



**Unaudited Interim Report  
for the Krka Group  
and the Krka Company  
for January–September 2015**

**November 2015**

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## INTRODUCTION

The condensed financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (Krka Company) for the periods January–September 2015 and 2014 are unaudited, while the financial statements for the business year 2014 are audited. The Krka Company has no authorised capital and has not made a conditional share capital increase.

The Krka Company promptly announces all significant changes of the data in its listing prospectus in the Ljubljana Stock Exchange

electronic information dissemination system SEOnet, in the Polish Financial Supervision Authority electronic information dissemination system (ESPI), and/or in the Delo daily newspaper. This interim report for the Krka Group and the Krka Company is available on the Krka website [www.krka.si](http://www.krka.si).

The Krka Company Supervisory Board discussed the January–September 2015 Report for the Krka Group and the Krka Company at its regular meeting on 18 November 2015.

## Highlights January–September 2015

- The Group sold EUR 863.3 million worth of products and services, and the Krka Company EUR 827.0 million.
- Sales were up 1% year-on-year both at the level of the Company and the Group.
- Sales volume at Group level increased by 6% compared to the same period last year.
- The highest absolute as well as relative sales growth (up EUR 60.0 million, or 34%) compared to the same period last year was recorded for Region West Europe.
- With a 28% share in total sales, Krka's largest sales region is East Europe.
- The Group generated 93%, and the Company 95% of its sales revenues in markets outside Slovenia.
- The Krka Group generated EUR 157.8 million of operating profit, a decrease by 6% compared to the same period last year. The Krka Company reported EUR 144.0 million of operating profit, down 5% from last year.
- The Group recorded EUR 133.3 million of profit for the period, up 5% compared to the same period last year, and the Company reported EUR 134.9 million of profit for the period, up 12%.
- As in previous periods, the Group's results in the third quarter were again largely influenced by the Russian rouble exchange rate movements. After the rouble appreciated from the beginning of the year, the trend turned in mid-May and the rouble started to decline only to reach its low in mid-August. Rouble-denominated sales in the Russian market were up 7% from the same period last year, with euro-denominated sales down 21%. Due to the rouble's depreciation, the Group is reporting negative exchange rate differences for the nine months to September. In the third quarter we used derivatives as foreign exchange hedges, which resulted in net financial income.
- As at 30 September 2015 Krka's share traded at EUR 60.50 on the Ljubljana Stock Exchange (up 2% from the year-end of 2014), with Krka Company's market capitalisation totalling EUR 2.0 billion.
- The Group allocated EUR 69.7 million to investments in the reported period, of which the Krka Company invested EUR 54.3 million and subsidiaries EUR 15.4 million.
- At the end of September 2015 the Krka Group had 10,558 employees, 0.6% more than at the beginning of the year.

## Krka Group and Krka Company financial highlights

In EUR thousand	Krka Group		Krka Company	
	1-9/2015	1-9/2014	1-9/2015	1-9/2014
Revenues	863,302	858,034	827,008	815,417
EBIT <sup>1</sup>	157,775	167,322	144,045	152,251
EBITDA	237,505	239,328	205,458	204,892
Profit for the period	133,339	127,371	134,874	120,751
R&D expenses	84,243	78,528	87,554	81,772
Investments	69,692	127,264	54,324	112,403
	<b>30 Sep 2015</b>	<b>31 Dec 2014</b>	<b>30 Sep 2015</b>	<b>31 Dec 2014</b>
Non-current assets	1,001,172	1,008,830	1,017,196	1,015,850
Current assets	781,133	786,915	772,841	752,637
Equity	1,395,892	1,351,899	1,428,910	1,381,313
Non-current liabilities	105,603	125,421	72,009	92,462
Current liabilities	280,810	318,425	289,118	294,712
<b>RATIOS</b>	<b>1-9/2015</b>	<b>1-9/2014</b>	<b>1-9/2015</b>	<b>1-9/2014</b>
EBIT margin	18.3%	19.5%	17.4%	18.7%
EBITDA margin	27.5%	27.9%	24.8%	25.1%
Profit margin (ROS)	15.4%	14.8%	16.3%	14.8%
ROE <sup>2</sup>	12.9%	12.5%	12.8%	11.9%
ROA <sup>3</sup>	9.9%	9.5%	10.1%	9.4%
Liabilities/Equity	0.277	0.311	0.253	0.261
R&D expenses/Revenues	9.8%	9.2%	10.6%	10.0%
<b>NUMBER OF EMPLOYEES (as at)</b>	<b>30 Sep 2015</b>	<b>31 Dec 2014</b>	<b>30 Sep 2015</b>	<b>31 Dec 2014</b>
	10,558	10,499	4,812	4,738

<b>SHARE INFORMATION</b>	<b>1-9/2015</b>	<b>1-9/2014</b>
Total number of shares issued	32,793,448	32,793,448
Earnings per share in EUR <sup>4</sup>	5.46	5.21
Closing price at end of period in EUR <sup>5</sup>	60.50	65.40
Price/Earnings ratio (P/E)	11.08	12.56
Book value in EUR <sup>6</sup>	42.57	38.78
Price/Book ratio (P/B)	1.42	1.69
Market capitalisation in EUR thousand (end of period)	1,984,004	2,144,691

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

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

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

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

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

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

## Events after the reporting period

- The term-in-office of Jože Colarič, Zvezdana Bajc, Aleš Rotar PhD, Vinko Zupančič PhD, and worker director Danica Novak Malnar, all current members of the Krka Management Board, expires on 31 December 2015.

At a meeting in January 2015 the Supervisory Board decided to reappoint Jože Colarič as President of the Management Board and Chief Executive for a six-year term-in-office, starting 1 January 2016. The Workers Council at a meeting on 28 September 2015 nominated Milena Kastelic as Worker Director.

At its meeting on 18 November 2015 the Supervisory Board decided that the next term-in-office for the Management Board of Krka, d. d., Novo mesto, would last from 1 January 2016 to 31 December 2021, and that Aleš Rotar PhD, Vinko Zupančič PhD and David Bratož

would be appointed as members, in addition to the President of the Management Board and Chief Executive Jože Colarič and Worker Director Milena Kastelic. David Bratož and Milena Kastelic thus became new members of the Management Board.

David Bratož, born in 1976 in Novo mesto, holds a university degree in economics. David Bratož, born in 1976 in Novo mesto, holds a university degree in economics. Through his successful leadership Krka became one of the leading generic pharmaceutical companies in Poland.

Milena Kastelic, born in 1968 in Novo mesto, holds a university degree in food technology. She has successfully worked in Krka since 1992. Throughout her career her work has focused on herbal and OTC medicines. She is Head of Krka's plant in Bršljin, Novo mesto.

- In the beginning of November Krka ceremoniously opened its new plant for solid dosage pharmaceuticals, Noto 2. Worth EUR 200 million, this is Krka's largest investment to date. The construction of the facility at Krka's pivotal location in Ločna, Slovenia had begun

back in June 2012, and production started in February this year. Once it is fully fitted with all technological equipment, the 55,000 m<sup>2</sup> plant will have the target capacity of 4.5 billion finished products per year.

## Krka Group ID card

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

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

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

**Fax** ++386 7 332 15 37

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

**Website** www.krka.si

**Core business** Production of pharmaceutical preparations

**Business clarification code** 21.200

**Year established** 1954

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

**Tax number** 82646716

**VAT number** SI82646716

**Company ID number** 5043611

**Share capital** EUR 54,732,264.71

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

## Krka Group business model

Krka is one of the world's leading generic pharmaceutical companies. It is domiciled in Slovenia and has a 60-year tradition.

Krka is the leader in the Slovenian market, and it has a significant presence in the generic pharmaceutical markets of Eastern, Central and South-Eastern Europe, having gained strong visibility in Western European markets in recent years as well. We have been strengthening our presence in the overseas markets, aiming to further exploit the sales potential of the Middle East, Far East, Africa, and the Americas. Our production and distribution facilities are located in Slovenia, the Russian Federation, Poland, Croatia and Germany.

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

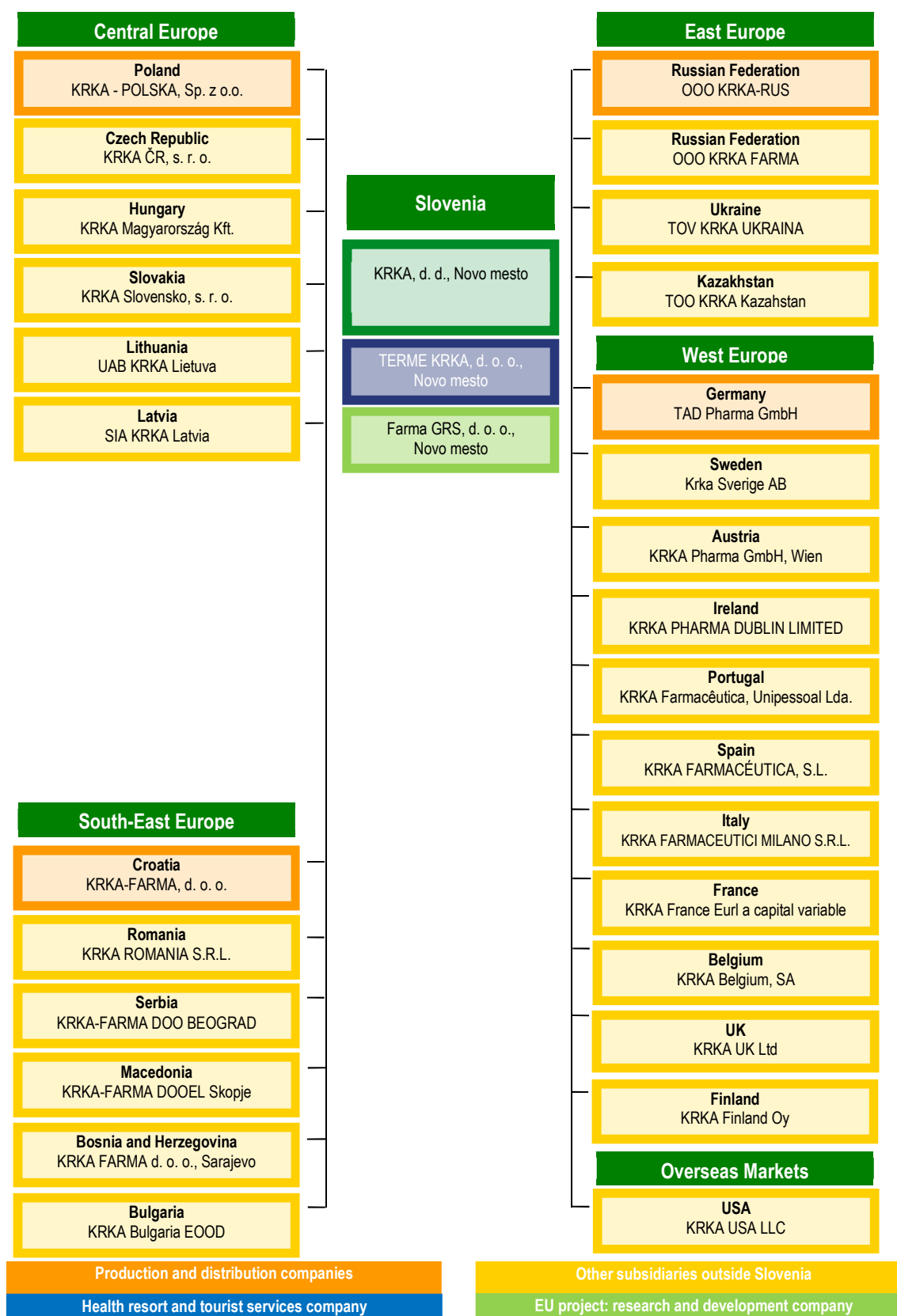
We focus on generic prescription pharmaceuticals marketed under Krka's own brands. We offer

numerous medicinal products from key therapeutic areas, including pharmaceuticals for cardiovascular diseases, for alimentary and metabolic diseases, and for diseases of the central nervous system, as well as medications from other therapeutic areas. A new area that we entered only recently is oncology treatment.

We will continue to concentrate on developing our own marketing-and-sales network in the future, both by establishing our own companies or joint ventures and through acquisitions in target markets. Our objective is to strengthen the Krka Group's market position in European and Central Asian markets as well as to enter new high-potential markets. We are also focused on organic growth, which is why the majority of our resources are pooled into our own R&D, production, and marketing and sales capacities to meet the growing demand for generic products in traditional and new markets.

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

## Krka Group companies



The controlling company, Krka, d. d., Novo mesto, holds 100% ownership stakes in all of the above companies apart from Farma GRS (99.7%) and Krka Belgium (95%). The 5% owner of the Belgium-based subsidiary is Krka France.



## Krka Group development strategy

The Krka Group updates its development strategy on a bi-annual basis. In October the Krka d. d. Management Board adopted the Krka Group development strategy for the 2016–2020 five-year period, and presented it to the Supervisory Board.

The success of implementing strategic objectives at the level of the Group is measured by the Management Board, while the success criteria at

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

The key Krka Group objectives and strategies to 2020 are set out below.

### Key strategic objectives to 2020

- Report an average annual sales volume growth of at least 5%.
- At the same time with organic growth, expand through acquisitions and long-term partnerships (including joint ventures), for which – in case of available commercially appealing acquisition targets – a few hundred thousand EUR is earmarked.
- Have new products account for at least one third of total sales.
- Be the first generic producer to launch selected products on target markets.
- Strengthen the competitive advantage of our product assortment.
- Maintain the largest possible share of vertically integrated products.
- Improve asset efficiency.
- Increase cost efficiency in products.
- Strengthen innovation across all business functions.
- Preserve independence.

### Key strategies to 2020

- Prioritise focus on European and Central Asian markets.
- Maximise the utilisation of the sales potential in all sales regions (Slovenia, South-East Europe, East Europe, Central Europe, West Europe, Overseas Markets).
- Focus our orientation on key markets (Slovenia, Croatia, Romania, Ukraine, the Russian Federation, Poland, Hungary, the Czech Republic, Slovakia, West Europe), key customers and key products.
- Strengthen and consolidate Krka's presence in the markets of Western Europe via our own marketing-and-sales companies and with products of our own brands.
- Strengthen the pharmaceuticals and chemicals business, and in this respect expand our range of prescription pharmaceuticals for three key therapeutic areas (for cardiovascular diseases, for alimentary and metabolic diseases, and for diseases of the central nervous system) while also enter new areas (oncology, antiviral medicinal products, similar biopharmaceuticals), and also strengthen non-prescription products in selected therapeutic areas.
- Strengthen vertical integration from development through to product manufacture.
- Ensure a permanent supply of incoming materials and optimise supply by aiming to continuously reduce purchasing prices.
- Strengthen the outsourcing of production and development.
- Develop generic pharmaceuticals and prepare their marketing authorisation documentation prior to the expiry of the product patent for the original medicine.
- Strengthen all types of relationships in the area of development with external institutions and companies.
- Continue to increase investments in our production, development and infrastructure capacities.
- Search for options to purchase local pharmaceutical companies, make business acquisitions, and enter into various forms of



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

- Reduce the impact of financial risk and economic hazards on Krka Group operations.
- Pursue a dividend increase policy whereby up to 50% of the consolidated net profit from the previous period as attributable to equity owners of the parent is allocated to dividends, and whereby the proportion of each year's profit for the period devoted to dividend payments depends on the Company's financial requirements connected to investments and acquisitions.
- Be open to prospective business combinations (networking) within relevant projects.
- Strengthen the professional and cost synergy within the Krka Group, and maximise the utilisation of competitive advantages in the business environments of Krka companies outside Slovenia.
- Strengthen the internationalisation of all business functions by implementing English and Russian as the key communication tools in the Krka Group.
- Mobilise internal human resource potential with a business and goal orientation.
- Maintain economic, social and environmental responsibility to the surroundings in which we operate.
- Operate on the basis of the principles of business excellence and thereby strengthen Krka's identity and positive public image.

### Estimated realisation of Krka Group objectives for 2015

Sales of products and services are expected to be a good two percent less than in 2014. The critical cause of the anticipated sales result is the decreasing prices of pharmaceuticals in all markets and the depreciation of Eastern European currencies, especially the Russian rouble and the Ukrainian hryvnia, and consequently lower sales, expressed in euros. Krka is trying to offset these negative effects to the greatest extent possible by boosting sales volume and by intensifying marketing and sales activities via subsidiaries in West Europe and the other sales regions.

East Europe is expected to be Krka's largest sales region, and the Russian Federation our most important individual market. Sales outside Slovenia

are expected to account for 93% of total sales. Prescription pharmaceuticals will remain the most important product group, accounting for over 83% of total sales.

The 2015 full-year profit is forecast at the level of last year's.

