



**Unaudited Interim Report
for the Krka Group
and the Krka Company
for January–September 2017**

Novo mesto, November 2017

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INTRODUCTION

The condensed consolidated financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (Krka Company) for January–September 2017 and for January–September 2016 are unaudited, while the statements for the full 2016 business year present audited figures. The Krka Company has no authorised capital and has not made a conditional share capital increase.

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

electronic information dissemination system SEOnet, in the Polish Financial Supervision Authority electronic information dissemination system (ESPI), and/or in the Delo daily newspaper. Interim reports for the Krka Group and the Krka Company are available on the Krka website www.krka.si.

The Krka Company Supervisory Board discussed the January–September 2017 unaudited report for the Krka Group and the Krka Company at its regular meeting on 15 November 2017.

Operational highlights January–September 2017

- The Krka Group sold €928.3 million worth of products and services, and Krka Company product sales amounted to €887.4 million. These are Krka's highest nine-month sales results to date.
- Krka Group sales exceeded last year's in the same period by €75.9 million or 9%.
- The Group generated 93%, and the Krka Company 95%, of its sales revenues in markets outside Slovenia.
- The highest absolute (up €41.4 million) and relative (up 18%) year-on-year sales growth was recorded in Region East Europe. This is where we generated 29.2% of total sales and thus Krka's largest sales region.
- Sales increased in all sales regions.
- The Group generated €149.2 million of operating profit, an increase by half compared to the same period last year. The Krka Company recorded €143.6 million of operating profit.
- The Group recorded a net profit of €110.1 million, up 37% compared to the same period last year, and the Krka Company generated €106.3 million of net profit, up 47%.
- As at 30 September 2017 Krka's share traded at €55.20 on the Ljubljana Stock Exchange, up 4% compared to the year-end of 2016. Krka Company's market capitalisation amounted to €1.8 billion.
- The Group's investment spending totalled €75.2 million in the reported period, of which the controlling company invested €62.0 million and subsidiaries €13.2 million. This is 15% less than in the same period last year.
- At the end of September, the Krka Group had 10,733 permanent employees; together with agency workers, the Krka team was 12,145 strong.

Krka Group and Krka Company financial highlights

In € thousand	Krka Group			Krka Company		
	1-9/2017	1-9/2016	2016	1-9/2017	1-9/2016	2016
Revenues	928,251	852,385	1,174,424	887,422	782,538	1,071,709
EBIT ¹	149,223	99,674	122,435	143,591	75,307	98,920
EBITDA	228,957	178,824	228,238	203,956	136,757	180,685
Net profit	110,051	80,316	108,456	106,336	72,412	102,872
R&D expenses	92,877	85,300	117,994	96,377	89,385	122,874
Investments	75,241	88,516	131,817	61,983	45,939	80,663

	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016
Non-current assets	1,034,163	1,038,067	1,037,402	1,024,176
Current assets	848,632	873,451	765,525	813,527
Equity	1,449,658	1,444,444	1,449,407	1,440,448
Non-current liabilities	116,445	115,313	83,116	81,691
Current liabilities	316,692	351,761	270,404	315,564

RATIOS	1-9/2017	1-9/2016	2016	1-9/2017	1-9/2016	2016
EBIT margin	16.1%	11.7%	10.4%	16.2%	9.6%	9.2%
EBITDA margin	24.7%	21.0%	19.4%	23.0%	17.5%	16.9%
Profit margin (ROS)	11.9%	9.4%	9.2%	12.0%	9.3%	9.6%
ROE ²	10.1%	7.6%	7.6%	9.8%	6.8%	7.2%
ROA ³	7.7%	5.9%	5.8%	7.8%	5.5%	5.7%
Liabilities/Equity	0.299	0.289	0.323	0.244	0.236	0.276
R&D expenses/Revenues	10.0%	10.0%	10.0%	10.9%	11.4%	11.5%

NUMBER OF EMPLOYEES	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016
As at	10,733	10,889	4,895	4,889

SHARE INFORMATION	1-9/2017	1-9/2016
Total number of shares issued	32,793,448	32,793,448
Earnings per share in € ⁴	4.55	3.30
Closing price at end of period in EUR ⁵	55.20	61.90
Price/Earnings ratio (P/E)	12.13	18.75
Book value in € ⁶	44.21	43.04
Price/Book ratio (P/B)	1.25	1.44
Market capitalisation in € thousand (end of period)	1,810,198	2,029,914

¹ Difference between operating income and expenses

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

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

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

⁵ Share price on the Ljubljana Stock Exchange

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

Krka Group ID card

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

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 €54,732,264.71

Number of issued shares 32,793,448 ordinary registered no-par value shares with the symbol KRKG. 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 with more than 60 years of experience in the industry.

Krka has a strong presence in the generic pharmaceutical markets of Eastern, Central and South-Eastern Europe, having had strong visibility in Western European markets for several years as well. It is the leading supplier of medicines in its domestic market. It has been increasingly strengthening its presence in the overseas markets, aiming to better exploit the sales potential of the Middle East, the Far East, Africa and the Americas, with special emphasis on China. Its production facilities are in Slovenia, the Russian Federation, Poland, Croatia and Germany.

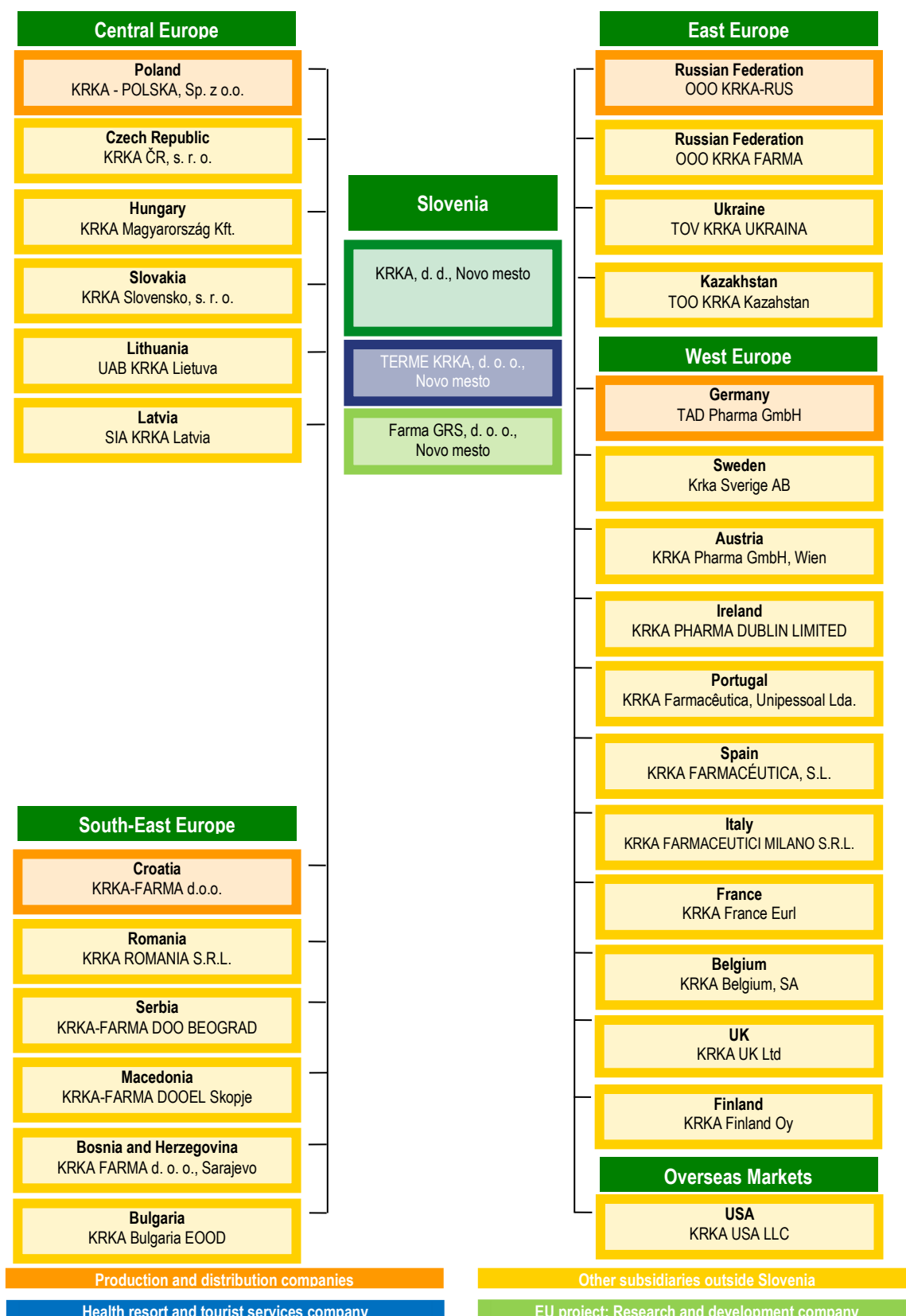
Advanced pharmaceutical production and the vertically integrated business model allow us to provide customers in more than 70 countries with a wide range of high-quality, safe and effective prescription pharmaceuticals, non-prescription products and animal health products. Krka's product range primarily consists of solid dosage pharmaceutical forms. The product assortment is supplemented by the health resort and tourist services of Terme Krka.

