



Unaudited Interim Report for the Krka Group and Krka, d. d. for the Period from January to September 2018

Novo mesto, November 2018

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INTRODUCTION

The condensed financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (the Company) for the periods January–September 2018 and 2017 are unaudited, while the financial statements for the full 2017 business year are audited. Krka, d. d., Novo mesto has no authorised capital and has not made any conditional share capital increase.

The 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. Reports on the performance of the Krka Group and Krka, d. d. are available on the Krka website www.krka.si.

At its regular meeting of 21 November 2018, the Company's supervisory board discussed the unaudited report of the Krka Group and the Company for the period from January to September 2018.

Business Performance Highlights for the Period from January to September 2018

- The Krka Group sold €971.9 million worth of products and services, while the Company sales amounted to €916.0 million. This has been Krka's strongest sales figure in the period from January to September so far.
- The Krka Group generated sales of products and services in the amount of €43.7 million, or 5% more than in the same period of the previous year.
- The Krka Group generated 93% and the Company 95% of sales revenues in the markets outside Slovenia.
- Region East Europe recorded the highest absolute sales growth (by €16.2 million), and Region South East Europe recorded the highest relative growth (by 14%).
- Accounting for a 29.6% share in total sales, the Krka's largest sales region was Region East Europe.
- The Krka Group generated operating profit in total of €163.8 million, or 10% more than in the same period last year. Krka's operating profit amounted to €154.1 million.
- The Krka Group generated net profit in total of €120.8 million or 10% more than in the same period last year, while the Company generated net profit in total of €119.9 million.
- As at 30 September 2018, Krka's share traded at €55.00 on the Ljubljana Stock Exchange, a 4% decrease compared to the year-end of 2017. The Company's market capitalisation amounted to €1.8 billion.
- The Krka Group allocated €66.0 million to investments, of that €52.0 million to the controlling company.
- At the end of September, the Krka Group had 11,226 regularly employed persons on payroll, or 394 (4%) more than at the end of 2017. Together with persons employed through agencies, the Krka Group had 12,414 regularly employed persons on payroll, or 2% more than at the end of 2017.
- Krka was announced the best manufacturing company in Slovenia by the *Finance* magazine and received the 2018 Factory of the Year award. According to the analysis of the most attractive employers in Slovenia, Krka again ranked first among 100 companies and was awarded the title of the most attractive employer for the second consecutive year.

Financial Highlights of the Krka Group and the Krka, d. d.

In € thousand	Krka Group		Krka Company	
	Jan–Sept 2018	Jan–Sept 2017	Jan–Sept 2018	Jan–Sept 2017
Revenues	971,920	928,251	916,007	887,422
Operating profit (EBIT) ¹	163,821	149,223	154,136	143,591
EBITDA	246,434	228,957	216,071	203,956
Net profit	120,761	110,051	119,894	106,336
R&D expenses	97,719	92,877	102,502	96,377
Investments	65,959	75,241	51,956	61,983

	30 Sept 2018	31 Dec 2017	30 Sept 2018	31 Dec 2017
Non-current assets	1,010,170	1,033,008	1,027,795	1,032,595
Current assets	901,687	886,123	824,682	804,887
Equity	1,497,644	1,487,699	1,513,700	1,493,325
Non-current liabilities	122,147	121,182	89,516	87,911
Current liabilities	292,066	310,250	249,261	256,246

RATIOS	Jan–Sept 2018	Jan–Sept 2017	Jan–Sept 2018	Jan–Sept 2017
EBIT margin	16.9%	16.1%	16.8%	16.2%
EBITDA margin	25.4%	24.7%	23.6%	23.0%
Net profit margin	12.4%	11.9%	13.1%	12.0%
Return on equity (ROE) ²	10.8%	10.1%	10.6%	9.8%
Return on assets (ROA) ³	8.4%	7.7%	8.7%	7.8%
Liabilities/Equity	0.277	0.299	0.224	0.244
R&D expenses/Revenues	10.1%	10.0%	11.2%	10.9%

NUMBER OF EMPLOYEES	30 Sept 2018	31 Dec 2017	30 Sept 2018	31 Dec 2017
Balance as at	11,226	10,832	5,317	5,020

SHARE INFORMATION	Jan–Sept 2018	Jan–Sept 2017
Total number of shares issued	32,793,448	32,793,448
Earnings per share (EPS) in € ⁴	5.03	4.55
Closing price at end of period in € ⁵	55.00	55.20
Price/Earnings ratio (P/E)	10.93	12.13
Book value in € ⁶	45.67	44.21
Price/Book value (P/B)	1.20	1.25
Market capitalisation in € thousand (end of period)	1,803,640	1,810,198

¹ The difference between operating income and expenses

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

³ Net profit, annualised/Average total assets in the period

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

⁵ Share price on the Ljubljana Stock Exchange

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

Information on the Controlling Company

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

Registered office Šmarješka cesta 6, 8501 Novo mesto, Slovenia

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E-mail info@krka.biz

Website www.krka.si

Core business Production of pharmaceutical preparations

Business classification code 21.200

Year established 1954

Registration entry 1/00097/00, Okrožno sodišče Novo mesto (District Court in Novo mesto)

Tax number 82646716

VAT number SI82646716

Company ID number 5043611

Share capital €54,732,264.71

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

ID Card of the Krka Group

The Krka Group consists of the controlling company, Krka, d. d., Novo mesto, two subsidiaries in Slovenia, i.e. Terme Krka, d. o. o., Novo mesto and Farma GRS, d. o. o., and 29 subsidiaries outside Slovenia. The controlling company, Krka, d. d., Novo mesto, holds 100% ownership interests in all subsidiaries, except in Ningbo Krka Menovo (60%), Farma GRS (99.7%) and Krka Belgium (95%) – the remaining 5% in the latter is held by the subsidiary Krka France.

The Krka Group engages in development, production, marketing and sales of medicines for human use (prescription pharmaceuticals and non-prescription products), animal health products, and health resort and tourist services.

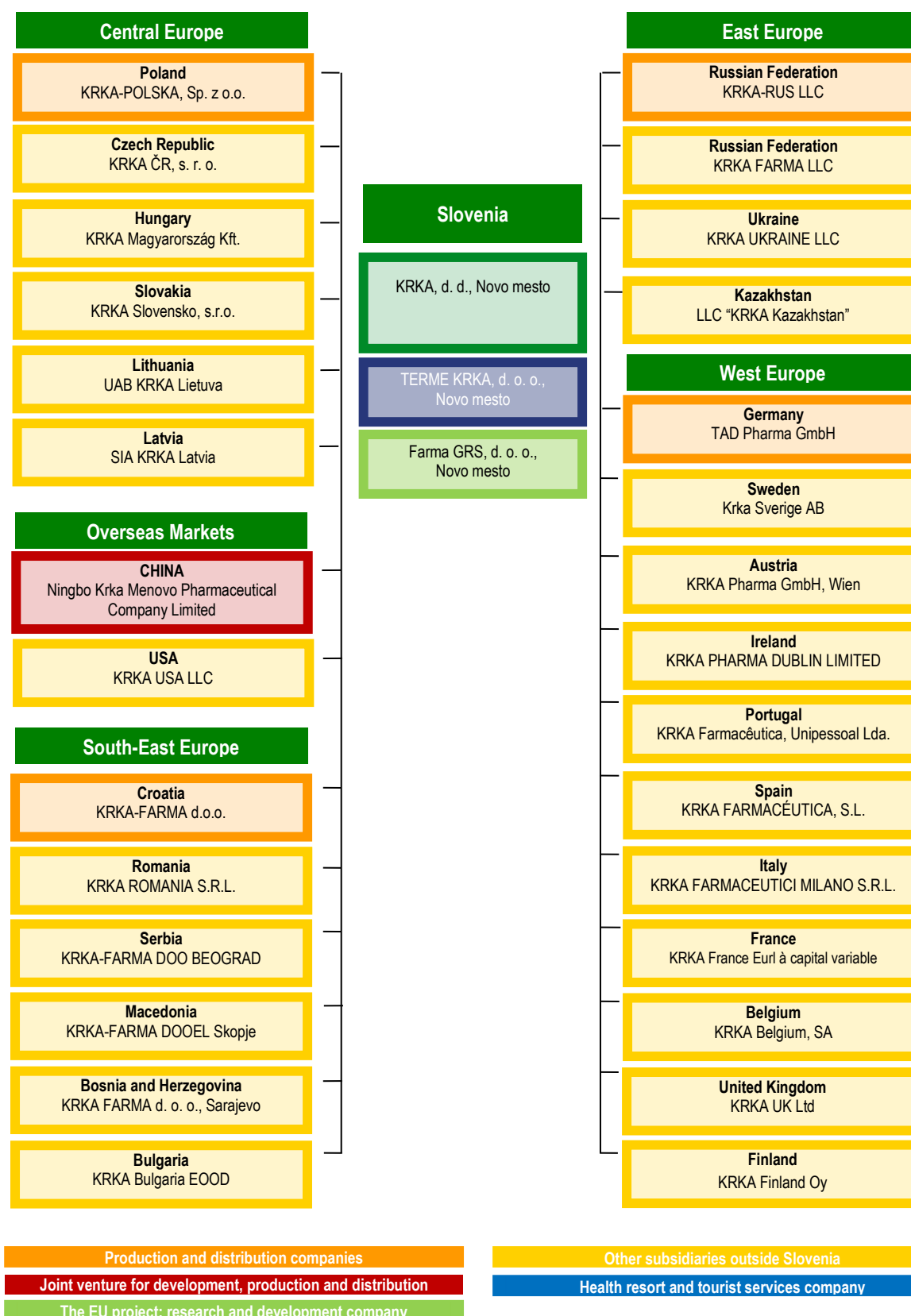
Production takes place in the controlling company in Slovenia and in Krka subsidiaries in the Russian Federation, Poland, Croatia, and Germany. In addition to production, these subsidiaries, apart from Krka-Rus in the Russian Federation, deal with marketing and sales. Other subsidiaries outside

Slovenia deal with marketing and/or sales of Krka products, but do not have production capacities.

Terme Krka, d. o. o., Novo mesto deals with health resort and tourist services; and comprises the following branches: Terme Dolenjske Toplice, Terme Šmarješke Toplice, Hoteli Otočec, and Talaso Strunjan. Terme Krka is also the majority owner of Golf Grad Otočec, d. o. o.

Farma GRS, d. o. o. was established in partnership with companies from pharmaceutical and process manufacturing industries. The company develops new pharmaceutical products, new technological products for pharmaceutical production and contributes to more efficient pharmaceutical production in terms of energy, environment, and business operations. Farma GRS is the sole owner of six micro companies: GRS TEHFARMA, d. o. o., GRS VIZFARMA, d. o. o., GRS PREK FARMA, d. o. o., GRS EKO FARMA, d. o. o., GRS TREN FARMA, d. o. o., and GRS VRED FARMA, d. o. o.

Profile of the Krka Group



Krka Group Development Strategy

The Krka Group updates its development strategy every two years. In November 2017, the Management Board of Krka adopted the 2018–2022 development strategy for the Krka Group, and presented it to the Supervisory Board.

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

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

The key Krka Group objectives and strategies until 2022 are set out below.

Key Strategic Objectives up to 2022

- To attain at least 5% average annual sales growth in terms of quantities/value.
- To ensure in a timely manner through an efficient and optimised development-and-production chain sufficient quantities of products in accordance with the required quality standards for attaining target sales growth in line with market sales requirements.
- To focus on maximising long-term profitability of the products from development and production to finished product sales, including all other functions within the Krka Group.
- To ensure growth, in addition to organic growth, with acquisitions and long-term partnerships (including joint ventures), when interesting and available target companies become available. The primary goals are to secure new products and/or markets.
- To maintain – in addition to the existing range of products making up 'the gold standard' – the largest possible proportion of new products in total sales.
- To maintain the largest possible share of vertically integrated products.
- To launch the selected product portfolio onto selected key target markets as the first generic pharmaceutical company.
- To strengthen the competitive advantage of our product portfolio.
- To improve cost effectiveness of assets use.
- To increase the degree of innovation across all business functions.
- To remain independent.

Key Strategies until 2022

- To give priority to the European, Chinese and Central Asian markets.
- To maximise the sales potential in all sales regions (Slovenia, South-East Europe, East Europe, Central Europe, West Europe, Overseas Markets).
- To focus especially on key markets (the Russian Federation, West Europe, Poland, Slovenia, Romania, Hungary, Ukraine, Czech Republic, and Croatia), with an emphasis on key customers and key products.
- To place certain markets of the Region Overseas Markets among the key markets.
- To establish and strengthen our presence in Western European markets by operating through our own marketing-and-sales subsidiaries and by marketing products under our own brands (Krka and TAD Pharma).
- To seek opportunities for acquisitions of local pharmaceutical companies, business acquisitions, and various types of long-term partnerships (joint ventures) in selected markets with the primary objective of attaining new products and thus entering new therapeutic areas and/or markets.
- To strengthen the pharmaceutical and chemical industries and increase the range of medicines in three key therapeutic areas of prescription pharmaceuticals (medicines for the treatment of cardiovascular diseases, the central nervous system, and the alimentary tract and metabolism) as well as in other promising therapeutic area (analgesics and oncology

medicines, antidiabetics, antivirals, and antibiotics) while entering new therapeutic areas. We intend to introduce innovative products in key therapeutic areas (innovative single pill combinations of two or three substances, new strengths, pharmaceutical dosage forms, and new delivery systems).

- To strengthen selected therapeutic groups of non-prescription products and animal health products, in particular products for companion animals.
- To enter the market of similar biological medicines.
- To further develop health resort and tourist services also by finding strategic partners outside the Krka Group.
- To enhance vertical integration from development through to product manufacture.
- To ensure a permanent supply of incoming materials, and optimise supply in order to continuously reduce purchase prices.
- To increase manufacture and development outsourcing of certain APIs and finished products.
- To develop generic medicines and prepare their marketing authorisation documentation prior to the expiry of the product patent for the original medicine.
- To strengthen all types of connections in the field of development and other fields as well as with external institutions and companies.
- To ensure functionality and continuous improvement of the integrated management system (IMS) and quality system, which guarantee the production of safe, effective, and quality products in compliance with cGMP guidelines and regulations relating to quality in pharmaceutical industry.
- To invest in production, development and infrastructure facilities in a stable and optimal manner.

- To reduce the impact of financial risks on the operations of the Krka Group.
- To pursue a stable dividend policy and also consider the Krka Group's financial requirements for investments and takeovers when determining the net profit share for dividend payout each year, as well as to allocate at least 50% of the net profit of controlling company's equity holders for dividend payout.
- To introduce information technology efficiently and in compliance with regulatory standards, and ensure high availability and information security of the implemented IT solutions.
- To further pursue digitalization of business operations by: i) introducing digital information technology to business processes in order to allow for automatization and optimisation of processes and procedures; ii) supporting and strengthening cooperation within the Krka Group and the whole supply chain; iii) ensuring appropriate information for taking business decisions in order to increase added value for clients.
- To strengthen the professional and cost synergy of the Krka Group, and maximise the utilisation of competitive advantages in the business environments in which Krka companies operate abroad.
- To strengthen internationalisation within the Krka Group by managing the employee potential in an international environment and ensure activation of all human resource potentials.
- To meet our economic, social and environmental responsibilities to the environment in which we operate.
- To enhance the corporate identity and operate according to laws, regulations, ethic principles, and good practices.
- To ensure business coherence and transparency, and enhancing the visibility and positive image of the Krka Group.

2018 Krka Group Performance Estimate

- Annual sales of products and services are estimated at just over €1,300 million, which is somewhat higher than planned.
- The 2018 sales growth will be approximately 4% over the 2017 figure.
- Sales outside Slovenia are expected to account for 93% of total sales.
- Region East Europe is expected to be the largest sales region. The Russian Federation is expected to remain Krka's largest individual market. Region Central Europe with Krka's second largest individual market (Poland) is expected to record second strongest sales. The third largest area in terms of sales is expected to be Region West Europe with Krka's third largest individual market (Germany). Regions South-East Europe, Slovenia and Overseas Markets are expected to follow.
- Prescription pharmaceuticals are expected to remain the most important product group, comprising 82% of overall sales.
- Net profit is expected to somewhat exceed the planned profit in value of EUR 153 million.
- In 2018, we plan to allocate €97 million to investments in our own development, production, and infrastructural facilities. The figure is below the initial plan due to technical and commercial optimisation. All planned investment will be completed.
- At the end of 2018, the Krka Group will employ more than 11,600 regular employees, of that 51% abroad.

BUSINESS REPORT

Financial Risk

Foreign Exchange Risk

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

Currency exposure arises from an excess of assets over liabilities in a particular currency in the financial position statement of the Group, and from differences between operating income and expenses generated in various currencies.

Krka has not applied any changes to managing foreign currency risk in the third quarter. The key policy of the Krka Group remains to mitigate foreign currency exposure primarily by natural hedging. We also use derivative financial instruments; however, only to a limited extent.

The key currency exposure of the Krka Group arises from exposure to the Russian rouble. Krka intends to continue its policy of partial hedging against the rouble-related risk also in 2018.