Over EUR 100 million will be invested in 2015 into our R&D, production and infrastructure capacities included in the plan for 2015; total investments in 2015, which also include commitments under existing contracts, will amount to EUR 182 million.

At the year-end of 2015 the Krka Group is planned to have 10,900 employees, 55% in its companies outside Slovenia.

## BUSINESS REPORT

### Financial risk

#### Foreign exchange risk

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

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

In the nine months to September the Krka Group recorded negative exchange rate differences, resulting from the depreciation of the rouble.

In the third quarter we used foreign exchange hedges against rouble-related currency risk, which resulted in net financial income.

The rouble's value remained unstable in the third quarter. After the rouble had appreciated from the

beginning of the year until mid-May, mainly due to rising oil prices and the Russian central bank's favourable monetary policy, both trends turned in mid-May. The rouble started to weaken and reached its low in mid-August when amidst the risk of an economic decline in China oil prices fell to their lowest levels in six years.

The Russian central bank gradually lowered the key interest rate in the first half of the year, and the costs of hedging rouble positions declined proportionately. Falling oil prices and the rouble's depreciation slowed the trend of the decreasing key interest rate in the third quarter. At the end of the third quarter the costs of hedging rouble positions still remained above 12% annually.

The values of the other currencies in Krka's key sales markets were stable in the nine months to September, their contribution to overall translation differences therefore small.

#### Interest rate risk

The Krka Group was not exposed to reference interest rate risk in the nine months to September because all non-current borrowings had been paid

back in previous years and no new non-current loans were taken out.

#### Credit risk

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

At the end of the third quarter 94% of the Group's trade receivables were included in the credit control process.

At the end of the third quarter, total trade receivables decreased compared to the half-year. This was due to the seasonal decline in sales in the third quarter, which is the period with the lowest

sales in the year. The second reason was the depreciation of the rouble.

Approximately one half of Krka Group's total trade receivables have credit insurance coverage or are hedged with financial instruments. Our policy of hedging receivables did not change in the reported period.

The amount of past due receivables remains at a level that Krka considers acceptable. Customer payment discipline is estimated to have remained unchanged.

## Liquidity risk

In the first nine months of 2015 the risks related to the Group's liquidity were managed by effective short-term cash flow planning. Short-term liquidity was ensured through a stable cash flow, pre-agreed current borrowings from banks, and the daily, rolling weekly, monthly and longer-term planning and monitoring of cash inflows and outflows. While optimising the amounts of cash on their bank accounts, subsidiaries were regularly provided with the required cash.

Liquidity risk is estimated to be low. The volume of current borrowings was also low. Cash inflows exceeded cash outflows for several months, therefore we placed a proportion of cash surpluses into current bank deposits; they were spent on dividend payments at the end of September. All our liabilities were settled in the agreed time frames.

## Property, business interruption and liability insurance

We examined the insurance function in Krka's subsidiaries in Austria and Macedonia, and issued guidelines on how to rationalise insurance in the Krka Group. No major deviations were found.

In early September Krka's industry complex in Ločna, Slovenia hosted an on-site insurance inspection. Representatives of the insurer and reinsurers were briefed on Krka's operations, new investments and the implementation of the recommendations made by the previous inspection. A report of the September on-site inspection is to be issued shortly. Since no major recommendations were made or deviations found, we expect the

inspectors' opinion to contribute to additionally lowering our insurance premiums.

The analysis of the Group's car insurance arrangements in the first half of 2015 has shown that cost optimisation measures had resulted in an additional decrease in the insurance premium as compared to the year before, and that they should be kept up even more rigorously. Companies that stand out in the negative in respect of the majority of the Group's companies, especially as to the number of loss events, will be given individual treatment and a plan will be prepared with them to improve their situation.

## Investor and share information

In the nine months of 2015 the price of Krka's share on the Ljubljana Stock Exchange rose by 1.5%. International investors increased their shareholdings the most in the reported period, i.e. by 1.3 of a percentage point to the current 23.6%. The

proportion of treasury shares also rose, from 0.5% to 0.8%. The holdings of individual and corporate domestic investors and funds, on the other hand, decreased. At the end of September 2015 Krka had 59,348 shareholders.

### Shareholder structure (%)

	30 Sep 2015	31 Dec 2014
Individual Slovenian investors	40.1	41.1
Slovenian Sovereign Holding	16.2	16.2
KAD fund and PPS	11.0	11.0
Slovenian legal entities and funds	8.3	8.9
International investors	23.6	22.3
Treasury shares	0.8	0.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

In the first nine months of 2015 Krka repurchased 96,634 treasury shares worth a total of EUR 5,867,373. As at 30 September 2015 Krka held

269,913 treasury shares, which represents 0.823% of its share capital.

#### 10 largest shareholders as at 30 September 2015

	Country	No. of shares	Share in equity (%)	Share of voting rights (%)
Slovenski državni holding, d. d.	Slovenia	5,312,070	16.20	16.33
Kapitalska družba, d.d..	Slovenia	3,493,030	10.65	10.74
Societe Generale - Splitska banka d.d.	Croatia	2,172,135	6.62	6.68
Hypo Alpe-Adria-Bank d.d.	Croatia	1,120,091	3.42	3.44
KDPW – fiduciarni račun	Poland	496,266	1.51	1.53
Luka Koper d.d.	Slovenia	433,970	1.32	1.33
New World Fund Inc.	USA	400,000	1.22	1.23
Zavarovalnica Triglav, d. d.	Slovenia	388,300	1.18	1.19
The Bank of New York Mellon	USA	300,828	0.92	0.92
American Funds Insurance Series	USA	232,246	0.71	0.71
<b>Total</b>		<b>14,348,936</b>	<b>43.75</b>	<b>44.12</b>

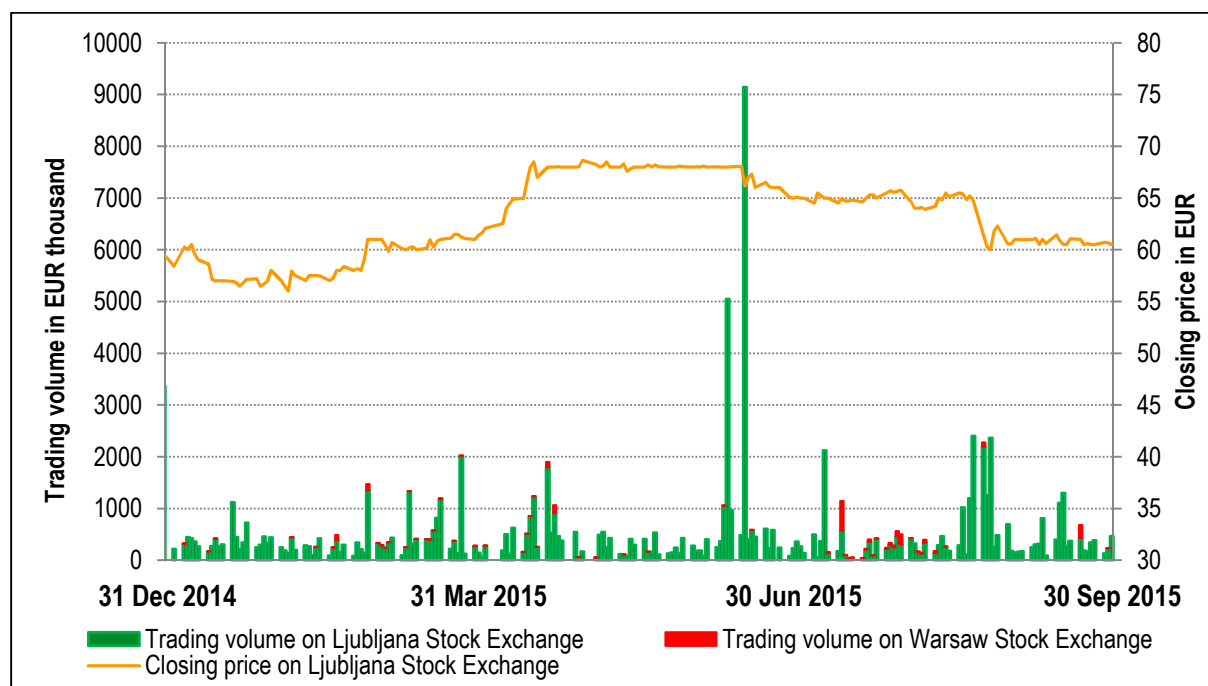
Krka's ten largest shareholders held a total of 14,348,936 shares as at 30 September 2015, which is 43.75% of all issued shares.

As at 30 September 2015, members of the Krka Management Board and Supervisory Board held a total of 39,185 Krka shares, which is 0.120% of all issued shares.

#### Shares in equity and shares of voting rights held by members of the Krka Management Board and Supervisory Board as at 30 September 2015

	No. of shares	Share in equity (%)	Share of voting rights (%)
<b>Management Board members</b>			
Jože Colarič	22,500	0.069	0.069
Zvezdana Bajc	1,660	0.005	0.005
Aleš Rožar	13,023	0.040	0.040
Vinko Zupančič	120	0.000	0.000
Danica Novak Malnar	0	0.000	0.000
<b>Total Management Board</b>	<b>37,303</b>	<b>0.114</b>	<b>0.114</b>
<b>Supervisory Board members</b>			
Matej Pirc	152	0.000	0.000
Julijana Kristl	230	0.001	0.001
Jože Mermal	0	0.000	0.000
Simona Razvornik Škofič	0	0.000	0.000
Tomaž Sever	500	0.002	0.002
Andrej Slapar	0	0.000	0.000
Anja Strojín Štampar	0	0.000	0.000
Franc Šašek	1,000	0.003	0.003
Mateja Vrečer	0	0.000	0.000
<b>Total Supervisory Board</b>	<b>1,882</b>	<b>0.006</b>	<b>0.006</b>

## Share trading January–September 2015



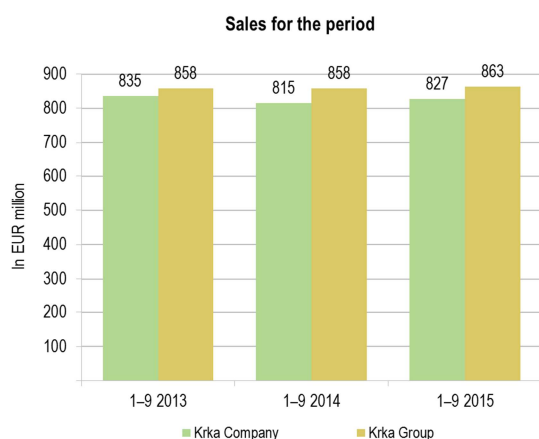
In the nine months to September Krka's share price on the Ljubljana Stock Exchange peaked at EUR 68.65 at the end of April, and reached its low at the beginning of February, when it stood at EUR 56.03. The closing price of Krka's share on 30 September 2015 was EUR 60.50.

Krka's market capitalisation on the Ljubljana Stock Exchange as at the same day totalled EUR 2.0 billion. Deals in Krka's share generated an average daily trading volume of EUR 0.5 million over the period. Since April 2012 Krka's shares have also been listed on the Warsaw Stock Exchange.

## Business operations analysis

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

### Revenues



Sales revenues were up 1% year-on-year both at the level of the Company and the Group.

Krka Company sold EUR 827.0 million worth of prescription pharmaceuticals, non-prescription products and animal health products, while the Group generated EUR 863.3 million of sales revenues from these products plus the health resort and tourist services. The Group generated 93% of its sales revenues in markets outside Slovenia.

Taking into account other operating and financial income, the Group generated a total of EUR 900.9 million of revenues, and the Company EUR 873.5 million. Other operating income includes EUR 20.0 million of released provisions formed for the dispute with AstraZeneca over the unjust

preliminary injunction that had prevented Krka from marketing its esomeprazole in the UK from mid-2010 to mid-2011. All judicial remedies having been exhausted in the case, Krka released the respective provisions.

## Expenses

Total Krka Group expenses amounted to EUR 746.5 million in the nine months to September 2015, which is on the same level as the result reported for the comparable period last year.

The Group incurred EUR 729.5 million of operating expenses, of which the cost of sales was EUR 367.1 million, distribution expenses were EUR 223.2 million, R&D expenses were EUR 84.2 million, and administrative expenses were EUR 54.9 million.

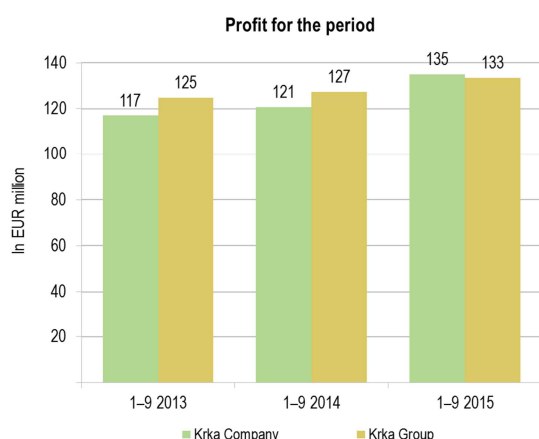
The Group cost of sales increased by 7%, on a costs to sales ratio of 42.5%. Distribution expenses

The chapter Marketing and Sales presents a more detailed analysis of sales results by individual markets, and by groups of products and services.

decreased by 9%, on a costs to sales ratio of 25.9%. The decrease is due to the fact that in the comparable period last year distribution expenses included provisions for the esomeprazole court dispute between Krka and AstraZeneca.

Group R&D expenses increased by 7%, on a costs to sales ratio of 9.8%. The Group does not capitalise R&D expenses, therefore they are recognised as expenses for the period in full. Administrative expenses remained on the same level year-on-year, on a costs to sales ratio of 6.4%.

## Operating result



The Krka Group recorded EUR 157.8 million of operating profit, down 6% compared to the same period last year.

Profit before tax amounted to EUR 154.4 million, up 5% from the same period last year. Income tax totalled EUR 21.1 million, and the effective tax rate was 13.7%.

## Assets

Krka Group assets were worth EUR 1,782.3 million at the end of September 2015, a decrease by EUR 13.4 million or 1% from the end of 2014.

Krka Group profit for the period amounts to EUR 133.3 million, up 5% from the year before, with the Krka Company profit totalling EUR 134.9 million, up 12%.

The Group's results for the third quarter were again largely influenced by the Russian rouble exchange rate movements. After having appreciated from the beginning of the year, the trend turned for the rouble in mid-May, when it started to depreciate only to reach its low in mid-August. Rouble-denominated sales in the Russian market were up 7% from last year's, with euro-denominated sales down 21%. Due to the rouble's depreciation, the Group is reporting negative exchange rate differences for the nine months to September. In the third quarter we used foreign exchange hedges against rouble-related currency risk, which resulted in net financial income.

Non-current assets represent 56.2% of total assets, their proportion remaining unchanged from the beginning of the year. The largest item under non-current assets, which totalled EUR 1,001.2 million, was property, plant and equipment on EUR 836.2

million (down 1% from the end of 2014), which represents 46.9% of the Group's total assets. Intangible assets totalled EUR 116.8 million, down 3% compared to the end of 2014.

Current assets were down 1% in the first nine months of 2015, to EUR 781.1 million. Inventories

were up 15% to EUR 283.2 million, and receivables decreased by 12% to EUR 455.0 million (of which trade receivables amounted to EUR 423.7 million, down 9% from the end of 2014).

## Equity and liabilities

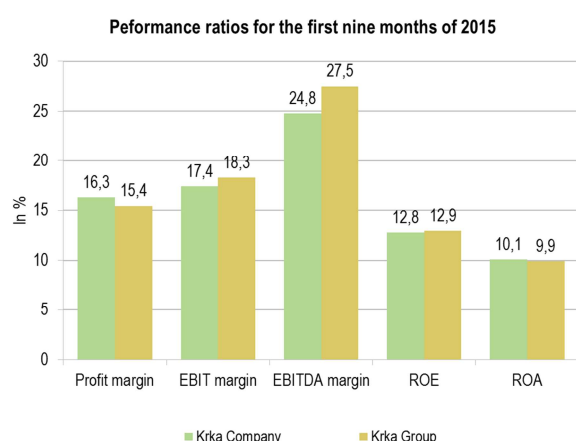
From the end of 2014 the Group's equity increased by 3% to EUR 1,395.9 million, and represents 78.3% of total equity and liabilities.

Amounting to EUR 105.6 million, non-current liabilities represent 5.9% of the Group's total assets. Provisions, which amounted to EUR 79.0 million at the end of the period, were down 19% from the year-end of 2014, the decrease due to the release

of EUR 20.0 million of provisions formed for the dispute between Krka and AstraZeneca.

Current liabilities were down 12% from the end of 2014 and totalled EUR 280.8 million, which is 15.8% of total assets. Among current liabilities, trade payables amounted to EUR 98.0 million, down 15% compared to the year-end of 2014, with other current liabilities up 2% to EUR 167.2 million.