We focus on generic prescription pharmaceuticals marketed under Krka's brands. We offer a number of medicinal products for the treatment of diseases from key therapeutic areas, i.e. for cardiovascular diseases, diseases of the central nervous system, and diseases of the alimentary tract and metabolism), while entering the perspective therapeutic areas (analgesics and oncology medications, antidiabetics, anti-virus medicines, and antibiotics).

We have been expanding our marketing and sales network, and thereby gaining market shares, by establishing Krka subsidiaries and acquiring companies in selected markets. Our objective is to strengthen the market position of the Krka Group in European and Central Asian markets, and to enter new high-potential markets.

Wishing to increase the competitive advantage of Krka's product range, we have been allocating a large proportion of revenues to research and development. There are currently more than 170 new products in the pipeline. A large proportion of our revenues are generated by the sales of new 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 subsidiaries apart from Farma GRS (99.7%) and

Krka Belgium (95%); the remaining 5% in the latter is held by the subsidiary Krka France.

Krka Group development strategy

The Krka Group updates its development strategy on a bi-annual basis. In November 2017 the Krka Company Management Board adopted the Group's development strategy for the period 2018–2022, and presented it to the Supervisory Board.

We measure how well our strategic objectives are being realised against benchmarks, which are set at the level of the Krka Group, at the level of product groups and at the level of business functions. Performance at the level of the Group is monitored

by the Management Board, with performance at the level of product and service groups as well as business functions being monitored by the relevant committees. The key principle in managing performance criteria is increasing competitiveness of the entire Group and of each company individually.

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

Key strategic objectives to 2022

- To record an average annual sales growth in terms of volume/value of at least 5%.
- By means of an efficient development and production chain, and in accordance with the required quality standards, to ensure in a timely manner products responding to market demand in sufficient quantities to record target sales growth.
- To focus on the maximum long-term profitability of products sold, from development and production to the sale of finished products, including all other functions in the Krka Group.
- To expand not only with organic growth but by means of acquisitions and long-term business combinations (including joint ventures) in case of available commercially appealing acquisition targets. The primary objectives are to gain new products and/or new markets.
- In addition to the existing range of products that represent the so-called gold standard, maintain the largest possible share of new products in total sales and the share of vertically integrated products.
- To launch selected products on selected key markets as one of the first generic pharmaceutical companies.
- To strengthen the competitive advantage of our product portfolio.
- To improve the cost-effective use of all assets.
- To improve all business functions in innovative ways.
- To maintain independence.

Key strategies to 2022

- To focus primarily on European markets, China and Central Asian markets.
- To maximise the sales potential in all sales regions (Slovenia, South-East Europe, East Europe, Central Europe, West Europe, Overseas Markets).
- To strengthen our presence in key markets (the Russian Federation, West Europe, Poland, Slovenia, Romania, Hungary, Ukraine, the Czech Republic and Croatia), and to focus on key customers and key products.
- To include one of the markets of Region Overseas Markets among the key markets.
- To establish and strengthen our presence in Western European markets by operating via our own marketing and sales companies and by marketing our brand products (Krka and TAD Pharma).
- To strengthen the pharmaceutical and chemical industry and in this respect expand our range of prescription products for three key therapeutic areas (medicines for cardiovascular diseases, for the central nervous system and for the

alimentary tract and metabolism) and in other prospective areas (analgesics and oncology medicines, antidiabetics, anti-virus medicines and antibiotics) while also entering new areas at the same time. In key therapeutic areas we will also introduce innovative products (innovative fixed combinations of two or three substances, strengths, pharmaceutical forms and new delivery systems).

- To also strengthen our product ranges of non-prescription products and animal health products in selected therapeutic areas (particularly products for companion animals).
- To embark on the area of similar biological medicines.
- To enhance vertical integration from development to product manufacture.
- To ensure a permanent supply of incoming materials, and optimise supply by continuously reducing purchasing prices.
- To strengthen the outsourcing of production and development of certain active pharmaceutical ingredients and finished products.
- To develop generic medicines and prepare appropriate marketing authorisation documents before the expiry of the patent on the original medicine.
- To strengthen all types of connections with external institutions and companies in the field of development and other fields.
- To seek possibilities of acquiring local pharmaceutical companies, making business

acquisitions and entering into various kinds of long-term business combinations (joint ventures) in selected markets with the primary objective to gain new products and with that new therapeutic areas and/or new markets.

- To make stable and optimal investments into production and development capacities, and infrastructure.
- To reduce the impact of financial risks on Krka Group operations.
- To pursue a stable dividend-increase policy, whereby the share of net profit to be allocated to dividends each year is determined also by considering Krka's financial requirements for investments and acquisitions, and at least 50% of the consolidated profit of major shareholders to be allocated to dividends.
- To strengthen the professional and cost synergy of the Krka Group, and maximise the utilisation of competitive advantages in the business environments in which Krka companies operate abroad.
- To strengthen the internationalisation of the Krka Group by managing the potential of employees in the international environment.
- To uphold the economic, social and environmental responsibilities to the environments in which we operate.
- To strengthen Krka's identity and positive public image.
- To ensure corporate integrity, transparency and business compliance.

Estimated realisation of Krka Group business objectives for 2017

- Annual product and service sales are expected to amount to €1.240 billion, thus exceeding the annual plan.
- The projected sales value in 2017 will exceed that of 2016 by around 6%.
- Sales in markets outside Slovenia are expected to account for 93% of total sales.
- Krka's largest sales region will be East Europe, with the Russian Federation remaining the largest individual market. Region Central Europe with Poland, Krka's second largest individual market, will be next in terms of sales. The third largest region according to sales will be West Europe with our third largest individual market, Germany. Regions South-East Europe, Slovenia and Overseas Markets will follow.
- Prescription pharmaceuticals will remain the most important product group, accounting for over 82% of total sales.
- The 2017 full-year profit is forecast to amount to approximately €140 million.
- Just over €120 million will have been invested in our development, production and infrastructure capacities by the end of the year, which is less than last year.
- According to projections, the Krka Group will have around 11,000 employees at the year-end of 2017, 53% of them abroad.

BUSINESS REPORT

Financial risks

Foreign exchange risk

Due to Krka's widespread international operations, the Group is exposed to foreign exchange risk in certain sales markets.

Foreign exchange risk management activities remained unchanged in the third quarter. Currency risk is primarily eliminated using natural hedges, and derivatives are used to secure our exposure in the Russian roubles.

The rouble, which represents Krka's key exposure in terms of currency risk, was volatile during the first nine months. Three factors were crucial: the movement of the EUR/USD exchange rate, oil price movements, and macroeconomic conditions in the Russian Federation.

The rouble's value appreciated against the euro by mid-April, when it was the euro that started appreciating against both the rouble and the dollar. The euro's appreciation was triggered by presidential elections in France and the related decrease in political risk associated with the eurozone. This was amid forming expectations that in the autumn the European Central Bank would publish its gradually abandoning the expansionary monetary policy.

In comparison with previous years, the correlation between the rouble's value and oil prices decreased slightly. However, the major volatility of oil prices, which ranged between \$44–58 a barrel this year, additionally fuelled the rouble's volatility.