In the first nine months, the value of the Russian rouble was unstable. From the beginning of 2018 to the end of the third quarter, the value of the rouble

expressed in the euro declined by 8.9%. We generated net foreign exchange losses due to exposure to the Russian rouble, recorded in the net financial result of the Group. In global currency markets, foreign currencies of the developing markets were under pressure and additional economic sanctions on Russia were introduced by the Western European countries in 2018, which all negatively impacted the value of the Russian rouble. The Brent oil price rose by 24% from the beginning of 2018 to the end of the third quarter and had no significant impact on the value of the rouble. The value of the Russian rouble was also impacted by constant interventions of the Russian monetary authorities aiming to neutralise the impact of oil price fluctuations and the impact of rouble value fluctuations on the Russian economy and consumption.

In consideration of net foreign exchange gains or losses, net proceeds or expenses relating to derivative financial instruments, interest rate gains or losses and other financial revenues and expenses, net financial result totalled -€20.8 million in the first three quarters of 2018.

Interest Rate Risk

In the first nine months of 2018, the Krka Group was not exposed to changes in reference interest rates,

because the Group had no non-current loans.

Credit Risk

The key credit risk of the Krka Group is related to receivables payable by buyers. This means that clients might fail to settle them by maturity dates.

The Krka Group has introduced a centralised credit control process for all clients to whom Krka sells products and services in total exceeding €100,000 annually. At the end of the third quarter of 2018, trade receivables included in the credit control process accounted for more than 90% of total receivables, and involved more than 400 clients.

The Krka Group recorded a low value of receivable write-offs and impairments also because credit

control is effective, receivables are dispersed across a large number of clients and sales markets, and the majority of outstanding receivables are payable by clients with whom Krka has been doing business for years.

Our credit risk management policy remained unchanged in the first nine months of 2018. We especially closely monitored and adequately insured trade receivables from clients in the markets with less favourable macroeconomic environment and markets in which we detected increased risks relating to distribution of medicines.

At the end of September 2018, more than 60% of trade receivables were insured with a credit insurance company, and only a small portion of trade receivables was secured with banking instruments.

At the end of the third quarter of the year, the total value of trade receivables in euros was lower than at the beginning of the year.

Liquidity Risk

In the first nine months of 2018, risks related to the Krka Group's liquidity were managed by effective short-term cash flow planning. Short-term liquidity was ensured through a stable cash flow, by pre-agreed short-term borrowings from banks, and the daily, rolling weekly, monthly and longer-term planning and monitoring of cash inflows and outflows. While optimising the amounts of cash on

The maturity structure of receivables remained stable. The percentage of overdue receivables relative to total trade receivables remained low also at the end of the third quarter.

their bank accounts, subsidiaries were regularly provided with the required funds.

Liquidity risk is estimated to be low. The scope of current borrowings in the reported period was small. A part of cash surpluses was placed into short-term bank deposits and used for dividend payout in the second half of July 2018. All our liabilities in the period were settled regularly and on time.

Property, Liability and Business Interruption Insurance

In the first nine months of 2018, no changes were made in relation to Krka Group insurance policies. No important damages to property or damages arising from the liability insurance were reported in the period. The increase in fire insurance premium, which is regarded as the most important type of insurance, lagged behind the increase in property value. The insurance premium for other types of insurance is also estimated to be lower than in the previous year.

In the first nine months of 2018, three insurance inspections were conducted in the Krka Group; one

in Poland, conducted by the Warta insurance company, and two in Slovenia. The first one in Slovenia was conducted at Krka's Ljutomer, Krško and Bršljin production sites by reinsurer Pozavarovalnica Sava, and the second one was conducted at Krka's central production site in Ločna, Novo mesto, by reinsurers Triglav RE, Munich RE, Swiss Re and SCOR. The purpose of these inspections was to assess the risks, evaluate maximum possible damages to property and in the event of a business interruption, and to review the implementation of recommendations from previous inspections related to reducing risks.

Investor and Share Information

In the first nine months of 2018, the price of Krka's share on the Ljubljana Stock Exchange declined by 4%. In that period, the number of treasury shares recorded the largest increase, while the share of legal entities and funds increased only slightly. The

share of individual Slovenian investors remains unchanged, while the share of international investors slightly dropped. At the end of September 2018, Krka had 50,747 shareholders.

Shareholder structure (%)

	30 September 2018	31 December 2017
Individual Slovenian investors	39.2	39.2
Slovenian Sovereign Holding (Slovenski državni holding) and the Republic of Slovenia	16.2	16.2
KAD fund and PPS	11.0	11.0
Slovenian companies and funds	7.8	7.7
International investors	23.3	23.8
Treasury shares	2.5	2.1
Total	100.0	100.0

In the first nine months of 2018, Krka acquired 127,757 treasury shares totalling €7,375,281. As at

30 September 2018, Krka had 819,474 treasury shares accounting for 2.499% of share capital.

Krka's ten largest shareholders as at 30 September 2018

	Country	Number of shares	Equity share (%)	Share of voting rights (%)
Kapitalska družba, d. d.	Slovenia	3,493,030	10.65	10.92
Slovenski državni holding, d. d.	Slovenia	2,949,876	9.00	9.23
Republic of Slovenia	Slovenia	2,365,126	7.21	7.40
Splitska banka d. d.	Croatia	1,648,727	5.03	5.16
Addiko Bank d. d.	Croatia	1,196,138	3.65	3.74
Clearstream Banking SA	Luxembourg	684,870	2.09	2.14
KDPW – fiduciary account	Poland	466,847	1.42	1.46
Luka Koper d. d.	Slovenia	433,970	1.32	1.36
Unicredit Bank Austria AG	Austria	433,134	1.32	1.35
Zavarovalnica Triglav, d. d.	Slovenia	388,300	1.18	1.21
Total		14,060,018	42.87	43.97

As at 30 September 2018, Krka's ten largest shareholders held 14,060,018 shares, or 42.87% of all issued shares.

As at 30 September 2018, Members of the Krka Management Board and Supervisory Board held a total of 39,170 shares, or 0.12% of all issued shares. Since the end of 2017, their shareholdings have not changed.

Proportion in equity and voting rights of the Krka Management and Supervisory Board members as at 30 September 2018

	Number of shares	Equity share (%)	Share of voting rights (%)
Members of the Management Board			
Jože Colarič	22,500	0.069	0.070
David Bratož	0	0	0
Aleš Rotar	13,915	0.042	0.043
Vinko Zupančič	120	0	0
Milena Kastelic	505	0.002	0.002
Total Members of the Management Board	37,040	0.113	0.115
Members of the Supervisory Board			
Jože Mermal	0	0	0
Hans-Helmut Fabry	0	0	0
Borut Jamnik	0	0	0
Julijana Kristl	230	0.001	0.001
Andrej Slapar	0	0	0
Boris Žnidarič	0	0	0
Tomaž Sever	500	0.002	0.002
Franc Šašek	1,400	0.004	0.004
Mateja Vrečer	0	0	0
Total Members of the Supervisory Board	2,130	0.007	0.007

Share trading January–September 2018



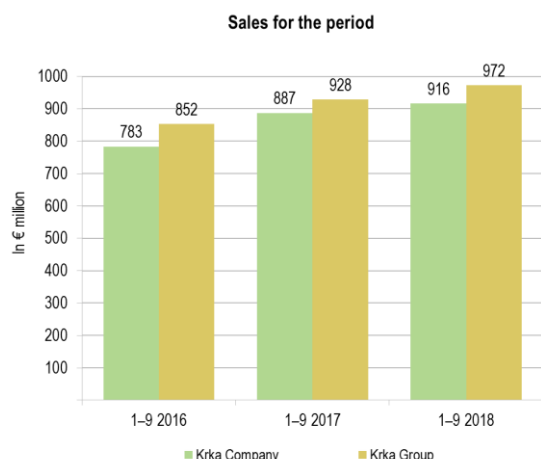
In the first nine months of 2018, Krka's share price on the Ljubljana Stock Exchange peaked in mid-May, when it traded at €59.80, and reached its low at the end of September. On 30 September 2018, Krka shares traded at €55.00 per share.

On 30 September 2018, Krka's market capitalisation on the Ljubljana Stock Exchange amounted to €1.8 billion. In that period, deals in Krka's share generated an average daily trading volume of €0.3 million. Since April 2012, Krka shares have been listed on the Warsaw Stock Exchange as well.

Business Operations Analysis

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

Revenues



Compared to the same period last year, Krka's revenues at the Group level increased by 5%. The Company sold €916.0 million worth of prescription pharmaceuticals, non-prescription products and animal health products, while the Krka Group generated revenues in total of €971.9 million from sales of said products and health resort and tourist services. The Krka Group generated 93% of its sales revenues in markets outside Slovenia.

Taking into account other operating and financial income, the Krka Group generated total revenues in the amount of €983.7 million, and the Company €924.3 million.

Please see chapter 'Marketing and Sales' for a more detailed analysis of sales results by individual markets and groups of products and services.

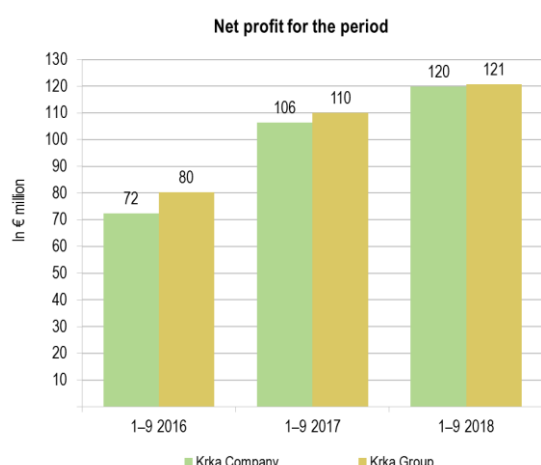
Expenses

Total Krka Group expenses amounted to €840.7 million, or 3% more than in the same period last year.

The Krka Group incurred operating expenses in total of €815.9 million, or 4% more than in the first nine months of last year, which included: €414.0 million for costs of goods sold; €245.7 million for selling and distribution expenses; €97.7 million for R&D expenses; and €58.4 million for general and administrative expenses.

Compared to the same period last year, the Krka Group recorded a 4% increase in costs of goods sold, accounting for 42.6% of revenues. Selling and distribution expenses increased by 3%, and accounted for 25.3% of revenues. R&D expenses are recognised as expenses for the period in full as the Group does not capitalise them. They increased by 5%, and accounted for 10.1% of revenues. General and administrative expenses remained at the same level as in the comparable period last year, and accounted for 6.0% of revenues.

Operating Results



The Krka Group recorded operating profit of €163.8 million, a 10% rise compared to the same period last year.

Profit before tax amounted to €143.0 million, or 11% more compared to the same period last year. Income tax totalled €22.2 million, and the effective tax rate was 15.5%.

The Krka Group recorded net profit in total of €120.8 million, a 10% increase compared to the same period of 2017.

Assets

The Krka Group's assets amounted to €1,911.9 million at the end of September 2018, remaining the same as at the end of 2017.

Non-current assets represented 52.8% of total assets, down by 1.0 of a percentage point from the beginning of the year. The largest item under non-current assets, which totalled €1,010.2 million, was property, plant and equipment, totalling €840.0 million. Their value dropped by 3% compared to the 2017 year end, and accounted for 43.9% of total Krka Group assets.

Intangible assets amounted to €108.8 million, or 2% less compared to the 2017 year end.

Current assets increased by 2% in the first nine months of 2018, to €901.7 million. Inventories saw a 10% increase, reaching €341.0 million in this period. Receivables went down by 14% to €454.7 million, (of that trade receivables amounted to €426.0 million, or 15% less compared to the 2017 year end).

Equity and Liabilities

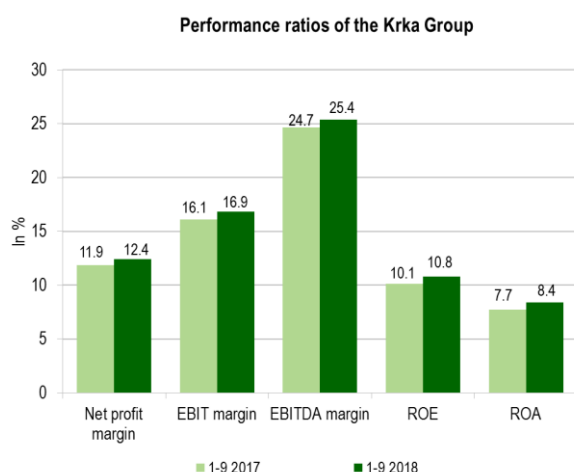
The Krka Group's equity increased by 1% compared to the end of 2017, to €1,497.6 million, and accounted for 78.3% of total equity and liabilities.

Amounting to €122.1 million, non-current liabilities accounted for 6.4% of the Krka Group's balance sheet total. At the end of the period, provisions amounted to €100.2 million (of that €94.6 million for provisions for post-employment benefits and other non-current employee benefits, €4.2 million for provisions for lawsuits, and €1.4 million for other

provisions), which is 2% more than at the end of 2017.

Current liabilities decreased by 6% compared to the end of 2017 and totalled €292.1 million, or 15.3% of the Krka Group's balance sheet total. Among current liabilities, trade payables amounted to €104.7 million, or 3% less compared to the 2017 year end, while other current liabilities decreased by 2% to €182.3 million.

Performance Ratios



All performance ratios improved compared to the same period last year.

The Krka Group net profit margin for the first nine months of 2018 was 12.4% (the Company 13.1%), its EBIT margin 16.9% (the Company 16.8%), and its EBITDA margin 25.4% (the Company 23.6%).

Annualised ROE at the level of the Krka Group was 10.8% (the Company 10.6%), with annualised ROA at 8.4% (the Company 8.7%).

Marketing and Sales

In the first nine months of 2018, Krka Group sales amounted to €971.9 million, which is €43.7 million or 5% more compared to the same period last year. Sales in markets outside Slovenia reached €903.4 million and accounted for 93% of the Group

sales total. In terms of quantity, we increased sales by 7% over the same period last year. In the same period, the Company generated €916.0 million from sales, a 3% increase.

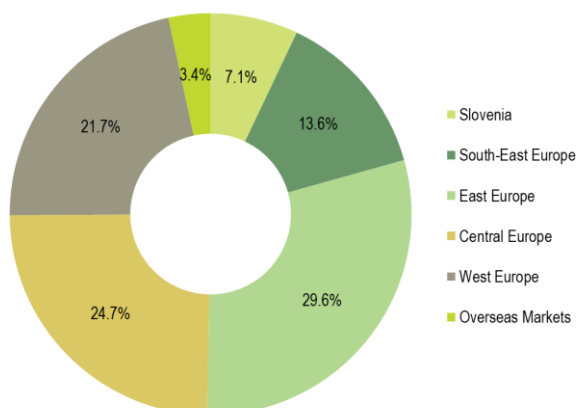
Sales by Region

Region East Europe contributed the most to sales of the Krka Group, i.e. €287.6 million, or 29.6% of the Krka Group sales total. Region Central Europe recorded the second highest sales, €239.6 million or 24.6% of the Krka Group sales total. The third largest area in terms of sales was Region West

Europe, generating sales in the amount of €211.0 million, or 21.7% of the Krka Group sales total. Sales in Region South-East Europe totalled €132.3 million (13.6%) and in Overseas Markets €32.8 million (3.4%). Sales in Slovenia amounted to €68.6 million, or 7.1% of the Krka Group sales total.

In € thousand	Krka Group			Krka Company		
	Jan–Sept 2018	Jan–Sept 2017	Index	Jan–Sept 2018	Jan–Sept 2017	Index
Slovenia	68,551	66,652	103	41,675	40,605	103
South-East Europe	132,287	116,258	114	131,134	116,343	113
East Europe	287,625	271,434	106	278,886	276,812	101
Central Europe	239,593	226,043	106	243,906	228,688	107
West Europe	211,036	217,720	97	190,255	197,446	96
Overseas Markets	32,828	30,144	109	30,151	27,528	110
Total	971,920	928,251	105	916,007	887,422	103

Krka Group sales structure by Region, January–September 2018

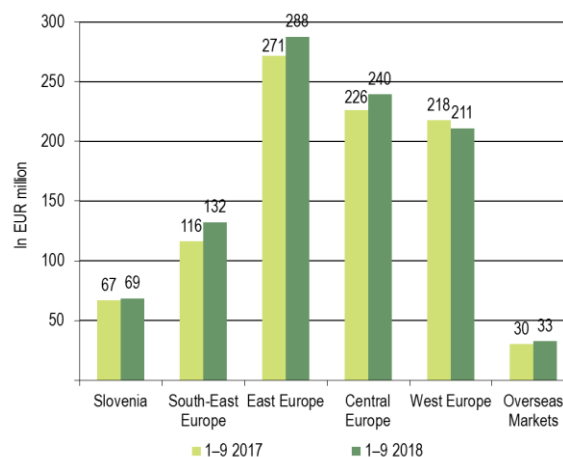


Slovenia

In Slovenia, one of Krka's key markets, sales of products and services amounted to €68.6 million. Sales of products totalled €38.8 million accounting for a 2% growth. Sales of prescription pharmaceuticals generated €29.0 million, the most significant proportion of the sales value. The sales of non-prescription products amounted to €8.0 million, and of animal health products to €1.8 million. In the domestic market, Krka retained the leading position among providers of pharmaceuticals with a 8.7% market share. The sales of health resort and tourist services reached €28.3 million, or 4% more than in the same period last year.