## Performance ratios



The Krka Group profit margin in the period January–September 2015 was 15.4% (Krka Company 16.3%), its EBIT margin 18.3% (Krka Company 17.4%) and its EBITDA margin 27.5% (Krka Company 24.8%).

ROE at the level of the Group was 12.9% (Krka Company 12.8%), with ROA at 9.9% (Krka Company 10.1%).



## Marketing and sales

Group sales in the nine months to September were EUR 863.3 million, up 1% from the same period last year. Sales volume at the level of the Group

increased by 6%. Sales at the level of the Company in the reported period were EUR 827.0 million.

## Sales by Region

Sales were the highest in Region East Europe, where they amounted to EUR 242.3 million, which is 28.1% of total Group sales. Region West Europe reported the second best result with EUR 237.3 million of sales, which represents 27.5% of total sales.

The third largest area in terms of sales was Region Central Europe, where Krka sold EUR 207.0 million

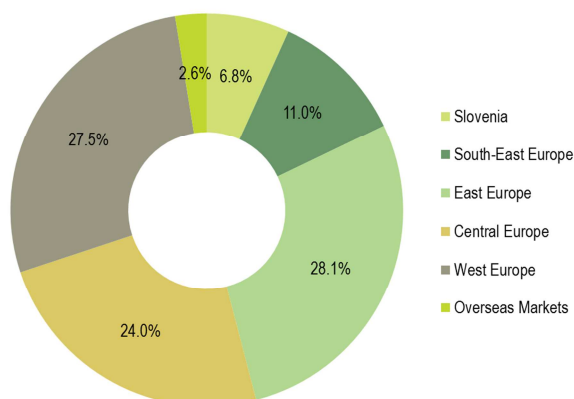
worth of products in the reported period, which is 24.0% of overall sales. In Region South-East Europe sales amounted to EUR 95.4 million, which represents 11.0% of total sales.

In the domestic market sales totalled EUR 59.0 million, which is 6.8%, while in Region Overseas Markets sales were EUR 22.4 million, or 2.6% of Group sales.

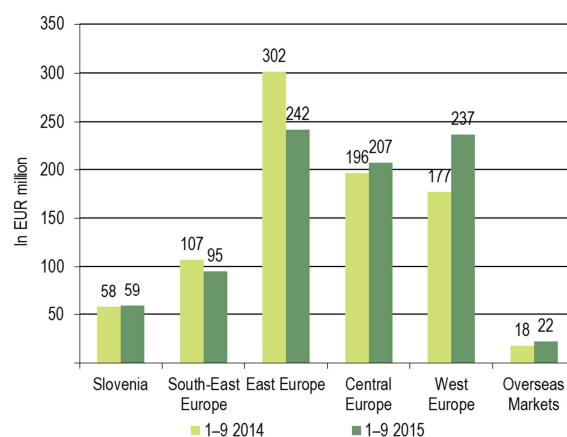
## Krka Group and Company sales by Region

In EUR thousand	Krka Group			Krka Company		
	1-9/2015	1-9/2014	Index	1-9/2015	1-9/2014	Index
Slovenia	58,964	58,019	102	37,309	36,548	102
South-East Europe	95,412	106,968	89	102,983	132,094	78
East Europe	242,279	301,642	80	255,069	287,857	89
Central Europe	206,998	196,416	105	209,868	197,016	107
West Europe	237,270	177,262	134	201,228	146,825	137
Overseas Markets	22,379	17,727	126	20,551	15,077	136
<b>Total</b>	<b>863,302</b>	<b>858,034</b>	<b>101</b>	<b>827,008</b>	<b>815,417</b>	<b>101</b>

## Krka Group sales by Region, January–September 2015



## Krka Group sales by region, January–September 2015 and 2014



## Slovenia

Nine-month sales in the domestic market totalled EUR 59.0 million, up 2% compared to the same period last year. The leading group of products remained prescription pharmaceuticals, which generated EUR 27.8 million, with non-prescription products contributing EUR 5.2 million and animal health products EUR 1.6 million in sales. Health resort and tourist service sales in the period were EUR 23.1 million, and other sales amounted to EUR 1.4 million.

Krka remains the leading pharmaceuticals producer in Slovenia. Our best-selling prescription pharmaceuticals in the reported period were Prenessa (perindopril), Prenewel (perindopril and its fixed-dose combination with a diuretic), Nalpaza (pantoprazole), Sorvasta (rosuvastatin) and Atoris (atorvastatin). The leading non-prescription products in terms of sales were Nalgesin S (naproxen), Daleron (paracetamol) and Septotele, while in the group of animal health products the best-sellers were Fypryst (fipronil), Grovit and Enroxil (enrofloxacin).

In the reported period we focused on strengthening our profile as providers of treatments for diseases of

the central nervous system. Our assortment of products for this therapeutic area was expanded with Aryzalera (aripiprazole) and Pregabalin Krka (pregabalin), and with Dulsevia (duloxetine) in September.

The core of our marketing activities remained focused on Krka's most important therapeutic area, medicines for the treatment of cardiovascular diseases, including antihypertensives Prenessa (perindopril), Prenewel (perindopril and its fixed-dose combination with a diuretic), Amlessa (perindopril and amlodipine), Tolura (telmisartan) and Tolucombi (telmisartan and its fixed-dose combination with a diuretic). As to statins, brand identity was strengthened among the target public for Sorvasta (rosuvastatin) and Atoris (atorvastatin), and as to analgesics for Doreta (tramadol and paracetamol).

With respect to non-prescription products, most marketing activities were devoted to established brands and to the recently launched nasal decongestant SeptaNazal and the cough medicine Solvolan (ambroxol).

## South-East Europe

Product sales in the markets of South-East Europe totalled EUR 95.4 million, down 11% from the same period last year. The decrease is due to lower sales in both key markets, Romania and Croatia, and in Serbia, attributable to the legally regulated decreases in the prices of pharmaceuticals. In the other markets of the Region sales increased, but the advance could not make up for the lower sales in the Region's major markets.

The Region's leading market in terms of sales, and one of Krka's key markets, remains **Romania**, where the volume of sales increased but the sales value was down 29%. Our sales there totalling EUR 28.5 million, we are the third largest generic supplier of medicines and thus one of the most important pharmaceutical companies in the Romanian market.

The majority of sales came from prescription pharmaceuticals, among which the leader was Aryzalera (aripiprazole), followed by Atoris (atorvastatin), Enap (enalapril), Karbis (candesartan), Prenessa/Co-Prenessa (perindopril and its fixed-dose combination with a diuretic), Teotard (theophylline) and Tramadol (tramadol). A relevant proportion of sales was generated in non-

prescription products, especially Bilobil (ginkgo biloba). High sales growth rates in this group were reported for Nalgesin/Naldorex (naproxen), Herbion, SeptaNazal and SeptoAqua. The main sales drivers among animal health products were Floron (florfenicol) and Milprazon (milbemycin and praziquantel).

In **Croatia**, another one of Krka's key markets, product sales totalled EUR 19.2 million, down 8% compared to the same period last year. This ranks Krka the fourth generic human health pharmaceuticals provider in the market and the third in terms of prescription pharmaceutical sales.

The main sales drivers were prescription pharmaceuticals, especially Atoris (atorvastatin), Dalneva (perindopril and amlodipine), Doreta (paracetamol and tramadol), Helex (alprazolam), Perineva (perindopril) and Roswera (rosuvastatin). In September we launched two new prescription pharmaceuticals, Dulsevia (duloxetine) and Pragiola (pregabalin). The leading non-prescription products in terms of sales were Nalgesin (naproxen) and Septotele, while in the group of animal health products the best-seller was Fypryst (fipronil).

With EUR 13.9 million of sales, which is up 8% from the same period last year, Krka is the leading human health pharmaceuticals provider in **Bosnia and Herzegovina**. The main sales drivers among product groups were prescription pharmaceuticals, the sales of which were up 7%. The best-selling prescription pharmaceutical remained Enap (enalapril), followed by Lorista (losartan), Valsacor (valsartan), Roswera (rosuvastatin), Naklofen (diclofenac) and Atoris (atorvastatin). The highest sales growth was recorded for products available without prescription, particularly for Nalgesin (naproxen) and Septotele.

Product sales in **Macedonia** totalled EUR 11.3 million, up 12% compared to the same period last year. This preserved Krka's ranking as the leading foreign generic pharmaceutical company in the country. The main sales drivers among product groups were prescription pharmaceuticals, the sales of which were up 14%. The best-selling products were Enap (enalapril), Tanyz (tamsulosin), Roswera (rosuvastatin), Atoris (atorvastatin) and Lorista (losartan). We were also successful at certain tenders for oncology medications. Non-prescription product sales were up 4%, the leading products in this group being Daleron (paracetamol), Bilobil (ginkgo biloba) and Herbion.

In **Bulgaria** sales amounted to EUR 8.2 million, an increase by 8% compared to the same period last year. Here too the main sales drivers were prescription pharmaceuticals, especially

Valsacor/Co-Valsacor (valsartan and its fixed-dose combination with a diuretic), Prenessa/Co-Prenessa (perindopril and its fixed-dose combination with a diuretic) and Roswera (rosuvastatin). Overall sales also rose on account of animal health products, whereas the sales of non-prescription products were down.

In **Serbia** the sales volume growth for prescription pharmaceuticals continued in the third quarter of 2015. Nevertheless, the value of sales remains lower as compared to the same period last year. A total of EUR 6.4 million worth of products were sold, down 24%. The best-selling products remain Atoris (atorvastatin), Valsacor (valsartan), Nolpaza (pantoprazole) and Ampril (ramipril). The leading non-prescription product in terms of sales was Bilobil (ginkgo biloba), and the best-selling animal health product Fypryst (fipronil).

Sales growth was recorded in all smaller markets of the Region. In **Kosovo**, where Krka sold EUR 4.2 million worth of products and where it ranks among the leading providers of pharmaceuticals, sales were up 9%. Sales in **Albania** totalled EUR 2.8 million, up 23%. The main sales drivers among prescription pharmaceuticals were Lorista (losartan), Enap (enalapril) and Ciprinol (ciprofloxacin). The key factor driving sales in **Montenegro** remains our success rate at public tenders. Nine-month sales in this market totalled EUR 0.8 million, up 7% compared to the same period last year.

## East Europe

In addition to Krka's key markets, the Russian Federation and Ukraine, Region East Europe comprises several other Eastern European and Central Asian markets. Nine-month sales there totalled EUR 242.3 million. The 20% sales decrease is attributable to the economic challenges faced by most countries in the Region, including the Russian Federation and Ukraine. Nevertheless, we managed to increase our market share in numerous countries in the Region.

Sales in **the Russian Federation**, which is one of Krka's key markets and our largest individual market, totalled EUR 168.7 million. Euro-denominated sales decreased by 21% compared to the same period last year, while rouble-denominated sales value increased by 7%.

Owing to declining purchasing power, the sales of human health pharmaceuticals (prescription pharmaceuticals and products available without

prescription) have stagnated. On the other hand, animal health product sales were up, which is due to the Russian Federation increasingly stepping up its food sovereignty.

The main sales drivers were prescription pharmaceuticals, especially Lorista (losartan), Enap (enalapril), Atoris (atorvastatin), Perineva (perindopril and its fixed-dose combination with a diuretic) and Nolpaza (pantoprazole). Good results were also recorded for the human health products Herbion, Zyllt (clopidogrel), Roxera (rosuvastatin) and Orsoten/Orsoten slim (orlistat). Sales were up the most for products launched in the last five years, especially Roxera (rosuvastatin), Emanera (esomeprazole) and Vamloset (valsartan and amlodipine). We have continued expanding our product assortment, successful new product launches in 2015 including Lortenza (losartan and amlodipine), Herbion ivy syrup, Bravadin

(ivabradine), Gliklada (gliclazide) and Maruxa (memantine).

Business operations in **Ukraine** were marked by a shrinking pharmaceuticals market, which had the largest impact on non-prescription product sales, and the sales of prescription pharmaceuticals were also down. Sales totalled EUR 22.3 million, which is 61% of last year's sales for the same period and which increased Krka's market share. Good sales results were recorded for prescription pharmaceuticals Enap (enalapril), Dexamethason (dexamethasone), Prenessa (perindopril) and Flosteron (betamethasone). Our best-selling non-prescription and animal health products in terms of sales were Herbion and Enroxil (enrofloxacin), respectively.

In **Uzbekistan** sales totalled EUR 13.3 million, up 8% compared to the same period last year. As the sales growth trend continued we increased our market share and strengthened Krka's position as one of the leading generic producers in the Uzbek market. For our most important product group in terms of sales, prescription pharmaceuticals, sales were up 18%. The main sales drivers were Lorista (losartan), Enap (enalapril), Atoris (atorvastatin) and Amlessa (perindopril and amlodipine). Among products available without prescription, the best sales results were recorded for Pikovit, Septotele and Duovit. Special attention was devoted in the nine-month period to launching new products on the market: we introduced Dezzradin (desloratadine), Co-Amlessa (perindopril and amlodipine in fixed-dose combination with a diuretic), SeptaNazal and new forms of Atoris (atorvastatin).

Nine-month sales in **Kazakhstan** totalled EUR 10.1 million, down 19% from the same period last year. Nevertheless, we managed to increase our market share despite the shrinking pharmaceuticals market. The main sales drivers were prescription pharmaceuticals, especially Enap (enalapril), Valodip (valsartan and amlodipine) and Prenessa (perindopril). Among the products introduced to the market this year we are singling out Valodip (amlodipine and valsartan), Telmista (telmisartan) and SeptaNazal.

Exports dynamics in **Belarus** were successfully adjusted to market demand, as we dispatched the majority of goods in the summer months. We sold EUR 8.1 million worth of products there, up 20% compared to the same period last year. The largest

proportion of sales came from prescription pharmaceuticals, especially Lorista (losartan), Nolpaza (pantoprazole) and Enap (enalapril).

In **Moldova** sales totalled EUR 4.6 million, up 11% compared to the same period last year. Prescription pharmaceuticals again contributed the largest share to overall sales, especially Ampril (ramipril) and Rawel (indapamide), while the leading non-prescription products were Herbion and Septotele. We successfully launched Vizarsin (sildenafil), Roswera (rosuvastatin) and the Daleron suspension (paracetamol), and introduced new products of the Azibiot (azithromycin), Naklofen (diclofenac) and Herbion brands.

Sales in **Mongolia** totalled EUR 3.5 million, which is a 9% decrease from the same period last year. The decline is attributable to the shrinking of the Mongolian pharmaceuticals market, which had the strongest impact on the sales of products available without prescription: they were down one quarter compared to the nine-month period last year. For our most important product group in terms of sales, prescription pharmaceuticals, sales remained on the same level as in last year's comparable period. New launches in the reported period included Amlessa (perindopril and amlodipine) and the Herbion ivy syrup.

Sales in **Turkmenistan** amounted to EUR 3.1 million, up 8% from last year. The highest sales growth, of 22%, was recorded for non-prescription products, among which the leaders were Herbion and Pikovit. In **Azerbaijan** sales amounted to EUR 2.5 million. The 7% decrease is the result of government-regulated prices of a group of pharmaceuticals. Our most important products in terms of sales were Enap (enalapril), Tramadol (tramadol) and Dexamethason (dexamethasone). Sales in **Georgia** were EUR 2.3 million, up 3% compared to the nine months last year. Prescription pharmaceuticals remained the leaders in terms of sales, especially Lorista (losartan), Sorvasta (rosuvastatin) and Atoris (atorvastatin). Sales in **Kyrgyzstan** totalled EUR 1.4 million, down 29%. In **Armenia** sales increased by 7% to EUR 1.3 million, chiefly due to the 11% increase in the sales of prescription pharmaceuticals. Our best-selling products were Atoris (atorvastatin) and Enap (enalapril). Nine-month sales in **Tajikistan** totalled EUR 1.0 million, down 14% from the same period last year.



## Central Europe

Product sales in Region Central Europe totalled EUR 207.0 million in the nine months, up 5% compared to the same period last year. Sales growth was recorded in most markets of the Region, including the key markets Poland and Hungary.

**Poland** is our largest Central European market and accounts for almost a half of the Region's total sales. Sales there were up 11% compared to the same period last year, to EUR 103.2 million. The largest proportion of sales came from prescription pharmaceuticals, among which the best-sellers are Atoris (atorvastatin), Roswera (rosuvastatin), Valsacor/Co-Valsacor (valsartan and its fixed-dose combinations with a diuretic), Lorista (losartan), Nolpaza (pantoprazole), Aryzalera (aripiprazole) and Doreta (tramadol and paracetamol). The highest sales growth rates were recorded for the more recently launched products, including Karbis (candesartan), Amlessa/Co-Amlessa (perindopril and amlodipine, and their fixed-dose combination with a diuretic) and Doreta (tramadol and paracetamol). The leading non-prescription products in terms of sales remain Septotele and Bilobil (ginkgo biloba), while in the group of animal health products the best-sellers are Fypryst (fipronil) and Floron (florfenicol).

