales office include Ghana, China, Vietnam and Singapore.

Krka's sales office the **Middle East** recorded a 39% decrease in sales compared to the same period last year. This was mainly the result of lower sales in our

largest markets in the area, Iran and Iraq, attributable to economic sanctions and the related restrictions imposed on imports of pharmaceuticals in Iran, and the conditions in Iraq. Sales were up the most – having more than doubled – in Yemen, and they also increased in Lebanon.

The most important markets as operated by the sales office the **Americas** were those of Central America. The best-selling products were Valsacor (valsartan), Emanera (esomeprazole) and Tolura (telmisartan). The office reported an overall sales increase of 2%.

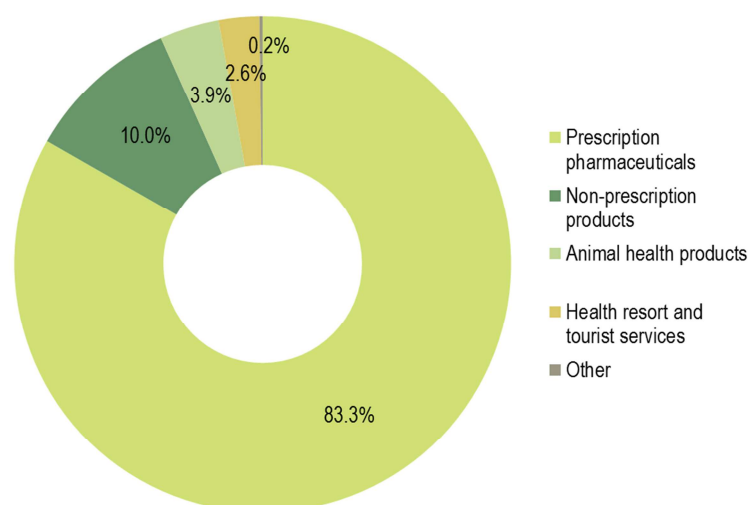
### Krka Group and Krka Company sales by product and service group

The Group generated 93.3% of overall sales during the nine months to September 2014 in human health products, reaffirming them as Krka's most important product group. The most sales were generated in prescription pharmaceuticals, which represented 83.3% of overall sales and were up

0.4% compared to the same period in 2013. Non-prescription product sales represented 10.0% of total sales, and animal health products 3.9%, while health resort and tourist services accounted for 2.6% of overall Krka Group sales.

EUR thousand	Krka Group			Krka Company		
	1–9/2014	1–9/2013	Index	1–9/2014	1–9/2013	Index
Human health products	800,385	801,636	100	778,237	800,079	97
– Prescription pharmaceuticals	714,344	711,708	100	704,940	715,430	99
– Non-prescription products	86,041	89,928	96	73,297	84,649	87
Animal health products	33,181	31,736	105	34,184	33,001	104
Health resort and tourist services	22,690	23,116	98			
Other	1,778	1,317	135	2,996	2,238	134
<b>Total</b>	<b>858,034</b>	<b>857,805</b>	<b>100</b>	<b>815,417</b>	<b>835,318</b>	<b>98</b>

### Krka Group sales by product and service groups, January–September 2014





## Prescription pharmaceuticals

The Krka Group sold EUR 714.3 million worth of prescription pharmaceuticals in the reported period, 0.4% more than in the same period last year. Sales increased the most in Region South-East Europe (up 10%) and Region West Europe (up 5%), while sales were also up 3% in Region East Europe.

With respect to large markets, prescription pharmaceutical sales were up the most compared to the same period last year in Germany (up 32%), Romania (up 27%), in the Russian Federation and Poland (both up 2%). A substantial sales increase was also recorded in Spain (up 47%).

As to mid-size markets, sales were up considerably in Portugal (up 12%) and Slovakia (11%). Among smaller markets for Krka's prescription pharmaceuticals, the highest sales growth rates were recorded in Turkmenistan (up 80%), Azerbaijan (up 58%), Serbia (up 35%), Albania (up 32%), Uzbekistan (up 28%), Kyrgyzstan (up 19%), Moldova and Tajikistan (up 18% in both), while significant sales increases were also recorded in several other markets.

The ten leading prescription pharmaceuticals in terms of sales are Atoris (atorvastatin), Lorista\* (losartan), Enap (enalapril), Nalpaza\* (pantoprazole), Prenessa\* (perindopril), Zyllt\* (clopidogrel), Emanera\* (esomeprazole), Roswera\* (rosuvastatin), Valsacor (valsartan) and Karbis\* (candesartan).

The highest sales growth rates in absolute terms compared to the same period last year were recorded by Atoris (atorvastatin), Tolura\* (telmisartan), Meaxin\* (imatinib), Oprymea (pramipexole), Roswera\* (rosuvastatin), Nalpaza\* (pantoprazole), Gliclada\* (gliclazide), Amlessa\* (perindopril with amlodipine), Valsacor (valsartan) and Elicea\* (escitalopram).

In the nine months to September 2014 we launched four new medicinal products for the first time:

- Co-Amlessa\* (triple fixed-dose combination of perindopril, amlodipine and indapamide) as the first producer in Poland, Slovakia, Lithuania, Latvia, Estonia and Bulgaria;
- Vamloset\* (fixed-dose combination of valsartan and amlodipine) as the first generic producer in the Russian Federation;
- Krka's first selective COX-2 inhibitor Aclexa\* (celecoxib) in Lithuania, Estonia, Slovakia and

Bulgaria; and

- the new fixed-dose combination Tenloris (losartan and amlodipine) in Hungary, Slovakia, Poland and Lithuania.

We also launched numerous existing medicinal products on new markets:

- Atordapin\* (atorvastatin and amlodipine) in Croatia, Spain and Macedonia;
- Elnap\* (enalapril and lercanidipine) in the Czech Republic, Ireland, Spain, Slovenia and Latvia;
- Candecor (candesartan) in Kazakhstan;
- Ifirmacombi (irbesartan and hydrochlorothiazide) in Ireland and Albania;
- Tolura (telmisartan) in Portugal, Ireland and Austria, and Tolucombi (telmisartan and hydrochlorothiazide) in Germany, Spain, Slovenia, the Czech Republic, Portugal, Ireland and Croatia;
- Prenessa\* (perindopril) in Spain, Kosovo, Albania and Tajikistan, and Co-Prenessa\* (perindopril and indapamide) in Italy, Kosovo, Albania and Tajikistan;
- Amlessa\* (amlodipine and perindopril) in Kazakhstan, Uzbekistan, Armenia and Tajikistan;
- Ramipril in Italy;
- Sobycor\* (bisoprolol) in Slovenia, Poland, Hungary, the Czech Republic, Croatia, Portugal, Ireland, Germany, Italy, Spain, Romania, Estonia and Bulgaria;
- Glyclada\* (gliclazide) in Moldova and Spain;
- Emanera\* (esomeprazole) in Estonia and Georgia;
- Elicea\* (escitalopram) in Germany, France, Romania, Kazakhstan, Ireland, Denmark and Finland;
- Marixino\* (memantine) in Latvia and Italy;
- Oprymea (pramipexole) prolonged release tablets in Romania, Lithuania, Latvia, Estonia, Spain, France, Austria, Macedonia, Hungary, the Czech Republic, Slovakia, Ireland and Portugal;
- Ypsila (ziprasidone) in Estonia;
- Dasselta (desloratadine) in Kosovo, Macedonia, Albania and Kazakhstan;
- Monkasta (montelukast) in Portugal and Kazakhstan; and
- Vizarsin (sildenafil) in the Russian Federation, Hungary and Portugal.

In the area of oncology medications we launched:

- Meaxin\* (imatinib) in Poland, Macedonia and Albania;
- Ecansya\* (capecitabine) in Slovenia, Poland, Croatia and Lithuania; and
- Tolnexa (docetaxel) in Croatia, Macedonia, Bosnia and Herzegovina and Latvia.

We continue to invest extensively into our marketing and sales network in Central, Eastern, South-Eastern and Western Europe, both with respect to our staff – providing them training and state-of-the-art work equipment – and in the area of promotional activities.

## Non-prescription products

We sold EUR 86.0 million worth of non-prescription products, a decrease by 4% compared to the same period last year.

Sales increased in Region South-East Europe, where they were up 3%, in Region West Europe, where they were also up 3%, and in Region Overseas Markets, where they almost doubled. Looking at individual markets, sales increased the most in Turkmenistan (up 44%), Serbia (up 15%), Uzbekistan (up 15%), Belarus (up 5%), Bosnia and Herzegovina (up 3%), Lithuania (up 2%), Romania (up 2%), and certain small markets.

Sales of non-seasonal products, such as Bilobil, Panzynorm, Nolpaza Control\* and B-complex

increased (they were up 1%, 3%, 20% and 8%, respectively), with sales of seasonal cough and cold products down.