Marketing and sales activities focused on the best-selling products in the group of prescription pharmaceuticals, reaching sales comparable to the last year's figure for the same period. Our best-selling pharmaceuticals were Prenewel (perindopril/indapamide), Sorvasta (rosuvastatin), Nalgesin (naproxen), Nalpaza (pantoprazol) and Prenessa (perindopril). The key therapeutic group remained medicines for the treatment of cardiovascular disease with the leading brand names Prenessa (perindopril) including single-pill combinations Prenewel (perindopril/indapamide), Amlessa (perindopril/amlodipine) and Amlewell (perindopril/amlodipine/indapamide). In terms of sales, Sorvasta (rosuvastatin) is the leading pharmaceutical for lowering cholesterol, and we also increased brand awareness of the newly

Krka Group sales by Region, January– September 2017 and 2018



launched Ravalsya (rosuvastatin/valsartan). Apart from the already established leading brand names Nalpaza (pantoprazol) and Emozul (esomeprazole) from the group of pharmaceuticals for alimentary and metabolic diseases, our marketing and sales activities also focused on Bismuth oxide Krka (bismuth). From our range of medicines for the treatment of diseases of the central nervous system, substantial focus was given to the launch of the antipsychotic Parnido (paliperidone) and to the already established Kventiax (quetiapine). We focused on strengthening brand awareness of Dulsevia (duloxetine) from our range of antidepressants, and Memaxa (memantine) and Yasnal (donepezil) from our range of anti-dementia medicines. We also focused on strengthening brand awareness of analgesics, especially Doreta (tramadol/paracetamol), Nalgesin Forte (naproxen), and Roticox (etoricoxib).

In comparison to the same period last year, non-prescription products recorded a 19% sales growth. Our key medicines were: Nalgesin S (naproxen), Septotele brand products, Magnezij Krka 300 (magnesium) and Daleron (paracetamol). Besides the already established brand names, Flebaven (diosmin) 500 mg and 1000 mg tablets, launched at the beginning of the year as the first medicine from our new therapeutic area for chronic venous insufficiency treatment, further remained in the field of our marketing endeavour.

Animal health products recorded a 5% growth in sales. Sales of Krka's animal health products were driven by Amatib (amoxicillin), Fypryst Combo (fipronil/S-methoprene), Enroxil (enrofloxacin) and Grovit. Marketing and sales activities focused mostly on increasing awareness of the From ears to tail brand name, including Ataxxa (permethrin/imidacloprid), Fypryst Combo

(fipronil/S-methoprene), Milprazon (milbemycin oxime/praziquantel), Dehinel Plus (febantel/praziquantel/pyrantel embonate) and Dehinel (praziquantel/pyrantel embonate). Our portfolio of animal health products was supplemented with a new antiparasitic Santiola (clozantel).

South-East Europe

Region South-East Europe recorded a 14% or €16.0 million growth in sales in the first nine months of 2018 compared to the same period in 2017, and is currently Krka's fastest growing region. The region's key markets were Romania and Croatia, which contributed most to the region's total sales of €132.3 million. The highest growth in terms of value was recorded in Serbia and Bulgaria. All regional markets recorded sales growth, except Albania.

Romania remains Krka's key and leading market in the region with a recorded growth of 6% and sales amounting to €39.6 million. Prescription pharmaceuticals contributed most to its total sales placing Krka first among primarily foreign suppliers of generic medicines in this market. Sales of Krka's prescription pharmaceuticals were driven by: Atoris (atorvastatin), Co-Prenessa (perindopril/indapamide), Karbis (candesartan), Roswera (rosuvastatin), Doreta (tramadol/paracetamol), Ciprinol (ciprofloxacin) and Oprymea (pramipexole). Bilobil (ginkgo leaf extract) remains our top-ranking non-prescription product, and we paid special attention to marketing flu and cold products, primarily Septotele Omni (benzylamine/cetylpyridinium), Herbion brand products, and our pain-relieving medicine, Nalgesin (naproxen). Among animal health products, our most successful products in terms of sales were those for protection of companion animals against parasites, including Fypryst (fipronil), Ataxxa (permethrin/imidacloprid), and Milprazon (milbemycin oxime/praziquantel).

Croatia is Krka's key market with recorded second highest sales in the region. We generated sales in the amount of €25.4 million there, recorded a 10% growth, and ranked fourth among the suppliers of generic medicines, and second among the suppliers of animal health products on this market. All product groups contributed to the growth, but prescription pharmaceuticals most significantly again. Our best-selling prescription pharmaceuticals in this market were: Atoris (atorvastatin), Co-Perineva (perindopril/indapamide), Helex (alprazolam),

Emanera (esomeprazole), Roswera (rosuvastatin) and Valsacombi (valsartan/hydrochlorothiazide), followed by Doreta (tramadol/paracetamol) and Dalneva (perindopril/amlodipine). Our top ranking non-prescription products in this market were: Nalgesin (naproxen), products of the Septotele brand, and Fypryst (fipronil) and Enroxil (enrofloxacin) among animal health products.

In **Serbia**, we recorded a 36% sales growth and all three product groups contributed to it generating €16.7 million. Prescription pharmaceuticals, however, remained most important, among them: Nolpaza (pantoprazole), Roxera (rosuvastatin), Atoris (atorvastatin), Valsacor (valsartan), Ampiril (ramipril), and Co-Amlessa (perindopril/amlodipine/indapamide). The leading non-prescription products in terms of sales were: Bilobil (ginkgo leaf extract) and Nalgesin (naproxen). Among animal health products, Fypryst (fipronil) and Enroxil (enrofloxacin) recorded strongest sales.

In **Macedonia**, we recorded an 11% increase in sales, which amounted to €15.1 million. We ranked first among foreign suppliers of medicines in this market. Prescription pharmaceuticals were the main driver of sales, among them: Enap (enalapril), Roswera (rosuvastatin), Tanyz (tamsulosin), Atoris (atorvastatin), Nolpaza (pantoprazole), Helex (alprazolam) and Lorista (losartan). The leading non-prescription products in terms of sales were: Septanazol (xylometazoline/dexpantenol), Bilobil (ginkgo leaf extract), and Daleron (paracetamol). Among animal health products, our top-selling products were Fypryst (fipronil) and Enroxil (enrofloxacin).

Sales in **Bosnia and Herzegovina** amounted to €13.8 million and presented a 19% increase, ranking us first among foreign suppliers of medicines in this market. As expected, prescription pharmaceuticals contributed most to sales, which were driven by: Enap H/HL (enalapril/hydrochlorothiazide), Roswera (rosuvastatin), Enap

(enalapril), Atoris (atorvastatin) and Lexaurin (bromazepam). Our best-selling non-prescription products were: Nalgesin (naproxen), B-complex and Bilobil (ginkgo leaf extract), and Fypryst (fipronil) and Rycarfa (carprofen) among animal health products.

Due to our successful promotional activities, sales in **Bulgaria** went up by 37% compared to the same period in 2017, totalling €13.1 million. Prescription pharmaceuticals accounted for the largest proportion of sales, above all Co-Valsacor (valsartan/hydrochlorothiazide), Roswera (rosuvastatin), Valsacor (valsartan), and Emanera (esomeprazole). Our non-prescription products also presented strong sales.

In **Kosovo**, we recorded a growth of 6% and sales total of €4.7 million. Our best-selling prescription pharmaceuticals were Lorista H (losartan/hydrochlorothiazide) and Enap H and Enap HL (enalapril/hydrochlorothiazide). Sales of non-

prescription products were driven by Daleron (paracetamol) and the Septotele brand products.

The sales in **Albania** totalled €2.6 million, or 20% less compared to the same period last year. The decrease was caused by the reduction of prices of medicines in the market and market conditions after the new reimbursement list was published. Sales of pharmaceuticals were driven by Atoris (atorvastatin), Ultop (omeprazole), and Lorista (losartan). Sales of non-prescription products were driven by Daleron (paracetamol) and the Pikovit brand products.

In **Montenegro**, our smallest regional market, we sold €1.3 million worth of products, exceeding the sales in the same period last year by 22%. Overall growth was driven chiefly by strong sales of prescription pharmaceuticals, among them Nolpaza (pantoprazole), Lorista H and Lorista HD (losartan/hydrochlorothiazide), Atoris (atorvastatin) and Roswera (rosuvastatin). Non-prescription products also recorded strong sales.

East Europe

Region East Europe is composed of several Eastern European and Central Asian markets. The leading market is the Russian Federation. Sales totalled €287.6 million, which is 6% or €16.2 million more than last year. Region East Europe remains Krka's leading sales region. As expected, prescription pharmaceuticals accounted for the largest proportion of sales.

The **Russian Federation** remained Krka's largest individual market and also a key one. Sales value totalled €189.3 million, a 2% advance in euros or 16% more in the Russian rouble, and sales volume increased by 18%. According to available data, our growth surpassed that of the Russian pharmaceutical market, so we strengthened our market share. Krka also remained a leading supplier of medicines for cardiovascular diseases in the Russian Federation.

Prescription pharmaceuticals again accounted for the largest proportion of sales, in particular the following: Lorista (losartan), Atoris (atorvastatin) Lorista H and Lorista HD (losartan/hydrochlorothiazide), Nolpaza (pantoprazole), Valsacor (valsartan), Roxera (rosuvastatin), Perineva (perindopril), and Co-Perineva (perindopril/indapamide), followed by Zyllt (clopidogrel), Vamloset (valsartan/amlodipine),

Enap (enalapril), Enap H and Enap HL (enalapril/hydrochlorothiazide). New pharmaceuticals, such as Co-Dalneva (perindopril/amlodipine/indapamide), Dilaxa (celecoxib), and Telmista (telmisartan) also presented quick growth.

Sales of non-prescription products were up 2%. Our sales drivers were Septotele Total (benzylamine chloride/cetylpyridinium chloride) and Herbion cough syrup (plantain extract). Flebaven (diosmin/hesperidin), Panatus (butamirate), Ulcavis (bismuth) and Magnesol were launched in the last three years, and all presented strong sales. Sales of our animal health products were lower this year compared to the same period in 2017 due to a drop in medicines for farm animals. Enroxil (enrofloxacin) was the leading pharmaceutical in terms of sales.

In the Russian Federation, we kept increasing the share of sold medicines manufactured by the Krka Rus plant. It amounted to two thirds.

In **Ukraine**, which also remained one of Krka's key markets, pharmaceutical market recorded growth last year and the trend continues also this year. Krka maintained the position of the leading foreign supplier of generic medicines there, and generated sales worth €38.2 million, a 22% growth. Prescription pharmaceuticals accounted for the

leading proportion in total sales, and presented a 21% sales growth. Key prescription pharmaceuticals included Co-Prenessa (perindopril/indapamide), Nalpaza (pantoprazole), Dexamethason (dexamethasone), and Atoris (atorvastatin). Sales of non-prescription products recorded a 28% increase, and animal health products a 2% decrease compared to the same period in 2017.

East Europe B

In East Europe B, which includes Belarus, Mongolia, Armenia, and Azerbaijan, sales of our products generated €21.5 million, a 23% increase compared to the same period in 2017. A two-digit growth was recorded in all four markets.

In **Belarus**, sales increased by 23% compared to the same period last year, and amounted to €8.6 million. We retained third place among foreign suppliers of generic medicines. Prescription pharmaceuticals constituted the largest part of total sales, in particular Nalpaza (pantoprazole), Lorista H and Lorista HD (losartan/hydrochlorothiazide) and Co-Amlessa (perindopril/amlodipine/indapamide). Among non-prescription products, sales were driven by products of the Septotele and Duovit brands. We should also mention strong sales of the newly launched Septanazal (xylometazoline/dexpanthenol).

In **Mongolia**, our product sales generated €6.6 million, and growth reached 34%. We retained the position of the leading foreign supplier of medicines in the market. Due to an unstable economic environment, the importance of medicines included in the reimbursement list and sold through various tenders is strengthening. The rise was particularly notable in sales of prescription pharmaceuticals Valsacor (valsartan), Amlessa (perindopril/amlodipine), and Nalpaza (pantoprazole), and non-prescription products Septanazal (xylometazoline/dexpanthenol) and Nalgessin (naproxen). We also launched several new products: Emanera (esomeprazole), Niperten (bisoprolol), Valodip (amlodipine/valsartan) and Septotele Total (benzylamine/cetylpyridinium) with lemon and elder flavour.

Sales in **Azerbaijan** amounted to €3.7 million, 11% more than in the same period last year. Prescription pharmaceuticals accounted for the major part in sales in terms of value recording an 11% growth, mainly due to sales of key medicines: Amlessa (perindopril/amlodipine), Atoris (atorvastatin), Enap

(enalapril), Lorista H and Lorista HD (losartan/hydrochlorothiazide), and Co-Prenessa (perindopril/indapamide). Sales of our non-prescription products remained at the same level as in the same period last year, and animal health products saw a 61% increase.

In **Armenia**, we sold €2.5 million worth of products and recorded a 21% growth. Most of it was generated by sales of prescription pharmaceuticals, primarily Captopril (captopril), Nalpaza (pantoprazole), and Co-Amlessa (perindopril/amlodipine/indapamide). Sales of non-prescription products were driven by the Herbion and Septotele brand products.

East Europe K

East Europe K comprises markets of Kazakhstan (leading), Moldova, and Kyrgyzstan. Our product sales generated €19.8 million, accounting for a 2% growth.

In **Kazakhstan**, product sales amounted to €11.8 million, down 1% over the same period last year. Sales recorded in the local currency through our subsidiary nevertheless exceeded 11%. Pharmaceuticals produced by domestic manufacturers have exclusive priority in tender sales, which caused a 4% drop in sales of our prescription pharmaceuticals. The following prescription products accounted for the largest proportion in sales: Enap (enalapril), Atoris (atorvastatin), Nalpaza (pantoprazole) and Valsacor (valsartan), followed by Valodip (amlodipine/valsartan), Roxera (rosuvastatin) and Lorista H and Lorista HD (losartan/hydrochlorothiazide). The sales of non-prescription products accounted for a 3% growth, and the sales of animal health products for a 69% growth.

In **Moldova**, our product sales generated €5.8 million, and an 11% growth. Prescription pharmaceuticals contributed to sales total the most, 13% more than in the previous year. The best-sellers in this product group were Ampril (ramipril), Lorista (losartan), and Rawel (indapamide). Sales of non-prescription products increased by 2%, and were driven by Septotele and Herbion brand products, Septanazal (xylometazoline/dexpanthenol), and products sold under Herbion and Septotele brands. Our animal health products recorded the largest growth, 62%.

In **Kyrgyzstan**, sales totalled €2.2 million, or 2% less than in the same period in 2017. We recorded a 24% growth in the leading group of prescription pharmaceuticals. Our top-sellers included Lorista (losartan), Atoris (atorvastatin), and Nolpaza (pantoprazole). Non-prescription products saw a significant drop compared to the same period last year.

East Europe U

East Europe U consists of Uzbekistan, Georgia, Tajikistan, and Turkmenistan. We generated €18.9 million by sales of our products there and recorded an 11% growth. While sales saw a rise in Uzbekistan, Georgia, and Tajikistan, they dropped in Turkmenistan.

In **Uzbekistan**, sales totalled €13.8 million, a 30% growth in terms of value. In terms of volume, we recorded a 35% growth. The increase was mostly driven by prescription pharmaceuticals Amlessa (perindopril/amlodipine), Lorista (losartan), and Nolpaza (pantoprazole). Our best-selling non-prescription products were the Pikovit and Septotele brand products. In the period, we successfully launched Bravadin (ivabradine), Flebaven (diosmin/hesperidin), Nalgesin Forte (naproxen), and Bilobil Intense (ginkgo leaf extract).

Central Europe

The sales dynamics of Region Central Europe, which includes the Visegrad Group countries and the Baltic states (Lithuania, Latvia and Estonia), remained the same as in the first six months, and the region recorded a 6% growth compared to the same period in 2017, totalling €13.6 million. Sales increased in all regional markets, except in Latvia. The key regional market, Poland, contributed the most to sales total of €239.6 million, and the second key market, the Czech Republic, presented a 14% growth.

Poland remained the key market and the largest market in the region, generating 4% more than in the same period last year. Sales totalled €112.8 million, and Krka ranked fourth among foreign suppliers of generic medicines, and sixth among all suppliers of generic pharmaceuticals. Prescription pharmaceuticals contributed most to sales total, in particular Atoris (atorvastatin), Roswera (rosuvastatin), Doreta (tramadol/paracetamol), Valsacor (valsartan), Co-Valsacor

In **Georgia**, we ranked second among foreign suppliers of generic medicines, and generated €3.0 million through sales of our products, or 14% more than in the same period last year. In the leading group of prescription pharmaceuticals, the most important contributors were Lorista H and Lorista HD (losartan/hydrochlorothiazide), Enap H and Enap HL (enalapril/hydrochlorothiazide) and Co-Amlessa (perindopril/amlodipine/indapamide). Products of the Herbion and Panzynorm brands drove sales of non-prescription products.

Sales in **Tajikistan** totalled €1.1 million, a 32% increase over the same period last year. We launched Co-Amlessa (perindopril/amlodipine/indapamide), Lortenza (losartan/amlodipine) and Maruxa (memantine) there. The following medicines presented significant sales growth: Nolpaza (pantoprazole), and Herbion brand syrups from the group of non-prescription products.