The pharmaceuticals market in the **Czech Republic** remains under the strong influence of changes in the country's healthcare system. Escalating competition and the related decreases in the prices of pharmaceuticals have resulted in lower product sales. Krka nevertheless preserved its market share and ranks as one of the most successful generic pharmaceutical companies in the country that remains Krka's key market. Sales totalled EUR 22 million (down 32%), the majority from prescription pharmaceuticals, especially Tonarssa/Tonanda (perindopril and amlodipine, and their fixed-dose combination with a diuretic), Aryzalera (aripiprazole), Prenessa (perindopril), Asentra (sertraline) and Tolura/Tolucombi (telmisartan and its fixed-dose combination with a diuretic). The leading non-prescription products in terms of sales were Nalgesin (naproxen) and Novolax (bisacodyl), while in the group of animal health products the best-seller was Fypryst (fipronil).

Sales in **Hungary**, another one of Krka's key markets, amounted to EUR 35.5 million, up 27%. The main sales drivers were prescription pharmaceuticals, among which the leader remains Prenessa (perindopril), followed by Atoris

(atorvastatin), Roxera (rosuvastatin), Nolpaza (pantoprazole), Zyllt (clopidogrel), Dalnessa/Co-Dalnessa (perindopril and amlodipine, and their fixed-dose combination with a diuretic), Fromilid (clarithromycin) and Lavestra (losartan). The leading non-prescription product in terms of sales was Bilobil (ginkgo biloba), and the best-seller among animal health products Fypryst (fipronil).

Product sales in **Slovakia** totalled EUR 22.6 million, up 3% compared to the same period last year. The best-selling product in the reported period was Prenessa (perindopril), followed by Valsacor/Co-Valsacor (valsartan and its fixed-dose combination with a diuretic), Atoris (atorvastatin), Nolpaza (pantoprazole) and Amlessa/Co-Amlessa (perindopril and amlodipine, and their fixed-dose combination with a diuretic). The leading non-prescription products were Nalgesin (naproxen) and Septotele.

Sales in **Lithuania** totalled EUR 12.3 million, remaining on the same level as in the comparable period last year. The main sales drivers were prescription pharmaceuticals, especially Valsacor/Valsacombi (valsartan and its fixed-dose combination with a diuretic), Prenessa (perindopril), Amlessa/Co-Amlessa (perindopril and amlodipine, and their fixed-dose combination with a diuretic) and Atoris (atorvastatin). The remaining sales were generated in non-prescription products, among which the best-sellers were Daleron COLD3 (paracetamol in fixed-dose combination with pseudoephedrine and dextromethorphan) and Nalgesin (naproxen), and animal health products, especially Fypryst (fipronil) and Enroxil (enrofloxacin).

In **Latvia** we recorded one of the highest sales growth rates, of 29%. Total sales value amounted to EUR 7.1 million, the majority driven by prescription pharmaceuticals, especially Prenessa (perindopril), Atoris (atorvastatin), Tolura (telmisartan) and Nolpaza (pantoprazole). The best-selling non-prescription products were Nalgesin (naproxen) and Daleron (paracetamol).

Sales were also up 29% in the Region's smallest market, **Estonia**. The largest proportion of the EUR 4.2 million of sales revenues was due to prescription pharmaceuticals, among which we are singling out Roswera (rosuvastatin), Valsacor/Valsacombi (valsartan and its fixed-dose combination with a diuretic) and Atoris (atorvastatin). The leading non-prescription product remain Septotele.

## West Europe

Product sales in Region West Europe amounted to EUR 237.3 million in the nine months of 2015, up 34% compared to the same period last year. Sales via subsidiaries, which have now taken over the majority of sales activities in the Region, increased by 56%. The advance was chiefly due to the successful continued sales of newer products for the treatment of diseases of the central nervous system with aripiprazole, pregabalin and duloxetine in Germany, the UK and the Nordic countries, where we were the first generic manufacturer to launch them. The sales of generic products with aripiprazole and duloxetine, especially in the UK market, were a major contributor to the 8% increase in sales via unaffiliated companies.

The largest proportion of sales in the Region comes from prescription pharmaceuticals, among which the sales leaders are products with esomeprazole, duloxetine, aripiprazole, pregabalin, clopidogrel and pantoprazole. The sales of prescription pharmaceuticals was up 34%. The second best sales result was recorded for animal health products, the sales of which were up 37%; this was mainly due to sales via subsidiaries, while sales via unaffiliated companies also increased. Our best-selling product is the generic antiparasitic with milbemycin and praziquantel, followed by generic products with florfenicol and fipronil. The smallest proportion of sales came from non-prescription products.

Representing almost 30% of the Region's sales, which is EUR 67.4 million, **Germany** remains our most important West European market. Sales there up 46% compared to the nine-month period last year, this is also one of the fastest growing markets. More than 90% of sales in this market was generated by the subsidiary TAD Pharma. High sales growth is mainly the result of good sales results for products with aripiprazole, pregabalin and duloxetine, which we launched as the first generic company at the end of 2014 and at the beginning of 2015.

Product sales in the **Nordic countries** were EUR 33.1 million, an increase by 75% compared to the same period last year. Almost one half of total sales was generated in Sweden, followed by Denmark, Norway and Finland. The best-selling products were generic pharmaceuticals with aripiprazole, pregabalin and duloxetine.

In **Spain** product sales totalled EUR 32.8 million, up 26%. The majority constituted sales of products under our own brands via the subsidiary Krka Farmacéutica, which stepped up sales by 40%. The best-selling products were generic pharmaceuticals with atorvastatin, memantine, donepezil and candesartan. In the third quarter we additionally launched generic products with aripiprazole, pregabalin and duloxetine. The majority of sales is still realized as part of winning a public tender in Andalusia.

Sales in **France** amounted to EUR 25.2 million, up 5%. The leading products in terms of sales were generic pharmaceuticals with esomeprazole, clopidogrel and perindopril, the majority of which were sold via unaffiliated companies.

Sales in the **UK** totalled EUR 23.2 million, which is up 90%. The increase is mainly the result of good sales results for generic products with aripiprazole, duloxetine and pramipexole.

Product sales in **Italy** totalled EUR 16.0 million, an increase by 31% compared to the same period last year. More than one third of overall sales was generated by the subsidiary Krka Farmaceutici, which continues to report high sales growth rates. In the third quarter we were the first to launch generic products with aripiprazole and duloxetine on the market.

A 2% sales growth was recorded in **Portugal**, where product sales totalled EUR 15.1 million. The majority was generated via the subsidiary Krka Farmacéutica. With a 1.3% market share, we have become the fifth largest generic provider of pharmaceuticals.

Sales in the **Benelux** countries amounted to EUR 9.7 million, which is a decrease by 12% from the same period last year. This is due to poorer sales results reported by unaffiliated companies. In September the subsidiary Krka Belgium started marketing our prescription pharmaceuticals in Belgium under the Krka brand.

The majority of the EUR 4.5 million of sales (up 40%) in **Ireland** was generated via the subsidiary Krka Pharma Dublin. In **Austria** sales totalled EUR 3.8 million, up 14% compared to the same period last year, the majority again via Krka's subsidiary in that country.

## Overseas Markets

Nine-month sales in the Overseas Markets totalled EUR 22.4 million, up 26% compared to the same period last year. Sales increased in all three sales offices.

The sales office the **Far East and Africa** reported EUR 12.1 million of sales revenues, up 50% from last year's nine month period. The main contribution to overall sales came from prescription pharmaceuticals, especially those containing lansoprazole, amlodipine, enalapril and carvedilol. Our most important markets were the Republic of South Africa, Vietnam, China, Malaysia, Ghana and Singapore.

Operations in the markets of the **Middle East** office depend to a large extent on the economic

conditions in the area. Nevertheless, sales there totalled EUR 9.8 million, up 6% compared to the same period last year. Krka's most important individual markets there remain Iran, Iraq, Yemen and Lebanon, and the most important products were Asentra (sertraline), Ultop (omeprazole), Zyllt (clopidogrel), Letizen (cetirizine) and Nolpaza (pantoprazole).

The sales office **the Americas** reported a 20% sales increase. The best-selling products were Valsacor (valsartan), Emanera (esomeprazole), Atoris (atorvastatin), Nolpaza (pantoprazole) and Tolura (telmisartan). The majority were sold in the markets of Central America.

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

The Group generated 92.6% of overall sales during the nine months to September 2015 in human health products, making this Krka's most important product group. The largest proportion of sales, 84.0%, were generated in prescription pharmaceuticals, followed by non-prescription

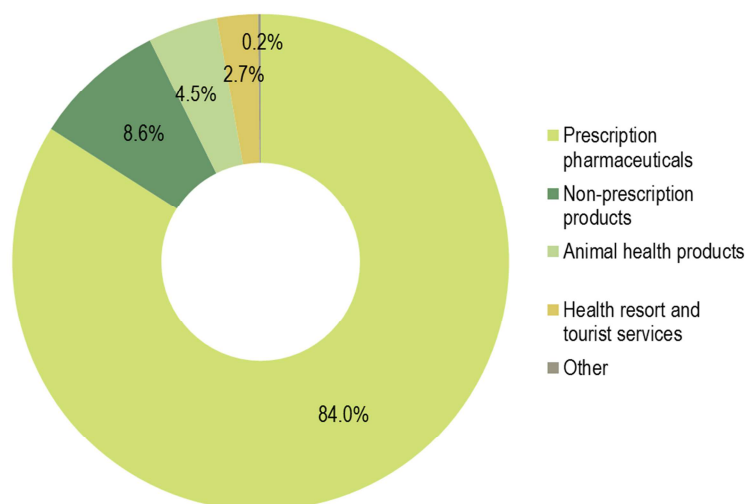
products on 8.6% of total Group sales, and animal health products, which represent 4.5%. Health resort and tourist services represent 2.7% of overall Krka Group sales, and 0.2% is other sales revenues.

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

In EUR thousand	Krka Group			Krka Company		
	1-9/2015	1-9/2014	Index	1-9/2015	1-9/2014	Index
Human health products	799,717	800,385	100	785,140	778,237	101
– Prescription pharmaceuticals	725,261	714,344	102	718,187	704,940	102
– Non-prescription products	74,456	86,041	87	66,953	73,297	91
Animal health products	39,143	33,181	118	39,081	34,184	114
Health resort and tourist services	23,083	22,690	102			
Other	1,359	1,778	76	2,787	2,996	93
<b>Total</b>	<b>863,302</b>	<b>858,034</b>	<b>101</b>	<b>827,008</b>	<b>815,417</b>	<b>101</b>



## Krka Group sales by product and service group, January–September 2015



### Prescription pharmaceuticals

We sold EUR 725.3 million worth of prescription pharmaceuticals in the reported period, 2% more than in the same period last year.

Sales increased in regions West Europe (up 34%), Central Europe (up 4%), Slovenia (up 2%) and the smallest sales region, Overseas Markets (up 28%). In regions East Europe and South-East Europe, on the other hand, sales were down. Sales value in Region East Europe is lower due to the depreciation of the currency in the Russian Federation and economic conditions in Ukraine. In Region South-East Europe sales decreased mainly in the largest market, Romania, on account of a major reduction in prices.

With respect to large markets for Krka's prescription pharmaceuticals, year-on-year sales were up the most in Germany (up 48%), Hungary (up 25%), Spain (up 24%), Poland (9%) and Slovenia (up 2%).

As to mid-size market, considerable sales increases were recorded in the UK (up 80%), Sweden (up 63%), Italy (up 31%), Uzbekistan (up 18%), Macedonia (up 14%), Bulgaria (up 10%), and Bosnia and Herzegovina (up 7%).

With respect to smaller markets for Krka's prescription pharmaceuticals, the highest sales growth rates were recorded in Denmark (up 151%), Norway (up 78%), Finland (up 66%), Ireland (up 44%), Belarus (up 31%), Latvia and Albania (up 29% in both), Estonia (up 27%), Austria (up 14%) and Armenia (11%).

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

The highest year-on-year sales growth rates in absolute terms were recorded for the most recently launched products Aryzalera\* (aripiprazole), Dulsevia\* (duloxetine), Pragiola\* (pregabalin), Valsacor\* (valsartan), Amlessa\* (perindopril and amlodipine), Emanera\* (esomeprazole), Aclexa\* (celecoxib) and Valodip (valsartan and amlodipine).

In 2015 we launched, as the first generic company, the antipsychotic Aryzalera\* (aripiprazole). It was introduced in Austria, Spain, Denmark, Finland, Portugal, Ireland, Italy, Slovenia, the Czech Republic, Slovakia, Hungary, Poland, Romania, Bulgaria, Lithuania, Latvia and Estonia.

Back in the first quarter we were the first generic company to launch the new antidepressant Duloxalta (duloxetine) in Germany, and after that also in Germany the first generic company to launch the urology treatment Dulovesic (duloxetine). The antidepressant Dulsevia\* (duloxetine) was further launched in the UK, Denmark, Finland, Sweden, Portugal, Spain, Slovenia, Austria, Italy, Hungary, the Czech Republic, Slovakia, Croatia, Latvia, Lithuania and Estonia.

An important new central nervous system treatment launched this year is Pragiola\* (pregabalin), which was approved in Austria, Italy, Spain, Denmark, Ireland, Portugal, Slovenia, the Czech Republic, Slovakia, Croatia, Lithuania, Estonia and Bulgaria.

Our assortment of central nervous system medications was additionally supplemented at the end of the half-year with Rasagea (rasagiline), treating Parkinson's disease, which was launched in Germany.

We also launched numerous existing products on new markets:

- Atordapin (atorvastatin and amlodipine) in Latvia;
- Roswera (rosuvastatin) in Moldova and Mongolia;
- Canocombi (candesartan and hydrochlorothiazide) in Estonia;
- Tolura (telmisartan) and Tolucombi (telmisartan and hydrochlorothiazide) in Estonia and Kazakhstan;
- Co-Prenessa (perindopril and indapamide) in Azerbaijan;
- Amlessa (perindopril and amlodipine) in Azerbaijan, Turkmenistan and Kyrgyzstan;

- Co-Amlessa\* (perindopril, indapamide and amlodipine) in Hungary and Uzbekistan;
- Sobycor (bisoprolol) in Bosnia and Herzegovina, and Ukraine;
- Sobycombi (bisoprolol and amlodipine) in Hungary and the Russian Federation;
- Lortenza (losartan and amlodipine) in the Russian Federation;
- Gliclada (gliclazide) in the Russian Federation;
- Azibiot (azithromycin) in Kosovo and Kazakhstan;
- Moloxin\* (moxifloxacin) in Croatia, Finland and France;
- Furocef\* (cephuroxime) in Estonia and Poland;
- Aclixa (celecoxib) in Croatia and Kosovo;
- Tramabian\* (tramadol and paracetamol) in Germany;
- Emanera (esomeprazole) in Kosovo and Belarus;
- Marixino\* (memantine) in Croatia and the Russian Federation;
- the oncology medications assortment imatinib, exemestane and letrozole in Bulgaria, and Ecansya (capecitabine) in Macedonia, Kosovo and Kazakhstan.

## Non-prescription products

In the nine months to September 2015, we sold EUR 74.5 million worth of non-prescription products, a decrease by 13% compared to the same period last year.

Sales increased in regions Central Europe (up 16%), Slovenia (up 9%) and South-East Europe (up 3%). The overall decrease was mainly the result of sales in the Russian Federation and Ukraine being lower for the same reason as with prescription pharmaceuticals.

As to the largest markets, sales increased in Poland (up 27%) and Romania (up 15%), and as to the other markets sales growth was the highest in Moldova (up 45%), Latvia (up 24%), Turkmenistan (up 22%), Slovakia (up 20%), Bosnia and Herzegovina (up 14%), Kosovo (up 6%) and Macedonia (up 4%). Good sales results were reported for seasonal products, including the newly launched Septanazal.

## Animal health products

Animal health product sales totalled EUR 39.1 million, up 18% from the same period last year.

Sales increased or remained on the same level year-on-year in all regions. The highest sales growth rates were recorded in regions West Europe (up 37%), Central Europe (up 28%) and South-East Europe (up 11%).

As to the largest markets for Krka's veterinary products, sales increased the most in Germany (up 129%), Poland (up 40%) and France (up 22%). In the Russian Federation, where Krka increased its

market share in the reported period, the 4% sales growth was recorded despite the depreciation of the rouble. As to the other large markets, sales increased the most in Romania (up 22%), the Baltic Region (up 15%), Hungary (up 13%) and Croatia (up 11%).

In the UK we started placing animal health products on the market via our own sales network.