Macroeconomic conditions in the Russian Federation are gradually improving. Due to the rapidly lowering inflation, the Central Bank of the Russian Federation dropped the key interest rate by 1.5 percentage points this year, thereby indirectly preventing the rouble's value from rising. As at 30 September 2017 the rouble's value in euro was 5.8% lower than at the beginning of the year.

In the first nine months Krka hedged part of its exposure in roubles with forward contracts. Exposures in other currencies are being eliminated exclusively using natural hedges, without derivatives.

The overall net financial result – taking into account net foreign exchange differences for all currencies, which amounted to €–14.3 million, derivatives income and expenses, which amounted to €–4.6 million, interest income and expenses and other financial income and expenses, which amounted to €–1.0 million – totalled €–20.0 million for the nine months to September.

Interest rate risk

The Krka Group had no long-term borrowings in the nine months to September and was therefore not exposed to the risk of changing reference interest rates.

Credit risk

Key credit risk of the Krka Group is associated with trade receivables. The centralised credit control process at Group level includes all customers to which Krka sells more than €100,000 worth of products and services per year. There were more than 400 such customers at the end of the third quarter of 2017, representing more than 95% of the Group's trade receivables.

Our credit risk management policy remained unchanged in the nine months to September – we continued with the close monitoring and insuring of trade receivables from markets with a poor macroeconomic environment and markets in which we are detecting increased risks associated with the distribution of medicines.

Over a half of the Group's total trade receivables have credit insurance coverage, while only a minor

segment was secured for payment using banking instruments.

Our portfolio of trade receivables witnessed no negative trends this year. Individual customers whose payments are running late receive special treatment in terms of payment dynamics and new

dispatches. We normally arrange insurance for customers posing a greater risk.

Since relevant value adjustments for receivables had been made in previous periods, we are not expecting negative effects on the Group's financial result in this respect.

Liquidity risk

In the nine months to September, risks related to Krka Group's liquidity were managed by effective short-term cash flow planning. Short-term liquidity was ensured by means of a stable cash flow, pre-agreed short-term borrowings from banks, and the daily, rolling weekly, monthly and longer-term planning and monitoring of cash inflows and outflows. While optimising the amounts of cash on their bank accounts, subsidiaries were regularly provided with the required cash. By the end of September, cash pooling was introduced to eight subsidiaries via Citibank.

Liquidity risk is estimated as low. The volume of short-term borrowings in the reported period was low. Cash inflows had exceeded cash outflows for several months, therefore we placed some surplus cash into short-term bank deposits. They were spent on dividend payments in the second half of July, and we also arranged a short-term borrowing for this purpose. By the end of the third quarter, all short-term borrowings had been repaid. All our liabilities have been settled regularly and on time.

Property, liability and business interruption insurance

Striving to optimise insurance deals and after assessing tenders, Krka has entered into new insurance arrangements. Even with the value of insured assets increasing, the total insurance premium has decreased. All Group companies have insurance policies at the local level, which provides them with optimum property protection and protects them from claims for damages.

The controlling company took out liability insurance for the management again, and provided insurance coverage for investment projects. After having analysed car insurance in the Group, we terminated comprehensive insurance in selected countries.

Investor and share information

In the first nine months of 2017 the price of Krka's share on the Ljubljana Stock Exchange rose by 4%. The proportion of treasury shares increased the most in this period and the holdings of international

investors were also slightly up, with Slovenian companies and individuals having decreased their stakes. At the end of September 2017 Krka had a total of 52,456 shareholders.

Shareholder structure (holdings in %)

	30 Sep 2017	31 Dec 2016
Individual Slovenian investors	39.3	39.7
Slovenian Sovereign Holding (Slovenski državni holding)	16.2	16.2
KAD fund and PPS	11.0	11.0
Slovenian companies and funds	8.0	8.1
International investors	23.6	23.5
Treasury shares	1.9	1.5
Total	100.0	100.0

In the first nine months of 2017 Krka repurchased 143,431 treasury shares worth a total of €7,890,688.

As at 30 September 2017 Krka held 636,471 treasury shares, which represents 1.941% of its share capital.

Krka's ten largest shareholders as at 30 September 2017

	Country	No. of shares	Share in equity (%)	Share of voting rights (%)
SLOVENSKI DRŽAVNI HOLDING, D. D.	Slovenia	5,312,070	16.20	16.48
KAPITALSKA DRUŽBA, D. D.	Slovenia	3,493,030	10.65	10.84
SPLITSKA BANKA D. D.	Croatia	1,804,603	5.50	5.60
ADDIKO BANK D. D.	Croatia	1,219,433	3.72	3.78
KDPW	Poland	466,289	1.42	1.45
LUKA KOPER, D. D.	Slovenia	433,970	1.32	1.35
UNICREDIT BANK AUSTRIA AG	Austria	416,858	1.27	1.29
CLEARSTREAM BANKING SA	Luxembourg	403,790	1.23	1.25
ZAVAROVALNICA TRIGLAV, D. D.	Slovenia	388,300	1.18	1.20
SMALLCAP WORLD FUND INC.	USA	335,262	1.02	1.04
Total		14,273,605	43.53	44.28

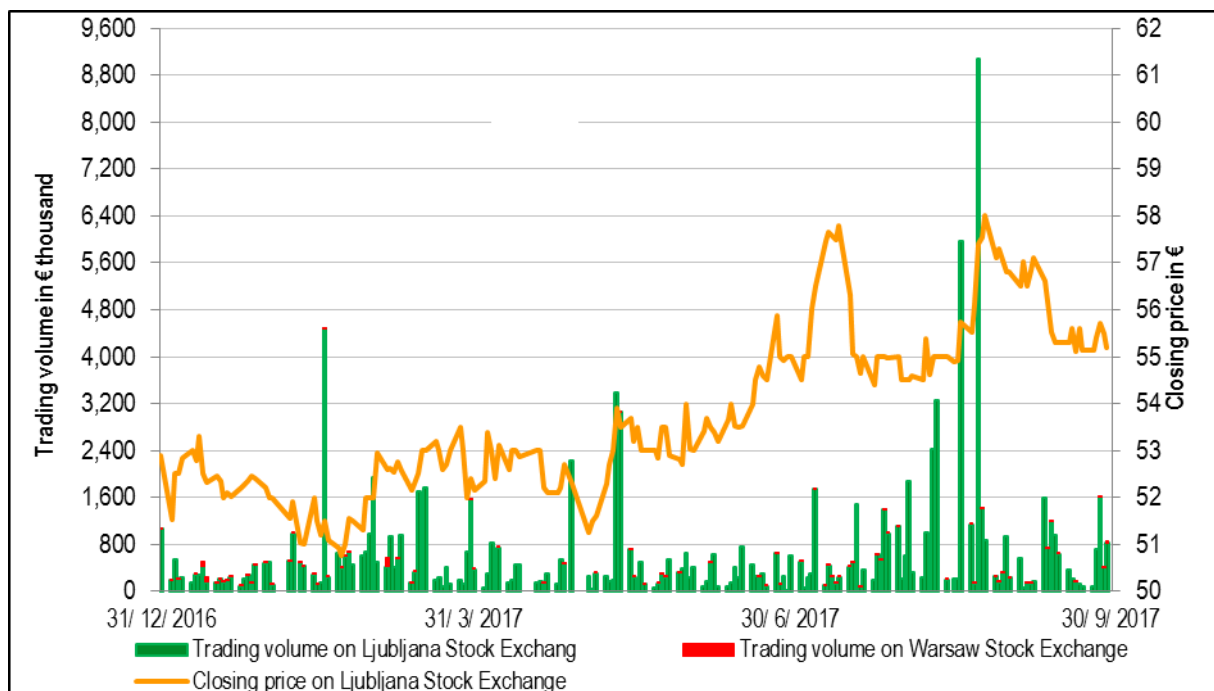
Krka's ten largest shareholders held 14,273,605 shares as at 30 September 2017, which is 43.53% of all issued shares and represents 44.28% of voting rights.

As at the same day, members of the Krka Management Board and Supervisory Board held a total of 39,170 Krka shares, which is 0.12% of all issued shares. Their shareholdings had not changed since the end of 2016.