In **Turkmenistan**, where securing timely payments for purchased goods by buyers remains a challenge due to difficulties in obtaining foreign currencies, prescription pharmaceuticals constituted the largest part of total sales with €1.0 million, in particular Nolpaza (pantoprazole) and Amlessa (perindopril/amlodipine). Sales of Krka's non-prescription products were driven by products of the Herbion and Bilobil brands.

(valsartan/hydrochlorothiazide) and Nolpaza (pantoprazole). Sales of Krka's non-prescription products were driven by the Septotele brand products and Bilobil (ginkgo leaf extract). Among animal health products, our top-selling products were Fypryst (fipronil) and Floron (florfenicol).

The **Czech Republic**, also one of Krka's key markets, was the fastest growing regional market, recording a 14% growth. Our sales totalled €37.9 million, so Krka ranked third among foreign suppliers of generic medicines in the market, and the Czech Republic ranked second among Krka's regional markets. Prescription pharmaceuticals contributed the most to sales, especially Atoris (atorvastatin), Lexaurin (bromazepam), and Asentra (sertraline). They were followed by Pragiola (pregabalin), Tonanda (perindopril/amlodipine/indapamide), Sorvasta (rosuvastatin), Prenewel (perindopril/indapamide) and Doreta (tramadol/paracetamol). Key non-prescription products included Nalgesin S (naproxen), the Septotele

brand products, and Bisacodyl-K (bisacodyl). Fypryst (fipronil) and Dehinel Plus (febantel/pyrantel embonate/praziquantel) drove sales of animal health products.

The third key regional market was **Hungary**. Sales amounted to €34.3 million, or 4% more compared to the same period last year. Krka held fifth place among suppliers of generic medicines in Hungary. Prescription pharmaceuticals again contributed most to our total sales, in particular Co-Prenessa (perindopril/indapamide), Atoris (atorvastatin), Roxera (rosuvastatin), Zyllt (clopidogrel), Co-Valsacor (valsartan/hydrochlorothiazide), Co-Dalnessa (perindopril/amlodipine/indapamide), Emozul (esomeprazole), and Valsacor (valsartan). Sales of non-prescription products were driven by Bilobil (ginkgo leaf extract), and of animal health products by Milprazon (milbemycin oxime/praziquantel) and Fypryst (fipronil).

In **Slovakia**, Krka's new key market, we generated €27.7 million by product sales, an 8% increase compared to the same period last year. Prescription pharmaceuticals were the main contributor, above all: Atoris (atorvastatin), Co-Prenessa (perindopril/indapamide), Nolpaza (pantoprazole), Prenessa (perindopril), Co-Amlessa (perindopril/amlodipine/indapamide), and Valsacor (valsartan). Among non-prescription products, Nalgesin led in terms of sales, and among animal health products Fypryst (fipronil) and Enroxil (enrofloxacin).

Lithuania, our largest Baltic market, has introduced changes to the system for determining prices of prescription pharmaceuticals in the reimbursement list, which impacted our business operations in the

West Europe

We consider the whole Region West Europe as our key market. Our sales there totalled €211.0 million, or 3% less than in the same period last year. Germany remained our largest regional market, followed by markets of Scandinavia, Spain, France and Italy. Products marketed through Krka's subsidiaries under our own brand names accounted for the major part of sales total, a 6% increase, and a 70% share in total regional sales. Sales through unrelated parties decreased by 19% in comparison to the same period last year.

Sales of prescription pharmaceuticals, primarily those containing esomeprazole and clopidogrel,

period. In spite of this, Krka ranked third among the suppliers of generic medicines in the Lithuanian market. We recorded a 3% growth and generated sales total of €12.2 million. Sales were driven by prescription pharmaceuticals, above all Valsacor (valsartan), Atoris (atorvastatin), Nolpaza (pantoprazole), Valsacombi (valsartan/hydrochlorothiazide), Prenewel (perindopril/indapamide), and Co-Amlessa (perindopril/amlodipine/indapamide). Sales were driven by products of the Septotele brand and Nalgesin (naproxen) among non-prescription products, and Enroxil (enrofloxacin) and Fypryst (fipronil) among animal health products.

In **Latvia** we generated €9.2 million by product sales, or 1% less compared to the same period last year. Krka ranked second among the suppliers of generic medicines in Latvia. In terms of sales, prescription pharmaceuticals were most important, above all Atoris (atorvastatin), Nolpaza (pantoprazole), Sorvasta (rosuvastatin), Prenewel (perindopril/indapamide), and Co-Amlessa (perindopril/amlodipine/indapamide). Sales of non-prescription products were driven by the Septotele brand products and Daleron (paracetamol), and of animal health products by Milprazon (milbemycin oxime/praziquantel) and Fypryst (fipronil).

In **Estonia**, we generated €5.6 million, and recorded an 8% growth. The following prescription pharmaceuticals accounted for the largest share in sales: Co-Prenessa (perindopril/indapamide), Roswera (rosuvastatin), Atoris (atorvastatin), and Co-Dalnessa (perindopril/amlodipine/indapamide). Sales of non-prescription products were driven by products of the Septotele brand, and of animal health products by Fypryst (fipronil).

generated €187.8 million. Sales of animal health products reached €19.9 million and a 15% growth rate, and were driven by medicines containing milbemycin and praziquantel for internal parasite treatment and control which presented a 35% rise. Sales generated by non-prescription products reached €3.4 million, and recorded an 8% decrease over the same period last year.

In **Germany**, we generated €51.0 million by product sales, or 21 % less over the same period last year. The decrease resulted from the expiry of tender sales of pharmaceuticals for alimentary and metabolic diseases. Over 95% of sales in the

German market was generated through our subsidiary TAD Pharma. Sales were driven primarily by pharmaceuticals containing valsartan, candesartan, and pregabalin. The share of single-pill combinations, especially those containing ramipril and amlodipine, increased. In Germany, this placed us among the leading suppliers of single-pill combinations for the treatment of cardiovascular diseases.

In **Scandinavia**, sales grew by €8.3 million (39%), and totalled €29.5 million. The leading market in the region was Sweden, followed by Finland, Denmark, Norway and Iceland, where our sales exceeded €1 million for the first time. Sales through our subsidiary Krka Sverige increased by 30%, and sales through subsidiaries in the Scandinavian markets already exceeded a total of 90%. We almost doubled our sales through our subsidiary Krka Finland, which significantly contributed to Krka's 68% growth in the Finnish market. Sales were driven by medicines containing etoricoxib, candesartan, losartan, esomeprazole, clopidogrel, and duloxetine. In Norway, we retained our leading marketing position by many medicines, above all those containing esomeprazole, pantoprazole, and pramipexole.

In the litigation for alleged infringement of the EP 1 020 461 patent in Denmark commenced by AstraZeneca against Krka Sverige in 2013 and relating to the active substance esomeprazole, the Eastern High Court in Copenhagen, Denmark, found in mid-October that Krka Sverige had not infringed AstraZeneca's patent by selling the medicine in question in Denmark, and rejected its claim for damages.

In **Spain**, our product sales generated €28.1 million, and growth reached 13%. Our subsidiary, Krka Farmaceutica, was awarded tenders for medicine supplies to Andalusia, where we increased the share of our products sold under own brand names. Their share amounted to 85% of total Krka sales in the Spanish market. Sales were driven by medicines containing donepezil; a single-pill combination of tramadol and paracetamol; bisoprolol, quetiapine, and pramipexole.

In **France**, we generated €25.6 million by product sales, or 11% less over the same period last year. Sales through unrelated parties dropped, but still represented the largest part of our total sales in this market. However, we partly compensated for the drop by a 12% increase in sales of products

marketed under Krka's own brands. Their share has already exceeded 20% of total Krka sales in France. Sales were driven by medicines containing milbemycin and praziquantel, esomeprazole, clopidogrel, and gliclazide.

In **Italy**, we recorded a 24% rise in sales, which amounted to €22.3 million. Sales were driven by prescription pharmaceuticals containing clopidogrel, esomeprazole, and pantoprazole. Sales through our subsidiary, Krka Farmaceutici Milano, increased by 37% and accounted for 64% of Krka's total sales in the market. Animal health products for external parasite control reached especially good sales results and more than tripled compared to the same period last year.

In **Portugal**, we recorded a 5% increase in sales, which amounted to €15.6 million. We more than compensated lower sales through unrelated parties with a 19% increase in sales of products marketed under Krka's own brands. The share of products sold through our subsidiary, Krka Farmacêutica, accounted for more than two thirds of Krka's total sales in this market. Sales were driven by medicines containing esomeprazole, olanzapine, and a single-pill combination of perindopril and indapamide. We should also mention the increase in sales of non-prescription products and animal health products. They already account for more than 10% of Krka Farmacêutica's total sales.

Sales in the **United Kingdom** totalled €12.7 million, which was more than one third less compared to the same period last year. Sales were driven by prescription pharmaceuticals, above all those containing perindopril, quetiapine, and clopidogrel. Our subsidiary, Krka UK, recorded a 76% growth and contributed 15% to total Krka sales in the market.

In **Ireland**, our product sales generated €7.6 million, and growth reached 9%. Sales through our subsidiary, Krka Pharma Dublin, increased by 10%, and accounted for 86% of total Krka sales in the market. We further remained the leading supplier of medicines containing pregabalin, duloxetine, and aripiprazole in the Irish market.

In **Benelux**, we sold €6.7 million worth of products. Sales through our subsidiary, Krka Belgium, increased by 52%, and contributed most to total growth of 14%. Sales through unrelated parties accounted for a 5% rise in sales.

In **Austria**, we recorded a 21% rise in sales, which amounted to €6.5 million. We generated over 90% of sales in the Austrian market through our subsidiary, Krka Pharma Wien.

In **other European countries**, the majority of sales were made through unrelated parties, and sales amounted to €5.5 million.

Overseas Markets

Region Overseas Markets consist of three regional sales offices. Prescription pharmaceuticals, in most markets marketed under our own brands, accounted for the major part of sales in terms of value in all three offices. Sales totalled €32.8 million and accounted for a 9% growth, primarily due to successful performance in the markets of the Far East and Africa.

Due to complex security circumstances, business operations in the markets of the **Middle East** remained hindered. Additionally, sales were negatively impacted by the devaluation of certain local currencies. Sales amounted to €16.2 million, a 2% decrease compared to the same period last year. Our leading markets were Iran, Iraq, Lebanon and Yemen, and sales were driven by Asentra (sertraline), Nolpaza (pantoprazole), Valsacor (valsartan), Vizarsin (sildenafil), Letizen (cetirizine), and Yasnal (donepezil).

In the markets of the **Far East** and **Africa**, we sold €15.8 million worth of products, reaching a growth of 23%. The leader in the region was Vietnam, followed by the Republic of South Africa, China, Malaysia and Ghana. Sales were driven by Lanzul (lansoprazole), Emanera (esomeprazole), Palprostes (fruit extract of dwarf fan palm), Tenox (amlodipine), Kamiren (doxazosin), and Coryol (carvedilol).

The smallest of the three regional offices is the one that operates in the **Americas**. The predominant part of the sales, totalling €0.8 million, which amounts to 16% more compared to the same period last year, was generated in the markets of Central America. Sales were driven by prescription pharmaceuticals, among them Valsacor (valsartan), Valsaden (valsartan/hydrochlorothiazide), Emanera (esomeprazole), Yasnal (donepezil), and Vizarsin (sildenafil).

Sales by Product and Service Group

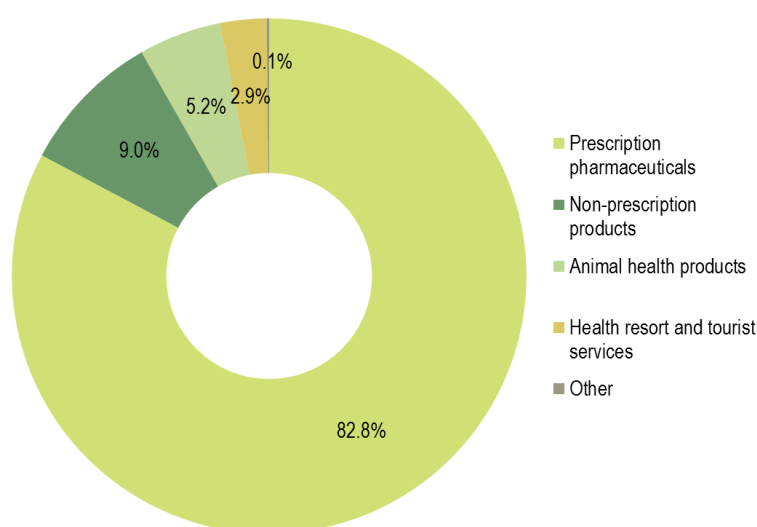
In the first nine months of 2018, human health medicines were the most important product group in the sales structure of the Krka Group, and accounted for 91.8% of overall sales in the period. Prescription pharmaceuticals constituted 82.8% of the Krka Group's total sales, followed by non-prescription products (9.0%), and animal health products (5.2%).

All product and service groups recorded an increase in sales. In comparison to the same period last year, the sales of prescription pharmaceuticals increased by 5%, and non-prescription products by 4%.

Sales of health resort and tourist services constituted 2.9% of total Krka Group sales, a 4% increase over the last year.

In € thousand	Krka Group			Krka Company		
	Jan–Sept 2018	Jan–Sept 2017	Index	Jan–Sept 2018	Jan–Sept 2017	Index
Human health medicines	891,686	851,040	105	862,174	837,382	103
– Prescription pharmaceuticals	804,295	768,190	105	781,774	762,591	103
– Non-prescription products	87,391	82,850	105	80,400	74,791	107
Animal health products	50,441	48,380	104	50,920	47,258	108
Health resorts and tourist services	28,294	27,159	104			
Other	1,499	1,672	90	2,913	2,782	105
Total	971,920	928,251	105	916,007	887,422	103

Krka Group sales structure by product and service group, January–September 2018



Prescription Pharmaceuticals

The Krka Group sold €804.3 million worth of prescription pharmaceuticals in the reported period, or 5% more compared to the same period last year. The following regions saw an increase in sales: South-East Europe (15%), Overseas Markets (12%), East Europe (7%), and Central Europe (6%).

Among the largest Krka's markets, sales went up the most in Poland (6%) and in the Russian Federation (3%). Compared to the same 2017 period, the sales of prescription pharmaceuticals in other major markets increased by: 33% in the Scandinavian countries, 21% in Ukraine, 20% in Italy, 14% in the Czech Republic, 9% in Croatia, 8% in Spain, 7% in Slovakia, and 6% in Romania.

The medium-sized markets recorded sales increases as follows: 42% in Bulgaria, 38% in Serbia, 31% in Uzbekistan; 22% in Bosnia and Herzegovina; and 10% in Macedonia.

Among the small markets, sales of prescription pharmaceuticals recorded the steepest growth in Finland, 75%, followed by 38% in Mongolia, 33% in Tajikistan, 28% in Belarus, 24% in Kyrgyzstan, 23% in Georgia, 23% in Armenia, 22% in Austria and 22% in Montenegro.

In the markets of Western Europe, we have been strengthening our position through our subsidiaries. They have recorded significant growth rates, the highest in Finland and Belgium, where sales more than doubled. Elsewhere, growth rates were as

follows: Italy 34%, Sweden 30%, Austria 23%, and Portugal 10%.

The ten leading prescription pharmaceuticals in terms of sales included medicines containing perindopril (Prenessa*, Co-Prenessa*, Amlessa*, Co-Amlessa*), valsartan (Valsacor, Valsacombi*, Vamloset*, Co-Vamloset*, Valarox*), losartan (Lorista*, Lorista H*, Tenloris*), atorvastatin (Atoris, Atordapin*), pantoprazole (Nolpaza*), rosuvastatin (Roswera*, Rosudapin*), esomeprazole (Emanera*), enalapril (Enap, Enap H*, Elnap*), clopidogrel (Zyllt*), and tramadol (Doreta*, Tadol*).

Compared to the same period last year, Krka recorded the highest absolute sales growth with Valsacor (valsartan), Co-Valsacor* (valsartan/hydrochlorothiazide), Roswera* (rosuvastatin), Co-Amlessa (perindopril/amlodipine/indapamide), Co-Prenessa* (perindopril/indapamide), Ezoleta* (ezetimibe), Atoris (atorvastatin), Prenessa* (perindopril), Roticox* (etoricoxib), and Dexamethason Krka.

In the first nine months of 2018, we launched the following completely new medicines:

- Valarox* (valsartan/rosuvastatin) available in Poland, Lithuania, Slovenia, Hungary, and the Czech Republic. The medicine allows for concomitant treatment of high blood pressure and high cholesterol levels;
- A triple combination Co-Vamloset (valsartan/amlodipine/hydrochlorothiazide)

available in the Russian Federation. With this medicine, we expanded our range of medicines for the treatment of hypertension;

- A triple combination for the treatment of HIV infections Efavemten (efavirenz/emtricitabine/tenofovir) available in Germany, Austria, France, and Macedonia;
- Darunavir for the treatment of HIV infections, available in Slovakia, Slovenia, Latvia, and Macedonia;
- A new antipsychotic, Parnido* (paliperidone), available in Hungary, Slovakia, Portugal, Slovenia, Spain, Scandinavia, and Belgium;
- An analgesic in parenteral pharmaceutical dosage form Dekenor* (dexketoprofen) available in Latvia, Estonia, and Bulgaria;
- Glypilo (vildagliptin) for the treatment of diabetes available in Latvia and Estonia; and
- Entecavir for the treatment of viral hepatitis available in Germany.