The top three sales leaders are Floron\* (florfenicol), Fypryst\* (fipronil) and Enroxil\* (enrofloxacin), followed in terms of sales value by Milprazon\*

(milbemycin oxime and praziquantel), which was launched this year, and Trisulfon (sulphamonometoxin and trimethoprim). In addition

to Milprazon, this year we also launched Marfloxin\* (marbofloxacin) injections for cats and dogs on the markets of Central Europe and in Germany.

### Health resort and tourist services

Between January and September 2015 the Terme Krka Group generated EUR 23.1 million of sales, up 2% compared to the same period last year. Declining sales in the first half of the year – which were mainly due to fewer referrals to medical post-operative rehabilitation after cardiovascular surgery in Terme Šmarješke Toplice (they decreased by one quarter), and due to fewer overnight stays by Russian guests – were partly compensated for with good sales results in the summer months. An

increase in overnight stays was recorded for Slovene (up 3%), Italian (up 11%) and Austrian guests (up 6%), and overnight stays by Israeli guests almost doubled. The number of Russian guests was down 37%. In the summer months the hotels were fully booked.

To break down Terme Krka activities: revenues from overnight stays increased by 1%, revenues from medical services by 3% and revenues from restaurants and bars by 5%.

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

## Research and development

In the nine months of 2015 Krka obtained marketing authorisations for 18 new products in 43 dosage forms and strengths.

### Prescription pharmaceuticals

Marketing authorisations were obtained for 13 new prescription pharmaceuticals in 35 dosage forms and strengths.

Controlling increased blood pressure and high cholesterol levels is an important aspect of preventing cardiovascular conditions. This is why our assortment of pharmaceuticals for diseases of the heart and circulation was supplemented with two new fixed-dose combinations, **Rosudapin** (amlodipine and rosuvastatin) and **Tenlisa** (amlodipine and lisinopril), and with a new form of the medicinal product **Atorvastatin-K** (atorvastatin calcium).

Applying the European decentralised procedure we obtained marketing authorisations in nine European countries for Rosudapin (amlodipine and rosuvastatin) in the form of film-coated tablets in six strengths. The product unites two much used active substances for the treatment of increased blood pressure and high cholesterol levels. It provides for a comprehensive control of the factors preconditioning the occurrence of cardiovascular diseases and effectively decreases the risk of cardiovascular events.

In the Russian Federation we obtained marketing authorisations for Atorvastatin-K (atorvastatin calcium) film-coated tablets in six strengths (10 mg, 20 mg, 30 mg, 40 mg, 60 mg and 80 mg). The assortment allows for a wide choice of daily dosage in one tablet in the treatment of hypercholesterolemia and in the prevention of diseases of the heart and circulation. The strongest, 80 mg film-coated tablets represent the maximum daily dosage and are intended for patients with a high risk of cardiovascular complications. The other strengths enable a range of options for daily dosages in a single tablet, with the best relationship between efficacy and safety.

A new hypertension medicinal product was also approved, the fixed-dose combination Tenlisa (amlodipine and lisinopril) in the form of tablets in two strengths being authorised in the Russian Federation. The medicine contains two active ingredients tested to reduce blood pressure, a

Krka acquired 427 new marketing authorisations for 241 products in different markets.

calcium channel blocker and an ACE inhibitor, which complement each other and provide for an efficient blood pressure control.

**Dulsevia/Loxentia/Duloxalta/Dulovesic** (duloxetine) gastro-resistant capsules in four strengths were approved under decentralised procedures in 25 countries. Duloxetine is an antidepressant from the group of serotonin and noradrenaline reuptake inhibitors (SNRIs), used to treat depression and generalised anxiety disorder.

Krka supplemented its assortment of pharmaceuticals for Parkinson's disease. Under the European decentralised procedure we obtained marketing authorisations for **Ralago/Rasagea** (rasagiline) in the form of 1 mg tablets, an important new prescription product for the treatment of diseases of the central nervous system. Rasagiline is a monoamine oxidase B inhibitor with a different mechanism of action from Krka's other treatments for Parkinson's disease. It blocks the enzyme that causes an increase in extracellular levels of dopamine in the central nervous system. The medicine is taken once a day either independently or in combination with levodopa and carbidopa. Therapy with rasagiline does not require titration.

**Oprymea** (pramipexole) prolonged-release tablets in the additional strengths of 2.62 mg and 3.15 mg were approved under the centralised procedure. The medicine is to be taken once a day, and is used either in mono- or combination therapy to treat signs and symptoms of Parkinson's disease.

New products were also added to our assortment of antibiotics. Applying the European decentralised procedure we obtained approvals for **Levalox/Levaxela/Levnibiot/Leviaben** (levofloxacin), a broad-spectrum antibiotic of the quinolone class, in the form of film-coated tablets in two strengths and in the form of solution for infusion. Both forms are used to treat sinus, lung, urinary tract, kidney and bladder infections, long-term prostatitis, and infections of the skin and subcutaneous tissue.

We also obtained marketing approvals for the cephalosporin antibiotic **Furocef/Ricefan**

(cephuroxime), the oxazolidinone antibiotic **Linezolid Krka**, and the fixed-dose combination **Betaklav** (amoxicillin and clavulanic acid). The Furocef film-coated tablets in two strengths were approved for marketing in 15 countries under the European decentralised procedure. The medicine is used to treat infections of the oesophagus, sinuses, middle ear, lungs or chest, urinary tract, skin and Lyme disease.

Linezolid Krka 600 mg film-coated tablets were approved under the decentralised procedure in eight European countries. This is the first oxazolidinone antibiotic in Krka's product assortment. Linezolid selectively inhibits bacterial protein synthesis via a unique mechanism of action, affecting Gram positive bacteria, including streptococci, MRSA and vancomycin-resistant enterococci. The product treats severe pneumonia and severe infections of the skin and subcutaneous tissue.

Under the European decentralised procedure we acquired marketing authorisations in 13 countries for Betaklav in the new form of powder for oral suspension in the concentration 400 mg/57 mg. The product, which medical guidelines rank a first-line treatment for respiratory tract infections, is to be taken twice a day. Applying the European decentralised procedure we additionally obtained marketing authorisations in 20 countries for Betaklav film-coated tablets in two strengths.

A new medicine was added to Krka's assortment of oncology medications after approvals were granted for **Tezalom** (temozolomide) capsules in the Russian Federation. It is an alkylating cytostatic used to treat brain tumours and metastatic melanoma. It prevents the division of cancer cells, thus slowing tumour growth and prolonging survival time.

In Hungary we were granted marketing authorisations under the national procedure for **Gliclada** (gliclazide) modified-release tablets in the new strength of 90 mg. The new strength of this much used type 2 diabetes treatment allows for more flexibility in finding the right dosage with fewer tablets.

European markets were expanded for Krka's antiepileptic **Pragiola** (pregabalin) in the form of capsules in eight strengths. We were the first to obtain marketing authorisations for it in all European countries applying decentralised procedures. It is used to treat epilepsy and generalised anxiety disorder.

In addition to the new products Tenliza and Atorvastatin-K, we expanded marketing opportunities in the Russian Federation for **Co-Dalнева** (perindopril, indapamide and amlodipine), **Niperten Combi** (amlodipine and bisoprolol fumarate) and the **Nolpaza** powder for solution for injection.

In the other Eastern European countries we obtained new marketing authorisations for **Emanera** (esomeprazole), **Roxera** (rosuvastatin), **Moloxin** (moxifloxacin), **Opryme** (pramipexole), the **Nolpaza** (pantoprazole) solution for injection, **Atoris** (atorvastatin), **Dilaxa** (celecoxib), **Vizarsin** (sildenafil), **Sobycor** (bisoprolol), **Gliclada** (gliclazide) and **Azibiot** (azithromycin).

In addition, approvals were granted to Krka in these countries for a series of our fixed-dose combinations, including **Co-Amlessa** (perindopril, indapamide and amlodipine), **Atordapin** (atorvastatin and amlodipine), **Amlessa** (perindopril and amlodipine), **Valsacor H 80/Valsacor H 160/Valsacor HD 160** (valsartan and hydrochlorothiazide), **Vamloset/Valodip** (amlodipine and valsartan), **Co-Prenessa** (perindopril and indapamide), **enalapril maleate** and its fixed-dose combinations with hydrochlorothiazide, **Enap L Combi/Elyrno** (lercanidipine and enalapril), and the oncology medications **Lortanda** (letrozole) and **Tolnexa** (docetaxel).

Key medicinal products from various indication areas were launched on new markets of South-Eastern Europe. New approvals were obtained for the antibiotics **Moloxin** (moxifloxacin) in the form of film-coated tablets and in the form of solution for injection, for **Fromilid** (clarithromycin) 500 mg film-coated tablets and for **Azibiot** (azithromycin) 250 mg film-coated tablets. Other newly launched medicines were the antipsychotic **Aryzalera** (aripiprazole), the antidiabetic **Gliclada SR** (gliclazide) and the cytostatics **Escepran** (exemestane) and **Ecansya** (capecitabine). New marketing authorisations were obtained in different markets for mono products and fixed-dose combinations of two and three active ingredients for the treatment of cardiovascular diseases, including **Tolura** (telmisartan), **Sobycombi** (bisoprolol), **Lizinopril Krka**, **Atordapin** (amlodipine and atorvastatin), **Tenloris** (losartan and amlodipine), **Elernap** (lercanidipine and enalapril) **Valsacor H 80/Valsacor H 160/Valsacor HD 160** (valsartan and hydrochlorothiazide) and **Amlewel** (perindopril, indapamide and amlodipine).



In the overseas markets we expanded marketing opportunities in four countries for our brands **Tolura** (telmisartan) and **Tolucombi** (telmisartan in a fixed-dose combination with a diuretic), **Roswera**

(rosuvastatin), **Zyllt** (clopidogrel), **Tenox** (amlodipine), **Vasilip** (simvastatin), **Nolicin** (norfloxacin), **Ciprinol** (ciprofloxacin), **Lanzul** (lansoprazole) and **Vizarsin** (sildenafil).

## Non-prescription products

In the nine months of 2015 we obtained marketing authorisations for three new products available without prescription.

The **Septotele total/Septabene** (cetylpyridinium chloride and benzydamine chloride) lozenges and spray were approved under the European decentralised procedure in 14 countries and under national procedures in the Russian Federation, Serbia and Macedonia. We thereby supplemented our assortment of products for the treatment of inflammation and pain in the mouth and throat. A new technology for the preparation of hard lozenges was developed for Septotele total lozenges, and a new production technology line set up. The product's efficacy was confirmed by an international clinical trial conducted by Krka. The Septotele total spray was approved on the basis of studies confirming its quality, efficacy and safety. Both forms of the product have anti-inflammatory properties and are analgesics and antiseptics, and both can be administered to adults and children.

As to treatments for the alimentary canal, film-coated tablets **Ulcavis** (bismuth subcitrate) were approved in the Russian Federation. The medicine acts locally. Stomach acid causes bismuth

subcitrate to turn into a sediment that coats the ulcer site and mechanically protect it. The medicine also stimulates the secretion of substances that additionally protect the mucosa. Together with other pharmaceuticals **Ulcavis** constitutes part of a quadruple therapy against *Helicobacter pylori*, where the added bismuth subcitrate makes for a more effective eradication of the bacterium.

In Eastern Europe we expanded markets for certain key products for the treatment of cold and flu symptoms. The **Septoaqua nasal spray for adults** and the **Septoaqua nasal spray for children** were approved for marketing in Belarus, Kyrgyzstan, Uzbekistan and Turkmenistan, and the **Septanazal nasal spray for adults** and the **Septanazal nasal spray for children** in Uzbekistan, Armenia and Turkmenistan. The **Septotele plus oromucosal spray** was additionally launched in Tajikistan, and the **Daleron** brand expanded in Azerbaijan.

As to our herbal products, the **Bilobil** 120 mg capsules were approved in Azerbaijan and Kyrgyzstan, the **Herbion Iceland moss syrup** in Georgia, Moldova, Turkmenistan, Uzbekistan, Kazakhstan and Kyrgyzstan, and the **Herbion ivy syrup** in Tajikistan, Mongolia and Azerbaijan.

## Animal health products

Marketing authorisations were obtained for two new animal health products in five pharmaceutical dosage forms and strengths.

Applying the European decentralised procedure we obtained marketing approvals in 21 European countries, and under the national procedure in the Russian Federation, for our new product **Ataxxa** (imidacloprid and permethrin) in the form of spot-on solution in four strengths. It is used to treat and prevent flea infestations and to prevent infestations with three types of ticks in dogs. Ataxxa completes Krka's assortment of products for the protection of companion animals from external parasites.

Applying the European decentralised procedure we obtained new marketing approvals in 19 European countries, and under the national procedure in the Russian Federation, for **Amatib** (amoxicillin) in the

form of oral powder for pigs and chickens. It is intended for the treatment of infections of the respiratory and gastrointestinal tract, meninges, joints and secondary infections in pigs, and for the treatment of respiratory and gastrointestinal tract infections in chickens. The product solves well in water; to treat the entire brood/drove it can therefore be administered in drinking water, and for pigs it can also be administered individually with feed.

Applying the decentralised procedure we obtained marketing authorisations in 27 European countries for **Milprazon/Milquantel** (milbemycin oxime and praziquantel) in the form of film-coated flavoured tablets for small cats and kittens. The product contains a fixed-dose combination of active substances and is ranked a state-of-the-art intestinal wormer for cats. It is used to treat intestinal parasites, lung worms and eye worms,

and due to its systemic mode of action it prevents the development of heart worms.

We expanded markets for our products for companion animals. Additional approvals were granted under the decentralised procedure for **Dehinel Plus Flavour** and **Dehinel Plus XL** tablets, treating internal parasite infestations in dogs. In Serbia we obtained a new marketing authorisation for **Fypryst Combo** (fipronil and S-methoprene) in the form of spot-on solution in five strengths, a product preventing and treating tick, flea and lice infestations in cats, dogs and skunks, and for the **Milprazon** (milbemycin and praziquantel) tablets in two strengths, an intestinal wormer for dogs. In Bosnia and Herzegovina approvals were granted for **Rycarfa** (carprofen) in the form of solution for injection for cats and dogs, and in the form of flavoured tablets in three strengths for dogs. The product is used as a pain reliever in cats and dogs.

In Croatia we obtained marketing authorisations for the **Marfloxin** (marbofloxacin) solution for injection treating infected wounds and abscesses, and urinary tract infections in cats and dogs, and we expanded the use of the **Toltarox** (toltrazuril) oral suspension preventing coccidiosis to another animal species – sheep.

As to products for food-producing animals, approvals were issued in Bosnia and Herzegovina for our **Flimabend** (flubendazole) oral suspension used to treat internal parasites in poultry and pigs, and for the **Marfloxin** (marbofloxacin) 100 mg/ml solution for injection used to treat respiratory infections in cattle and pigs. In Kazakhstan we obtained additional marketing authorisations for the **Egocin 155** oral powder for the treatment of respiratory and gastrointestinal tract infections in pigs and calves.



## Investments

In the first nine months of the year the Krka Group allocated EUR 69.7 million to investments, of which the controlling company invested EUR 54.3 million and subsidiaries EUR 15.4 million. Total investments, which also include commitments under existing contracts, amounted to EUR 182 million.

Investments are primarily increasing and modernising our production and R&D capacities.

The construction of the production plant for solid dosage pharmaceuticals – Notol 2, which had started back in June 2012 at Krka's pivotal location in Ločna, Slovenia, is now complete. The 55,000 m<sup>2</sup> plant has been the largest investment in Krka's history, its estimated investment value EUR 200 million. After being successfully verified by the Agency for Medicinal Products and Medical Devices of the Republic of Slovenia, production started this February.

Production lines will gradually be added to Notol 2 to increase its production capacity to the target 4.5 billion tablets and capsules per year. The collection of bids and selection of technology equipment providers is ongoing, the equipment to be supplied and fitted next year.

We have also set up a transport system connecting Notol 2 and the end-products warehouse. It was fitted with logistical equipment required to increase its capacity and fluidity after production in Notol 2 is launched. The investment totalled EUR 2.6 million.

The complex for the production of active pharmaceutical ingredients in Krško, Slovenia, with which Krka has increased its production capacity, took two years to complete. Production has already started on all lines. The project's investment value is EUR 85 million.

The construction of the production plant for a new generation of lozenges in Ljutomer, Slovenia, worth EUR 11.5 million, is now complete. The building with the total surface area of 3,943 m<sup>2</sup> was finished at the end of February. After having passed the technical inspection and accepted the production line in May, we launched test production in June and started regular production in August.

Krka's key new investment this year supporting development activities and quality assurance, is a new development and control centre (RKC 4) in Ločna. The 18,000 m<sup>2</sup> complex will cost EUR 54 million and will connect to RKC 2 and RKC 3. Excavation works are ongoing, the construction pit being dug out and foundations laid. Construction works will take two years.