Shares in equity and shares of voting rights held by members of the Krka Management Board and Supervisory Board as at 30 September 2017

	No. of shares	Share in equity (%)	Share of voting rights (%)
Management Board members			
Jože Colarič	22,500	0.069	0.070
David Bratož	0	0	0
Aleš Rotar	13,915	0.042	0.043
Vinko Zupančič	120	0	0
Milena Kastelic	505	0.002	0.002
Total Management Board	37,040	0.113	0.115
Supervisory Board members			
Jože Mermal	0	0	0
Hans-Helmut Fabry	0	0	0
Borut Jamnik	0	0	0
Julijana Kristl	230	0.001	0.001
Andrej Slapar	0	0	0
Boris Žnidarič	0	0	0
Tomaž Sever	500	0.002	0.002
Franc Šašek	1,400	0.004	0.004
Mateja Vrečer	0	0	0
Total Supervisory Board	2,130	0.006	0.007

Share trading January–September 2017



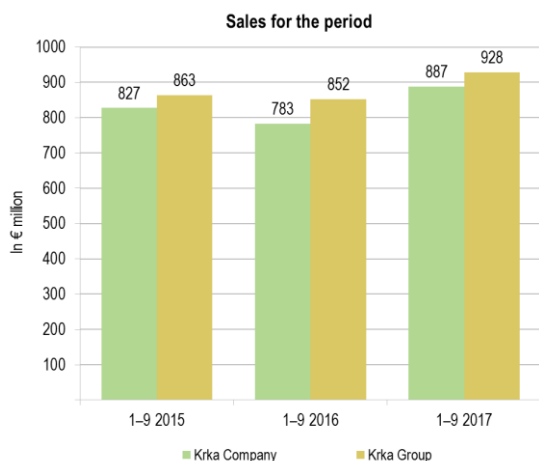
In the nine months to September Krka's share price on the Ljubljana Stock Exchange peaked at €58.00 at the end of August and reached its low at the end of February, when it stood at €50.75. The closing price of Krka's share as at 30 September 2017 was €55.20.

Krka's market capitalisation on the Ljubljana Stock Exchange as at 30 September 2017 totalled €1.8 billion. Deals in Krka's share generated an average daily trading volume of €0.6 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, whereas the comments relate primarily to the Group.

Revenues



Compared to the same period last year, Krka's sales revenues at Group level increased by 9%.

The Company sold €887.4 million worth of prescription pharmaceuticals, non-prescription products and animal health products, while the Group generated €928.3 million of sales revenues from these products plus the health resort and tourist services. The Group generated 93% of its sales in markets outside Slovenia.

Taking into account other operating and financial income, the Group generated a total of €946.3 million of revenues, of which the Company generated €902.9 million.

A more detailed analysis of sales results by individual markets, and groups of products and

services is given in the chapter Marketing and Sales

below.

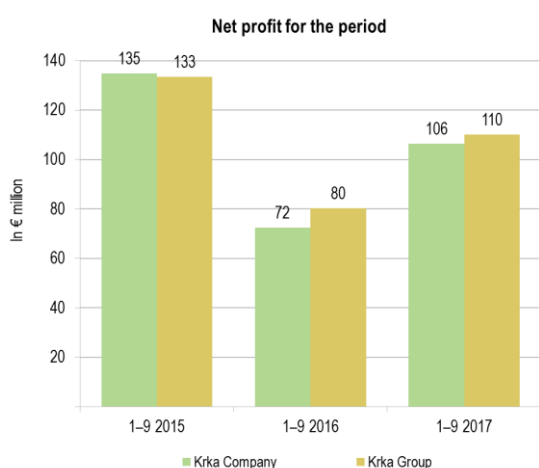
Expenses

Total Krka Group expenses amounted to €817.1 million, which is at the level of the same period last year.

The Group incurred €787.2 million of operating expenses, a 4% year-on-year increase, among which the costs of goods sold were €398.5 million, selling and distribution expenses €237.5 million, R&D expenses €92.9 million, and general and administrative expenses €58.3 million.

The Group costs of goods sold increased by 1% and represented 42.9% of total sales. Selling and distribution expenses increased by 7% and represented 25.6% of total sales. R&D expenses increased by 9% and represented 10.0% of total sales. R&D expenses are recognised as expenses for the period in full as the Group does not capitalise them. General and administrative expenses increased by 1% and represented 6.3% of total sales.

Operating result



The Krka Group recorded €149.2 million of operating profit, up by half compared to the same period last year.

Group profit before tax amounted to €129.2 million, a 46% year-on-year increase. Income tax totalled €19.2 million, and the effective tax rate was 14.9%.

The Group recorded €110.1 million of net profit, an increase by 37% compared to the same period last year.

Assets

At the end of September 2017 Krka Group assets totalled €1,882.8 million, a decrease by 2% compared to the end of 2016.

Non-current assets represented 54.9% of total assets, up 0.6 of a percentage point from the beginning of the year. The largest item under non-current assets, which totalled €1,034.2 million, was property, plant and equipment. It amounted to €866.1 million, remaining on a similar level as at the end of 2016 and representing 46.0% of the Group's total assets.

Intangible assets amounted to €110.6 million, down 3% from the end of 2016.

Current assets were down 3% in the first nine months of 2017, to €848.6 million. In the same period inventories increased by 9% to €304.8 million, and receivables decreased by 6% to €512.0 million (of which trade receivables amounted to €485.3 million, down 5% from the end of 2016).

Equity and liabilities

Totalting €1,449.7 million, Krka Group equity was at the year-end 2016 level, representing 77.0% of total equity and liabilities.

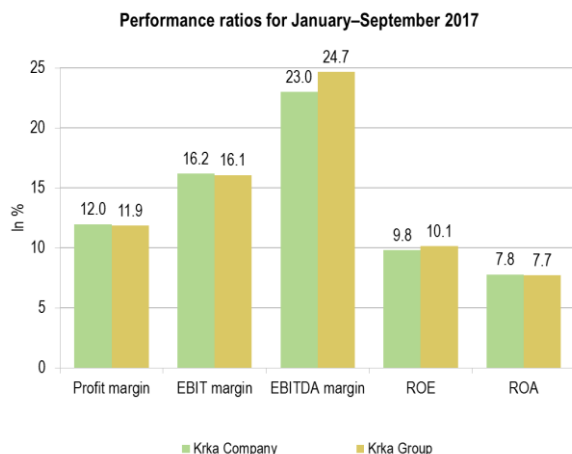
Amounting to €116.4 million, non-current liabilities represented 6.2% of the Group's total assets.

Provisions, which amounted to €93.0 million at the end of the period (of which €91.9 million were provisions for post-employment benefits and other non-current employee benefits), increased by 2% from the year-end of 2016.

Current liabilities were down one tenth from the end of 2016 and totalled €316.7 million, which is 16.8% of total assets. Among current liabilities, trade

payables amounted to €124.0 million, down 3% from the year-end of 2016, with other current liabilities down one fifth to €178.3 million.

Performance ratios



All performance ratios for the first nine months of 2017 improved compared to those for the same period in 2016.

The Krka Group profit margin for the period January–September 2017 was 11.9% (Krka Company 12.0%), its EBIT margin 16.1% (Krka Company 16.2%) and its EBITDA margin 24.7% (Krka Company 23.0%).

Annualised ROE at the level of the Group was 10.1% (Krka Company 9.8%), with annualised ROA at 7.7% (Krka Company 7.8%).

Marketing and sales

The Krka Group sold €928.3 million worth of products and services in the nine months to September 2017, up €75.9 million or 9% compared to the same period last year. Sales in markets outside Slovenia totalled €861.6 million, which

represents 93% of the Group's total sales. Sales volume increased by 1.5% compared last year's nine-month period. Krka Company sales in the reported period totalled €887.4 million, an increase by 13%.

Sales by Region

The most sales, €271.4 million, which is 29.2% of total Group sales, were recorded in Region East Europe. The second best result was recorded in Region Central Europe, where sales amounted to €226.0 million and represented 24.4% of total sales.