On several markets, including Poland, the Czech Republic, Slovakia, Croatia, Macedonia and Moldova we launched a new product, the nasal decongestant Septanazal, and the nasal spray Septoaqua was additionally launched on several new markets. New markets, especially in Eastern Europe, also witnessed launches of Krka's established Herbion ivy and Herbion Iceland moss syrups, while in Croatia and Poland we introduced a new strength of the non-prescription analgesic Nalgesin\* (naproxen).

## Animal health products

Nine-month animal health product sales totalled EUR 33.2 million, up 5% compared to the same period last year.

Sales increased the most in Region East Europe (up 22%) and Region Central Europe (up 18%), while they were also up 1% in Slovenia. Among large individual markets, the highest sales growth rates were recorded in the Russian Federation (up 30%) and Poland (up 13%), while sales were also up considerably in the Czech Republic (up 45%), Bulgaria (up 39%), Hungary (up 14%) and several small markets.

The main sales drivers are Floron (florfenicol) and Fypryst (fipronil), both having recorded considerable sales growth rates, followed by Enroxil\* (enrofloxacin), Toltarox (toltrazuril) and Marfloxin\* (marbofloxacin). The new fixed-dose combination medicine Fypryst Combo (fipronil and methoprene), which had been brought to market this year, was launched on additional markets in the third quarter.

We have continued strengthening and expanding our own marketing and sales network in Region West Europe.

## Health resort and tourist services

In the nine months to September 2014 the Terme Krka Group generated EUR 22.7 million of sales, a decrease by 2% compared to the same period in 2013. Increasing sales in the first half of the year were followed by a downward trend during the summer months, when rainy weather resulted in lower revenues from outdoor pool services and fewer hotel guests.

The number of overnight stays was down 2% compared to the same period last year. Among foreign guests, Israeli groups more than halved, with stays by Russian guests up as much as 16%. A third of total sales is revenues from overnight stays, which were down 2% from the same period last year. Medical service sales are the second

largest revenue source; they were down 2% and represent 29% of overall sales. Catering services, which represent one quarter of overall Terme Krka sales, were down 1% in the reported period. The largest decrease in sales due to the weather-wise unfavourable summer was witnessed by the wellness, cosmetic and sports service sector, which

was down 9% and now represents 11% of overall sales.

In the "Top Wellness Centre 2014" 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.

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

## Research and development

In the nine months to September 2014 Krka obtained marketing authorisations for **11 new products** in 24 dosage forms and strengths, and

acquired 340 marketing authorisations for 97 products in different markets.

### Prescription pharmaceuticals

Krka obtained first marketing authorisations for nine new prescription pharmaceuticals in 17 dosage forms and strengths.

We were the first generic producer to obtain marketing authorisations for the new product **Tenloris** (losartan and amlodipine) in the form of film-coated tablets in four strengths, a new medicine used to lower blood pressure, for which approvals were granted under the European Decentralised Procedure (DCP). The complementary action of the product's two active substances reduces the likelihood of adverse effects and improves treatment tolerability in patients by enabling them to take a single tablet with a fixed-dose combination of both substances.

Also under the DCP we were granted approvals for **Sobycombi** (bisoprolol and amlodipine) in the form of tablets in four strengths, which efficiently controls blood pressure and is in addition used to treat stable ischemic heart disease.

In the Russian Federation we obtained marketing authorisations for **Riksila** (aliskiren) in the form of tablets in two strengths. The medicine is a renin inhibitor, used either independently or in combination treatment to likewise lower blood pressure.

As to cholesterol-lowering medicinal products, we obtained for the first time marketing authorisations for the fixed-dose combination **Vasitimb** (ezetimibe and simvastatin) in the form of tablets. It increases responsiveness in reaching and maintaining target cholesterol levels.

A new product was added to our group of medicinal products for cardiovascular diseases; **Bravadin** (ivabradine hydrobromide) tablets in two strengths are indicated in the treatment of coronary artery disease and chronic heart failure. Krka was the first generic producer to obtain marketing approvals for the medicine in the Russian Federation.

Applying the DCP we obtained marketing authorisations in 12 European countries for the new strength of **Amaloris** (amlodipine and atorvastatin) film-coated tablets with 5 mg of amlodipine and 10 mg of atorvastatin. The new strength is appropriate as an initial starting dose in the treatment with the fixed-dose combination of these two active substances from different indication areas, which allow for a full treatment of cardiac patients and reduce risks.

In the group of antidepressants, we obtained marketing authorisations for a new strength of **Elicea/Escitalex** (escitalopram), which was approved in the form of 15 mg film-coated tablets under the DCP. This additional strength enables single-dosage treatment even for patients in which the other strengths of the medicine do not have the adequate effect. At the same time we increased marketing opportunities in the markets of Western Europe for the other strengths of escitalopram, this frequently prescribed antidepressant.

New products were also added to Krka's offer of antibiotics. Marketing authorisations were issued under the DCP for **Moloxin** (moxifloxacin) 400 mg film-coated tablets used to treat paranasal sinus infections, inflammation of the respiratory tract, pneumonia, and the pelvic inflammatory disease.

Also applying the DCP we acquired marketing authorisations for **Azibiot** (azithromycin) 250 mg film-coated tablets. The new strength enables a five-day dosage schedule, with the medicine used to treat infections of the respiratory tract, the skin and subcutaneous tissue, and genitals. At the same time we expanded the number of markets for Azibiot 500 mg film-coated tablets; it was approved under the DCP in 16 European countries, and under national procedures in Ukraine and Moldova.

**Amlewel** (perindopril, indapamide and amlodipine) tablets in three strengths were approved in Slovenia and the Czech Republic, and **Valsacor** (valsartan in

hydrochlorothiazide) film-coated tablets in three strengths in Spain.

The **Nolpaza** (pantoprazole) powder for solution for injection was approved under the DCP in the UK, Bulgaria, Estonia, Latvia and Lithuania.

In the Russian Federation we were the first generic producer to receive approvals for **Enap L COMBI** (enalapril and lercanidipine) film-coated tablets in two strengths, and for **Dilaxa** (celecoxib) capsules in two strengths. Also in the Russian Federation we obtained approvals for **Galnora SR** (galantamine) prolonged-release capsules, **Vizarsin Q-Tab** (sildenafil) orodispersible tablets, **Rolpryna SR** (ropinirole) prolonged-release tablets, and **Maruxa** (memantine) film-coated tablets.

In different markets of Eastern Europe we obtained additional marketing authorisations for Krka's key medicinal products **Roxera** (rosuvastatin) in the form of film-coated tablets, **Candecor** (candesartan) and **Candecor H/Candecor HD** (candesartan and hydrochlorothiazide) tablets, **Lorista** (losartan) film-coated tablets in the new strength of 100 mg, the fixed-dose combination **Co-Prenessa** (perindopril and indapamide), **Prenessa Q-Tab** (perindopril) orodispersible tablets, and **Repodiab** (repaglinide) tablets. The antihistamine **Desradin/Dasselta** (desloratadine) in the form of film-coated tablets was approved in Kazakhstan, Moldova and Georgia, **Telmista** (telmisartan and hydrochlorothiazide) in Kazakhstan, and **Emanera** (esomeprazole) gastro-resistant capsules in Belarus. In Georgia we were also granted approvals for **Memaxo** (memantine) film-coated tablets, for **Valsacor H80**, **Valsacor H160** and **Valsacor HD160** (valsartan and hydrochlorothiazide), and for **Yasnal** (donepezil) film-coated tablets. For **Vizarsin** (sildenafil) film-coated tablets and orodispersible tablets marketing authorisations were issued in Ukraine, Moldova and Georgia. Our well-established products **Atoris** (atorvastatin), in the form of 30, 60 and 80 mg tablets, and **Nolpaza** (pantoprazole), in the form of powder for solution for injection, were approved in Kyrgyzstan and the latter also in Moldova. **Amlessa** (perindopril and amlodipine) tablets in four strengths were granted marketing authorisations in Armenia. In Ukraine we received approvals for **Olimestra** (olmesartan and hydrochlorothiazide) and **Atoris** (atorvastatin), and in the markets of Eastern Europe we obtained additional approvals for our oncology medications **Neopax** (imatinib) and **Ecansya** (capecitabine).

In the markets of South-Eastern Europe we acquired new marketing authorisations for products in Krka's key therapeutic groups. In Serbia and Macedonia our range of treatments for diseases of the heart and circulation was supplemented after we obtained approvals for **Atordapin** (atorvastatin and amlodipine) tablets in two strengths. In Serbia and Bosnia and Herzegovina we obtained approvals for another product used to lower blood pressure, **Tolucombi** (telmisartan and hydrochlorothiazide) in the form of tablets in three strengths. In Macedonia, Serbia and Kosovo approvals were granted for **Sobycor** (bisoprolol) film-coated tablets in three strengths, for **Co-Amlessa** (perindopril, indapamide and amlodipine) tablets in five strengths in Serbia, and for the antihistamine **Dasselta** (desloratadine) in the form of film-coated tablets in Macedonia and Albania.