Two investments are in the design phase in the Sterile product production plant. The investment into increasing the production of sprays is estimated at EUR 8 million, while the purchase and preparation of a small scale lyophilisate production line will cost EUR 6 million. Technological equipment has been ordered, and production lines will be ready for operation by the end of 2016.

In Ločna we increased the capacity of the boiler room and upgraded the biological treatment plant. The two investments are estimated at EUR 1.9 million.

One of the most important ongoing investments in Krka's subsidiaries is the Krka-Rus 2 project. The first stage of the project included the construction of a plant and expansion of our logistics centre in Istra, the Russian Federation. Stage two of the project should be completed by December 2016 and is worth an estimated EUR 30 million. When fully technologically equipped, the new plant will have the target production capacity of 1.8 billion tablets and capsules per year.

Due to the expansion of the production programme in the Jastrebarsko distribution and production centre in Croatia, the warehousing and distribution segment of the facility are being converted into new laboratory and production facilities for the production of solid dosage pharmaceuticals. The application for a building permit has been lodged, and project documentation required for the execution of building work is being completed. The collection of bids and selection of technology equipment procurement providers are ongoing. The project's estimated investment value is EUR 30 million.

## Employees

At the end of September 2015 the Krka Group had 10,558 employees. Krka's subsidiaries and representation offices outside Slovenia employ

more than 53% of the Group's employees, and 55% of the Krka team have at least a university level education.

### Education structure

	30 Sep 2015		31 Dec 2014	
	No. of employees	Share (%)	No. of employees	Share (%)
PhD	143	1.4	126	1.2
Master of Science	338	3.2	339	3.2
University Degree	5,325	50.4	5,306	50.5
Higher Professional Education Degree	1,354	12.8	1,282	12.2
Vocational College Degree	272	2.6	271	2.6
Secondary School Education, Level V	1,881	17.8	1,891	18.1
Other	1,245	11.8	1,284	12.2
<b>Total Krka Group</b>	<b>10,558</b>	<b>100.0</b>	<b>10,499</b>	<b>100.0</b>

Our employees learn about the most demanding topics and most recent discoveries at faculties, institutes and other institutions, both at home and abroad. At the end of September 2015, 272 employees were enrolled into part-time studies, 52 of them postgraduate students on their way to obtaining a specialisation, master's degree or PhD. In the first nine months of the year, 39 employees completed their studies.

Employees undergo additional training both in Slovenia and abroad, related to various professional areas of expertise, quality, management, personal growth, foreign languages and informatics. Training is adjusted to their needs, the technological process, the market situation and Krka's development needs. The majority of these trainings are organised in-house, and they are constantly updated and supplemented with new types better adjusted to the contemporary work pace.

We ensure a continuous inflow of new talented employees by offering study grants to students. Currently there are 41 students that receive Krka study grants. They are primarily pharmacy and chemistry students, while grants are also awarded to outstanding students from other fields that are of interest to Krka.

We encourage research activities in the young. In September we bestowed Krka Prizes for special achievements in research to 26 high school students and recognition awards to 24.

Krka is the only certificate-awarding body in Slovenia with the authority to examine and approve six national vocational qualification programmes (NVQ) in the pharmaceutical industry. From 2002 we have awarded 1,305 certificates: 1,163 to Krka employees and 142 to participants from other companies and pharmacies.

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

### Consolidated statement of financial position of the Krka Group

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Property, plant and equipment	836,228	846,478	99
Intangible assets	116,766	120,325	97
Loans	8,524	6,944	123
Investments	7,396	7,388	100
Deferred tax assets	32,056	27,521	116
Other non-current assets	202	174	116
<b>Total non-current assets</b>	<b>1,001,172</b>	<b>1,008,830</b>	<b>99</b>
Assets held for sale	41	41	100
Inventories	283,175	246,260	115
Trade receivables	423,685	467,841	91
Other receivables	31,360	47,436	66
Loans	13,332	1,177	1,133
Investments	79	575	14
Cash and cash equivalents	29,461	23,585	125
<b>Total current assets</b>	<b>781,133</b>	<b>786,915</b>	<b>99</b>
<b>Total assets</b>	<b>1,782,305</b>	<b>1,795,745</b>	<b>99</b>
<b>Equity</b>			
Share capital	54,732	54,732	100
Treasury shares	-16,554	-10,677	155
Reserves	81,923	77,291	106
Retained earnings	1,274,517	1,229,245	104
<b>Total equity holders of the parent</b>	<b>1,394,618</b>	<b>1,350,591</b>	<b>103</b>
Non-controlling interests within equity	1,274	1,308	97
<b>Total equity</b>	<b>1,395,892</b>	<b>1,351,899</b>	<b>103</b>
<b>Liabilities</b>			
Provisions	79,046	97,466	81
Deferred revenue	13,695	14,905	92
Deferred tax liabilities	12,862	13,050	99
<b>Total non-current liabilities</b>	<b>105,603</b>	<b>125,421</b>	<b>84</b>
Trade payables	97,963	115,051	85
Borrowings	32	38,019	0
Income tax payable	15,571	1,332	1,169
Other current liabilities	167,244	164,023	102
<b>Total current liabilities</b>	<b>280,810</b>	<b>318,425</b>	<b>88</b>
<b>Total liabilities</b>	<b>386,413</b>	<b>443,846</b>	<b>87</b>
<b>Total equity and liabilities</b>	<b>1,782,305</b>	<b>1,795,745</b>	<b>99</b>

## Consolidated income statement of the Krka Group

In EUR thousand	1–9/2015	1–9/2014	Index
Revenues	863,302	858,034	101
Cost of sales	-367,114	-343,655	107
<b>Gross profit</b>	<b>496,188</b>	<b>514,379</b>	<b>96</b>
Other operating income	23,998	32,239	74
Distribution expenses	-223,233	-245,667	91
R&D expenses	-84,243	-78,528	107
Administrative expenses	-54,935	-55,101	100
<b>Operating profit</b>	<b>157,775</b>	<b>167,322</b>	<b>94</b>
Financial income	13,649	1,315	1,038
Financial expenses	-16,978	-22,222	76
<b>Net financial expenses</b>	<b>-3,329</b>	<b>-20,907</b>	<b>16</b>
<b>Profit before tax</b>	<b>154,446</b>	<b>146,415</b>	<b>105</b>
Income tax payable	-21,107	-19,044	111
<b>Profit for the period</b>	<b>133,339</b>	<b>127,371</b>	<b>105</b>
Attributable to:			
– equity holders of the parent	133,373	127,405	105
– non-controlling interest	-34	-34	100
<b>Basic earnings per share (in EUR)</b>	<b>4.09</b>	<b>3.91</b>	<b>105</b>
<b>Diluted earnings per share (in EUR)</b>	<b>4.09</b>	<b>3.91</b>	<b>105</b>

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

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

## Consolidated statement of other comprehensive income of the Krka Group

In EUR thousand	1–9/2015	1–9/2014	Index
<b>Profit for the period</b>	<b>133,339</b>	<b>127,371</b>	<b>105</b>
<b>Other comprehensive income for the period</b>			
<b>Other comprehensive income reclassified to profit or loss in future periods</b>			
Translation reserve	-1,252	-10,736	12
Change in fair value of available-for-sale financial assets	9	2,210	0
Deferred tax effect	-2	-375	1
Other	-817	0	
<b>Other comprehensive income reclassified to profit or loss in future periods (net)</b>	<b>-2,062</b>	<b>-8,901</b>	<b>23</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>-2,062</b>	<b>-8,901</b>	<b>23</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>131,277</b>	<b>118,470</b>	<b>111</b>
Attributable to:			
– equity holders of the parent	131,311	118,504	111
– non-controlling interest	-34	-34	100

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

In EUR thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the parent	Non-controlling interests within equity	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserve	Other profit reserves	Retained earnings	Profit for the period			
<b>Balance at 1 Jan 2015</b>	<b>54,732</b>	<b>-10,677</b>	<b>10,677</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-8,981</b>	<b>-75,292</b>	<b>1,001,636</b>	<b>79,528</b>	<b>148,081</b>	<b>1,350,591</b>	<b>1,308</b>	<b>1,351,899</b>
<b>Profit for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>133,373</b>	<b>133,373</b>	<b>-34</b>	<b>133,339</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>-1,252</b>	<b>0</b>	<b>-817</b>	<b>0</b>	<b>-2,062</b>	<b>0</b>	<b>-2,062</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>-1,252</b>	<b>0</b>	<b>-817</b>	<b>133,373</b>	<b>131,311</b>	<b>-34</b>	<b>131,277</b>
<b>Transactions with owners, recognised directly in equity</b>														
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other profit reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other profit reserves under the resolution of the Annual Shareholders Meeting	0	0	0	0	0	0	0	0	50,040	-50,040	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	148,081	-148,081	0	0	0
Transfer to other profit reserves under the resolution of the Annual Shareholders Meeting	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cancellation of treasury shares – reduction of share capital	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cancellation of treasury shares chargeable to other reserves, and reversal of reserves for treasury shares	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Repurchase of treasury shares	0	-5,877	0	0	0	0	0	0	0	0	0	-5,877	0	-5,877
Formation of reserves for treasury shares	0	0	5,877	0	0	0	0	0	0	0	-5,877	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	-81,407	0	-81,407	0	-81,407
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>-5,877</b>	<b>5,877</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50,040</b>	<b>16,634</b>	<b>-153,958</b>	<b>-87,284</b>	<b>0</b>	<b>-87,284</b>
<b>Balance at 30 Sep 2015</b>	<b>54,732</b>	<b>-16,554</b>	<b>16,554</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-8,974</b>	<b>-76,544</b>	<b>1,051,676</b>	<b>95,345</b>	<b>127,496</b>	<b>1,394,618</b>	<b>1,274</b>	<b>1,395,892</b>

In EUR thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the parent	Non-controlling interests within equity	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserve	Other profit reserves	Retained earnings	Profit for the period			
<b>Balance at 1 Jan 2014</b>	<b>59,126</b>	<b>-69,372</b>	<b>69,372</b>	<b>101,503</b>	<b>14,990</b>	<b>30,000</b>	<b>3,883</b>	<b>-25,289</b>	<b>943,393</b>	<b>78,518</b>	<b>125,119</b>	<b>1,331,243</b>	<b>1,368</b>	<b>1,332,611</b>
<b>Profit for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>127,405</b>	<b>127,405</b>	<b>-34</b>	<b>127,371</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,835</b>	<b>-10,736</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-8,901</b>	<b>0</b>	<b>-8,901</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,835</b>	<b>-10,736</b>	<b>0</b>	<b>0</b>	<b>127,405</b>	<b>118,504</b>	<b>-34</b>	<b>118,470</b>
<b>Transactions with owners, recognised directly in equity</b>														
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other profit reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	0	55,234	0	-55,234	0	0	0
Formation of other profit reserves under the resolution of the Annual Shareholders Meeting	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	125,119	-125,119	0	0	0
Transfer to other profit reserves under the resolution of the Annual Shareholders Meeting	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cancellation of treasury shares – reduction of share capital	-4,394	0	0	4,394	0	0	0	0	0	0	0	0	0	0
Cancellation of treasury shares chargeable to other reserves, and reversal of reserves for treasury shares	0	73,835	-73,835	0	0	0	0	0	0	0	0	0	0	0
Repurchase of treasury shares	0	-8,363	0	0	0	0	0	0	0	0	0	-8,363	0	-8,363
Formation of reserves for treasury shares	0	0	8,363	0	0	0	0	0	0	0	-8,363	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	-68,866	0	-68,866	0	-68,866
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total transactions with owners, recognised directly in equity</b>	<b>-4,394</b>	<b>65,472</b>	<b>-65,472</b>	<b>4,394</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>55,234</b>	<b>56,253</b>	<b>-188,716</b>	<b>-77,229</b>	<b>0</b>	<b>-77,229</b>
<b>Balance at 30 Sep 2014</b>	<b>54,732</b>	<b>-3,900</b>	<b>3,900</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>5,718</b>	<b>-36,025</b>	<b>998,627</b>	<b>134,771</b>	<b>63,808</b>	<b>1,372,518</b>	<b>1,334</b>	<b>1,373,852</b>

## Consolidated statement of cash flows of the Krka Group

In EUR thousand	1–9/2015	1–9/2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	133,339	127,371
Adjustments for:	83,105	91,505
– amortisation/depreciation	79,730	72,006
– foreign exchange differences	-8,392	689
– investment income	-13,977	-1,752
– investment expenses	5,025	1,315
– interest expenses and other financial expense	429	203
– income tax	21,107	19,044
– other	-817	0
<b>Operating profit before changes in net operating current assets</b>	<b>216,444</b>	<b>218,876</b>
Change in trade receivables	41,268	-26,172
Change in inventories	-36,915	-10,869
Change in trade payables	-5,470	-12,697
Change in provisions	-18,420	20,792
Change in deferred revenue	-1,210	-453
Change in other current liabilities	-792	-4,596
Income taxes paid	6,002	-28,309
<b>Net cash from operating activities</b>	<b>200,907</b>	<b>156,572</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	697	1,342
Proceeds from sale of current investments	27	3
Dividends received	1,288	22
Proceeds from sale of property, plant and equipment	2,619	563
Purchase of intangible assets	-3,003	-7,373
Purchase of property, plant and equipment	-69,177	-122,877
Non-current loans	-1,702	-1,641
Proceeds from repayment of non-current loans	802	788
Acquisition of non-current investments	-46	-62
Proceeds from sale of non-current investments	20	61
Payments/Proceeds in connection with current investments and loans	-12,490	19,437
Proceeds from derivative financial instruments	11,638	0
<b>Net cash from investing activities</b>	<b>-69,327</b>	<b>-109,737</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-449	-203
Repayment of non-current borrowings	-37,968	0
Dividends paid	-80,907	-68,583
Repurchase of treasury shares	-5,877	-8,363
<b>Net cash used in financing activities</b>	<b>-125,201</b>	<b>-77,149</b>
<b>Net increase in cash and cash equivalents</b>	<b>6,379</b>	<b>-30,314</b>
Cash and cash equivalents at beginning of period	23,585	67,275
Effect of exchange rate fluctuations on cash held	-503	-1,061
<b>Net cash and cash equivalents at end of period</b>	<b>29,461</b>	<b>35,900</b>



## Segment reporting of the Krka Group

In EUR thousand	European Union		South-East Europe		East Europe		Other		Elimination		Total	
	1-9/2015	1-9/2014	1-9/2015	1-9/2014	1-9/2015	1-9/2014	1-9/2015	1-9/2014	1-9/2015	1-9/2014	1-9/2015	1-9/2014
<b>Revenues from non-Group companies</b>	<b>552,651</b>	<b>494,631</b>	<b>39,531</b>	<b>38,312</b>	<b>242,279</b>	<b>301,642</b>	<b>28,841</b>	<b>23,449</b>	<b>0</b>	<b>0</b>	<b>863,302</b>	<b>858,034</b>
<b>Revenues from Group companies</b>	<b>169,020</b>	<b>136,253</b>	<b>16,292</b>	<b>18,381</b>	<b>156,910</b>	<b>149,945</b>	<b>0</b>	<b>0</b>	<b>-342,222</b>	<b>-304,579</b>	<b>0</b>	<b>0</b>
Revenues from reversal of provisions and other income	22,581	25,379	42	78	1,375	6,782	0	0	0	0	23,998	32,239
Operating expenses	-462,247	-425,396	-31,628	-29,487	-216,689	-253,556	-18,961	-14,512	0	0	-729,525	-722,951
Operating expenses to Group companies	-299,819	-248,082	-19,824	-18,961	-259,148	-285,501	-7	-5	578,798	552,549	0	0
<b>Operating profit</b>	<b>112,985</b>	<b>94,614</b>	<b>7,945</b>	<b>8,903</b>	<b>26,965</b>	<b>54,868</b>	<b>9,880</b>	<b>8,937</b>	<b>0</b>	<b>0</b>	<b>157,775</b>	<b>167,322</b>
Interest income	360	1,025	3	5	335	180	0	0	0	0	698	1,210
Interest income from Group companies	826	811	0	0	0	0	0	0	-826	-811	0	0
Interest expenses	-268	-36	0	0	-6	0	0	0	0	0	-274	-36
Interest expenses to Group companies	-437	-745	0	0	-479	-756	0	0	916	1,501	0	0
<b>Net financial result</b>	<b>1,831</b>	<b>1,027</b>	<b>71</b>	<b>-319</b>	<b>-4,333</b>	<b>-21,509</b>	<b>-898</b>	<b>-106</b>	<b>0</b>	<b>0</b>	<b>-3,329</b>	<b>-20,907</b>
Income tax payable	-14,910	-14,246	-987	-897	-4,208	-3,256	-1,002	-645	0	0	-21,107	-19,044
<b>Profit for the period</b>	<b>99,906</b>	<b>81,395</b>	<b>7,029</b>	<b>7,687</b>	<b>18,424</b>	<b>30,103</b>	<b>7,980</b>	<b>8,186</b>	<b>0</b>	<b>0</b>	<b>133,339</b>	<b>127,371</b>
Investments	59,899	118,079	105	147	9,688	9,038	0	0	0	0	69,692	127,264
Depreciation of property, plant and equipment	52,261	45,613	1,393	1,219	19,983	18,975	309	170	0	0	73,946	65,977
Amortisation of intangible assets	3,748	3,742	212	234	1,691	1,942	133	111	0	0	5,784	6,029
	<b>30 Sep 2015</b>	<b>31 Dec 2014</b>	<b>30 Sep 2015</b>	<b>31 Dec 2014</b>	<b>30 Sep 2015</b>	<b>31 Dec 2014</b>	<b>30 Sep 2015</b>	<b>31 Dec 2014</b>	<b>30 Sep 2015</b>	<b>31 Dec 2014</b>	<b>30 Sep 2015</b>	<b>31 Dec 2014</b>
<b>Total assets</b>	<b>1,333,883</b>	<b>1,366,998</b>	<b>38,034</b>	<b>40,709</b>	<b>399,891</b>	<b>380,187</b>	<b>10,497</b>	<b>7,851</b>	<b>0</b>	<b>0</b>	<b>1,782,305</b>	<b>1,795,745</b>
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	40,071	40,919	0	0	0	0	0	0	0	0	40,071	40,919
<b>Total liabilities</b>	<b>292,079</b>	<b>324,486</b>	<b>8,503</b>	<b>11,616</b>	<b>65,494</b>	<b>82,061</b>	<b>20,337</b>	<b>25,683</b>	<b>0</b>	<b>0</b>	<b>386,413</b>	<b>443,846</b>