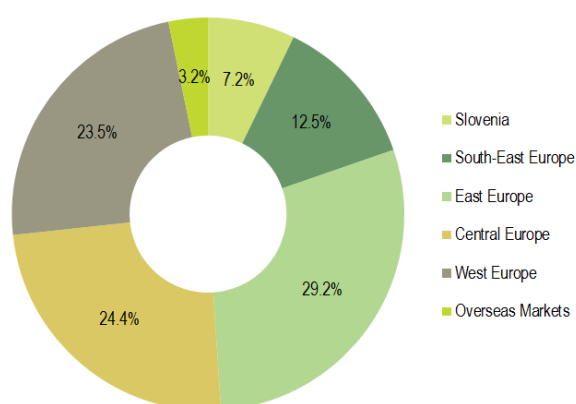
South-East Europe product sales amounted to €116.3 million, which represents 12.5% of Krka Group sales. Sales in the domestic market totalled €66.7 million, which is 7.2% of total sales, while in the Overseas Markets they amounted to €30.1 million, which is 3.2% of Group sales.

The third largest area in terms of sales in the reported period was Region West Europe, where Krka sold €217.7 million worth of products, which is 23.5% of overall Krka Group sales. In Region

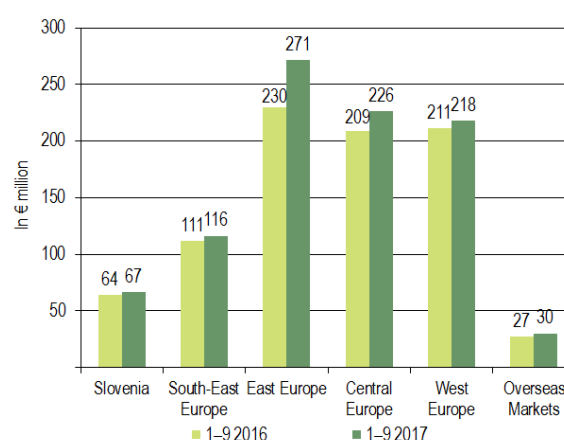
Sales increased in all sales regions, whereby growth was the highest, 18%, in Region East Europe.

In € thousand	Krka Group			Krka Company		
	1-9/2017	1-9/2016	Index	1-9/2017	1-9/2016	Index
Slovenia	66,652	63,895	104	40,605	39,814	102
South-East Europe	116,258	111,470	104	116,343	116,043	100
East Europe	271,434	229,996	118	276,812	210,094	132
Central Europe	226,043	209,074	108	228,688	211,654	108
West Europe	217,720	211,036	103	197,446	180,351	109
Overseas Markets	30,144	26,914	112	27,528	24,582	112
Total	928,251	852,385	109	887,422	782,538	113

Krka Group sales by Region, January–September 2017



Krka Group sales by Region, January–September 2016 and 2017



Slovenia

In Slovenia, a key market, we sold €66.7 million worth of products and services. This is an increase by 4% compared to the same period last year. The bulk came from prescription pharmaceuticals, which generated €29.4 million of sales, a 2% year-on-year increase. Non-prescription product sales totalled €6.7 million, up 6% compared to the same period last year. Animal health product sales increased by almost a quarter and totalled €1.7 million. Product sales amounted to €37.8 million, up 3% compared to the same period last year. Health resort and tourist service sales were €27.2 million, up 8%. With a 9% market share, Krka has remained the leading pharmaceutical company in Slovenia.

The majority of Krka's best-selling products are prescription pharmaceuticals. Sales leader Prenessa (perindopril) and its combination with a diuretic Prenewel were followed by Doreta (tramadol and paracetamol), Sorvasta (rosuvastatin), Nolpaza (pantoprazole), and Amlessa (perindopril and

amlodipine) together with the combination with a diuretic Amlewel. Among non-prescription products, the best sales results were recorded for Nalgesin S (naproxen), Septolete and Septabene (benzylamine and cetylpyridinium), and Daleron (paracetamol). Our most successful veterinary products were Amatib (amoxicillin), Grovit and Fypryst (fipronil).

Marketing and sales activities focused on the leading products from Krka's key therapeutic groups. As to pharmaceuticals treating cardiovascular diseases, they included the blood-pressure control medications Prenessa (perindopril) and Amlessa (perindopril and amlodipine), both in fixed-dose combinations with a diuretic, i.e. Prenewel and Amlewel, and the cholesterol lowering medication Sorvasta (rosuvastatin). As to the group of medicines for the central nervous system, focus was placed on the antidepressant Dulsevia (duloxetine), antipsychotic Aryzalera (aripiprazole)

and analgesic Doreta (tramadol and paracetamol). We should also highlighting medicinal products for the alimentary tract and metabolism, the key members of which are Nolpaza (pantoprazole) and Emozul (esomeprazole), medicines controlling stomach acid, and the antidiabetic Gliklada (gliclazide). Gliklada tablets were completed with a new strength. Other novelties in our product range include the selective non-steroidal antirheumatic Roticox (etoricoxib), Dortilla (dutasteride), intended to ease the symptoms of benign prostatic hyperplasia, and the antihypertensive Telasmo (telmisartan and a diuretic).

South-East Europe

Sales in Region South-East Europe were €116.3 million, up 4% compared to the same period last year. Having accounted for 85% of sales, prescription pharmaceuticals were again at the forefront. Sales were mainly driven by Serbia, Croatia, Macedonia and Bulgaria. Lower sales were recorded in Romania, Bosnia and Herzegovina, and Kosovo.

In **Romania**, Krka's key and largest regional market, year-on-year sales decreased by 4% and totalled €37.3 million. This ranks Krka the number two among a competition of predominantly foreign generic pharmaceutical companies in the market. The bulk of sales came from prescription pharmaceuticals, in particular Atoris (atorvastatin), Prenessa (perindopril) and the combination with a diuretic Co-Prenessa, Roswera (rosuvastatin), Tramadol (tramadol), Amlessa (perindopril and amlodipine) and the combination with a diuretic Co-Amlessa, Karbis (candesartan) and Doreta (tramadol and paracetamol). The leading product available without prescription was Bilobil (ginkgo biloba), while special attention was devoted to the marketing of cold and flu products, particularly Septotele omni (benzylamine and cetylpyridinium), Herbion and analgesics. As to veterinary products, the biggest sales success was medicines protecting companion animals from parasites, particularly Fypryst (fipronil) and Ataxxa (permethrin and imidacloprid). Products for the treatment of farm animals, Enroxil (enrofloxacin) and Floron (florfenicol), also made a notable sales contribution.

Sales in **Croatia**, the second largest regional market, were €23.2 million, up 11% compared to the same period last year. This preserved Krka's position as the fourth-ranked generic pharmaceutical company in the country and the

As to products available without prescription, we focused on accelerating sales for Nalgesin S (naproxen) and Bilobil (ginkgo biloba), and for the new product Magnezij Krka 300. As to veterinary products, special attention was devoted to marketing Ataxxa (permethrin and imidacloprid), Fypryst Combo (fipronil and S-methoprene), Milprazon (milbemycin and praziquantel) and Dehinel (febantel, pyrantel embonate and praziquantel).

second-ranked provider of animal health pharmaceuticals. All product groups contributed to sales growth, with the main sales driver being prescription pharmaceuticals, among which the leaders were Perineva (perindopril) and its combination with a diuretic Co-Perineva, and Dalneva (perindopril and amlodipine). They were followed by Atoris (atorvastatin), Helax (alprazolam), Valsacor (valsartan) and the combination with a diuretic Valsacombi, Roswera (rosuvastatin), and Emanera (esomeprazole). The best-selling non-prescription products were Nalgesin (naproxen) and the oral antiseptic Septotele duo (benzylamine and cetylpyridinium). The animal health products at the forefront were Fypryst (fipronil) and Enroxil (enrofloxacin).

Nine-month sales in **Serbia** exceeded last year's sales in the same period by 31%, amounting to €12.3 million. The main sales drivers were prescription pharmaceuticals, particularly Nolpaza (pantoprazole), Roxera (rosuvastatin), Valsacor (valsartan) and its combination with a diuretic Valsacombi, Atoris (atorvastatin), and Ampril (ramipril) together with its combination with a diuretic. As to non-prescription products, sales were mainly driven by Nalgesin (naproxen), Bilobil (ginkgo biloba) and Septotele total (benzylamine and cetylpyridinium), while the best-selling animal health products were Fypryst (fipronil) and Enroxil (enrofloxacin).