As for our range of oncology medications new approvals were obtained in the markets of South-Eastern Europe for **Escepran** (exemestane) in Bosnia and Herzegovina, Serbia and Kosovo, for **Tolnexa** (docetaxel) in Macedonia, Bosnia and Herzegovina, Serbia and Kosovo, for **Ecansya** (capecitabine) in Serbia and Albania, and for **Meaxin** (imatinib) in Serbia. In Bosnia and Herzegovina and Macedonia we also obtained marketing authorisations for **Memando** (memantine) in the form of film-coated tablets in two strengths, a product treating Alzheimer's disease.

In Serbia we obtained marketing authorisations for **Nalgesin Forte** (naproxen) film-coated tablets, for **Prenessa** (perindopril) tablets in three strengths, for **Prenessa Q Tab** (perindopril) and **Yasnal Q-Tab** (donepezil) orodispersible tablets, and for **Aclexa** (celecoxib) capsules in two strengths. The latter was also approved in Kosovo. In Macedonia we obtained marketing authorisations for **Opryme** (pramipexole) in the form of prolonged-release tablets, and for **Doreta** (tramadol and paracetamol). In Montenegro we received approvals for **Valsacombi** (valsartan and hydrochlorothiazide) film-coated tablets in three strengths, and for **Valsacor** (valsartan) film-coated tablets in two strengths.

In the different countries of our sales region Overseas Markets we obtained marketing authorisations for Krka's key products, approvals being granted for **Emanera** (esomeprazole), **Roswera** (rosuvastatin), **Valsacor** (valsartan), **Valsaden** (valsartan and hydrochlorothiazide), **Zyllit**



(clopidogrel), **Lanzul** (lansoprazole) and **Monkasta**

(montelukast).

## Non-prescription products

We supplemented our well-established **Septolete** brand by obtaining approvals for the **Septolete plus spray** in Portugal, the Russian Federation and Armenia, for the **Septolete plus lozenges** in Portugal and Montenegro, and for the **Septanazal nasal spray for adults** and the **Septanazal nasal spray for children** in Serbia, Bosnia and Herzegovina, Kosovo and Moldova. The two nasal sprays were also approved as medical devices in Ukraine and Macedonia.

**Nolpaza control** (pantoprazole) 20 mg gastro-resistant tablets were approved as a non-prescription pharmaceutical in Moldova, and **Nalgesin** (naproxen) 220 mg film-coated tablets in Croatia.

## Animal health products

Krka obtained marketing authorisations for two new products in seven pharmaceutical dosage forms and strengths.

We were the first generic producer to acquire marketing authorisations for the new medicinal product **Fypriyst Combo** (fipronil and S-methoprene) in the form of spot-on solution in five strengths, which was approved in ten countries of the European Union and Macedonia under the DCP. The product prevents and treats tick, flea and lice infestations in cats, dogs and skunks, and it is effective on all life stages of fleas. It provides a modern and wholesome solution for external parasite infestations, and has expanded our offer of products for companion animals.

Applying the DCP we obtained marketing authorisations in 27 European countries for the new medicinal product **Milprazon/Milquantel** (milbemycin oxime and praziquantel) in the form of flavoured tablets in two strengths. It is a modern intestinal wormer for dogs, protecting from intestinal worms while at the same time, due to its systemic mode of action, preventing the development of heartworm disease and treating eyeworm disease.

As to herbal products, marketing opportunities were expanded for the key brand **Herbion**, with **Herbion ivy syrup** approved in Kosovo, Serbia, Armenia, Georgia and Kyrgyzstan, **Herbion Iceland moss syrup** in Kosovo, Ukraine, Belarus and Estonia, and **Herbion cowslip syrup** in the Republic of South Africa. The **Bilobil intense** capsules were approved in Montenegro.

In the European Union we were granted new marketing authorisations for our well-established brands of vitamin and mineral products: **Pikovit Unique** chewable tablets and the **Pikovit Omega 3** syrup were approved in Croatia and Finland, while also in Finland we received authorisations to market the food supplements **Pikovit plus** chewable tablets, and **Duovit for men** and **Duovit for women** film-coated tablets.

In 20 countries of the European Union we were granted marketing authorisations under the DCP for the **Marfloxin/Quiflor** (marbofloxacin) 20 mg/ml solution for injection, its use now extended to cats and dogs. The product treats bacterial infections of the respiratory tract, the skin and subcutaneous tissue. In the Russian Federation we expanded the use of **Marfloksin** (marbofloxacin): the 100 mg/ml and 20 mg/ml solutions for injection were approved for the treatment of infections in cattle and pigs, while in the form of flavoured tablets in three strengths the medicine was approved for use in cats and dogs.

Applying the DCP, the use of the **Toltracol/Tolsezya/Tolracol/Toltarox** (toltrazuril) oral suspension preventing *Coccidia* infections was extended to sheep in 22 countries of the European Union, and to cattle in Croatia and Serbia.

In Germany marketing authorisations were acquired for the **Floron** (florfenicol) oral powder for the treatment of respiratory infections in pigs. In Serbia and Ukraine we obtained marketing authorisations for the **Flimabend** (flubendazole) oral suspension for pigs and poultry, and in Serbia and Macedonia the **Enroxil Max** (enrofloxacin) solution for injection was extended for use in pigs. **Ecocid Advanced**, a

disinfectant based on peracetic acid, was authorised in Estonia, Romania, Serbia, Hungary and Croatia.

In Ukraine we acquired marketing authorisations for the **Fypyrst** (fipronil) cutaneous spray repellent for fleas, ticks and lice in cats and dogs, for the **Misoxin** (doxycycline) water soluble powder for pigs

and poultry, and for the **Marfloxin** (marbofloxacin) solution for injection, for cattle and pigs.

Additional approvals were granted in Macedonia for **Dehinel plus flavour** and **Dehinel plus XL** tablets treating internal parasite infestations in dogs, and in Kazakhstan for the **Kokcisan 120G** (salinomycin) feed supplement preventing *Coccidia* infestations in poultry.

## Investments

In the nine months to September 2014 the Krka Group allocated EUR 127.3 million to investments, of which the controlling company invested EUR 112.4 million and subsidiaries EUR 14.9 million. We have started several investment projects related to the production of raw materials and finished products, and directed to upgrading infrastructure, all of which will provide quality support to the business functions of the entire Group.

Over 20 investment projects are currently 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.

The construction of a production plant for solid dosage pharmaceuticals, Notol 2, has continued at an accelerated pace after works at Krka's pivotal location in Ločna, Novo mesto, Slovenia had started back in June 2012. This is the largest investment in Krka's history, with an estimated investment value of EUR 200 million. Construction is in the final stage and the facility underwent the technical inspection in September. Systems and equipment (the logistical system, technological equipment, technological media) are being qualified and validated, which is a challenging task due to the factory's complexity and high level of automation. Production in the 55,000 m<sup>2</sup> plant with the target annual production capacity of 4.5 billion finished products will start at the beginning of 2015.

The construction of the complex for the production of active pharmaceutical ingredients in Krško, Slovenia had begun in July 2012. The first stage comprises the building of the Sinteza 1 (Synthesis 1) production plant and the related infrastructure. At

the end of July we had manufactured the first series of an active ingredient, with the facility having successfully passed an inspection by the Public Agency for Medical Products and Medical Devices of the Republic of Slovenia. The project's estimated investment value is EUR 85 million, and production has already started.

In Ločna we are constructing a 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 is constructed. The project's estimated investment value is EUR 13.7 million, and the facility should be completed by the end of 2014.

The Sterile product production plant is undergoing reconstruction and refurbishment with a view to fitting the facility with an additional ampoule packaging line and a new optical inspection machine. The facility passed the technical inspection in April 2014 and was thereupon granted the operating permit. The fitting, qualification and start-ups of technological equipment will last until January 2015. The investment is worth an estimated EUR 5.5 million.

In Ločna we have constructed a new headquarters building, which forms a functional and aesthetic whole with Krka's existing headquarters. A few departments have already moved to the half of new premises.

One of the most important investments in the Krka Group is the Krka-Rus 2 project. It features the expansion of Krka's logistics centre and construction of a new plant in the Russian Federation, which will consolidate Krka's status as a domestic pharmaceuticals producer in this country. The target annual production capacity of the plant



which will have a total surface area of 34,500 m<sup>2</sup>, is 1.8 billion tablets and capsules. The entire investment is estimated at EUR 135 million, of which EUR 95 million had been invested in the first stage of the project, completed in 2013. In July 2013 we had started using the new logistics centre with the high-bay warehouse, and production was

launched at the end of last year.

The spa resort group Terme Krka is building a small hotel pool next to Hotel Šport in Otočec, Slovenia. The investment will include an energy overhaul of the hotel and is estimated at EUR 2.8 million. Works should be completed in the first quarter of 2015.