In addition to these, we also launched several existing medicines on new markets:

- Co-Amlessa* (perindopril/amlodipine/indapamide) in Croatia and Tajikistan;
- A single-pill combination, perindopril/amlodipine, in Finland and France;
- Olssa* (olmesartan/amlodipine) in Latvia and Estonia, followed by Romania, Portugal, Finland, Spain, Italy, and Belgium;
- Telassmo* (telmisartan/amlodipine) in Czech Republic, Poland, and Hungary;
- Valsacor (valsartan) in Kyrgyzstan;
- Ezoleta* (ezetimibe) in Germany, Scandinavia, France, Italy, Spain, Benelux, Finland, Ireland,

Portugal, Poland, the Czech Republic, Hungary, and Slovakia;

- Rosuvador* (rosuvastatin) in Germany, France, Italy, Spain, Austria, Belgium, and Portugal;
- Bravadin* (ivabradine) in France, Germany, Italy, Spain, Benelux, Scandinavia, Portugal, Ireland, Ukraine, Azerbaijan, and Uzbekistan;
- A single-pill combination lercanidipine/enalapril in Italy and France;
- Niperten* (bisoprolol) in Armenia and Mongolia;
- Glyclada* (gliclazide) in Serbia and Ukraine;
- Betaklav* (amoxicillin/clavulanic acid) in the Czech Republic, Lithuania, Estonia, the Russian Federation, Macedonia, Kosovo, Finland, Austria, Italy, Scandinavia, and Spain;
- Roticox* (etoricoxib) in Hungary and France;
- Oxycaloxon* (oxycodone/naloxone) in Germany, Spain, and Bulgaria;
- Ulcavis* (bismuth) in Slovenia, Lithuania, Armenia, Azerbaijan, Kyrgyzstan, Ukraine, Moldova, Macedonia, Serbia, Bulgaria and Montenegro;
- Dutrys* (dutasteride) in Macedonia;
- Tadilecto* (tadalafil) in the Czech Republic, Lithuania, Latvia, Estonia, Spain, and Romania;
- Duloxenta* (duloxetine) in the Russian Federation;
- Zylaxera* (aripiprazole) in Serbia and Azerbaijan;
- Ecansya* (capecitabine) in Moldova and Montenegro;
- A single-pill combination of emtricitabine/tenofovir in the Czech Republic, Belgium, Lithuania, and Macedonia.

Non-Prescription Products

The sales value of non-prescription products totalled €87.4 million, or 5% more than in the same period last year.

Sales increased in the following regions: Slovenia (19%), South-East Europe (11%), East Europe (4%), and Central Europe (2%).

Region East Europe contributed more than 50% to total sales. Of that, majority was generated by the Russian Federation, where a 2% rise in sales was recorded. Other markets of the region also recorded growth. Among the large markets of this regions, increments were as follows: Ukraine 28%, Mongolia

25%, Uzbekistan 24%, Belarus 6%, Kazakhstan 3%, and Moldova 2%.

Other large markets of the region also recorded growth rates as follows: Croatia 18%, Serbia 32%, Macedonia 11%; Bosnia and Herzegovina 6%, Romania 7%; the Czech Republic 35%; Slovakia 20%, Hungary 43%, and Portugal, where the growth almost tripled.

We recorded good sales with key brand products Septoleta and Nalgesin* (naproxen), reaching two-digit growth. Our new products, Flebaven (diosmin/hesperidin) and Magnezij Krka 300, also generated good sales figures.

Animal Health Products

In the first nine months of 2018, sales of our animal health products amounted to €50.4 million, which is 4% more compared to the same period last year. Sales increased the most in Region West Europe (15%), and also in other regions: Slovenia (5%), South-East Europe (6%), and Central Europe (4%).

As regards our large markets, we recorded the most substantial sales growth in Benelux, Spain, and Italy, where it more than doubled. The following growths were recorded in our other large markets: 65% in the UK, 31% in Hungary, 13% in Croatia, 8% in the Czech Republic, and 5% in Slovenia.

Health Resort and Tourist Services

In the first nine months of 2018, the Terme Krka Group generated €28.3 million in sales, or 4% more compared to the same period last year. The number of overnight stays was somewhat smaller compared to the same period of 2017, with domestic guests accounting for 70%. Among foreign guests, Italians accounted for almost 25% of overnight stays. The most substantial increase, 25%, was recorded in

Our top-ranking animal health products in terms of sales were: Milprazon* (milbemycin oxime/praziquantel), Fypryst* (fipronil), Enroxil* (enrofloxacin), Floron* (florfenicol), and Dehinel Plus* (febantel/pyrantel embonate/praziquantel). Sales were driven by Milprazon* and Fypryst*, while the above five animal health products accounted for more than 50% of the sales of total animal health products.

In 2018, we launched an antiparasitic for farm animals, Santiola* (clevamisol), and an antiparasitic for companion animals, Ataxxa* (imidacloprid/permethrin).

overnight stays of Israeli guests, followed by guests from Switzerland, France, and the Netherlands.

Business units recoded sales increase as follows: Dolenjske Toplice 7%, Talaso Strunjan 3%, and Šmarješke Toplice 3%. Sales generated by Hoteli Otočec matched the sales levels of the same period last year.

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

Research and Development

In the period from January to September 2018, we obtained marketing authorisations for sixteen (16) new products in 36 dosage forms and strengths.

Prescription Pharmaceuticals

Krka's key therapeutic area of medicines for the treatment of cardiovascular diseases was supplemented with new products. We obtained approvals under the European decentralised procedure in EU countries for **Eliskardia** (prasugrel) film-coated tablets in two strengths. Prasugrel inhibits platelet aggregation and formation of blood clots. Administered once daily, it is used in combination with acetylsalicylic acid for prevention of atherothrombotic events.

The registration procedure for **Apleria/Enplerasa** (eplerenone) film-coated tablets in two strengths has been completed. The medicine is used in combination with other medicines for the treatment of heart failure. The active ingredient is one of the new aldosterone receptor antagonists. The risk of adverse reactions is lower than with the older active ingredient, spironolactone.

We obtained marketing authorisations under the European decentralised procedure for **Roxiper/Triemna** (perindopril/indapamide/rosuvastatin) film-coated tablets in four strengths. Perindopril, an angiotensin converting enzyme (ACE) inhibitor, and indapamide, a diuretic, control increased blood pressure, whereas rosuvastatin, a statin, lowers elevated cholesterol level. A new single-pill combination is intended for concomitant treatment of both indications. It provides an effective and safe treatment with three active substances combined in a single tablet.

Dalnessa/Amlessa/Tonarssa/Amlessini

(perindopril/amlodipine) tablets were supplemented with two new strengths, indicated for the initial treatment of hypertension. In Western European countries, we obtained marketing authorisations for these medicines under the decentralised procedure.

In the Russian Federation, Krka obtained first marketing authorisation for **Co-Vamloset** (valsartan/amlodipine/hydrochlorothiazide) film-coated tablets in three strengths. The single-pill combination controls blood pressure in patients with severe hypertension.

In the same period, we obtained 606 new marketing authorisations in various markets for 103 products.

We extended our range of medicines for the treatment of diseases of the central nervous system. Krka obtained marketing authorisations under the European decentralised procedures for **Parnido** (paliperidone) prolonged release tablets in three strengths. The medicine is an atypical antipsychotic and is taken only once daily. Krka has introduced OROS, a new laser technology for the production of tablets from which active ingredients are released by osmosis.

We obtained marketing authorisations under the European decentralised procedure for antidepressant **Lamegom/Agomaval** (agomelatine) film-coated tablets in one strength, 25 mg, and is administered once daily. It has a unique mechanism of action and is an additional option when other antidepressants are not effective. Owing to its soporific effect, it is a medicine of choice when depression is accompanied by insomnia.

Under the European decentralised procedure, relevant marketing authorisations for an antihistamine **doxylamine** (doxylamine succinate) film-coated tablets were obtained in three European countries. It is used as a short-term treatment for occasional sleep problems in adults. It helps shorten the time to fall asleep and improves the quality of sleep.

We obtained marketing authorisations under the European decentralised procedure for a new strength of the well-established medicine **alprazolam** 2 mg tablets and introduced the medicine in its lower strengths in certain other markets. The medicine is used for the treatment of anxiety and depression.

We extended our portfolio of oncology medicines. Under the centralised procedure, we obtained marketing authorisations for **Pemetrexed Krka** (pemetrexed) powder for solution for infusion in two strengths. This medicine of choice is used for the treatment of patients with locally advanced or metastatic non-small cell lung cancer.

We obtained marketing authorisation for **gefitinib** film-coated tablets. This medicine is indicated for the treatment of locally advanced or metastatic lung carcinoma. By inhibiting growth and metastasis of cancer cells, it reduces the symptoms of lung cancer, improves the quality of life, and prolongs the survival time.

Our range of oncology medicines was extended with **Everofin** (everolimus) tablets in three strengths. The medicine decreases blood supply to a tumour and inhibits cancer cell growth and metastasis. It is indicated for the treatment of breast cancer and renal cancer. This is a medicine of choice for the treatment of certain types of neuroendocrine tumours.

We also obtained marketing authorisations for an antiviral medicine **entecavir** film-coated tablets in two strengths. It is used to treat chronic hepatitis B virus infection. According to the guidelines, it is one of the medicines of choice for the treatment of this disease.

We obtained a marketing authorisation under the decentralised procedure for a new formulation of the well-established medicine **tramadol** oral drops. Tramadol is an opioid medicine used for relieving moderate to severe pain. Oral drops are a patient-friendly pharmaceutical dosage form also suitable for relieving pain in children.

We obtained new marketing authorisations in selected Western European markets for **Naproxen 550** (naproxen) film-coated tablets. This is an important medicine in our range of products for relieving pain and inflammation, and for reducing fever.

We obtained a marketing authorisation for a new strength of an antipsychotic, **Arisppa/Aryzalera** (aripiprazole) 20 mg tablets, thus extending our portfolio of pharmaceuticals for diseases of the central nervous system. The medicine is now available in five strengths, which allows the treatment to be tailored to the needs of patients with serious diseases, such as schizophrenia.

In the European markets, we extended marketing opportunities by obtaining new marketing authorisations for our medicines. In Denmark, Sweden and Finland, we also obtained marketing authorisations for an anti-infective for systemic use, **moxifloxacin** solution for infusion, and in Iceland for **clarithromycin** film-coated tablets.

In the European markets, we furthermore obtained marketing authorisations for medicines for the treatment of cardiovascular diseases: **atorvastatin** film-coated tablets in three strengths, **valsartan** film-coated tablets and **valsartan/hydrochlorothiazide** film-coated tablets available in a single-pill combination.

We expanded marketing opportunities for an antipsychotic, **Kventiax SR** (quetiapine) prolonged-release tablets, and an antidepressant, **sertraline** film-coated tablets. Also, we obtained marketing authorisations for a medicine used for the treatment of erectile dysfunction, **Tadipah** (tadalafil) film-coated tablets; an antihistamine, **Dasergin** (desloratadine) film-coated tablets; and **fluconazole** antifungal capsules.

In various eastern European countries, we obtained new marketing authorisations for medicines for the treatment of cardiovascular diseases: **Lortenza** (losartan/amlodipine) film-coated tablets in Kyrgyzstan and Azerbaijan; **Vamloset** (valsartan/amlodipine) film-coated tablets in Mongolia; **Valarox** (rosuvastatin/valsartan) film-coated tablets; **Atordapin** (amlodipine/atorvastatin) film-coated tablets; **Niperten Combi** (bisoprolol/ amlodipine) film-coated tablets in Moldova, **Bloxazoc** (metoprolol) prolonged-release tablets in Kazakhstan; and **Pektrol** (isosorbide) prolonged-release tablets in Mongolia. We obtained new marketing authorisations for the following medicines from our portfolio of products for the treatment of diseases of the central nervous system: **Zylaxero** (aripiprazole) tablets and **Kventiax** (quetiapine) film-coated tablets in Ukraine; **Kventiax SR** (quetiapine) prolonged-release tablets in Azerbaijan, **Elicea** (escitalopram) film-coated tablets, **Elicea Q-Tab** (escitalopram) orodispersible tablets and **Alventoa** (venlafaxine) prolonged-release capsules in Moldova, and **Elicea** (escitalopram) orodispersible tablets in Ukraine.

We obtained new marketing authorisations for the following antibiotics: **Azibiot** (azithromycin) powder for oral suspension in Ukraine, Kazakhstan, Mongolia, Azerbaijan and Georgia; **Betaklav** (amoxicillin/clavulanic acid) tablets and powder for oral suspension in Turkmenistan and Mongolia; **Moflaxa** (moxifloxacin) solution for infusion in Azerbaijan; **Levaxela** (levofloxacin) solution for infusion in Azerbaijan and Mongolia; and film-coated tablets in Mongolia. We also introduced **Hiconcil** (amoxicillin) capsules in Armenia, and

Cefamezin (cefazolin) powder for solution for injection in Mongolia.

Additionally, we obtained marketing authorisations for analgesics **Doreta** (tramadol/paracetamol) film-coated tablets and **Doreta SR** (tramadol/paracetamol) prolonged-release tablets in Azerbaijan.

We introduced a medicine for the treatment of HIV infections, **Emtricitabin/Tenofovir Krka** (emtricitabine/tenofovir) film-coated tablets in Kazakhstan and Azerbaijan.

In Moldova, we obtained new marketing authorisations for a medicine for controlling gastric acid, **Zulbex** (rabeprazole) gastro-resistant tablets, and a non-steroidal anti-inflammatory drug (NSAID) **Etoxib** (etoricoxib) film-coated tablets.

We introduced corticosteroids, **Flosteron** (betamethasone) suspension for injection in Azerbaijan, and **Dexamethason Krka** (dexamethasone) tablets in Ukraine.

In Mongolia, we obtained a marketing authorisation for an antidiabetic agent for the treatment of type II diabetes, **Gliclada** (gliclazide) prolonged-release tablets.

In the markets of South-Eastern Europe, we increased the number of marketing authorisations for medicines from key therapeutic groups. We obtained new marketing authorisations for several medicines for the treatment of cardiovascular diseases. These are: **Rameam** (ramipril/amlodipine) capsules in Serbia and Bosnia and Herzegovina, **Amlessa** (perindopril/amlodipine) tablets in Kosovo, Montenegro and Serbia, **Amlewel/Co-Amlessa** (perindopril/amlodipine/indapamide) tablets in Montenegro and Albania, **Tenloris** (losartan/amlodipine) film-coated tablets in Montenegro, **Co-Olimestra** (olmesartan/hydrochlorothiazide) and **Olimestra** (olmesartan) film-coated tablets in Albania, **Wamlox** (amlodipine/valsartan) tablets and **Bloxazoc** (metoprolol) tablets in Bosnia and Herzegovina, and **Teldipin** (telmisartan/amlodipine) tablets and **Bixebra** (ivabradine) film-coated tablets in Serbia.

In Kosovo and Macedonia, we obtained new marketing authorisations for an opioid analgesic **Adolax** (oxycodone/naloxone) prolonged-release tablets. We expanded our market opportunities for medicines for the treatment of HIV infections by

obtaining marketing authorisations for **emtricitabine/tenofovir** film-coated tablets in Macedonia, and for **darunavir** film-coated tablets in Serbia. From our range of analgesics, we introduced **Doreta** (tramadol/paracetamol) film-coated tablets in Montenegro.

From our range of medicines for the treatment of diseases of the central nervous system, we obtained marketing authorisations for two medicines for the treatment of depression and anxiety: **Dulsevia** (duloxetine) hard gastro-resistant capsules in Serbia, and **Yasnal** (donepezil) orodispersible tablets in Bosnia and Herzegovina.

We obtained additional marketing authorisations for the following medicines from our range of antibiotics: **Azibiot** (azithromycin) powder for oral suspension in Kosovo and Macedonia, **Furocef** (cefuroxime) film-coated tablets in Albania, **Betaklav** (amoxicillin/clavulanic acid) powder for oral solution in Kosovo and Bosnia and Herzegovina, and **Betaklav** (amoxicillin/clavulanic acid) film-coated tablets in Kosovo.

We introduced medicines for the treatment of erectile dysfunction, **Tadorsyo** (tadalafil) film-coated tablets, in Serbia, and **Vizarsin** (sildenafil) in Bosnia and Herzegovina. We also obtained marketing authorisations for a non-steroidal anti-inflammatory drug (NSAID) **Etoxib** (etoricoxib) film-coated tablets in Bosnia and Herzegovina, and **Aclexa** (celecoxib) hard capsules in Montenegro. We introduced a glucocorticoid, **dexamethasone** tablets, in Albania and in Bosnia and Herzegovina.

In the overseas markets, we obtained marketing authorisations for many established Krka products. From the group of medicines for the treatment of cardiovascular diseases, we introduced **Tolucombi** (telmisartan/hydrochlorothiazide) tablets, **Valsaden** (valsartan/hydrochlorothiazide) film-coated tablets, **Atoris** (atorvastatin) film-coated tablets, **Rawel SR** (indapamide) prolonged-release tablets, **Coryol** (carvedilol) tablets, and **Vasilip** (simvastatin) film-coated tablets.