In **Bosnia and Herzegovina** sales totalled €11.5 million. This is a 12% year-on-year decrease, attributable in particular to the protection of domestic pharmaceutical companies by limiting the admission of foreign generic medicines on reimbursement lists. The bulk of sales were generated in prescription pharmaceuticals, among

them Enap (enalapril) and the combination with a diuretic, Roswera (rosuvastatin), Naklofen (diclofenac), Lorista (losartan) and the combination with a diuretic, and Lexaurin (bromazepam). The best-selling non-prescription products were Nalgesin (naproxen) and Septotele total (benzylamine and cetylpyridinium).

In **Bulgaria** sales witnessed one of the highest growth rates in the Region, increasing by 13%. Sales value totalled €9.6 million and was mainly driven by prescription pharmaceuticals, particularly Valsacor (valsartan) and its combination with a diuretic, Lorista (losartan) and its combination with a diuretic, and Roswera (rosuvastatin). As to the most important medicinal products, the fastest growth rates were recorded for Amlessa (perindopril and amlodipine) and the combination with a diuretic, Nolpaza (pantoprazole), Dexamethason Krka (dexamethasone) and Moloxin (moxifloxacin). Sales growth was also recorded for products available without prescription and animal health products.

In **Macedonia** we preserved the position of the leading foreign pharmaceutical company. Sales amounted to €13.6 million, up 10%, mainly driven by the leading group of prescription pharmaceuticals. Among them let us highlight the successful sales of Enap (enalapril) and the combination with a diuretic, Roswera (rosuvastatin), Tanyz (tamsulosin), Lorista (losartan), including combinations with a diuretic, and Atoris (atorvastatin). The leading non-prescription products were Daleron (paracetamol), Bilobil (ginkgo biloba), Herbion and Septanazal (xylometazoline and dexpanthenol). Sales also increased for veterinary

East Europe

Region East Europe was Krka's largest sales region with the highest sales growth in the reported period. Sales totalled €271.4 million, up 18%. The key factor driving the overall sales result was successful operations in the Region's most important market, the Russian Federation, followed by the majority of the Region's remaining markets.

Product sales in the **Russian Federation**, a key market, totalled €186.1 million, preserving its position of Krka's largest individual market. Sales having increased by 21%, we have maintained the above average sales dynamics and a growing market share, as reaffirmed by the independent source Quintiles IMS.

products, the best sellers being Fypryst (fipronil), Enroxil (enrofloxacin) and Ecocid S.

In **Kosovo** we sold for €4.4 million worth of products, ranking Krka among the leading pharmaceutical companies in the market. Year-on-year sales being down 4% is the result of decreased purchasing power in the market, the government not providing funding for purchases of medicines. The majority of sales came from prescription pharmaceuticals, particularly Lorista (losartan) and Enap (enalapril), both also in combination with a diuretic. The best-selling products available without prescription were Daleron (paracetamol) and Septotele.

In **Albania** product sales were €3.3 million, up 11%. As planned, the bulk of sales came from prescription pharmaceuticals, particularly Enap (enalapril) and Lorista (losartan), both also in combination with a diuretic. The best-selling products available without prescription were Daleron (paracetamol) and Nalgesin (naproxen).

Sales in the **Montenegro** were up 55% to €1.1 million. Prescription pharmaceuticals were at the forefront, among them Lorista (losartan) and Ampril (ramipril), both also in combination with a diuretic, Nolpaza (pantoprazole), Efloran (metronidazole) and Roswera (rosuvastatin). The main sales drivers in the group of products available without prescription were Septotele, Fitoval and Kamagel.

The chief sales drivers were prescription pharmaceuticals. The sales leaders were Lorista (losartan) and Enap (enalapril), both also in combination with a diuretic. They were followed by Atoris (atorvastatin), Perineva (perindopril) and the combination with a diuretic, Nolpaza (pantoprazole), Herbion, Orsoten (orlistat), Valsacor (valsartan) and the combination with a diuretic, Zyllt (clopidogrel) and Roxera (rosuvastatin). In terms of value, sales increased the most for Orsoten, Lorista, Herbion and Perineva. We are also highlighting the important contribution of the more recently launched medicines, including Vamloset (valsartan and amlodipine), Dalneva and Co-Dalneva (perindopril and amlodipine, and their combination with a diuretic), Lortenza (losartan and amlodipine), Dilaxa

(celecoxib), Bravadin (ivabradine), Vizarsin (sildenafil), Ulcavis (bismuth), Septolete total (benzylamine and cetylpyridinium), Septanazol (xylometazoline and dexpanthenol), along with Telmista (telmisartan) and the non-prescription product Flebaven (diosmin and hesperidin), the latter two launched at the beginning of the year. Sales growth was also recorded for animal health products, among which the best seller was Enroxil (enrofloxacin).

An advantage for our operations in the Russian Federation is our status of a domestic producer. We are strengthening it via the operations of our subsidiary, the production and logistics company Krka Rus. The proportion of locally manufactured Krka products exceeded 60% in the reported period.

As the market stabilised and turned upward in **Ukraine**, our sales for the period totalled €31.4 million. The 15% year-on-year increase exceeded the average pharmaceutical sales growth in the market, ranking Krka the number two among foreign generic pharmaceutical companies and strengthening our market share. A key element of the good result was the 17% sales growth for prescription pharmaceuticals, the leading product group in terms of sales on that market. Among them we sold the most of Enap (enalapril) and Prenessa (perindopril), both also in combination with a diuretic, and of Vasilip (simvastatin). The best-selling non-prescription and animal health products were Herbion, Panzynom and Septolete, and Enroxil (enrofloxacin), respectively.

Trading conditions having stabilised in **Kazakhstan**, our sales there totalled €12.0 million, up 21% compared to the same period last year. The key contribution came from prescription pharmaceuticals, particularly Enap (enalapril) and the combination with a diuretic, Nolpaza (pantoprazole), Zyllt (clopidogrel) and Atoris (atorvastatin). Our range of prescription pharmaceuticals was expanded with a medicinal product stabilising blood pressure, Tenlisa (lisinopril and amlodipine), and a pharmaceutical lowering stomach acid levels, Zulfex (rabeprazole). For non-prescription products, the best results were recorded for Herbion and Duovit.

Sales in **Uzbekistan** were €10.6 million, a year-on-year decrease by 1%. The bulk of sales came from prescription pharmaceuticals, particularly Lorista (losartan), Amlessa (perindopril and amlodipine) and Enap (enalapril), all also in combination with a

diuretic. The sales of non-prescription products, the leaders among which were Pikovit and Septolete, were down.

At the beginning of September, the Uzbek authorities aligned the local currency's official exchange rate with the market one, fostering the free purchase and sale of convertible currencies in banks. We are estimating the said change will have a positive impact on the business environment in the country and thus also on the growth of our product sales.

Having sold €7.0 million worth of products in **Belarus**, up 7%, Krka ranks the number two among foreign generic pharmaceutical companies in that country. The main sales drivers were prescription pharmaceuticals, particularly Lorista (losartan) and Amlessa (perindopril and amlodipine), both together with the combination with a diuretic, and Nolpaza (pantoprazole). Among products available without prescription, the best sales results were recorded for Septolete and Herbion. We have also successfully launched Septolete total (benzylamine and cetylpyridinium) and Nalgesin (naproxen).

In **Moldova**, product sales amounted to €5.2 million, up 10%. The bulk of sales came from prescription pharmaceuticals, the main sales drivers being Ampril (ramipril) and Rawel (indapamide). The best-selling non-prescription products were Nalgesin (naproxen) and Septolete.

With the sales value of €4.9 million, up 20%, Krka remains the leading foreign pharmaceutical company in **Mongolia**. Particularly good sales results among prescription pharmaceuticals were recorded for Nolpaza (pantoprazole), which has been supplemented with a new form, the injection, and good results were also recorded for the newly launched Ulcavis (bismuth).

Sales in **Azerbaijan** were €3.4 million, up 32% compared to the same period last year. All product groups contributed to sales growth. The leading prescription pharmaceuticals were Tramadol (tramadol), Enap (enalapril) and Amlessa (perindopril and amlodipine), both also in combination with a diuretic, and Nolpaza (pantoprazole). Our operations in **Turkmenistan** were hindered due to the customers' difficult access to foreign currencies. Sales totalled €3.0 million, down 12% year-on-year. The most important product group was prescription pharmaceuticals, among which the sales leaders were Naklofen

(diclofenac), Efloran (metronidazole) and Nolpaza (pantoprazole). Product sales in **Georgia** increased by 13% to €2.6 million, ranking Krka as the number two foreign generic pharmaceutical company in the market. The leading product group was prescription pharmaceuticals, its best-selling members being Enap (enalapril) and Lorista (losartan), both also in combination with a diuretic.