## Employees

In the nine months to September 2014 the number of Krka Group employees increased by 347. At the end of September the Group had 10,395 employees, of which more than 53% worked in

subsidiaries and representative offices outside Slovenia, and almost 55% of them had at least a university level education.

### Educational structure

	30 Sep 2014		31 Dec 2013	
	No. of employees	Share (%)	No. of employees	Share (%)
Doctorate	121	1.2	111	1.1
Master of science	334	3.2	323	3.2
University education	5,216	50.2	4,927	49.0
Higher professional education	1,259	12.1	1,200	11.9
Vocational college education	271	2.6	272	2.7
Secondary school education	1,896	18.2	1,889	18.8
Other	1,298	12.5	1,326	13.2
<b>Total</b>	<b>10,395</b>	<b>100.0</b>	<b>10,048</b>	<b>100.0</b>

We ensure a continuous inflow of new talented employees by offering study grants to students. Currently there are 46 students that receive Krka study grants. They are primarily pharmacy and chemistry students, while scholarships are also granted to promising students from other fields of interest to Krka. Through a staff development system and succession planning we make sure that most of Krka's key personnel requirements – both in terms of field experts and managers – are catered for within the Group.

At the end of September, 357 Krka employees were enrolled into part-time university studies co-funded by Krka, 60 of them postgraduate students. By the end of September, the number of employees having

completed their studies in 2014 totalled 30.

Krka is the only certificate-awarding body in Slovenia with the power to examine and approve candidates taking six National Vocational Qualification exams in the area of pharmacy. By examining and approving candidates under the NVQ system between 2002 and September 2014, we awarded 1,040 NVQ certificates to Krka employees and 142 to participants from other organisations in the pharmaceutical industry, a total of 1,182 certificates for four vocational qualifications. Currently there are 124 Krka employees in the process towards obtaining the national vocational qualification for a Pharmaceutical Process Operator.

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

## Consolidated statement of financial position of the Krka Group

EUR thousand	30 Sep 2014	31 Dec 2013	Index
<b>Assets</b>			
Property, plant and equipment	867,218	823,704	105
Intangible assets	116,376	115,744	101
Loans	7,325	5,845	125
Investments	7,437	5,231	142
Deferred tax assets	31,619	23,236	136
Other non-current assets	183	194	94
<b>Total non-current assets</b>	<b>1,030,158</b>	<b>973,954</b>	<b>106</b>
Inventories	246,689	235,820	105
Trade receivables	457,940	430,435	106
Other receivables	30,080	31,393	96
Loans	441	20,215	2
Investments	563	792	71
Cash and cash equivalents	35,900	67,275	53
<b>Total current assets</b>	<b>771,613</b>	<b>785,930</b>	<b>98</b>
<b>Total assets</b>	<b>1,801,771</b>	<b>1,759,884</b>	<b>102</b>
<b>Equity</b>			
Share capital	54,732	59,126	93
Treasury shares	-3,900	-69,372	6
Reserves	124,480	194,459	64
Retained earnings	1,197,206	1,147,030	104
<b>Equity holders of the parent</b>	<b>1,372,518</b>	<b>1,331,243</b>	<b>103</b>
Non-controlling interests within equity	1,334	1,368	98
<b>Total equity</b>	<b>1,373,852</b>	<b>1,332,611</b>	<b>103</b>
<b>Liabilities</b>			
Provisions	123,895	103,103	120
Deferred revenue	12,352	12,805	96
Deferred tax liabilities	13,480	12,925	104
<b>Total non-current liabilities</b>	<b>149,727</b>	<b>128,833</b>	<b>116</b>
Trade payables	116,031	131,227	88
Income tax liabilities	6,289	7,030	89
Other current liabilities	155,872	160,183	97
<b>Total current liabilities</b>	<b>278,192</b>	<b>298,440</b>	<b>93</b>
<b>Total liabilities</b>	<b>427,919</b>	<b>427,273</b>	<b>100</b>
<b>Total equity and liabilities</b>	<b>1,801,771</b>	<b>1,759,884</b>	<b>102</b>

## Consolidated income statement of the Krka Group

EUR thousand	1-9/2014	1-9/2013	Index
Revenues	858,034	857,805	100
Cost of sales	-343,655	-338,152	102
<b>Gross profit</b>	<b>514,379</b>	<b>519,653</b>	<b>99</b>
Other income	32,239	5,846	551
Distribution expenses	-245,667	-225,757	109
R&D costs	-78,528	-76,331	103
Administrative expenses	-55,101	-56,404	98
<b>Operating profit</b>	<b>167,322</b>	<b>167,007</b>	<b>100</b>
Financial income	1,315	1,141	115
Financial expenses	-22,222	-21,576	103
<b>Net financial result</b>	<b>-20,907</b>	<b>-20,435</b>	<b>102</b>
<b>Profit before tax</b>	<b>146,415</b>	<b>146,572</b>	<b>100</b>
Income tax expense	-19,044	-21,722	88
<b>Profit for the period</b>	<b>127,371</b>	<b>124,850</b>	<b>102</b>
Attributable to:			
– equity holders of the parent	127,405	124,890	102
– non-controlling interest	-34	-40	85
<b>Basic earnings per share (in EUR)*</b>	<b>3.91</b>	<b>3.78</b>	<b>103</b>
<b>Diluted earnings per share (in EUR)**</b>	<b>3.91</b>	<b>3.78</b>	<b>103</b>

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

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

## Consolidated statement of comprehensive income of the Krka Group

EUR thousand	1-9/2014	1-9/2013	Index
<b>Profit for the period</b>	<b>127,371</b>	<b>124,850</b>	<b>102</b>
<b>Other comprehensive income for the period</b>			
<i>Other comprehensive income reclassified to profit or loss in future periods</i>			
Translation reserve	-10,736	-10,919	98
Change in fair value of available-for-sale financial assets	2,210	209	1,057
Deferred tax effect	-375	-15	2,500
Other	0	3	
<i>Other comprehensive income reclassified to profit or loss in future periods (net)</i>	<b>-8,901</b>	<b>-10,722</b>	<b>83</b>
<b>Total other comprehensive income for the period (after tax)</b>	<b>-8,901</b>	<b>-10,722</b>	<b>83</b>
<b>Total comprehensive income for the period (after tax)</b>	<b>118,470</b>	<b>114,128</b>	<b>104</b>
Attributable to:			
– equity holders of the parent	118,504	114,168	104
– non-controlling interest	-34	-40	85

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

EUR thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the parent	Non-controlling interests within equity	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			
<b>Balance at 1 Jan 2014</b>	59,126	-69,372	69,372	101,503	14,990	30,000	3,883	-25,289	943,393	125,119	78,518	1,331,243	1,368	1,332,611
<b>Profit for the period</b>	0	0	0	0	0	0	0	0	0	127,405	0	127,405	-34	127,371
<b>Total other comprehensive income for the period (after tax)</b>	0	0	0	0	0	0	1,835	-10,736	0	0	0	-8,901	0	-8,901
<b>Total comprehensive income for the period (after tax)</b>	0	0	0	0	0	0	1,835	-10,736	0	127,405	0	118,504	-34	118,470
<b>Transactions with owners, recognised directly in equity</b>														
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	-125,119	125,119	0	0	0
Transfer to other revenue reserves under the resolution of the Annual Shareholders Meeting	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cancellation of treasury shares – reduction of share capital	-4,394	0		4,394	0	0	0	0	0	0	0	0	0	0
Cancellation of treasury shares chargeable to other reserves, and release of reserves for treasury shares	0	73,835	-73,835	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	8,363	0	0	0	0	0	0	-8,363	0	0	0	0
Repurchase of treasury shares	0	-8,363	0	0	0	0	0	0	0	0	0	-8,363	0	-8,363
Dividends paid	0	0	0	0	0	0	0	0	0	0	-68,866	-68,866	0	-68,866
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total transactions with owners, recognised directly in equity</b>	-4,394	65,472	-65,472	4,394	0	0	0	0	0	-133,482	56,253	-77,229	0	-77,229
<b>Balance at 30 Sep 2014</b>	54,732	-3,900	3,900	105,897	14,990	30,000	5,718	-36,025	943,393	119,042	134,771	1,372,518	1,334	1,373,852

EUR thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the parent	Non-controlling interests within equity	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
Total other comprehensive income for the period (after tax)	0	0	0	0	0	0	194	-10,919	0	0	3	-10,722	0	-10,722
Total comprehensive income for the period (after tax)	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 Shareholders Meeting	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
Acquisition 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