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

### Costs by nature

EUR 729,525 thousand

In EUR thousand	1-9/2015	1-9/2014	Index
Cost of goods and material	258,540	235,285	110
Cost of services	155,837	149,125	105
Employee benefits costs	242,786	243,518	100
Amortisation and depreciation expenses	79,730	72,006	111
Inventory write-offs and allowances	8,301	5,961	139
Receivables impairment and write-offs	4,494	1,965	229
Formation of provisions for lawsuits	0	20,869	0
Other operating expenses	26,897	25,143	107
<b>Total costs</b>	<b>776,585</b>	<b>753,872</b>	<b>103</b>
Change in the value of inventories of products and work in progress	-47,060	-30,921	152
<b>Total</b>	<b>729,525</b>	<b>722,951</b>	<b>101</b>

### Employee benefits cost

EUR 242,786 thousand

In EUR thousand	1-9/2015	1-9/2014	Index
Gross wages and salaries and continued pay	186,846	188,079	99
Social security contributions	15,107	15,394	98
Pension insurance contributions	25,253	26,309	96
Payroll tax	768	748	103
Post-employment benefits and other non-current employee benefits	1,808	2,051	88
Other costs of labour	13,004	10,937	119
<b>Total employee benefits costs</b>	<b>242,786</b>	<b>243,518</b>	<b>100</b>

### Other expenses

EUR 26,897 thousand

In EUR thousand	1-9/2015	1-9/2014	Index
Grants and assistance for humanitarian and other purposes	1,389	1,409	99
Environmental levies	2,188	1,930	113
Other taxes and levies	19,439	17,356	112
Loss on sale of property, plant and equipment and intangible assets	1,436	1,310	110
Other expenses	2,445	3,138	78
<b>Total other operating expenses</b>	<b>26,897</b>	<b>25,143</b>	<b>107</b>

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

## Financial income and expenses

In EUR thousand	1–9/2015	1–9/2014	Index
Interest income	698	1,210	58
Change in fair value of investments through profit or loss	0	80	0
Proceeds from sale of investments	24	3	800
Income from derivative financial instruments	11,639	0	
– income	11,639	0	
Income from dividends and other shares of the profit	1,288	22	5,855
<b>Total financial income</b>	<b>13,649</b>	<b>1,315</b>	<b>1,038</b>
Net foreign exchange differences	-12,959	-22,019	59
Interest expenses	-274	-36	761
Change in fair value of investments through profit or loss	-78	-4	1,950
Expenses for derivative financial instruments	-3,512	0	
– expenses	-3,512	0	
Other financial expenses	-155	-163	95
<b>Total financial expenses</b>	<b>-16,978</b>	<b>-22,222</b>	<b>76</b>
<b>Net financial result</b>	<b>-3,329</b>	<b>-20,907</b>	<b>16</b>

### Income tax payable

EUR 21,107 thousand

Current income tax amounts to EUR 25,916 thousand, which is 16.8% of pre-tax profit. Together with the deferred tax of EUR –4,809 thousand, the total income tax expense in the income statement

equals EUR 21,107 thousand. The effective tax rate is 13.7%, up 0.7 of a percentage point from the same period last year.

### Property, plant and equipment

EUR 836,228 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Land	35,336	34,760	102
Buildings	410,327	415,976	99
Equipment	348,404	365,880	95
Property, plant and equipment being acquired	42,161	29,862	141
<b>Total property, plant and equipment</b>	<b>836,228</b>	<b>846,478</b>	<b>99</b>

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

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

## Intangible assets

EUR 116,766 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Goodwill	42,644	42,644	100
Trademark	40,071	40,707	98
Concessions, patents, licences and similar rights	28,653	31,511	91
Intangible assets being acquired	5,398	5,463	99
<b>Total intangible assets</b>	<b>116,766</b>	<b>120,325</b>	<b>97</b>

## Loans

EUR 21,856 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
<b>Non-current loans</b>	<b>8,524</b>	<b>6,944</b>	<b>123</b>
– loans to others	8,524	6,944	123
<b>Current loans</b>	<b>13,332</b>	<b>1,177</b>	<b>1,133</b>
– portion of non-current loan maturing next year	98	1,008	10
– loans to others	13,233	168	7,877
– current interest receivable	1	1	100
<b>Total loans</b>	<b>21,856</b>	<b>8,121</b>	<b>269</b>

Non-current loans represent 39% of total loans.

loans.

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

Current loans to others include EUR 13,000 thousand of bank deposits with maturities longer than 30 days.

## Investments

EUR 7,475 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
<b>Non-current investments</b>	<b>7,396</b>	<b>7,388</b>	<b>100</b>
– available-for-sale financial assets	7,396	7,388	100
<b>Current investments including derivatives</b>	<b>79</b>	<b>575</b>	<b>14</b>
– shares and interests held for trading	79	157	50
– other current investments	0	418	0
<b>Total investments</b>	<b>7,475</b>	<b>7,963</b>	<b>94</b>

Available-for-sale financial assets include EUR 672 thousand of investments in shares and interests in

Slovenia, and EUR 6,724 thousand of investments in shares and interests abroad.

## Inventories

EUR 283,175 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Material	112,730	106,098	106
Work in progress	63,740	56,984	112
Products	99,821	75,633	132
Merchandise	6,401	7,429	86
Inventory advances	483	116	416
<b>Total inventories</b>	<b>283,175</b>	<b>246,260</b>	<b>115</b>

## Trade and other receivables

EUR 455,045 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Current trade receivables	423,685	467,841	91
Other current receivables	31,360	47,436	66
<b>Total receivables</b>	<b>455,045</b>	<b>515,277</b>	<b>88</b>

## Cash and cash equivalents

EUR 29,461 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Cash in hand and cheques	17	23	74
Bank balances	29,444	23,562	125
<b>Total cash and cash equivalents</b>	<b>29,461</b>	<b>23,585</b>	<b>125</b>

Bank balances also include EUR 4,117 thousand of bank deposits with maturities of up to 30 days.

## Equity

EUR 1,395,892 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Share capital	54,732	54,732	100
Treasury shares	-16,554	-10,677	155
Reserves	81,923	77,291	106
– reserves for treasury shares	16,554	10,677	155
– share premium	105,897	105,897	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserves	-8,974	-8,981	100
– translation reserves	-76,544	-75,292	102
Retained earnings	1,274,517	1,229,245	104
<b>Total equity holders of the parent</b>	<b>1,394,618</b>	<b>1,350,591</b>	<b>103</b>
Non-controlling interests within equity	1,274	1,308	97
<b>Total equity</b>	<b>1,395,892</b>	<b>1,351,899</b>	<b>103</b>

## Borrowings

EUR 32 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
<b>Current borrowings</b>	<b>32</b>	<b>38,019</b>	<b>0</b>
– borrowings from domestic banks	0	38,000	0
– borrowings from foreign banks	27	0	
– current interest payable	5	19	26
<b>Total borrowings</b>	<b>32</b>	<b>38,019</b>	<b>0</b>

## Provisions

EUR 79,046 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Obligation for post-employment and other non-current employee benefits	78,503	76,938	102
Other provisions:	543	20,528	3
– provisions for lawsuits	101	20,100	1
– other provisions	442	428	103
<b>Total provisions</b>	<b>79,046</b>	<b>97,466</b>	<b>81</b>

## Deferred revenue

EUR 13,695 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Grants received from the European Regional Development Fund and Republic of Slovenia budget for the project Pharmaceuticals Production in the New NOTOL 2 Plant	2,717	2,730	100
Grants received for the Dolenjske and Šmarješke Toplice health resorts and for Golf Grad Otočec	4,149	4,296	97
Grants by the European Regional Development Fund for the Sinteza 4 project	5	8	63
Grants by the European Regional Development Fund for the development of new technologies (FBD project)	462	535	86
Grants by the European Regional Development Fund for building an energy information system (GEN-I)	19	0	
Grants by the European Regional Development Fund for development centres of the Slovene economy	6,262	6,770	92
Property, plant and equipment received for free	59	545	11
Emission coupons	22	21	105
<b>Total deferred revenue</b>	<b>13,695</b>	<b>14,905</b>	<b>92</b>

Development Centres of the Slovene Economy and the FBD project are partly funded by the European Union via the European Regional Development Fund. The project is implemented as part of the Operational Programme 2007–2013, Strengthening

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



## Trade payables

EUR 97,963 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Payables to domestic suppliers	38,137	46,252	82
Payables to foreign suppliers	56,466	64,442	88
Payables from advances	3,360	4,357	77
<b>Total trade payables</b>	<b>97,963</b>	<b>115,051</b>	<b>85</b>

## Other current liabilities

EUR 167,244 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Accrued contractual discounts on products sold	113,330	106,603	106
Payables to employees – gross wages, other receipts and charges	33,803	35,091	96
Derivatives	3,512	0	
Other	16,599	22,329	74
<b>Total other current liabilities</b>	<b>167,244</b>	<b>164,023</b>	<b>102</b>

## Contingent liabilities

EUR 19,620 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Guarantees issued	19,000	18,822	101
Other	620	620	100
<b>Total contingent liabilities</b>	<b>19,620</b>	<b>19,442</b>	<b>101</b>

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

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

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
<b>Assets</b>			
Property, plant and equipment	617,032	623,622	99
Intangible assets	30,877	33,120	93
Investments in subsidiaries	301,282	299,119	101
Trade receivables from subsidiaries	23,175	14,091	164
Loans	26,575	27,588	96
Investments	7,395	7,386	100
Deferred tax assets	10,770	10,833	99
Other non-current assets	90	91	99
<b>Total non-current assets</b>	<b>1,017,196</b>	<b>1,015,850</b>	<b>100</b>
Assets held for sale	41	41	100
Inventories	231,058	201,081	115
Trade receivables	455,867	460,652	99
Other receivables	13,349	34,333	39
Loans	55,236	47,752	116
Investments	79	575	14
Cash and cash equivalents	17,211	8,203	210
<b>Total current assets</b>	<b>772,841</b>	<b>752,637</b>	<b>103</b>
<b>Total assets</b>	<b>1,790,037</b>	<b>1,768,487</b>	<b>101</b>
<b>Equity</b>			
Share capital	54,732	54,732	100
Treasury shares	-16,554	-10,677	155
Reserves	160,017	154,133	104
Retained earnings	1,230,715	1,183,125	104
<b>Total equity</b>	<b>1,428,910</b>	<b>1,381,313</b>	<b>103</b>
<b>Liabilities</b>			
Borrowings	500	2,000	25
Provisions	68,245	86,628	79
Deferred revenue	3,264	3,834	85
<b>Total non-current liabilities</b>	<b>72,009</b>	<b>92,462</b>	<b>78</b>
Trade payables	127,754	139,960	91
Borrowings	93,255	102,020	91
Income tax payable	14,348	0	
Other current liabilities	53,761	52,732	102
<b>Total current liabilities</b>	<b>289,118</b>	<b>294,712</b>	<b>98</b>
<b>Total liabilities</b>	<b>361,127</b>	<b>387,174</b>	<b>93</b>
<b>Total equity and liabilities</b>	<b>1,790,037</b>	<b>1,768,487</b>	<b>101</b>

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

In EUR thousand	1-9/2015	1-9/2014	Index
Revenues	827,008	815,417	101
Cost of sales	-364,015	-332,549	109
<b>Gross profit</b>	<b>462,993</b>	<b>482,868</b>	<b>96</b>
Other operating income	21,856	23,965	91
Distribution expenses	-208,310	-229,002	91
R&D expenses	-87,554	-81,772	107
Administrative expenses	-44,940	-43,808	103
<b>Operating profit</b>	<b>144,045</b>	<b>152,251</b>	<b>95</b>
Financial income	24,606	8,563	287
Financial expenses	-14,509	-22,813	64
<b>Net financial result</b>	<b>10,097</b>	<b>-14,250</b>	
<b>Profit before tax</b>	<b>154,142</b>	<b>138,001</b>	<b>112</b>
Income tax payable	-19,268	-17,250	112
<b>Profit for the period</b>	<b>134,874</b>	<b>120,751</b>	<b>112</b>
<b>Basic earnings per share (in EUR)</b>	<b>4.14</b>	<b>3.70</b>	<b>112</b>
<b>Diluted earnings per share (in EUR)</b>	<b>4.14</b>	<b>3.70</b>	<b>112</b>

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

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

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

In EUR thousand	1-9/2015	1-9/2014	Index
<b>Profit for the period</b>	<b>134,874</b>	<b>120,751</b>	<b>112</b>
<b>Other comprehensive income for the period</b>			
<b>Other comprehensive income reclassified to profit or loss in future periods</b>			
Change in fair value of available-for-sale financial assets	9	2,210	0
Deferred tax effect	-2	-376	1
<b>Other comprehensive income reclassified to profit or loss in future periods (net)</b>	<b>7</b>	<b>1,834</b>	<b>0</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>7</b>	<b>1,834</b>	<b>0</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>134,881</b>	<b>122,585</b>	<b>110</b>

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

In EUR thousand	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other profit reserves	Retained earnings	Profit for the period	
Balance at 1 Jan 2015	54,732	-10,677	10,677	105,897	14,990	30,000	-7,431	1,001,636	55,244	126,245	1,381,313
Profit for the period	0	0	0	0	0	0	0	0	0	134,874	134,874
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	7	0	0	0	7
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	7	0	0	134,874	134,881
Transactions with owners, recognised directly in equity											
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0
Formation of other profit reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	0	0	0	0
Formation of other profit reserves under the resolution of the Annual Shareholders Meeting	0	0	0	0	0	0	0	50,040	-50,040	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	126,245	-126,245	0
Transfer to other profit reserves under the resolution of the Annual Shareholders Meeting	0	0	0	0	0	0	0	0	0	0	0
Cancellation of treasury shares – reduction of share capital	0	0	0	0	0	0	0	0	0	0	0
Cancellation of treasury shares chargeable to other reserves, and reversal of reserves for treasury shares	0	0	0	0	0	0	0	0	0	0	0
Repurchase of treasury shares	0	-5,877	0	0	0	0	0	0	0	0	-5,877
Formation of reserves for treasury shares	0	0	5,877	0	0	0	0	0	0	-5,877	0
Dividends paid	0	0	0	0	0	0	0	0	-81,407	0	-81,407
Total transactions with owners, recognised directly in equity	0	-5,877	5,877	0	0	0	0	50,040	-5,202	-132,122	-87,284
Balance at 30 Sep 2015	54,732	-16,554	16,554	105,897	14,990	30,000	-7,424	1,051,676	50,042	128,997	1,428,910