We also obtained marketing authorisations for medicines used for controlling gastric acid, **Nolpaza** (pantoprazole) gastro-resistant tablets and powder for solution for injection and **Lanzul** (lansoprazole) capsules; an antihistamine, **Aller Tec** (levocetirizine) film-coated tablets; a medicine for the treatment of erectile dysfunction, **Vizarsin** (sildenafil) film-coated tablets; antibiotics, **Ciprinol**

(ciprofloxacin) and **Nolicin** (norfloxacin); and a glucocorticoid, **dexamethasone** solution for

injection.

Non-Prescription Products

We obtained a marketing authorisation for **Flebaven 450 mg/50 mg** (diosmin/hesperidin) film-coated tablets in Azerbaijan, Kyrgyzstan and Uzbekistan. We introduced **Flebaven** (diosmin) 500 mg film-coated tablets in Bosnia and Herzegovina and in Macedonia, where also 1000 mg tablets are available.

In Serbia, Bosnia and Herzegovina, Kosovo, Macedonia, Ukraine, Turkmenistan and Moldova, we introduced **Septotele total** (benzylamine

chloride/cetylpyridinium chloride) lozenges in two flavours, elder and lemon, and honey and lemon.

We obtained notifications for **Magnezij Krka 300/Magnezij B₂ Krka 300** (magnesium citrate) in Macedonia and Hungary. We also obtained a marketing authorisation for our vitamin product, **Pikovit Unique** chewable tablets, in Mongolia. We launched a medicine for the treatment of the alimentary tract and metabolism, **Ulcamed** (bismuth) film-coated tablets, in Albania and Bosnia and Herzegovina.

Animal Health Products

We expanded our portfolio of animal health products and were the first generic company to obtain marketing authorisation for **selamectin** 60 mg/ml spot-on solution for cats and small dogs in three different volumes and 120 mg/ml spot-on solution for dogs in five different volumes. This is an advanced medicine effective against external parasites, mange, fleas, lice as well as internal gastrointestinal parasites, heart worms and eye worms. It is also appropriate for the treatment of mixed infestations in cats and dogs.

In the first half of 2018, we extended marketing opportunities by obtaining new marketing authorisations for **Fyperix/Amflee/Fypermid Combo** (fipronil/S-methoprene) spot-on solution, an animal health product. The product protects dogs, cats and ferrets from parasitic skin infections and infestations. We obtained marketing authorisations under the decentralised procedure in the UK, Italy, Finland, Ireland, Portugal, Cyprus and Eastern European countries. In most countries, Krka obtained authorisations for marketing it as a non-prescription animal health product.

In Moldova, we obtained marketing authorisations for **Otoxolan** (marbofloxacin/clotrimazole/dexamethasone) ear drops for dogs, **Fypriyst** (fipronil) spot-on solution for dogs and cats, and **Milprazon** (milbemycin oxime/praziquantel) film-coated tablets for cats and dogs.

In Serbia, we obtained the marketing authorisation for **Dehinel** (praziquantel/pyrantel embonate) film-coated tablets **for cats**. The single-pill combination is used for the treatment of gastrointestinal infestations in cats.

In Kazakhstan, we obtained marketing authorisations for **Fypriyst** (fipronil), a cutaneous spray for the treatment of and protection against external parasites in dogs and cats, and a general tonic and rehydrate, **Calfoset** solution for injection, for the treatment and prevention of digestive disorders. In Georgia, we introduced **Rycarfa** (carprofen), a non-steroidal anti-inflammatory agent.

Krka increased the number of marketing authorisations among the medicines for the treatment of farm animals and strengthened the existing brands. In Moldova, we obtained a marketing authorisation for **Toltarox** (toltrazuril) oral solution used to treat *Coccidia* spp. infestations in different poultry species. In Azerbaijan, we obtained marketing authorisations for **Amatib** (amoxicillin) oral powder for the treatment of infections in pigs and poultry, and **Doxatib** (doxycycline) powder for use in drinking water.

In Kazakhstan, we obtained marketing authorisations for **Tyavalt** (tiamulin) granules for the preparation of drinking water for pigs and for **Rycarfa** (carprofen), a non-steroidal anti-inflammatory agent.

Investments

In the first nine months of 2018, the Krka Group allocated €66.0 million to investments, of that €52.0 million to the controlling company. We invested primarily in increasing and updating production, and in development-and-research capacities.

Krka's key investment is the product development and quality control facility, Razvojno-kontrolni center 4 (Slovene abbreviation: RKC 4), at the production site in Novo mesto. The building has been built in the vicinity of the other three similar laboratories for product development and control.

Preparation works for the €54 million building started at the end of June 2015, and the building was completed and glazed in the autumn of 2016. The connection structure between the two buildings, RKC 3 and RKC 4, has also been built. Setting up of the laboratory rooms was finished in the summer of 2017, and the facilities were put to use. Additional furnishing of the rooms intended for development is in its final stage. The supply and setting up of the pharmaceutical equipment are in progress, and the installation and start up are due by the end of 2018. The completion of facilities for Analytics Development is due at the end of 2018, and the installation of the equipment is planned for the first half of 2019.

In October 2017, Krka started building a multipurpose warehouse on the same site to ensure additional storage room for incoming materials and finished products. This will increase the speed and flexibility of production, and improve product availability and market supply. The construction of the building, installation of the logistic and other equipment, qualification and equipment and system start-ups will take two years. By the end of March 2019, the building should be roofed and shelving racks constructed. According to the plan, final connection with Raw Materials Warehouse and weighing rooms should be finished by the end of 2019. The investment is estimated at €36 million.

Notol 2, the advanced facility for manufacturing solid dosage forms and Krka's largest investment, which started running in 2015, is also at this site. We have been acquiring additional technological equipment in order to meet the market demand and manufacture new products, and we have allocated €10 million for that this year. When the plant is fully

equipped, it will be able to operate at its planned volume, i.e. 4.5 billion tablets, film-coated tablets and capsules per year.

Investing in the new plant in Krško has provided facilities for hydrogenation and further increased capacities for the independent production of pharmaceutical ingredients. Construction of a €4.5 million hydrogenation plant, Hidrogeniranje 2, started in June 2017, and trial production at the beginning of 2018.

The plant for production of animal health products with biocidal effect in Bršljin, Novo mesto, has been extended. The investment is estimated at €4.6 million. Production on the new equipment is due at the end of 2018 or at the beginning of 2019.

Krka has started constructing a new office building in Ljubljana. The building will be connected to the existing one and ready for use in mid-2019. It will have four floors underground and four above the ground. The preparation works started in October 2017. According to the plan, the building should be constructed and glazed by the end of the year, and finishing works should be completed by June 2019.

Krka-Rus 2 plant in Istra in the Russian Federation is one of the most important investments in Krka's subsidiaries. The second stage of equipping has been completed, which has cost Krka €22 million. All technological and production equipment has been installed and operates. Production capacity has been increased to two thirds of the planned final capacity, a total of 2.5 billion tablets and capsules a year. In September, Krka started building a wastewater treatment plant. The investment is estimated at €2.6 million. A €1.8 million project to increase laboratory capacity is also in progress. Two thirds of products intended for the Russian market are produced by Krka-Rus, giving Krka the status of a domestic producer in the Russian Federation.

In the distribution and production centre in Jastrebarsko, Croatia, the investment project in production and laboratory capacities for solid dosage oncology medicines was completed in 2017, whereas furnishing the premises and installing technological equipment for additional production capacity for animal health products are still ongoing. The investment is estimated at €2 million.

We completed a €5.5 million investment in Krka's subsidiary, Farma GRS. We arranged additional capacities for research and development at the Chemical development centre, and increased capacities for the small-scale production of pharmaceutical ingredients in line with the good manufacturing practice. Production started in February.

Several low investments are in progress in all business units of the subsidiary Terme Krka. In 2018, the subsidiary Terme Krka plans to allocate to investments more than €3 million.

We have established a joint venture Ningbo Krka Menovo with our long-term Chinese partner Menovo in the city of Ningbo. The initial share capital of €30 million has been allocated to financing development activities and investing in production capacities. The new company engages in development, production and marketing of finished products. Its first job is to obtain as many marketing authorisations in China for products from Krka's portfolio as possible in the next two to three years, and to manufacture and sell them there. First sales results in China are expected in three years.

Employees

At the end of September 2018, the Krka Group had 11,226 employees, of that 5,773 abroad, slightly exceeding 51% of the total Krka Group headcount. More than 54% of all employees in the Krka Group have completed at least university level education.

At the end of September, the Krka Group had 394 or 4% employees more than at the end of 2017. Together with persons employed through agencies, the Krka Group had 12,414 regularly employed persons on payroll, or 2% more than at the end of 2017.

Educational structure of the Krka Group

	30 September 2018		31 December 2017	
	Number of employees	Share (%)	Number of employees	Share (%)
PhD	186	1.7	175	1.6
Master of Science	377	3.4	364	3.4
University degree	5,536	49.3	5,472	50.5
Higher professional education	1,584	14.1	1,485	13.7
Vocational college education	278	2.4	267	2.5
Secondary school education	2,146	19.1	1,927	17.8
Other	1,119	10.0	1,142	10.5
Krka Group	11,226	100.0	10,832	100.0

We ensure a continuous inflow of new talented employees by giving scholarships. Currently, there are 50 Krka scholarship holders, primarily pharmacy and chemistry students. We also grant scholarships to exceptional students from other fields of interest to Krka. We granted 18 new scholarships this year. Through a staff development and succession planning system we make sure that most of Krka's key personnel requirements – both in terms of field experts and managers – are catered for within the Krka Group.

Krka also invests in the knowledge and development of its employees, who undergo additional training, both in Slovenia and abroad,

related to various professional areas of expertise, quality, management, personal growth, foreign languages and informatics. Trainings are adjusted to the needs of our employees, the technological process, the market situation and the development needs of the Krka Group. Most trainings are organised in-house, they are constantly updated and supplemented with new types (e-learning etc.) better adjusted to the contemporary line of work.

At the end of September, 156 employees were enrolled into part-time graduate studies co-funded by Krka, 67 of them in postgraduate studies. By the end of September, 17 Krka's employees had graduated from university this year.

By examining and approving candidates under the NVQ system between 2002 and September 2018, we have awarded 1,348 NVQ certificates to Krka employees and 142 to participants from other organisations in the pharmaceutical industry, a total of 1,490 certificates for four vocational qualifications. At the moment, 124 employees are included in the process of obtaining NVQ.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP WITH NOTES

Consolidated Statement of Financial Position of the Krka Group

In € thousand	30 Sept 2018	31 Dec 2017	Index
Assets			
Property, plant and equipment	840,043	864,842	97
Intangible assets	108,845	110,992	98
Loans	11,636	9,543	122
Investments	9,644	8,815	109
Deferred tax assets	39,539	38,475	103
Other non-current assets	463	341	136
Total non-current assets	1,010,170	1,033,008	98
Assets held for sale	41	41	100
Inventories	340,967	310,671	110
Trade receivables	426,014	500,735	85
Other receivables	28,735	27,302	105
Loans	20,155	1,426	1,413
Investments	5,835	0	
Cash and cash equivalents	79,940	45,948	174
Total current assets	901,687	886,123	102
Total assets	1,911,857	1,919,131	100
Equity			
Share capital	54,732	54,732	100
Treasury shares	-47,975	-40,588	118
Reserves	105,922	111,477	95
Retained earnings	1,381,758	1,361,107	102
Total equity holders of the controlling company	1,494,437	1,486,728	101
Non-controlling interests within equity	3,207	971	330
Total equity	1,497,644	1,487,699	101
Liabilities			
Provisions	100,199	98,075	102
Deferred revenues	10,086	10,953	92
Deferred tax liabilities	11,862	12,154	98
Total non-current liabilities	122,147	121,182	101
Trade payables	104,731	108,340	97
Income tax payable	5,018	16,142	31
Other current liabilities	182,317	185,768	98
Total current liabilities	292,066	310,250	94
Total liabilities	414,213	431,432	96
Total equity and liabilities	1,911,857	1,919,131	100

Consolidated Income Statement of the Krka Group

In € thousand	Jan–Sept 2018	Jan–Sept 2017	Index
Revenues	971,920	928,251	105
Costs of goods sold	-414,047	-398,518	104
Gross profit	557,873	529,733	105
Other operating income	7,770	8,174	95
Selling and distribution expenses	-245,725	-237,537	103
R&D expenses	-97,719	-92,877	105
General and administrative expenses	-58,378	-58,270	100
Operating profit	163,821	149,223	110
Financial income	4,000	9,892	40
Financial expenses	-24,832	-29,870	83
Net financial result	-20,832	-19,978	104
Profit before tax	142,989	129,245	111
Income tax	-22,228	-19,194	116
Net profit	120,761	110,051	110
Attributable to:			
– equity holders of the controlling company	120,836	110,059	110
– non-controlling interest	-75	-8	938
Basic earnings per share (in €)	3.77	3.41	111
Diluted earnings per share (in €)	3.77	3.41	111

* Net profit for the period/Average number of shares issued in the period exclusive of treasury shares.

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

Consolidated Statement of Other Comprehensive Income of the Krka Group

In € thousand	Jan–Sept 2018	Jan–Sept 2017	Index
Net profit	120,761	110,051	110
Other comprehensive income for the period			
Other comprehensive income for the period reclassified to profit or loss at a future date			
Translation reserves	-13,639	-7,460	183
Change in fair value of available-for-sale financial assets	823	-1,082	
Deferred tax effect	-157	205	
Net other comprehensive income for the period reclassified to profit or loss at a future date	-12,973	-8,337	156
Other comprehensive income for the period that will not be reclassified to profit or loss at a future date			
Recalculation of post-employment benefits	-1	0	
Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date	-1	0	
Total other comprehensive income for the period (net of tax)	-12,974	-8,337	156
Total comprehensive income for the period (net of tax)	107,787	101,714	106
Attributable to:			
– equity holders of the controlling company	107,894	101,722	106
– non-controlling interest	-107	-8	1,338

Consolidated Statement of Changes in Equity of the Krka Group

In € thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the controlling company	Non-controlling interests within equity	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other profit reserves	Retained earnings	Profit for the period			
Balance at 1 Jan 2018	54,732	-40,588	40,588	105,897	14,990	30,000	-12,523	-67,475	1,129,172	90,233	141,702	1,486,728	971	1,487,699
Net profit	0	0	0	0	0	0	0	0	0	0	120,836	120,836	-75	120,761
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	665	-13,607	0	0	0	-12,942	-32	-12,974
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	665	-13,607	0	0	120,836	107,894	-107	107,787
Transactions with owners recognised in equity														
Formation of other revenue reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	0	38,216	-38,216	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	141,702	-141,702	0	0	0
Purchase of treasury shares	0	-7,387	0	0	0	0	0	0	0	0	0	-7,387	0	-7,387
Formation of reserves for treasury shares	0	0	7,387	0	0	0	0	0	0	0	-7,387	0	0	0
Dividends and other profit shares paid	0	0	0	0	0	0	0	0	0	-92,798	0	-92,798	0	-92,798
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	2,343	2,343
Total transactions with owners recognised in equity	0	-7,387	7,387	0	0	0	0	0	38,216	10,688	-149,089	-100,185	2,343	-97,842
Balance at 30 Sept 2018	54,732	-47,975	47,975	105,897	14,990	30,000	-11,858	-81,082	1,167,388	100,921	113,449	1,494,437	3,207	1,497,644

In € thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the controlling company	Non-controlling interests within equity	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other profit reserves	Retained earnings	Profit for the period			
Balance at 1 Jan 2017	54,732	-29,690	29,690	105,897	14,990	30,000	-11,802	-59,097	1,102,165	107,670	98,833	1,443,388	1,056	1,444,444
Net profit	0	0	0	0	0	0	0	0	0	0	110,059	110,059	-8	110,051
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	-877	-7,460	0	0	0	-8,337	0	-8,337
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	-877	-7,460	0	0	110,059	101,722	-8	101,714
Transactions with owners recognised in equity														
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	98,833	-98,833	0	0	0
Purchase of treasury shares	0	-7,856	0	0	0	0	0	0	0	0	0	-7,856	0	-7,856
Formation of reserves for treasury shares	0	0	7,856	0	0	0	0	0	0	0	-7,856	0	0	0
Dividends and other profit shares paid	0	0	0	0	0	0	0	0	0	-88,644	0	-88,644	0	-88,644
Total transactions with owners recognised in equity	0	-7,856	7,856	0	0	0	0	0	0	10,189	-106,689	-96,500	0	-96,500
Balance at 30 Sept 2017	54,732	-37,546	37,546	105,897	14,990	30,000	-12,679	-66,557	1,102,165	117,859	102,203	1,448,610	1,048	1,449,658