## Consolidated statement of cash flows of the Krka Group

EUR thousand	1–9/2014	1–9/2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	127,371	124,850
Adjustments for:	91,505	91,622
– amortisation/depreciation	72,006	69,724
– foreign exchange differences	689	-826
– investment income	-1,752	-1,498
– investment expense	1,315	1,847
– interest expense and other financial expense	203	653
– income tax	19,044	21,722
<b>Operating profit before changes in net operating current assets</b>	<b>218,876</b>	<b>216,472</b>
Change in trade receivables	-26,140	9,651
Change in inventories	-10,869	-30,441
Change in trade payables	-15,196	24,082
Change in provisions	20,792	-156
Change in deferred revenue	-453	1,041
Change in other current liabilities	-4,596	24,336
Income taxes paid	-28,309	-13,695
<b>Net cash from operating activities</b>	<b>154,105</b>	<b>231,290</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,342	1,130
Proceeds from sale of current investments and repayment of current loans	3	0
Dividends received	22	24
Proceeds from sale of property, plant and equipment	531	537
Purchase of intangible assets	-7,373	-3,850
Purchase of property, plant and equipment	-120,378	-105,715
Non-current loans	-1,641	-1,296
Proceeds from repayment of non-current loans	788	662
Acquisition of non-current investments	-62	-36
Proceeds from sale of non-current investments	61	37
Payments in connection with current investments and loans	19,437	-35,846
<b>Net cash used in investing activities</b>	<b>-107,270</b>	<b>-144,353</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-203	-1,026
Repayment of non-current borrowings	0	-25,500
Repayment of current borrowings	0	894
Dividends paid	-68,583	-52,886
Repurchase of treasury shares	-8,363	-8,338
<b>Net cash used in financing activities</b>	<b>-77,149</b>	<b>-86,856</b>
<b>Net increase in cash and cash equivalents</b>	<b>-30,314</b>	<b>81</b>
Cash and cash equivalents at beginning of period	67,275	22,994
Effect of exchange rate fluctuations on cash held	-1,061	-583
<b>Net cash and cash equivalents at end of period</b>	<b>35,900</b>	<b>22,492</b>



## Segment reporting of the Krka Group

EUR thousand	European Union		South-East Europe		East Europe		Other		Elimination		Total	
	1-9/2014	1-9/2013	1-9/2014	1-9/2013	1-9/2014	1-9/2013	1-9/2014	1-9/2013	1-9/2014	1-9/2013	1-9/2014	1-9/2013
<b>Revenues to non-Group companies</b>	<b>494,631</b>	<b>493,790</b>	<b>38,312</b>	<b>35,332</b>	<b>301,642</b>	<b>297,333</b>	<b>23,449</b>	<b>31,350</b>	<b>0</b>	<b>0</b>	<b>858,034</b>	<b>857,805</b>
<b>Revenues to Group companies</b>	<b>136,253</b>	<b>117,035</b>	<b>18,381</b>	<b>14,337</b>	<b>149,945</b>	<b>187,709</b>	<b>0</b>	<b>0</b>	<b>-304,579</b>	<b>-319,081</b>	<b>0</b>	<b>0</b>
Revenues from reversal of provisions and other income	25,379	4,070	78	63	6,782	1,713	0	0	0	0	32,239	5,846
Operating expenses	-425,396	-399,372	-29,487	-28,308	-253,556	-249,199	-14,512	-19,765	0	0	-722,951	-696,644
Operating expense to Group companies	-248,082	-226,771	-18,961	-16,773	-285,501	-320,165	-5	-8	552,549	563,717	0	0
<b>Operating profit</b>	<b>94,614</b>	<b>98,488</b>	<b>8,903</b>	<b>7,087</b>	<b>54,868</b>	<b>49,847</b>	<b>8,937</b>	<b>11,585</b>	<b>0</b>	<b>0</b>	<b>167,322</b>	<b>167,007</b>
Interest income	1,025	905	5	1	180	141	0	0	0	0	1,210	1,047
Interest revenue to Group companies	811	770	0	0	0	0	0	0	-811	-770	0	0
Interest expense	-36	-479	0	0	0	0	0	0	0	0	-36	-479
Interest expense to Group companies	-745	-950	0	0	-756	-754	0	0	1,501	1,704	0	0
<b>Net financial result</b>	<b>1,027</b>	<b>-1,355</b>	<b>-319</b>	<b>-121</b>	<b>-21,509</b>	<b>-19,034</b>	<b>-106</b>	<b>75</b>	<b>0</b>	<b>0</b>	<b>-20,907</b>	<b>-20,435</b>
Income tax expense	-14,246	-14,926	-897	-988	-3,256	-4,578	-645	-1,230	0	0	-19,044	-21,722
<b>Profit for the period</b>	<b>81,395</b>	<b>82,207</b>	<b>7,687</b>	<b>5,978</b>	<b>30,103</b>	<b>26,235</b>	<b>8,186</b>	<b>10,430</b>	<b>0</b>	<b>0</b>	<b>127,371</b>	<b>124,850</b>
Investments	118,079	85,638	147	117	9,038	23,418	0	0	0	0	127,264	109,173
Depreciation	45,613	46,033	1,219	1,220	18,975	16,523	170	174	0	0	65,977	63,950
Amortisation	3,742	3,595	234	187	1,942	1,833	111	159	0	0	6,029	5,774
	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>
<b>Total assets</b>	<b>1,321,062</b>	<b>1,304,092</b>	<b>36,620</b>	<b>34,641</b>	<b>437,373</b>	<b>410,819</b>	<b>6,716</b>	<b>10,332</b>	<b>0</b>	<b>0</b>	<b>1,801,771</b>	<b>1,759,884</b>
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	40,919	41,555	0	0	0	0	0	0	0	0	40,919	41,555
<b>Total liabilities</b>	<b>313,197</b>	<b>317,839</b>	<b>9,971</b>	<b>8,321</b>	<b>83,745</b>	<b>85,200</b>	<b>21,006</b>	<b>15,913</b>	<b>0</b>	<b>0</b>	<b>427,919</b>	<b>427,273</b>

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

### Costs by nature

EUR 722,951 thousand

EUR thousand	1-9/2014	1-9/2013	Index
Cost of goods and material	235,285	250,677	94
Cost of services	149,125	156,840	95
Employee benefits cost	243,518	232,705	105
Depreciation	72,006	69,724	103
Inventory write-off and allowances	5,961	6,052	98
Receivables impairment and write-offs	1,965	608	323
Formation of provisions for lawsuits	20,869	32	
Other expenses	25,143	21,524	117
<b>Total costs</b>	<b>753,872</b>	<b>738,162</b>	<b>102</b>
Change in inventories of products and work in progress	-30,921	-41,518	74
<b>Total</b>	<b>722,951</b>	<b>696,644</b>	<b>104</b>

### Employee benefits cost

EUR 243,518 thousand

EUR thousand	1-9/2014	1-9/2013	Index
Gross wages and salaries and continued pay	188,079	180,119	104
Social security contributions	15,394	13,918	111
Pension insurance contributions	26,309	24,847	106
Payroll tax	748	707	106
Post-employment benefits and other non-current employee benefits	2,051	2,466	83
Other employee benefits cost	10,937	10,648	103
<b>Total employee benefits cost</b>	<b>243,518</b>	<b>232,705</b>	<b>105</b>

### Other expenses

EUR 25,143 thousand

EUR thousand	1-9/2014	1-9/2013	Index
Grants and assistance for humanitarian and other purposes	1,409	1,378	102
Environmental levies	1,930	2,205	88
Other taxes and levies	17,356	13,465	129
Loss on sale of property, plant and equipment and intangible assets	1,310	1,847	71
Other expenses	3,138	2,629	119
<b>Total other expenses</b>	<b>25,143</b>	<b>21,524</b>	<b>117</b>

Other taxes and levies include taxes (claw-back and similar) that have been imposed in several markets of Krka Group operations in recent periods.

## Financial income and expenses

EUR thousand	1–9/2014	1–9/2013	Index
Interest income	1,210	1,047	116
Change in fair value of investments through profit or loss	80	65	123
Proceeds from sale of securities	3	0	
Income from dividends and other shares of the profit	22	24	92
Other income	0	5	0
<b>Total financial income</b>	<b>1,315</b>	<b>1,141</b>	<b>115</b>
Net foreign exchange differences	-22,019	-20,927	105
Interest expense	-36	-479	8
Change in fair value of investments through profit or loss	-4	0	
Other expenses	-163	-170	96
<b>Total financial expenses</b>	<b>-22,222</b>	<b>-21,576</b>	<b>103</b>
<b>Net financial result</b>	<b>-20,907</b>	<b>-20,435</b>	<b>102</b>

## Income tax expense

EUR 19,044 thousand

Current income tax amounts to EUR 27,517 thousand, which is 18.8% of pre-tax profit. Together with the deferred tax of EUR –8,473 thousand, the total income tax expense in the income statement

equals EUR 19,044 thousand. The effective tax rate is 13.0%, which is 1.8 of a percentage point less than in the same period last year.