In EUR thousand	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other profit reserves	Retained earnings	Profit for the period	
<b>Balance at 1 Jan 2014</b>	59,126	-69,372	69,372	101,503	14,990	30,000	3,881	943,393	62,396	116,957	1,332,246
<b>Profit for the period</b>	0	0	0	0	0	0	0	0	0	120,751	120,751
<b>Total other comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	1,834	0	0	0	1,834
<b>Total comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	1,834	0	0	120,751	122,585
<b>Transactions with owners, recognised directly in equity</b>											
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0
Formation of other profit reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	55,234	0	-55,234	0
Formation of other profit reserves under the resolution of the Annual Shareholders Meeting	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	116,957	-116,957	0
Transfer to other profit reserves under the resolution of the Annual Shareholders Meeting	0	0	0	0	0	0	0	0	0	0	0
Cancellation of treasury shares – reduction of share capital	-4,394	0	0	4,394	0	0	0	0	0	0	0
Cancellation of treasury shares chargeable to other reserves, and reversal of reserves for treasury shares	0	73,835	-73,835	0	0	0	0	0	0	0	0
Repurchase of treasury shares	0	-8,363	0	0	0	0	0	0	0	0	-8,363
Formation of reserves for treasury shares	0	0	8,363	0	0	0	0	0	0	-8,363	0
Dividends paid	0	0	0	0	0	0	0	0	-68,866	0	-68,866
<b>Total transactions with owners, recognised directly in equity</b>	<b>-4,394</b>	<b>65,472</b>	<b>-65,472</b>	<b>4,394</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>55,234</b>	<b>48,091</b>	<b>-180,554</b>	<b>-77,229</b>
<b>Balance at 30 Sep 2014</b>	<b>54,732</b>	<b>-3,900</b>	<b>3,900</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>5,715</b>	<b>998,627</b>	<b>110,487</b>	<b>57,154</b>	<b>1,377,602</b>

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

In EUR thousand	1–9/2015	1–9/2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit for the period</b>	<b>134,874</b>	<b>120,751</b>
<b>Adjustments for:</b>	<b>62,587</b>	<b>65,823</b>
– amortisation/depreciation	61,413	52,641
– foreign exchange differences	830	3,001
– investment income	-24,698	-8,731
– investment expenses	4,585	707
– interest expenses and other financial expense	1,189	955
– income tax	19,268	17,250
<b>Operating profit before changes in net operating current assets</b>	<b>197,461</b>	<b>186,574</b>
Change in trade receivables	-2,110	-20,099
Change in inventories	-29,977	-1,721
Change in trade payables	-1,801	-14,056
Change in provisions	-18,383	20,549
Change in deferred revenue	-570	-1,181
Change in other current liabilities	-2,982	-5,551
Income taxes paid	12,651	-19,739
<b>Net cash from operating activities</b>	<b>154,289</b>	<b>144,776</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,342	2,568
Proceeds from sale of current investments	24	3
Dividends received	1,288	21
Proportionate profit of subsidiaries	10,399	2,993
Proceeds from sale of property, plant and equipment	1,470	260
Purchase of intangible assets	-2,690	-3,895
Purchase of property, plant and equipment	-61,386	-110,323
Acquisition of subsidiaries and a share of minority interest without obtained assets	-2,447	-4,631
Refund of subsequent payments in subsidiaries	285	185
Non-current loans	-6,417	-2,593
Proceeds from repayment of non-current loans	8,163	1,897
Acquisition of non-current investments	-20	-42
Proceeds from sale of non-current investments	22	60
Payments/Proceeds in connection with current investments and loans	-8,388	23,703
Proceeds from derivative financial instruments	11,639	0
<b>Net cash from investing activities</b>	<b>-46,716</b>	<b>-89,794</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-1,202	-955
Repayment of non-current borrowings	-1,500	0
Payments in connection with current borrowings	-8,751	-4,594
Dividends paid	-80,907	-68,583
Repurchase of treasury shares	-5,877	-8,363
<b>Net cash used in financing activities</b>	<b>-98,237</b>	<b>-82,495</b>
<b>Net increase in cash and cash equivalents</b>	<b>9,336</b>	<b>-27,513</b>
Cash and cash equivalents at beginning of year	8,203	49,417
Effect of exchange rate fluctuations on cash held	-328	-1,095
<b>Net cash and cash equivalents at end of period</b>	<b>17,211</b>	<b>20,809</b>



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

	European Union		South-East Europe		East Europe		Other		Total	
In EUR thousand	1-9/2015	1-9/2014	1-9/2015	1-9/2014	1-9/2015	1-9/2014	1-9/2015	1-9/2014	1-9/2015	1-9/2014
<b>Revenues</b>	<b>507,272</b>	<b>469,103</b>	<b>38,214</b>	<b>38,250</b>	<b>255,069</b>	<b>287,857</b>	<b>26,453</b>	<b>20,207</b>	<b>827,008</b>	<b>815,417</b>
Revenues from reversal of provisions and other income	21,468	23,224	12	61	376	680	0	0	21,856	23,965
Operating expenses	-440,693	-409,821	-30,746	-27,653	-214,419	-235,145	-18,961	-14,512	-704,819	-687,131
<b>Operating profit</b>	<b>88,047</b>	<b>82,506</b>	<b>7,480</b>	<b>10,658</b>	<b>41,026</b>	<b>53,392</b>	<b>7,492</b>	<b>5,695</b>	<b>144,045</b>	<b>152,251</b>
Interest income	776	1,711	0	0	480	755	0	0	1,256	2,466
Interest expenses	-1,061	-825	0	0	0	0	0	0	-1,061	-825
<b>Net financial result</b>	<b>11,790</b>	<b>7,130</b>	<b>359</b>	<b>43</b>	<b>-1,154</b>	<b>-21,317</b>	<b>-898</b>	<b>-106</b>	<b>10,097</b>	<b>-14,250</b>
Income tax payable	-11,777	-9,348	-1,001	-1,208	-5,488	-6,049	-1,002	-645	-19,268	-17,250
<b>Profit for the period</b>	<b>88,060</b>	<b>80,288</b>	<b>6,838</b>	<b>9,493</b>	<b>34,384</b>	<b>26,026</b>	<b>5,592</b>	<b>4,944</b>	<b>134,874</b>	<b>120,751</b>
Investments	54,324	112,403	0	0	0	0	0	0	54,324	112,403
Depreciation of property, plant and equipment	41,292	34,799	1,219	1,054	14,430	12,120	309	170	57,250	48,143
Amortisation of intangible assets	2,554	2,588	192	211	1,284	1,588	133	111	4,163	4,498
	30 Sep 2015	31 Dec 2014	30 Sep 2015	31 Dec 2014	30 Sep 2015	31 Dec 2014	30 Sep 2015	31 Dec 2014	30 Sep 2015	31 Dec 2014
<b>Total assets</b>	<b>1,287,741</b>	<b>1,306,443</b>	<b>38,892</b>	<b>40,679</b>	<b>452,911</b>	<b>413,517</b>	<b>10,493</b>	<b>7,848</b>	<b>1,790,037</b>	<b>1,768,487</b>
<b>Total liabilities</b>	<b>268,091</b>	<b>278,238</b>	<b>7,334</b>	<b>9,377</b>	<b>65,365</b>	<b>73,876</b>	<b>20,337</b>	<b>25,683</b>	<b>361,127</b>	<b>387,174</b>

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

### Costs by nature

EUR 704,819 thousand

In EUR thousand	1–9/2015	1–9/2014	Index
Cost of goods and material	261,186	226,331	115
Cost of services	230,564	223,208	103
Employee benefits costs	150,409	147,887	102
Amortisation and depreciation expenses	61,413	52,641	117
Formation of provisions for lawsuits	0	20,550	0
Inventory write-offs and allowances	4,605	2,648	174
Receivables impairment and write-offs	3,530	749	471
Other operating expenses	18,757	19,098	98
<b>Total costs</b>	<b>730,464</b>	<b>693,112</b>	<b>105</b>
Change in the value of inventories of products and work in progress	-25,645	-5,981	429
<b>Total</b>	<b>704,819</b>	<b>687,131</b>	<b>103</b>

### Employee benefits cost

EUR 150,409 thousand

In EUR thousand	1–9/2015	1–9/2014	Index
Gross wages and salaries and continued pay	116,090	115,276	101
Social security contributions	8,346	8,270	101
Pension insurance contributions	14,586	14,837	98
Post-employment benefits and other non-current employee benefits	1,617	1,920	84
Other costs of labour	9,770	7,584	129
<b>Total employee benefits costs</b>	<b>150,409</b>	<b>147,887</b>	<b>102</b>

### Other expenses

EUR 18,757 thousand

In EUR thousand	1–9/2015	1–9/2014	Index
Grants and assistance for humanitarian and other purposes	1,013	1,161	87
Environmental levies	1,567	1,354	116
Other taxes and levies	13,610	11,874	115
Loss on sale of property, plant and equipment and intangible assets	996	703	142
Other expenses	1,571	4,006	39
<b>Total other operating expenses</b>	<b>18,757</b>	<b>19,098</b>	<b>98</b>

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

## Financial income and expenses

In EUR thousand	1–9/2015	1–9/2014	Index
Interest income	1,256	2,466	51
Change in fair value of investments through profit or loss	0	80	0
Proceeds from sale of investments	24	3	800
Income from derivative financial instruments	11,639	0	
– income	11,639	0	
Income from dividends and other shares of the profit	11,687	6,014	194
<b>Total financial income</b>	<b>24,606</b>	<b>8,563</b>	<b>287</b>
Net foreign exchange differences	-9,731	-21,854	45
Interest expenses	-1,061	-825	129
Change in fair value of investments through profit or loss	-78	-4	1,950
Expenses for derivative financial instruments	-3,512	0	
– expenses	-3,512	0	
Other financial expenses	-127	-130	98
<b>Total financial expenses</b>	<b>-14,509</b>	<b>-22,813</b>	<b>64</b>
<b>Net financial result</b>	<b>10,097</b>	<b>-14,250</b>	

### Income tax payable

EUR 19,268 thousand

Current income tax amounts to EUR 19,206 thousand, which is 12.5% of pre-tax profit. Together with the deferred tax of EUR 62 thousand, the total income tax expense in the income statement equals

EUR 19,268 thousand. The effective tax rate is 12.5%, which is on the same level as in the same period last year.

### Property, plant and equipment

EUR 617,032 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Land	22,867	22,285	103
Buildings	272,496	286,874	95
Equipment	288,575	301,751	96
Property, plant and equipment being acquired	33,094	12,712	260
<b>Total property, plant and equipment</b>	<b>617,032</b>	<b>623,622</b>	<b>99</b>

The value of property, plant and equipment represents 34% of the Company's total assets.

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

## Intangible assets

EUR 30,877 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Concessions, patents, licences and similar rights	25,502	27,660	92
Intangible assets being acquired	5,375	5,460	98
<b>Total intangible assets</b>	<b>30,877</b>	<b>33,120</b>	<b>93</b>

Intangible assets include marketing authorisation documentation for new medicines, and software.

## Loans

EUR 81,811 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
<b>Non-current loans</b>	<b>26,575</b>	<b>27,588</b>	<b>96</b>
– loans to subsidiaries	18,353	20,965	88
– loans to others	8,222	6,623	124
<b>Current loans</b>	<b>55,236</b>	<b>47,752</b>	<b>116</b>
– portion of non-current loan maturing next year	1,885	3,039	62
– loans to subsidiaries	40,065	44,306	90
– loans to others	13,094	129	10150
– current interest receivable	192	278	69
<b>Total loans</b>	<b>81,811</b>	<b>75,340</b>	<b>109</b>

Non-current loans represent 32% of total loans.

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

Current loans to others include EUR 13,000 thousand of bank deposits with maturities longer than 30 days.

## Investments

EUR 7,474 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
<b>Non-current investments</b>	<b>7,395</b>	<b>7,386</b>	<b>100</b>
– available-for-sale financial assets	7,395	7,386	100
<b>Current investments</b>	<b>79</b>	<b>575</b>	<b>14</b>
– shares and interests held for trading	79	157	50
– other current investments	0	418	0
<b>Total investments</b>	<b>7,474</b>	<b>7,961</b>	<b>94</b>

Available-for-sale financial assets include EUR 672 thousand of investments in shares and interests in

Slovenia, and EUR 6,723 thousand of investments in shares and interests abroad.

## Inventories

EUR 231,058 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Material	99,222	93,578	106
Work in progress	62,633	54,794	114
Products	60,397	46,022	131
Merchandise	8,490	6,652	128
Inventory advances	316	35	903
<b>Total inventories</b>	<b>231,058</b>	<b>201,081</b>	<b>115</b>

## Trade and other receivables

EUR 469,216 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Current trade receivables	455,867	460,652	99
– current receivables due from subsidiaries	267,729	231,295	116
– current receivables due from customers other than Group companies	188,138	229,357	82
Other current receivables	13,349	34,333	39
<b>Total receivables</b>	<b>469,216</b>	<b>494,985</b>	<b>95</b>

## Cash and cash equivalents

EUR 17,211 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Cash in hand and cheques	4	5	80
Bank balances	17,207	8,198	210
<b>Total cash and cash equivalents</b>	<b>17,211</b>	<b>8,203</b>	<b>210</b>

Bank balances also include EUR 4,117 thousand of bank deposits with maturities of up to 30 days.

## Equity

EUR 1,428,910 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Share capital	54,732	54,732	100
Treasury shares	-16,554	-10,677	155
Reserves:	160,017	154,133	104
– reserves for treasury shares	16,554	10,677	155
– share premium	105,897	105,897	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserves	-7,424	-7,431	100
Retained earnings	1,230,715	1,183,125	104
<b>Total equity</b>	<b>1,428,910</b>	<b>1,381,313</b>	<b>103</b>

## Borrowings

EUR 93,755 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
<b>Non-current borrowings</b>	<b>500</b>	<b>2,000</b>	<b>25</b>
– borrowings from subsidiaries	500	2,000	25
<b>Current borrowings</b>	<b>93,255</b>	<b>102,020</b>	<b>91</b>
– borrowings from subsidiaries	93,147	63,898	146
– borrowings from domestic banks	0	38,000	0
– current interest payable	108	122	89
<b>Total borrowings</b>	<b>93,755</b>	<b>104,020</b>	<b>90</b>

## Provisions

EUR 68,245 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Obligation for post-employment and other non-current employee benefits	68,245	66,628	102
Provisions for lawsuits	0	20,000	0
<b>Total provisions</b>	<b>68,245</b>	<b>86,628</b>	<b>79</b>

## Deferred revenue

EUR 3,264 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Grants received from the European Regional Development Fund and Republic of Slovenia budget for the project Pharmaceuticals Production in the New NOTOL 2 Plant	2,717	2,730	100
Grants by the European Regional Development Fund for the Sinteza 4 project	5	8	63
Grants by the European Regional Development Fund for the development of new technologies (FBD project)	462	535	86
Grants by the European Regional Development Fund for building an energy information system (GEN-I)	19	0	
Property, plant and equipment received for free	39	540	7
Emission coupons	22	21	105
<b>Total deferred revenue</b>	<b>3,264</b>	<b>3,834</b>	<b>85</b>

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

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

## Trade payables

EUR 127,754 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Payables to subsidiaries	46,868	50,216	93
Payables to domestic suppliers	36,022	42,957	84
Payables to foreign suppliers	43,295	44,233	98
Payables from advances	1,569	2,554	61
<b>Total trade payables</b>	<b>127,754</b>	<b>139,960</b>	<b>91</b>



## Other current liabilities

EUR 53,761 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Accrued contractual discounts on products sold to other customers	18,487	18,489	100
Payables relating to unpaid equity of subsidiaries	258	258	100
Payables to employees – gross wages, other receipts and charges	25,617	27,543	93
Derivatives	3,512	0	
Other	5,887	6,442	91
<b>Total other current liabilities</b>	<b>53,761</b>	<b>52,732</b>	<b>102</b>

## Contingent liabilities

EUR 21,921 thousand

In EUR thousand	30 Sep 2015	31 Dec 2014	Index
Guarantees issued	21,301	19,792	108
Other	620	620	100
<b>Total contingent liabilities</b>	<b>21,921</b>	<b>20,412</b>	<b>107</b>

## MANAGEMENT BOARD STATEMENT OF RESPONSIBILITIES

The Management Board of Krka, d. d., Novo mesto hereby states that the condensed financial statements of the Krka Company and the condensed consolidated financial statements of the Krka Group for the nine months ended 30 September 2015 were drawn up so as to provide a true and fair view of the financial standing and operating results of the Krka Company and the Krka Group. The condensed statements for the period January–September 2015 were drawn up using the same accounting principles as for the annual financial statements of the Krka Company and Group for 2014.

The condensed interim financial statements for the nine months ended 30 September 2015 were drawn

up pursuant to IAS 34 – Interim Financial Reporting, and must be read in conjunction with the annual financial statements drawn up for the business year ended 31 December 2014.

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

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

Novo mesto, 29 October 2015



Jože Colarič  
President of the Management Board and Chief Executive



Dr Aleš Rotar  
Member of the Management Board



Zvezdana Bajc  
Member of the Management Board



Dr Vinko Zupančič  
Member of the Management Board



Danica Novak Malnar  
Worker Director – Member of the Management Board