Central Europe

In Region Central Europe we maintained the growth dynamics from the first half-year, selling €226.0 millions of products, an 8% year-on-year increase. Sales growth was recorded in all markets of the Region, apart from Slovakia. The bulk, i.e. 90% of sales came from prescription pharmaceuticals, followed by non-prescription products and animal health products.

Poland is a key market for Krka and the leading market in the Region. Sales value amounted to €108.1 million, a 3% year-on-year increase. Key sales drivers were prescription pharmaceuticals, among which the main sales drivers were Atoris (atorvastatin), Roswera (rosuvastatin), Valsacor (valsartan) and its combination with a diuretic, and Doreta (tramadol and paracetamol). Good results were also recorded for Lorista (losartan), Tolura (telmisartan) and Karbis (candesartan), all also in combination with a diuretic, and Nolpaza (pantoprazole). Non-prescription product sales were subject to stringent trading conditions, our revenues down 35% for the period. The leading products were Bilobil (ginkgo biloba) and Septolete. The best sellers among animal health products were Floran (florfenicol) and Fypryst (fipronil).

The highest growth among the Region's markets was recorded in the **Czech Republic**, another key market. Sales there up 40% to €33.1 million, Krka asserted itself as one of the most successful generic pharmaceutical companies in the market. Prescription pharmaceuticals made the key contribution, particularly Lexaurin (bromazepam), Atoris (atorvastatin), and Tonarsa (perindopril and amlodipine) together with the combination with a diuretic Tonando. Good results were also recorded for Prenessa (perindopril), Tolura (telmisartan) and Valsacor (valsartan), all also in combination with a diuretic, and Nolpaza (pantoprazole). As to non-prescription products, sales were particularly successful for Nalgesin (naproxen), Septolete and Bisacodyl-K (bisacodyl). The best-selling veterinary

In **Kyrgyzstan**, year-on-year sales were up 12% to €2.2 million, chiefly driven by sales growth in products available without prescription, the leaders being Herbion, Septolete and Pikovit. **Armenia**, where sales increased by one third compared to the same period last year, to €2.1 million, was one of the Region's fastest growing markets. Sales in **Tajikistan** were up two thirds to €0.8 million.

products were Fypryst (fipronil) and Dehinel (febantel, pyrantel embonate and praziquantel).

Hungary, another key market for Krka, has ranked the Region's third largest market in terms of sales value. Sales there totalled €33.0 million, up 8%, the increase driven by all three product groups. The bulk of sales again came from prescription pharmaceuticals, among them Prenessa (perindopril) and its combination with a diuretic, Atoris (atorvastatin), Roxera (rosuvastatin), Dalnessa (perindopril and amlodipine) and its combination with a diuretic Co-Dalnessa, Zyllt (clopidogrel), Lavestra (losartan) and its combination with a diuretic, and Emozul (esomeprazole). The leading non-prescription product was Bilobil (ginkgo biloba), while Fypryst (fipronil) and Enroxil (enrofloxacin) were the most important in the group of animal health products.

Nine-month sales in **Slovakia** totalled €25.5 million, which is at the level of the comparable period last year, the leading product group remaining prescription pharmaceuticals. The main sales drivers in this group were Prenessa (perindopril), Amlessa (perindopril and amlodipine), Valsacor (valsartan), all also in combination with a diuretic, Atoris (atorvastatin), Nolpaza (pantoprazole) and Lexaurin (bromazepam). The best sales results in the group of non-prescription products were recorded for Nalgesin (naproxen), and in the group of animal health products the best sellers were Enroxil (enrofloxacin) and Fypryst (fipronil).

Product sales in **Lithuania** totalled €11.9 million, up 1% compared to the same period last year. With a 3.2% market share, Krka ranks among the leading generic pharmaceutical companies in the Lithuanian market. The bulk of sales came from prescription pharmaceuticals, particularly Valsacor (valsartan) and the combination with a diuretic, Atoris (atorvastatin), Amlessa (perindopril and amlodipine) and Prenessa (perindopril), the latter two also in

combination with a diuretic. The leading non-prescription products in terms of sales were Septolete and Nalgesin (naproxen), and in the group of animal health products, Fypryst (fipronil) and Enroxil (enrofloxacin).

In **Latvia** sales totalled €9.3 million, a year-on-year increase by 19%. This has ranked Krka the number one generic pharmaceutical company in the country. The bulk of sales were again generated in prescription pharmaceuticals, among which we are highlighting Atoris (atorvastatin). It was followed by Amlessa (perindopril and amlodipine) and Prenessa (perindopril), both also in combination with a diuretic, Sorvasta (rosuvastatin) and Nolpaza (pantoprazole). The leading non-prescription

West Europe

Nine-month sales in the countries of Western Europe, which are all regarded as key markets, amounted to €217.7 million, up 3%. Third quarter sales exceeded those of last year's comparable period by 23%. The Region's leading market remains Germany, followed by France, Spain and the United Kingdom. The sales of Krka brand products via subsidiaries increased by 3% and now represent almost two thirds of sales in the Region. Sales via unaffiliated companies also increased by 3% compared to the same period last year, representing 36% of sales in the Region.

The leading product group was prescription pharmaceuticals, which contributed 90% of overall sales in the Region, their sales up 6% in the reported period. The sales leaders were medicinal products with esomeprazole, pregabalin and pantoprazole. Non-prescription product sales were up 21%. Lower animal health product sales were chiefly influenced by the decrease in sales by unaffiliated companies.

Sales in the Region's most important market, **Germany** decreased by 4% compared to the same period last year, amounting to €64.7 million. More than 90% of sales were generated by the subsidiary TAD Pharma, which recorded a 4% growth. The leading product group was prescription pharmaceuticals, among which the bulk of sales value came from pharmaceuticals treating cardiovascular diseases, the alimentary tract and metabolism, and the central nervous system. The most sales were generated in medications containing pantoprazole, pregabalin and valsartan. Important sales contributions were also made by the

products in terms of sales were Daleron COLD3 (paracetamol, pseudoephedrine and dextromethorphan) and Septanazal (xylometazoline and dexpanthenol). In the group of animal health products, the sales leaders were Fypryst (fipronil) and Milprazon (milbemycin and praziquantel).

Sales in **Estonia** increased by 9% to €5.2 million, the leading product group being prescription pharmaceuticals and the main sales drivers Prenessa (perindopril) and Dalnessa (perindopril and amlodipine), both also in combination with a diuretic. The best-selling non-prescription product has remained Septolete, and in the group of animal health products the best seller was Fypryst (fipronil).

fixed-dose combinations of losartan, bisoprolol and ramipril with amlodipine, and of lercanidipine with enalapril. The latter have ranked us among the leading providers of fixed-dose combinations for the treatment of cardiovascular diseases in Germany.

Product sales in **France** totalled €28.6 million, up 9% compared to the same period last year. The increase was chiefly driven by prescription pharmaceuticals, particularly those with esomeprazole. As to veterinary products, the best sales results were recorded for medicines with milprazon, overall sales for this product group falling behind last year's in the same period.

Product sales in **Spain** totalled €24.9 million, down 9% year-on-year, attributable to the expiry of certain public tenders in Andalusia. We have continued increasing the sales of Krka brand products, their share now representing 88%.

After the major price pressures we had been facing in the **United Kingdom** in the past settled down, sales there increased considerably in the third quarter. They totalled €20.9 million for the reported period, a 39% year-on-year increase. The increase was chiefly driven by the successful sales of medicines with quetiapine and olanzapine.

Product sales in **Italy** increased by 14% to €18.0 million. The main contribution came from prescription pharmaceuticals, particularly those with clopidogrel, esomeprazole and pantoprazole. Sales via the subsidiary Krka Farmaceutici increased by 26% and represented almost 60% of Krka's sales in that market.

Nine-month sales in the **Scandinavian countries** were €21.2 million, up 7%. The most sales were generated in Sweden, followed by Norway and Denmark. In Norway, Krka remains the leading provider of medicines with esomeprazole, candesartan, venlafaxine and enalapril. The highest growth, of 39%, was recorded in Finland. Three quarters of sales in this market were generated by the subsidiary Krka Finland, its best-selling product being Septabene (benzylamine and cetylpyridinium), a product available without prescription.