## Property, plant and equipment

EUR 867,218 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Property	35,068	32,295	109
Plant	365,471	362,654	101
Equipment	289,289	305,619	95
Property, plant and equipment being acquired	177,390	123,136	144
<b>Total property, plant and equipment</b>	<b>867,218</b>	<b>823,704</b>	<b>105</b>

The value of property, plant and equipment represents just over 48% of the Group's total

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

## Intangible assets

EUR 116,376 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Goodwill	42,644	42,644	100
Trademark	40,919	41,555	98
Concessions, patents, licences and similar rights	26,172	26,489	99
Intangible assets being acquired	6,641	5,056	131
<b>Total intangible assets</b>	<b>116,376</b>	<b>115,744</b>	<b>101</b>

## Loans

EUR 7,766 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
<b>Non-current loans</b>	<b>7,325</b>	<b>5,845</b>	<b>125</b>
– loans to others	7,325	5,845	125
<b>Current loans</b>	<b>441</b>	<b>20,215</b>	<b>2</b>
– portion of non-current loan maturing next year	361	1,180	31
– loans to others	79	19,034	0
– current interest receivable	1	1	100
<b>Total loans</b>	<b>7,766</b>	<b>26,060</b>	<b>30</b>

Non-current loans represent 94% of total loans.

Group extends in accordance with its internal acts to its employees, and that are primarily housing loans.

Non-current loans to others include loans that the

## Investments

EUR 8,000 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
<b>Non-current investments</b>	<b>7,437</b>	<b>5,231</b>	<b>142</b>
– available-for-sale financial assets	7,437	5,231	142
<b>Current investments including derivatives</b>	<b>563</b>	<b>792</b>	<b>71</b>
– shares and interests held for trading	156	131	119
– other current investments	407	661	62
<b>Total investments</b>	<b>8,000</b>	<b>6,023</b>	<b>133</b>

Available-for-sale financial assets include EUR 941 thousand of investments in shares made in Slovenia and EUR 6,496 thousand of investments in shares made abroad.

Other current investments refer entirely to shares in Slovenian mutual funds.

## Inventories

EUR 246,689 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Material	95,616	96,785	99
Work in progress	53,896	57,903	93
Products	89,068	77,069	116
Merchandise	7,049	3,923	180
Inventory advances	1,060	140	757
<b>Total inventories</b>	<b>246,689</b>	<b>235,820</b>	<b>105</b>

## Trade and other receivables

EUR 488,020 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Current trade receivables	457,940	430,435	106
Other current receivables	30,080	31,393	96
<b>Total receivables</b>	<b>488,020</b>	<b>461,828</b>	<b>106</b>

## Cash and cash equivalents EUR 35,900 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Cash in hand and cheques	28	39	72
Bank balances	35,872	67,236	53
<b>Total cash and cash equivalents</b>	<b>35,900</b>	<b>67,275</b>	<b>53</b>

Bank balances include EUR 4,416 thousand of bank deposits with maturities of up to 30 days.

## Equity

EUR 1,373,852 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Share capital	54,732	59,126	93
Treasury shares	-3,900	-69,372	6
Reserves	124,480	194,459	64
– reserves for treasury shares	3,900	69,372	6
– share premium	105,897	101,503	104
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserve	5,718	3,883	147
– translation reserves	-36,025	-25,289	142
Retained earnings	1,197,206	1,147,030	104
<b>Total equity holders of the parent</b>	<b>1,372,518</b>	<b>1,331,243</b>	<b>103</b>
Non-controlling interests within equity	1,334	1,368	98
<b>Total equity</b>	<b>1,373,852</b>	<b>1,332,611</b>	<b>103</b>

## Provisions

EUR 123,895 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Obligation for post-employment and other non-current employee benefits	53,593	53,624	100
Other provisions:	70,302	49,479	142
– provisions for lawsuits	69,620	49,142	142
– other provisions	682	337	202
<b>Total provisions</b>	<b>123,895</b>	<b>103,103</b>	<b>120</b>

## Deferred revenue

EUR 12,352 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Grants received for the Dolenjske and Šmarješke Toplice health resorts and for Golf Grad Otočec	4,351	4,515	96
Grants by the European Regional Development Fund	9	13	69
Grants by a European Fund – Development of New Technologies (FBD project)	560	633	88
Grants by a European Fund – Development Centres of the Slovene Economy	6,868	7,091	97
Property, plant and equipment received for free	543	553	98
Emission coupons	21	0	
<b>Total deferred revenue</b>	<b>12,352</b>	<b>12,805</b>	<b>96</b>

Development Centres of the Slovene Economy is a project co-funded by the European Union from the European Regional Development Fund (ERDF). It is implemented as part of the Operational Programme 2007–2013 for Strengthening Regional

Development Potentials; 1. Priority axis Competitiveness and Research Excellence; 1.1. Priority objective: Improving Competitiveness and Research Excellence. The now completed FBD project was also co-funded from the ERDF.

## Trade payables

EUR 116,031 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Payables to domestic suppliers	49,765	51,905	96
Payables to foreign suppliers	60,610	70,859	86
Payables from advances	5,656	8,463	67
<b>Total trade payables</b>	<b>116,031</b>	<b>131,227</b>	<b>88</b>

## Other current liabilities

EUR 155,872 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Accrued contractual discounts on products sold	106,663	102,952	104
Payables to employees – gross wages, other receipts and charges	31,509	32,028	98
Other	17,700	25,203	70
<b>Total other current liabilities</b>	<b>155,872</b>	<b>160,183</b>	<b>97</b>

## Contingent liabilities

EUR 19,344 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Guarantees issued	18,724	19,710	95
Other	620	620	100
<b>Total contingent liabilities</b>	<b>19,344</b>	<b>20,330</b>	<b>95</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 2014	31 Dec 2013	Index
<b>Assets</b>			
Property, plant and equipment	623,791	563,978	111
Intangible assets	27,700	28,303	98
Investments in subsidiaries	292,769	288,323	102
Trade receivables from subsidiaries	22,192	14,018	158
Loans	31,222	31,009	101
Investments	7,228	5,022	144
Deferred tax assets	14,628	15,167	96
Other non-current assets	96	127	76
<b>Total non-current assets</b>	<b>1,019,626</b>	<b>945,947</b>	<b>108</b>
Inventories	192,689	190,968	101
Trade receivables	440,096	426,195	103
Other receivables	16,416	15,424	106
Loans	47,586	72,492	66
Investments	563	792	71
Cash and cash equivalents	20,809	49,417	42
<b>Total current assets</b>	<b>718,159</b>	<b>755,288</b>	<b>95</b>
<b>Total assets</b>	<b>1,737,785</b>	<b>1,701,235</b>	<b>102</b>
<b>Equity</b>			
Share capital	54,732	59,126	93
Treasury shares	-3,900	-69,372	6
Reserves	160,502	219,746	73
Retained earnings	1,166,268	1,122,746	104
<b>Total equity</b>	<b>1,377,602</b>	<b>1,332,246</b>	<b>103</b>
<b>Liabilities</b>			
Non-current borrowings	2,000	2,000	100
Provisions	115,013	94,464	122
Deferred revenue	1,133	2,314	49
<b>Total non-current liabilities</b>	<b>118,146</b>	<b>98,778</b>	<b>120</b>
Trade payables	130,261	145,921	89
Current borrowings	65,595	70,190	93
Income tax liabilities	2,171	4,823	45
Other current liabilities	44,010	49,277	89
<b>Total current liabilities</b>	<b>242,037</b>	<b>270,211</b>	<b>90</b>
<b>Total liabilities</b>	<b>360,183</b>	<b>368,989</b>	<b>98</b>
<b>Total equity and liabilities</b>	<b>1,737,785</b>	<b>1,701,235</b>	<b>102</b>

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

EUR thousand	1-9/2014	1-9/2013	Index
Revenues	815,417	835,318	98
Cost of sales	-332,549	-349,616	95
<b>Gross profit</b>	<b>482,868</b>	<b>485,702</b>	<b>99</b>
Other income	23,965	2,392	1,002
Distribution expenses	-229,002	-210,546	109
R&D costs	-81,772	-78,523	104
Administrative expenses	-43,808	-43,098	102
<b>Operating profit</b>	<b>152,251</b>	<b>155,927</b>	<b>98</b>
Financial income	8,563	4,321	198
Financial expenses	-22,813	-21,886	104
<b>Net financial result</b>	<b>-14,250</b>	<b>-17,565</b>	<b>81</b>
<b>Profit before tax</b>	<b>138,001</b>	<b>138,362</b>	<b>100</b>
Income tax expense	-17,250	-21,420	81
<b>Profit for the period</b>	<b>120,751</b>	<b>116,942</b>	<b>103</b>
<b>Basic earnings per share (in EUR)</b>	<b>3.70</b>	<b>3.54</b>	<b>105</b>
<b>Diluted earnings per share (in EUR)</b>	<b>3.70</b>	<b>3.54</b>	<b>105</b>