Consolidated Statement of Cash Flows of the Krka Group

In € thousand	Jan–Sept 2018	Jan–Sept 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	120,761	110,051
Adjustments for:	99,722	102,533
– amortisation/depreciation	82,613	79,734
– foreign exchange differences	-4,585	-1,924
– investment income	-5,454	-10,848
– investment expenses	3,098	15,039
– financial income	-82	0
– interest expenses and other financial expenses	1,904	1,338
– income tax	22,228	19,194
Operating profit before changes in net operating current assets	220,483	212,584
Change in trade receivables	73,671	26,331
Change in inventories	-30,296	-24,109
Change in trade payables	-4,713	-1,638
Change in provisions	968	1,139
Change in deferred revenues	-867	-905
Change in other current liabilities	-3,072	-29,535
Income tax paid	-36,322	-6,894
Net cash from operating activities	219,852	176,973
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	349	402
Proceeds from sale of current investments	0	2
Dividends received	975	15
Proceeds from sale of property, plant and equipment	3,217	1,279
Purchase of intangible assets	-3,352	-2,899
Purchase of property, plant and equipment	-61,883	-77,410
Non-current loans	-1,978	-1,911
Proceeds from repayment of non-current loans	951	983
Payments to acquire non-current investments	-156	-124
Proceeds from sale of non-current investments	24	11
Payments/Proceeds in connection with current investments and loans	-24,746	8,281
Payments in connection with derivative financial instruments	-2,278	-25,820
Proceeds from derivative financial instruments	2,386	9,474
Net cash used in investing activities	-86,491	-87,717
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-748	-268
Dividends and other profit shares paid	-92,809	-88,748
Purchase of treasury shares	-7,387	-7,856
Proceeds of payments from non-controlling interests	2,343	0
Net cash used in financing activities	-98,601	-96,872
Net increase/decrease in cash and cash equivalents	34,760	-7,616
Cash and cash equivalents at the beginning of the period	45,948	38,630
Effect of exchange rate fluctuations on cash held	-768	-78
Net cash and cash equivalents at the end of the period	79,940	30,936

Segment Reporting of the Krka Group

	European Union		South-East Europe		East Europe		Other		Elimination		Total	
	Jan–Sept 2018	Jan–Sept 2017	Jan–Sept 2018	Jan–Sept 2017	Jan–Sept 2018	Jan–Sept 2017	Jan–Sept 2018	Jan–Sept 2017	Jan–Sept 2018	Jan–Sept 2017	Jan–Sept 2018	Jan–Sept 2017
In € thousand												
Revenues to non-group companies	591,790	574,164	54,164	46,220	287,625	271,434	38,341	36,433	0	0	971,920	928,251
Revenues to Group companies	155,410	172,793	29,881	22,499	167,662	172,465	0	0	-352,953	-367,757	0	0
Other operating income	3,595	5,121	24	117	4,151	2,936	0	0	0	0	7,770	8,174
Operating expenses	-509,975	-495,401	-37,186	-33,866	-245,444	-236,313	-23,264	-21,622	0	0	-815,869	-787,202
Operating expenses to Group companies	-267,479	-277,590	-32,879	-25,419	-341,447	-325,909	-251	-6	642,056	628,924	0	0
Operating profit	85,410	83,884	17,002	12,471	46,332	38,057	15,077	14,811	0	0	163,821	149,223
Interest income	149	141	1	0	195	260	3	0	0	0	348	401
Interest revenues to Group companies	190	539	0	0	2	2	0	0	-192	-541	0	0
Interest expenses	-24	-201	0	0	-556	2	0	0	0	0	-580	-199
Interest expenses to Group companies	-235	-195	0	0	-39	-281	0	0	274	476	0	0
Net financial result	-2,111	293	-353	562	-18,677	-20,708	309	-125	0	0	-20,832	-19,978
Income tax	-10,755	-10,724	-1,933	-1,619	-8,208	-5,366	-1,332	-1,485	0	0	-22,228	-19,194
Net profit	72,544	73,453	14,716	11,414	19,447	11,983	14,054	13,201	0	0	120,761	110,051
Investments	62,238	72,657	316	148	2,969	2,436	436	0	0	0	65,959	75,241
Depreciation	54,384	49,658	1,606	1,440	20,780	22,654	438	277	0	0	77,208	74,029
Amortisation	3,416	3,514	237	208	1,596	1,823	156	160	0	0	5,405	5,705
	30 Sept 2018	31 Dec 2017	30 Sept 2018	31 Dec 2017	30 Sept 2018	31 Dec 2017	30 Sept 2018	31 Dec 2017	30 Sept 2018	31 Dec 2017	30 Sept 2018	31 Dec 2017
Total assets	1,489,309	1,461,851	45,436	40,855	365,103	405,694	12,009	10,731	0	0	1,911,857	1,919,131
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	37,527	38,163	0	0	0	0	0	0	0	0	37,527	38,163
Total liabilities	300,425	327,324	10,278	9,453	85,123	77,273	18,387	17,382	0	0	414,213	431,432

Notes to the Consolidated Financial Statements of the Krka Group

Costs by nature

€815,869 thousand

In € thousand	Jan–Sept 2018	Jan–Sept 2017	Index
Cost of goods and material	259,214	267,441	97
Cost of services	176,322	173,915	101
Employee benefit cost	278,807	262,036	106
Amortisation and depreciation	82,613	79,734	104
Inventory write-off and allowances	15,204	8,799	173
Receivables impairment and write-off	774	1,803	43
Formation of provisions for lawsuits	45	0	
Other operating expenses	28,468	25,453	112
Total costs	841,447	819,181	103
Change in the value of inventories of products and work in progress	-25,578	-31,979	80
Total	815,869	787,202	104

Employee benefit costs

€278,807 thousand

In € thousand	Jan–Sept 2018	Jan–Sept 2017	Index
Gross wages and salaries and continued pay	216,785	203,516	107
Social security contributions	17,533	15,492	113
Pension insurance contributions	29,277	28,476	103
Payroll tax	779	821	95
Post-employment benefits and other non-current employee benefits	3,629	3,581	101
Other employee benefit costs	10,804	10,150	106
Total employee benefit costs	278,807	262,036	106

Other operating expenses

€28,468 thousand

In € thousand	Jan–Sept 2018	Jan–Sept 2017	Index
Grants and assistance for humanitarian and other purposes	1,314	1,248	105
Environmental protection expenses	3,066	2,719	113
Other taxes and levies	20,617	17,748	116
Loss on sale of property, plant and equipment and intangible assets	820	927	88
Other operating expenses	2,651	2,811	94
Total other operating expenses	28,468	25,453	112

Other taxes and levies include taxes (claw-back, etc.) that have recently been introduced in certain markets, where the Krka Group operates.

Financial income and expenses

In € thousand	Jan–Sept 2018	Jan–Sept 2017	Index
Interest income	348	401	87
Gains on disposal of available-for-sale financial assets	0	2	0
Financial instruments income	3,553	9,474	38
– realised income	2,386	9,474	25
– change in fair value	1,167	0	
Income from dividends and other shares of the profit	17	15	113
Other financial income	82	0	
Total financial income	4,000	9,892	40
Net foreign exchange differences	-20,651	-14,323	144
Interest expenses	-580	-199	291
Financial instruments expenses	-2,278	-14,111	16
– incurred expenses	-2,278	-25,820	9
– change in fair value	0	11,709	0
Other financial expenses	-1,323	-1,237	107
Total financial expenses	-24,832	-29,870	83
Net financial result	-20,832	-19,978	104

Income tax

€22,228 thousand

Income tax amounted to €23,894 thousand, or 16.7% of profit before tax. Together with deferred tax of €-1,666 thousand,

total income tax expenses in the income statement equalled €22,228 thousand. The effective tax rate was 15.5%.

Property, plant and equipment

€840,043 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Land	39,949	38,863	103
Buildings	388,628	409,682	95
Equipment	347,157	375,115	93
Property, plant and equipment being acquired	61,812	36,650	169
Advances for property, plant and equipment	2,497	4,532	55
Total property, plant and equipment	840,043	864,842	97

The value of property, plant and equipment represents just short of 44% of the Krka Group's balance sheet total. Please see the chapter 'Investments' in the *Business Report* for details on

Krka's major investments.

Intangible assets

€108,845 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Goodwill	42,644	42,644	100
Trademark	37,527	38,163	98
Concessions, patents, licences and similar rights	24,268	26,644	91
Intangible assets being acquired	4,406	3,541	124
Total intangible assets	108,845	110,992	98

Loans

€31,791 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Non-current loans	11,636	9,543	122
– loans to others	11,636	9,543	122
Current loans	20,155	1,426	1,413
– portion of non-current loan maturing next year	91	1,330	7
– loans to others	20,064	94	21,345
– current interest receivable	0	2	0
Total loans	31,791	10,969	290

Non-current loans constituted 37% of total loans.

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

Non-current loans to others include bank deposits with a maturity exceeding 90 days in total of €20,000 thousand.

Investments

€15,479 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Non-current investments	9,644	8,815	109
– available-for-sale financial assets	9,644	8,815	109
Current investments including derivative financial instruments	5,835	0	
– derivative financial instruments	882	0	
– other current investments	4,953	0	
Total investments	15,479	8,815	176

Available-for-sale financial assets comprised shares and interests in companies in Slovenia in total of €808 thousand, and €8,836 thousand of

investments in shares and interests in companies abroad.

Inventories

€340,967 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Material	130,595	119,775	109
Work in progress	88,225	77,743	113
Products	110,862	102,211	108
Merchandise	8,060	8,070	100
Advances for inventories	3,225	2,872	112
Total inventories	340,967	310,671	110

Trade and other receivables

€454,749 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Current trade receivables	426,014	500,735	85
Current trade receivables from others	28,735	27,302	105
Total receivables	454,749	528,037	86

Cash and cash equivalents

€79,940 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Cash on hand	119	120	99
Bank balances	79,821	45,828	174
Total cash and cash equivalents	79,940	45,948	174

Bank balances also include bank deposits with a maturity to 30 days in total of €13,373 thousand.

Equity

€1,497,644 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Share capital	54,732	54,732	100
Treasury shares	-47,975	-40,588	118
Reserves	105,922	111,477	95
– reserves for treasury shares	47,975	40,588	118
– share premium	105,897	105,897	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserves	-11,858	-12,523	95
– translation reserves	-81,082	-67,475	120
Retained earnings	1,381,758	1,361,107	102
Total equity holders of the controlling company	1,494,437	1,486,728	101
Non-controlling interests within equity	3,207	971	330
Total equity	1,497,644	1,487,699	101

Provisions

€100,199 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Provisions for lawsuits	4,180	4,507	93
Provisions for post-employment benefits and other non-current employee benefits	94,614	92,710	102
Other provisions	1,405	858	164
Total provisions	100,199	98,075	102

Deferred revenues

€10,086 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Grants from the European Regional Development Fund and budget of the Republic of Slovenia, intended for the Production of pharmaceuticals in the new Notol 2 plant project.	1,917	2,117	91
Grants from the budget for Dolenjske and Šmarješke Toplice health resorts and for Golf Grad Otočec	3,680	3,785	97
Grants from the European Regional Development Fund for developing new technologies (a FBD project)	174	242	72
Grants from the European Regional Development Fund for setting up the GEN-I information and technology solutions system	6	10	60
Grants from the European Regional Development Fund for the Development Centres of the Slovene Economy	4,280	4,752	90
Subsidy for acquisition of electric vehicles	6	7	86
Property, plant and equipment received for free	22	31	71
Emission coupons	1	9	11
Total deferred revenues	10,086	10,953	92

The Development Centres of the Slovene Economy and FBD projects are partly funded by the European Union from the European Regional Development Fund. The projects are carried out within the framework of the Operational Programme for

Strengthening Regional Development Potentials for Period 2007–2013; Priority axis 1: Competitiveness and Research Excellence: main type of activity 1.1: Improvement of competitiveness and research excellence.

Trade payables

€104,731 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Payables to domestic suppliers	46,135	43,256	107
Payables to foreign suppliers	56,911	61,790	92
Payables from advances	1,685	3,294	51
Total trade payables	104,731	108,340	97

Other current liabilities

€182,317 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Accrued contractual discounts on products sold	107,343	125,680	85
Payables to employees – gross salaries, other receipts and charges	42,850	38,551	111
Derivative financial instruments	0	284	0
Other	32,124	21,253	151
Total other current liabilities	182,317	185,768	98

Contingent liabilities

€20,270 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Guarantees issued	19,650	18,396	107
Other	620	620	100
Total contingent liabilities	20,270	19,016	107

Fair value

In € thousand	30 Sept 2018		31 Dec 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans	11,636	11,636	9,543	9,543
Available-for-sale financial assets	9,644	9,644	8,815	8,815
Current loans	20,155	20,155	1,426	1,426
Current investments	5,835	5,835	0	0
– derivative financial instruments	882	882	0	0
– other investments	4,953	4,953	0	0
Trade receivables	426,014	426,014	500,735	500,735
Cash and cash equivalents	79,940	79,940	45,948	45,948
Trade payables and other liabilities excluding amounts owed to the state, to employees and advances	-247,590	-247,590	-241,876	-241,876
Other current liabilities	0	0	-284	-284
– derivative financial instruments	0	0	-284	-284
Total	305,634	305,634	324,307	324,307

In terms of fair value, investments are classified into three levels:

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

The fair value of securities held for trading is computed on the basis of the stock exchange quotation of the respective securities as at reporting date, and it is not decreased by any costs that may arise upon the sale or purchase of securities.

Fair value of assets

In € thousand	30 Sept 2018				31 Dec 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Available-for-sale financial assets	8,256	0	1,388	9,644	7,434	0	1,381	8,815
Derivative financial instruments	0	0	882	882	0	0	0	0
Other investments	0	0	4,953	4,953	0	0	0	0
Total assets at fair value	8,256	0	7,223	15,479	7,434	0	1,381	8,815
Assets for which fair value is disclosed								
Non-current loans	0	0	11,636	11,636	0	0	9,543	9,543
Current loans	0	0	20,155	20,155	0	0	1,426	1,426
Trade receivables	0	0	426,014	426,014	0	0	500,735	500,735
Cash and cash equivalents	0	0	79,940	79,940	0	0	45,948	45,948
Total assets for which fair value is disclosed	0	0	537,745	537,745	0	0	557,652	557,652
Total	8,256	0	544,968	553,224	7,434	0	559,033	566,467

Liabilities at fair value

In € thousand	30 Sept 2018				31 Dec 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities at fair value								
Derivative financial instruments	0	0	0	0	0	0	284	284
Total liabilities at fair value	0	0	0	0	0	0	284	284
Liabilities for which fair value is disclosed								
Trade payables and other liabilities excluding amounts owed to the state, to employees and advances	0	0	247,590	247,590	0	0	241,876	241,876
Total liabilities for which fair value is disclosed	0	0	247,590	247,590	0	0	241,876	241,876
Total	0	0	247,590	247,590	0	0	242,160	242,160

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

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

In € thousand	30 Sept 2018	31 Dec 2017	Index
Assets			
Property, plant and equipment	602,221	611,341	99
Intangible assets	27,051	28,299	96
Investments in subsidiaries	325,502	321,898	101
Trade receivables from subsidiaries	35,685	38,644	92
Loans	15,694	11,187	140
Investments	9,643	8,814	109
Deferred tax assets	11,942	12,342	97
Other non-current assets	57	70	81
Total non-current assets	1,027,795	1,032,595	100
Assets held for sale	41	41	100
Inventories	286,275	264,174	108
Trade receivables	405,942	456,265	89
Other receivables	15,221	15,395	99
Loans	51,871	34,895	149
Investments	882	0	
Cash and cash equivalents	64,450	34,117	189
Total current assets	824,682	804,887	102
Total assets	1,852,477	1,837,482	101
Equity			
Share capital	54,732	54,732	100
Treasury shares	-47,975	-40,588	118
Reserves	188,832	180,779	104
Retained earnings	1,318,111	1,298,402	102
Total equity	1,513,700	1,493,325	101
Liabilities			
Provisions	87,393	85,503	102
Deferred revenues	2,123	2,408	88
Total non-current liabilities	89,516	87,911	102
Trade payables	151,537	159,119	95
Borrowings	28,476	27,525	103
Income tax payable	4,303	15,127	28
Other current liabilities	64,945	54,475	119
Total current liabilities	249,261	256,246	97
Total liabilities	338,777	344,157	98
Total equity and liabilities	1,852,477	1,837,482	101

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

In € thousand	Jan–Sept 2018	Jan–Sept 2017	Index
Revenues	916,007	887,422	103
Costs of goods sold	-393,562	-391,749	100
Gross profit	522,445	495,673	105
Other operating income	2,095	4,398	48
Selling and distribution expenses	-218,434	-213,120	102
R&D expenses	-102,502	-96,377	106
General and administrative expenses	-49,468	-46,983	105
Operating profit	154,136	143,591	107
Financial income	6,206	11,100	56
Financial expenses	-23,309	-30,077	77
Net financial result	-17,103	-18,977	90
Profit before tax	137,033	124,614	110
Income tax	-17,139	-18,278	94
Net profit	119,894	106,336	113
Basic earnings per share (in €)	3.74	3.30	114
Diluted earnings per share ** (in €)	3.74	3.30	114

* Net profit for the period/Average number of shares issued in the period exclusive of treasury shares.