\* Profit for the period/Average number of shares issued in the period excluding 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	1-9/2014	1-9/2013	Index
<b>Profit for the period</b>	<b>120,751</b>	<b>116,942</b>	<b>103</b>
<b>Other comprehensive income for the period</b>			
<i>Other comprehensive income reclassified to profit or loss in future periods</i>			
Change in fair value of available-for-sale financial assets	2,210	209	1,057
Deferred tax effect	-376	-15	2,507
<i>Other comprehensive income reclassified to profit or loss in future periods (net)</i>	<b>1,834</b>	<b>194</b>	<b>945</b>
<b>Total other comprehensive income for the period (after tax)</b>	<b>1,834</b>	<b>194</b>	<b>945</b>
<b>Total comprehensive income for the period (after tax)</b>	<b>122,585</b>	<b>117,136</b>	<b>105</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 2014</b>	<b>59,126</b>	<b>-69,372</b>	<b>69,372</b>	<b>101,503</b>	<b>14,990</b>	<b>30,000</b>	<b>3,881</b>	<b>943,393</b>	<b>116,957</b>	<b>62,396</b>	<b>1,332,246</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>120,751</b>	<b>0</b>	<b>120,751</b>
<b>Total other comprehensive income for the period (after tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,834</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,834</b>
<b>Total comprehensive income for the period (after tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,834</b>	<b>0</b>	<b>120,751</b>	<b>0</b>	<b>122,585</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	55,234	-55,234	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	-116,957	116,957	0
Transfer to other revenue reserves under the resolution of the Annual Shareholders Meeting	0	0	0	0	0	0	0	0	0	0	0
Cancellation of treasury shares – reduction of share capital	-4,394	0	0	4,394	0	0	0	0	0	0	0
Cancellation of treasury shares chargeable to other reserves, and release of reserves for treasury shares	0	73,835	-73,835	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	8,363	0	0	0	0	0	-8,363	0	0
Repurchase of treasury shares	0	-8,363	0	0	0	0	0	0	0	0	-8,363
Dividends paid	0	0	0	0	0	0	0	0	0	-68,866	-68,866
<b>Total transactions with owners, recognised directly in equity</b>	<b>-4,394</b>	<b>65,472</b>	<b>-65,472</b>	<b>4,394</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>55,234</b>	<b>-180,554</b>	<b>48,091</b>	<b>-77,229</b>
<b>Balance at 30 Sep 2014</b>	<b>54,732</b>	<b>-3,900</b>	<b>3,900</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>5,715</b>	<b>998,627</b>	<b>57,154</b>	<b>110,487</b>	<b>1,377,602</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	
Balance at 1 Jan 2013	59,126	-55,656	55,656	101,503	14,990	30,000	1,667	846,998	116,543	61,388	1,232,215
Profit for the period	0	0	0	0	0	0	0	0	116,942	0	116,942
Total other comprehensive income for the period (after tax)	0	0	0	0	0	0	194	0	0	0	194
Total comprehensive income for the period (after tax)	0	0	0	0	0	0	194	0	116,942	0	117,136
Transactions with owners, recognised directly in equity											
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 Shareholders Meeting	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
Total transactions with owners, recognised directly in equity	0	-8,338	8,338	0	0	0	0	62,395	-124,881	1,008	-61,478
Balance at 30 Sep 2013	59,126	-63,994	63,994	101,503	14,990	30,000	1,861	909,393	108,604	62,396	1,287,873

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

EUR thousand	1–9/2014	1–9/2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	120,751	116,942
Adjustments for:	65,823	75,749
– amortisation/depreciation	52,641	53,667
– foreign exchange differences	3,001	2,281
– investment income	-8,731	-4,426
– investment expense	707	1,440
– interest expense and other financial expense	955	1,367
– davek iz dobička	17,250	21,420
<b>Operating profit before changes in net operating current assets</b>	<b>186,574</b>	<b>192,691</b>
Change in trade receivables	-20,067	2,537
Change in inventories	-1,722	-6,179
Change in trade payables	-15,660	15,265
Change in provisions	20,549	0
Change in deferred revenue	-1,181	-547
Change in other current liabilities	-5,551	2,059
Income taxes paid	-19,739	-5,664
<b>Net cash from operating activities</b>	<b>143,203</b>	<b>200,162</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	2,568	2,496
Proceeds from sale of current investments and repayment of current loans	3	0
Dividends received	21	23
Proportionate profit of subsidiaries	2,993	2,670
Proceeds from sale of property, plant and equipment	228	304
Purchase of intangible assets	-3,895	-3,116
Purchase of property, plant and equipment	-108,719	-73,852
Acquisition of subsidiaries and a share of minority interest without obtained assets	-4,631	-25,485
Refund of subsequent payments in subsidiaries	185	1,585
Non-current loans	-2,593	-1,945
Proceeds from repayment of non-current loans	1,897	612
Acquisition of non-current investments	-42	37
Payments in connection with non-current investments	61	-35
Payments in connection with current investments and loans	23,703	-37,643
<b>Net cash used in investing activities</b>	<b>-88,221</b>	<b>-134,349</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-955	-1,768
Repayment of non-current borrowings	0	-25,500
Non-current borrowings	0	1,200
Repayment/Acquisition of current borrowings	-4,594	14,471
Dividends paid	-68,583	-52,886
Repurchase of treasury shares	-8,363	-8,338
<b>Net cash used in financing activities</b>	<b>-82,495</b>	<b>-72,821</b>
<b>Net increase in cash and cash equivalents</b>	<b>-27,513</b>	<b>-7,008</b>
Cash and cash equivalents at beginning of period	49,417	13,369
Effect of exchange rate fluctuations on cash held	-1,095	-442
<b>Net cash and cash equivalents at end of period</b>	<b>20,809</b>	<b>5,919</b>

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

EUR thousand	European Union		South-East Europe		East Europe		Other		Total	
	1-9/2014	1-9/2013	1-9/2014	1-9/2013	1-9/2014	1-9/2013	1-9/2014	1-9/2013	1-9/2014	1-9/2013
<b>Revenues</b>	<b>469,103</b>	<b>471,201</b>	<b>38,250</b>	<b>33,168</b>	<b>287,857</b>	<b>302,231</b>	<b>20,207</b>	<b>28,718</b>	<b>815,417</b>	<b>835,318</b>
Revenues from reversal of provisions and other income	23,224	2,137	61	19	680	236	0	0	23,965	2,392
Operating expenses	-409,821	-383,853	-27,653	-25,436	-235,145	-252,729	-14,512	-19,765	-687,131	-681,783
<b>Operating profit</b>	<b>82,506</b>	<b>89,485</b>	<b>10,658</b>	<b>7,751</b>	<b>53,392</b>	<b>49,738</b>	<b>5,695</b>	<b>8,953</b>	<b>152,251</b>	<b>155,927</b>
Interest income	1,711	1,816	0	0	755	754	0	0	2,466	2,570
Interest expense	-825	-1,233	0	0	0	0	0	0	-825	-1,233
<b>Net financial result</b>	<b>7,130</b>	<b>-898</b>	<b>43</b>	<b>14</b>	<b>-21,317</b>	<b>-16,756</b>	<b>-106</b>	<b>75</b>	<b>-14,250</b>	<b>-17,565</b>
Income tax expense	-9,348	-12,293	-1,208	-1,065	-6,049	-6,832	-645	-1,230	-17,250	-21,420
<b>Profit for the period</b>	<b>80,288</b>	<b>76,294</b>	<b>9,493</b>	<b>6,700</b>	<b>26,026</b>	<b>26,150</b>	<b>4,944</b>	<b>7,798</b>	<b>120,751</b>	<b>116,942</b>
Investments	112,403	76,946	0	0	0	0	0	0	112,403	76,946
Depreciation	34,799	35,583	1,054	1,053	12,120	12,222	170	174	48,143	49,032
Amortisation	2,588	2,615	211	184	1,588	1,677	111	159	4,498	4,635
	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>
<b>Total assets</b>	<b>1,252,018</b>	<b>1,242,625</b>	<b>38,751</b>	<b>35,407</b>	<b>440,304</b>	<b>412,873</b>	<b>6,712</b>	<b>10,330</b>	<b>1,737,785</b>	<b>1,701,235</b>
<b>Total liabilities</b>	<b>261,396</b>	<b>270,622</b>	<b>8,180</b>	<b>7,368</b>	<b>69,602</b>	<b>75,086</b>	<b>21,005</b>	<b>15,913</b>	<b>360,183</b>	<b>368,989</b>



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

### Costs by nature

EUR 687,131 thousand

EUR thousand	1-9/2014	1-9/2013	Index
Cost of goods and material	226,331	264,271	86
Cost of services	223,208	222,838	100
Employee benefits cost	147,887	140,408	105
Depreciation	52,641	53,667	98
Formation of provisions for lawsuits	20,550	0	
Inventory write-off and allowances	2,648	3,636	73
Receivables impairment and write-offs	749	177	423
Other expenses	19,098	14,747	130
<b>Total costs</b>	<b>693,112</b>	<b>699,744</b>	<b>99</b>
Change in inventories of products and work in progress	-5,981	-17,961	33
<b>Total</b>	<b>687,131</b>	<b>681,783</b>	<b>101</b>

### Employee benefits cost

EUR 147,887 thousand

EUR thousand	1-9/2014	1-9/2013	Index
Gross wages and salaries and continued pay	115,276	108,323	106
Social security contributions	8,270	8,189	101
Pension insurance contributions	14,837	14,248	104
Post-employment benefits and other non-current employee benefits	1,920	2,269	85
Other employee benefits cost	7,584	7,379	103
<b>Total employee benefits cost</b>	<b>147,887</b>	<b>140,408</b>	<b>105</b>

### Other expenses

EUR 19,098 thousand

EUR thousand	1-9/2014	1-9/2013	Index
Grants and assistance for humanitarian and other purposes	1,161	1,007	115
Environmental levies	1,354	1,613	84
Other taxes and levies	11,874	9,417	126
Loss on the sale of property, plant and equipment and intangible assets and write-offs	703	1,440	49
Other expenses	4,006	1,270	315
<b>Total other expenses</b>	<b>19,098</b>	<b>14,747</b>	<b>130</b>

Other taxes and levies include taxes (claw-back and similar) that have been imposed in several markets of Krka Group operations in recent periods.

## Financial income and expenses

EUR thousand	1-9/2014	1-9/2013	Index
Interest income	2,466	2,570	96
Change in fair value of investments through profit or loss	80	65	123
Proceeds from sale of investments	3	0	
Income from dividends and other shares of the profit	6,014	1,686	357
<b>Total financial income</b>	<b>8,563</b>	<b>4,321</b>	<b>198</b>
Net foreign exchange differences	-21,854	-20,519	107
Interest expense	-825	-1,233	67
Change in fair value of investments through profit or loss	-4	0	
Other financial expenses	-130	-134	97
<b>Total financial expenses</b>	<b>-22,813</b>	<b>-21,886</b>	<b>104</b>
<b>Net financial result</b>	<b>-14,250</b>	<b>-17,565</b>	<b>81</b>

## Income tax expense

EUR 17,250 thousand

Current income tax amounts to EUR 17,087 thousand, which is 12.4% of pre-tax profit. Together with the deferred tax of EUR 163 thousand, the total income tax expense in the income statement equals

EUR 17,250 thousand. The effective tax rate is 12.5%, which is 3 percentage points less than in the same period last year.

## Property, plant and equipment

EUR 623,791 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Property	22,229	19,348	115
Plant	213,954	206,786	103
Equipment	215,365	222,865	97
Property, plant and equipment being acquired	172,243	114,979	150
<b>Total property, plant and equipment</b>	<b>623,791</b>	<b>563,978</b>	<b>111</b>

The value of property, plant and equipment represents 36% of the Company's total assets.

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

## Intangible assets

EUR 27,700 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Concessions, patents, licences and similar rights	21,124	23,334	91
Intangible assets being acquired	6,576	4,969	132
<b>Total intangible assets</b>	<b>27,700</b>	<b>28,303</b>	<b>98</b>

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

## Loans

EUR 78,808 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
<b>Non-current loans</b>	<b>31,222</b>	<b>31,009</b>	<b>101</b>
– loans to subsidiaries	24,198	25,533	95
– loans to others	7,024	5,476	128
<b>Current loans</b>	<b>47,586</b>	<b>72,492</b>	<b>66</b>
– portion of non-current loan maturing next year	878	2,290	38
– loans to subsidiaries	46,352	50,744	91
– loans to others	11	19,011	0
– current interest receivable	345	447	77
<b>Total loans</b>	<b>78,808</b>	<b>103,501</b>	<b>76</b>

Non-current loans represent 40% of total loans.

acts to its employees and that are primarily housing loans.

Non-current loans to others include loans that the Company extends in accordance with its internal

## Investments

EUR 7,791 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
<b>Non-current investments</b>	<b>7,228</b>	<b>5,022</b>	<b>144</b>
– available-for-sale financial assets	7,228	5,022	144
<b>Current investments including derivatives</b>	<b>563</b>	<b>792</b>	<b>71</b>
– shares and interests held for trading	156	131	119
– other current investments	407	661	62
<b>Total investments</b>	<b>7,791</b>	<b>5,814</b>	<b>134</b>

Available-for-sale financial assets include EUR 733 thousand worth of shares and interests in companies in Slovenia, and EUR 6,495 thousand

worth of shares and interests in companies abroad. Other current investments refer entirely to shares in Slovenian mutual funds.

## Inventories

EUR 192,689 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Material	81,361	85,272	95
Work in progress	51,561	55,192	93
Products	52,505	45,450	116
Merchandise	7,216	5,021	144
Inventory advances	46	33	139
<b>Total inventories</b>	<b>192,689</b>	<b>190,968</b>	<b>101</b>

## Trade and other receivables

EUR 456,512 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Current receivables due from subsidiaries	237,960	225,363	106
Current receivables due from customers other than Group companies	202,136	200,832	101
Current receivables relating to dividends of subsidiaries	3,000	0	
Other current receivables	13,416	15,424	87
<b>Total receivables</b>	<b>456,512</b>	<b>441,619</b>	<b>103</b>

## Cash and cash equivalents

EUR 20,809 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Cash in hand and cheques	4	4	100
Bank balances	20,805	49,413	42
<b>Total cash and cash equivalents</b>	<b>20,809</b>	<b>49,417</b>	<b>42</b>

Bank balances include EUR 4,416 thousand of bank deposits with maturities of up to 30 days.

## Equity

EUR 1,377,602 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Share capital	54,732	59,126	93
Treasury shares	-3,900	-69,372	6
Reserves:	160,501	219,746	73
– reserves for treasury shares	3,900	69,372	6
– share premium	105,897	101,503	104
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserve	5,715	3,881	147
Retained earnings	1,166,268	1,122,746	104
<b>Total equity</b>	<b>1,377,602</b>	<b>1,332,246</b>	<b>103</b>

## Borrowings

EUR 67,595 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
<b>Non-current borrowings</b>	<b>2,000</b>	<b>2,000</b>	<b>100</b>
– borrowings from subsidiaries	2,000	2,000	100
<b>Current borrowings</b>	<b>65,595</b>	<b>70,190</b>	<b>93</b>
– borrowings from subsidiaries	65,502	70,097	93
– current interest payable	93	93	100
<b>Total borrowings</b>	<b>67,595</b>	<b>72,190</b>	<b>94</b>

## Provisions

EUR 115,013 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Obligation for post-employment and other non-current employee benefits	45,464	45,464	100
Provisions for lawsuits	69,549	49,000	142
<b>Total provisions</b>	<b>115,013</b>	<b>94,464</b>	<b>122</b>

## Deferred revenue

EUR 1,133 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Grants by the European Regional Development Fund	9	13	69
Grants by a European Fund – Development of New Technologies (FBD project)	560	633	88
Property, plant and equipment received for free	543	553	98
Emission coupons	21	0	
Other deferred revenue	0	1,115	0
<b>Total deferred revenue</b>	<b>1,133</b>	<b>2,314</b>	<b>49</b>

The FBD project was co-funded by the European Union from the European Regional Development Fund. It was implemented as part of the Operational Programme 2007–2013 for Strengthening Regional

Development Potentials; 1. Priority axis: Competitiveness and Research Excellence; 1.1. Priority objective: Improving Competitiveness and Research Excellence.

## Trade payables

EUR 130,261 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Total payables to subsidiaries	44,094	58,218	76
Payables to domestic suppliers	47,204	48,313	98
Payables to foreign suppliers	36,872	35,613	104
Payables from advances	2,091	3,777	55
<b>Total trade payables</b>	<b>130,261</b>	<b>145,921</b>	<b>89</b>

## Other current liabilities

EUR 44,010 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Accrued contractual discounts on products sold to other customers	14,637	17,192	85
Payables relating to unpaid equity of subsidiaries	258	258	100
Payables to employees – gross wages, other receipts and charges	23,780	24,660	96
Other	5,335	7,167	74
<b>Total other current liabilities</b>	<b>44,010</b>	<b>49,277</b>	<b>89</b>

## Contingent liabilities

EUR 21,473 thousand

EUR thousand	30 Sep 2014	31 Dec 2013	Index
Guarantees issued	20,853	21,734	96
Other	620	620	100
<b>Total contingent liabilities</b>	<b>21,473</b>	<b>22,354</b>	<b>96</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 2014 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 2014 were drawn up using the same accounting principles as for the annual financial statements of the Krka Company and Group for 2013.

The condensed interim financial statements for the nine months ended 30 September 2014 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 2013.

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, 28 October 2014



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