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

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

In € thousand	Jan–Sept 2018	Jan–Sept 2017	Index
Net profit	119,894	106,336	113
Other comprehensive income for the period			
<i>Other comprehensive income for the period reclassified to profit or loss at a future date</i>			
Change in fair value of available-for-sale financial assets	823	-1,082	
Deferred tax effect	-157	205	
Net other comprehensive income for the period reclassified to profit or loss at a future date	666	-877	
Total other comprehensive income for the period (net of tax)	666	-877	
Total comprehensive income for the period (net of tax)	120,560	105,459	114

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

	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Other profit reserves	Retained earnings	Profit for the period	
In € thousand											
Balance at 1 Jan 2018	54,732	-40,588	40,588	105,897	14,990	30,000	-10,696	1,129,172	26,398	142,832	1,493,325
Net profit	0	0	0	0	0	0	0	0	0	119,894	119,894
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	666	0	0	0	666
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	666	0	0	119,894	120,560
Transactions with owners recognised in equity											
Formation of other revenue reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	38,216	-38,216	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	142,832	-142,832	0
Purchase of treasury shares	0	-7,387	0	0	0	0	0	0	0	0	-7,387
Formation of reserves for treasury shares	0	0	7,387	0	0	0	0	0	0	-7,387	0
Dividends paid	0	0	0	0	0	0	0	0	-92,798	0	-92,798
Total transactions with owners recognised in equity	0	-7,387	7,387	0	0	0	0	38,216	11,818	-150,219	-100,185
Balance at 30 Sept 2018	54,732	-47,975	47,975	105,897	14,990	30,000	-10,030	1,167,388	38,216	112,507	1,513,700

In € thousand	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Other profit reserves	Retained earnings	Profit for the period	
Balance at 1 Jan 2017	54,732	-29,690	29,690	105,897	14,990	30,000	-9,994	1,102,165	49,405	93,253	1,440,448
Net profit	0	0	0	0	0	0	0	0	0	106,336	106,336
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	-877	0	0	0	-877
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	-877	0	0	106,336	105,459
Transactions with owners recognised in equity											
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	93,253	-93,253	0
Purchase of treasury shares	0	-7,856	0	0	0	0	0	0	0	0	-7,856
Formation of reserves for treasury shares	0	0	7,856	0	0	0	0	0	0	-7,856	0
Dividends paid	0	0	0	0	0	0	0	0	-88,644	0	-88,644
Total transactions with owners recognised in equity	0	-7,856	7,856	0	0	0	0	0	4,609	-101,109	-96,500
Balance at 30 Sept 2017	54,732	-37,546	37,546	105,897	14,990	30,000	-10,871	1,102,165	54,014	98,480	1,449,407

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

In € thousand	Jan–Sept 2018	Jan–Sept 2017	Index
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit	119,894	106,336	
Adjustments for:	77,331	83,852	
– amortisation/depreciation	61,935	60,365	
– foreign exchange differences	741	-65	
– investment income	-6,466	-11,467	
– investment expenses	2,540	14,951	
– interest expenses and other financial expenses	1,442	1,790	
– income tax	17,139	18,278	
Operating profit before changes in net operating current assets	197,225	190,188	
Change in trade receivables	52,536	15,449	
Change in inventories	-22,101	-18,497	
Change in trade payables	-10,013	4,033	
Change in provisions	734	642	
Change in deferred revenues	-285	-288	
Change in other current liabilities	10,764	17,175	
Income tax paid	-27,719	1,294	
Net cash from operating activities	201,141	209,996	
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	405	744	
Proceeds from sale of current investments	0	2	
Dividends received	975	15	
Proportionate profit of subsidiaries	2,210	1,027	
Proceeds from sale of property, plant and equipment	350	267	
Purchase of intangible assets	-2,835	-2,717	
Purchase of property, plant and equipment	-46,690	-65,239	
Acquisition of subsidiaries and a share of minority interest without obtained assets	-3,603	-951	
Refund of subsequent payments in subsidiaries	0	237	
Non-current loans	-4,463	-1,765	
Proceeds from repayment of non-current loans	925	15,800	
Payments to acquire non-current investments	-18	-49	
Proceeds from sale of non-current investments	21	11	
Payments/Proceeds in connection with current investments and loans	-17,941	11,177	
Payments in connection with derivative financial instruments	-2,278	-25,820	
Proceeds from derivative financial instruments	2,386	9,474	
Net cash from investing activities	-70,556	-57,787	
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	-315	-786	
Payments/Proceeds in connection with current borrowings	980	-61,461	
Dividends and other profit shares paid	-92,809	-88,748	
Purchase of treasury shares	-7,387	-7,856	
Net cash used in financing activities	-99,531	-158,851	
Net increase/decrease in cash and cash equivalents	31,054	-6,642	
Cash and cash equivalents at beginning of the year	34,117	24,049	
Effect of exchange rate fluctuations on cash held	-721	66	
Net cash and cash equivalents at the end of the period	64,450	17,473	

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

	European Union		South-East Europe		East Europe		Other		Total	
	Jan–Sept 2018	Jan–Sept 2017	Jan–Sept 2018	Jan–Sept 2017	Jan–Sept 2018	Jan–Sept 2017	Jan–Sept 2018	Jan–Sept 2017	Jan–Sept 2018	Jan–Sept 2017
In € thousand										
Revenues	549,691	534,402	52,390	42,923	278,886	276,812	35,040	33,285	916,007	887,422
Other operating income	1,423	4,024	34	32	638	342	0	0	2,095	4,398
Operating expenses	-466,401	-458,083	-36,172	-32,514	-238,333	-236,010	-23,060	-21,622	-763,966	-748,229
Operating profit	84,713	80,343	16,252	10,441	41,191	41,144	11,980	11,663	154,136	143,591
Interest income	370	318	0	0	38	279	0	0	408	597
Interest expenses	-213	-739	0	0	0	0	0	0	-213	-739
Net financial result	-382	826	689	-59	-17,695	-19,619	285	-125	-17,103	-18,977
Income tax	-9,421	-10,227	-1,806	-1,329	-4,580	-5,237	-1,332	-1,485	-17,139	-18,278
Net profit	74,910	70,942	15,135	9,053	18,916	16,288	10,933	10,053	119,894	106,336
Investments	51,956	61,983	0	0	0	0	0	0	51,956	61,983
Depreciation	42,182	39,788	1,406	1,258	13,828	14,783	436	277	57,852	56,106
Amortisation	2,450	2,565	234	206	1,243	1,328	156	160	4,083	4,259
	30 Sept 2018	31 Dec 2017	30 Sept 2018	31 Dec 2017	30 Sept 2018	31 Dec 2017	30 Sept 2018	31 Dec 2017	30 Sept 2018	31 Dec 2017
Total assets	1,346,924	1,299,639	45,983	41,563	444,741	485,553	14,829	10,727	1,852,477	1,837,482
Total liabilities	224,998	227,306	9,927	9,530	85,492	89,939	18,360	17,382	338,777	344,157

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

Costs by nature

€763,966 thousand

In € thousand	Jan–Sept 2018	Jan–Sept 2017	Index
Cost of goods and material	268,124	284,941	94
Cost of services	251,623	249,553	101
Employee benefit cost	174,435	157,215	111
Amortisation and depreciation	61,935	60,365	103
Inventory write-off and allowances	9,398	4,344	216
Receivables impairment and write-off	365	-44	
Other operating expenses	17,885	16,387	109
Total costs	783,765	772,761	101
Change in the value of inventories of products and work in progress	-19,799	-24,532	81
Total	763,966	748,229	102

Employee benefit costs

€174,435 thousand

In € thousand	Jan–Sept 2018	Jan–Sept 2017	Index
Gross wages and salaries and continued pay	136,060	123,142	110
Social security contributions	10,508	8,256	127
Pension insurance contributions	17,287	16,045	108
Post-employment benefits and other non-current employee benefits	3,268	3,193	102
Other employee benefits cost	7,312	6,579	111
Total employee benefit costs	174,435	157,215	111

Other operating expenses

€17,885 thousand

In € thousand	Jan–Sept 2018	Jan–Sept 2017	Index
Grants and assistance for humanitarian and other purposes	1,026	940	109
Environmental protection expenses	1,977	1,624	122
Other taxes and levies	13,038	11,188	117
Loss on sale of property, plant and equipment and intangible assets	262	840	31
Other expenses	1,582	1,795	88
Total other operating expenses	17,885	16,387	109

Other taxes and levies include taxes (claw-back, etc.) that have recently been introduced in several markets where Krka operates.

Financial income and expenses

In € thousand	Jan–Sept 2018	Jan–Sept 2017	Index
Interest income	408	597	68
Gains on disposal of available-for-sale financial assets	0	2	0
Financial instruments income	3,553	9,474	38
– realised income	2,386	9,474	25
– change in fair value	1,167	0	
Income from dividends and other shares of the profit	2,245	1,027	219
– dividends	17	15	113
– profits of subsidiaries	2,228	1,012	220
Total financial income	6,206	11,100	56
Net foreign exchange differences	-19,590	-14,077	139
Interest expenses	-213	-739	29
Financial instruments expenses	-2,278	-14,111	16
– incurred expenses	-2,278	-25,820	9
– change in fair value	0	11,709	0
Other financial expenses	-1,228	-1,150	107
Total financial expenses	-23,309	-30,077	77
Net financial result	-17,103	-18,977	90

Income tax

€17,139 thousand

Income tax amounted to €16,896 thousand, or 12.3% of profit before tax. Together with deferred tax of €243 thousand, total income tax expenses in

the income statement equalled €17,139 thousand. The effective tax rate was 12.5%.

Property, plant and equipment

€602,221 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Land	26,947	25,771	105
Buildings	252,094	265,027	95
Equipment	267,952	287,290	93
Property, plant and equipment being acquired	53,199	29,149	183
Advances for property, plant and equipment	2,029	4,104	49
Total property, plant and equipment	602,221	611,341	99

The value of property, plant and equipment represents 33% of the Company's balance sheet total. Please see the chapter 'Investments' in the

business report for details on Krka's major investments.

Intangible assets

27,051 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Concessions, patents, licences and similar rights	23,035	24,811	93
Intangible assets being acquired	4,016	3,488	115
Total intangible assets	27,051	28,299	96

Intangible assets comprise registration documentation for new pharmaceuticals and software.

Loans

€67,565 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Non-current loans	15,694	11,187	140
– loans to subsidiaries	4,326	1,950	222
– loans to others	11,368	9,237	123
Current loans	51,871	34,895	149
– portion of non-current loan maturing next year	2,802	3,765	74
– loans to subsidiaries	29,006	30,981	94
– loans to others	20,008	96	20,842
– current interest receivable	55	53	104
Total loans	67,565	46,082	147

Non-current loans constitute 23% of total loans.

Non-current loans to others include loans that the Company extends in accordance with its internal acts to its employees for the purchase or renovation of housing facilities.

Non-current loans to other entities comprise bank deposits with a maturity exceeding 90 days in total of €20,000 thousand.

Investments

€10,525 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Non-current investments	9,643	8,814	109
– available-for-sale financial assets	9,643	8,814	109
Current investments including derivative financial instruments	882	0	
– derivative financial instruments	882	0	
Total investments	10,525	8,814	119

Available-for-sale financial assets comprise shares and interests in companies in Slovenia in total of €807 thousand, and €8,836 thousand of

investments in shares and interests in companies abroad.

Inventories

€286,275 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Material	122,452	111,925	109
Work in progress	84,043	76,063	110
Products	67,380	63,533	106
Merchandise	9,248	9,811	94
Advances for inventories	3,152	2,842	111
Total inventories	286,275	264,174	108

Trade and other receivables

€421,163 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Current trade receivables	405,942	456,265	89
– current trade receivables from subsidiaries	218,116	265,168	82
– current trade receivables from customers other than subsidiaries	187,826	191,097	98
Other current receivables	15,221	15,395	99
Total receivables	421,163	471,660	89

Cash and cash equivalents

€64,450 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Cash on hand	1	1	100
Bank balances	64,449	34,116	189
Total cash and cash equivalents	64,450	34,117	189

Bank balances comprise also bank deposits with a maturity up to 30 days in total of €13,373 thousand.

Equity

€1,513,700 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Share capital	54,732	54,732	100
Treasury shares	-47,975	-40,588	118
Reserves:	188,832	180,779	104
– reserves for treasury shares	47,975	40,588	118
– share premium	105,897	105,897	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserves	-10,030	-10,696	94
Retained earnings	1,318,111	1,298,402	102
Total equity	1,513,700	1,493,325	101

Borrowings

€28,476 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Current borrowings	28,476	27,525	103
– borrowings from subsidiaries	28,435	27,455	104
– current interest payable	41	70	59
Total borrowings	28,476	27,525	103

Provisions

€87,393 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Provisions for lawsuits	4,000	4,000	100
Provisions for post-employment benefits and other non-current employee benefits	83,393	81,503	102
Total provisions	87,393	85,503	102

Deferred revenues

€2,123 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
The project Production of pharmaceuticals in the new Notol 2 plant is partly funded by the European Regional Development Fund and budget of the Republic of Slovenia.	1,917	2,117	91
Grants from the European Regional Development Fund for developing new technologies (a FBD project)	174	242	72
Grants from the European Regional Development Fund for setting up information and technology solutions system GEN-I	6	10	60
Subsidy for acquisition of electric vehicles	6	7	86
Property, plant and equipment received for free	19	23	83
Emission coupons	1	9	11
Total deferred revenues	2,123	2,408	88

The FBD project is partly funded by the European Union (European Regional Development Fund). It is carried out within the framework of the Operational programme for strengthening regional

development potentials for the period 2007–2013; Priority axis 1: Competitiveness and Research Excellence: main type of activity 1.1: Improvement of competitiveness and research excellence.

Trade payables

€151,537 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Payables to subsidiaries	73,806	80,358	92
Payables to domestic suppliers	42,272	37,900	112
Payables to foreign suppliers	34,269	37,967	90
Payables from advances	1,190	2,894	41
Total trade payables	151,537	159,119	95

Other current liabilities

€64,945 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Accrued contractual discounts on products sold	15,800	17,967	88
Payables to employees – gross salaries, other receipts and charges	31,598	29,605	107
Derivative financial instruments	0	284	0
Other	17,547	6,619	265
Total other current liabilities	64,945	54,475	119

Contingent liabilities

€17,127 thousand

In € thousand	30 Sept 2018	31 Dec 2017	Index
Guarantees issued	16,507	15,722	105
Other	620	620	100
Total contingent liabilities	17,127	16,342	105

Fair value

In € thousand	30 Sept 2018		31 Dec 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables from subsidiaries	35,685	35,685	38,644	38,644
Non-current loans	15,694	15,694	11,187	11,187
Available-for-sale financial assets	9,643	9,643	8,814	8,814
Current loans	51,871	51,871	34,895	34,895
Current investments	882	882	0	0
– derivative financial instruments	882	882	0	0
Trade receivables	405,942	405,942	456,265	456,265
Cash and cash equivalents	64,450	64,450	34,117	34,117
Current borrowings	-28,476	-28,476	-27,525	-27,525
Trade payables and other liabilities excluding amounts owed to the state, to employees and advances	-178,526	-178,526	-175,620	-175,620
Other current liabilities	0	0	-284	-284
– derivative financial instruments	0	0	-284	-284
Total	377,165	377,165	380,493	380,493

In terms of fair value, investments are classified into three levels:

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

The fair value of securities held for trading is computed on the basis of the stock exchange quotation of the respective securities as at reporting date, and it is not decreased by any costs that may arise upon the sale or purchase of securities.

Fair value of assets

In € thousand	30 Sept 2018				31 Dec 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Available-for-sale financial assets	8,256	0	1,387	9,643	7,434	0	1,380	8,814
Derivative financial instruments	0	0	882	882	0	0	0	0
Total assets at fair value	8,256	0	2,269	10,525	7,434	0	1,380	8,814
Assets for which fair value is disclosed								
Trade receivables from subsidiaries	0	0	35,685	35,685	0	0	38,644	38,644
Non-current loans	0	0	15,694	15,694	0	0	11,187	11,187
Current loans	0	0	51,871	51,871	0	0	34,895	34,895
Trade receivables	0	0	405,942	405,942	0	0	456,265	456,265
Cash and cash equivalents	0	0	64,450	64,450	0	0	34,117	34,117
Total assets for which fair value is disclosed	0	0	573,642	573,642	0	0	575,108	575,108
Total	8,256	0	575,911	584,167	7,434	0	576,488	583,922

Liabilities at fair value

In € thousand	30 Sept 2018				31 Dec 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities at fair value								
Derivative financial instruments	0	0	0	0	0	0	284	284
Total liabilities at fair value	0	0	0	0	0	0	284	284
Liabilities for which fair value is disclosed								
Current borrowings	0	0	28,476	28,476	0	0	27,525	27,525
Trade payables and other liabilities excluding amounts owed to the state, to employees and advances	0	0	178,526	178,526	0	0	175,620	175,620
Total liabilities for which fair value is disclosed	0	0	207,002	207,002	0	0	203,145	203,145
Total	0	0	207,002	207,002	0	0	203,429	203,429

STATEMENT OF COMPLIANCE

The Management Board of Krka, d. d., Novo mesto hereby states that the condensed financial statements of Krka and the condensed consolidated financial statements of the Krka Group for the nine months ended 30 September 2018 were drawn up so as to provide a true and fair view of the financial standing and operating results of Krka and the Krka Group. The condensed statements for the period January–September 2018 were drawn up using the same accounting principles as for the annual financial statements of Krka and the Krka Group for 2017.

The condensed financial statements for the period that ended on 30 September 2018 were drawn up pursuant to *IAS 34 – Interim Financial Reporting*,

Novo mesto, 7 November 2018

and must be read in conjunction with the annual financial statements drawn up for the business year that ended on 31 December 2017.

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

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



Jože Colarič
President of the Management Board and CEO



Dr Aleš Rotar
Member of the Management Board



Dr Vinko Zupančič
Member of the Management Board



David Bratož
Member of the Management Board



Milena Kastelic
Member of the Management Board – Worker Director