Product sales in **Portugal** increased by 10% to €14.9 million. The best-selling products were

Overseas Markets

Region Overseas Markets comprises a number of countries. Overall sales there amounted to €30.1 million, a year-on-year increase by 12%. The majority of sales came from prescription pharmaceuticals, which are sold as Krka brand products in most of the Region's markets.

We have continued facing difficulties in our operations in the markets of the **Middle East**, resulting from the emergency situation in the region. Nonetheless, our sales there were up 18% to €16.5 million, mainly generated in Iran, Iraq and Lebanon. The leading product group was prescription pharmaceuticals, and among them the leaders Asentra (sertraline), Nolpaza (pantoprazole), Vizarsin (sildenafil), Letizen (cetirizine) and Emanera (esomeprazole).

The **Far East and Africa** sales office reported €12.9 million of sales, up 5% from the same period

Sales by product and service groups

The Krka Group generated 91.7% of overall sales during the nine months to September 2017 in human health products, making this Krka's most important product group. The most sales, i.e. 82.8%, were generated in prescription pharmaceuticals, followed by non-prescription products and animal health products. The sales of prescription pharmaceuticals and non-prescription products increased by 10% compared to the same period last year.

medicines with esomeprazole and perindopril. In **Ireland** sales amounted to €7.0 million, up 21% compared to the same period last year. Sales via the subsidiary Krka Pharma Dublin increased by 30%. Sales generated by the subsidiary Krka Belgium were also up, by almost a fifth. Product sales in the **Benelux** countries totalled €5.8 million. In **Austria** our sales totalled €5.3 million, the 3% increase considerably driven by the 14% growth in sales generated by the Vienna-based subsidiary Krka Pharma. In **other European countries** our products are primarily sold via unaffiliated companies. Sales were down 15% and amounted to €6.3 million.

last year, ranking the number two in the Region. In many markets, among which we are singling out the Republic of South Africa, Vietnam, Malaysia, China, Singapore and Ghana, the majority of our sales were generated in prescription pharmaceuticals. Our most important products were Lanzul (lansoprazole), Palprostes (*Serenoa repens*), Tenox (amlodipine), Atoris (atorvastatin), Enap (enalapril) and its combination with a diuretic, and Kamiren (doxazosin).

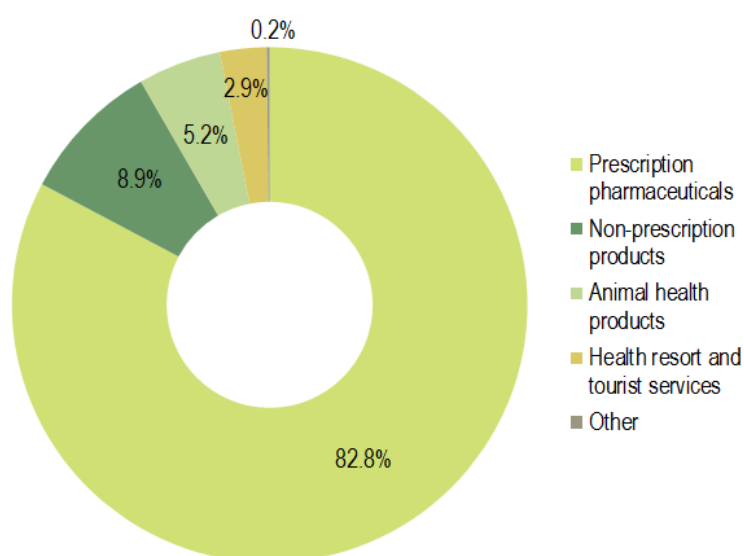
As to the sales office **the Americas**, the most important markets remain those of Central America. Sales amounted to €0.7 million, up 4%, mainly generated in prescription pharmaceuticals, particularly Valsacor (valsartan), including the combination with a diuretic, Atoris (atorvastatin), Rawel (indapamide) and Nolpaza (pantoprazole).

Health resort and tourist services represented 2.9% of overall Krka Group sales for the period, a year-on-year increase by 8%.

With the exception of veterinary products, sales increased for all other groups of products and services.

In € thousand	Krka Group			Krka Company		
	1-9/2017	1-9/2016	Index	1-9/2017	1-9/2016	Index
Human health products	851,040	774,607	110	837,382	729,627	115
– Prescription pharmaceuticals	768,190	699,093	110	762,591	664,212	115
– Non-prescription products	82,850	75,514	110	74,791	65,415	114
Animal health products	48,380	50,404	96	47,258	49,642	95
Health resort and tourist services	27,159	25,177	108			
Other	1,672	2,197	76	2,782	3,269	85
Total	928,251	852,385	109	887,422	782,538	113

Krka Group sales by product and service groups, January–September 2017



Prescription pharmaceuticals

The Krka Group sold €768.2 million worth of prescription pharmaceuticals in the reported period, 10% more than in the same period last year. Sales increased in all regions, the most in East Europe (by 18%), Overseas Markets (by 10%), Central Europe (by 9%) and West Europe (by 6%).

As to the largest markets, sales increased by 20% in the Russian Federation, by 5% in Poland, and by 1% in Germany. With respect to other large markets, year-on-year sales of prescription pharmaceuticals were up in the Czech Republic (up 43%), Ukraine (up 17%), France (up 17%), Hungary (up 8%) and Slovenia (up 2%).

With respect to mid-size markets, the highest sales growth rates were recorded in the United Kingdom (56%), Serbia (37%), Kazakhstan (14%), Italy

(12%), Bulgaria (12%), Croatia (11%), Macedonia (9%) and Portugal (7%).

Among smaller markets for Krka's prescription pharmaceuticals in terms of sales, the highest sales growth rates were recorded in Tajikistan (up 57%), Montenegro (up 53%), Finland (up 39%), Azerbaijan (up 36%), Armenia (up 31%), Latvia (up 22%) and Ireland (up 22%). Two-digit sales growth was also recorded in Albania and Georgia.

We have been strengthening our position in the markets of Western Europe via Krka's subsidiaries, their sales results up considerably, the most in Finland (up 52%), Ireland (up 31%), Italy (up 26%), Austria (up 14%), France (up 5%), Scandinavia (up 5%) and Portugal (up 5%).

The leading ten prescription pharmaceuticals in terms of sales have included Atoris (atorvastatin), Lorista* (losartan) and its combination with a diuretic, Nolpaza* (pantoprazole), Prenessa* (perindopril) and its combination with a diuretic, Valsacor (valsartan) and its combination with a diuretic, Emanera* (esomeprazole), Roswera* (rosuvastatin), Enap (enalapril) and its combination with a diuretic, Zyllt* (clopidogrel), and Amlessa* (perindopril and amlodipine) together with its combination with a diuretic.

The highest absolute year-on-year sales growth was recorded for Kventiax* (quetiapine), Valsacor (valsartan) and its combination with a diuretic, Emanera* (esomeprazole), Amlessa* (perindopril and amlodipine) and its combination with a diuretic, Doreta* (tramadol and paracetamol), and Lorista* (losartan) together with its combination with a diuretic.

In the first nine months of 2017 we entered a new therapeutic area, the treatment of HIV infections, with the combination Emtricitabine/Tenofovir disoproxil Krka. It was launched in Germany, Slovenia, Latvia, Scandinavia, Slovakia and Poland.

There were also other brand new products that we launched in the reported period:

- Roticox* (etoricoxib) for the treatment of pain, in Germany, Scandinavia, Romania, Italy, Slovenia, Bulgaria, Estonia, Spain, the Benelux, Georgia, Poland, Finland, Portugal and Ireland;
- Adolax* (oxycodone and naloxone) for the treatment of severe pain, in Poland;
- Dutrys* (dutasteride) for the treatment of benign prostatic hyperplasia, in Germany, Italy, Scandinavia, Slovenia, Spain, the Benelux, Portugal and Ireland;
- Teldipin* (telmisartan and amlodipine), a combination for the treatment of high blood pressure, in Estonia, Slovenia, Bulgaria, Latvia and Slovakia;
- Ramidipin* (ramipril and amlodipine), a combination for the treatment of high blood pressure, in Germany and Croatia;
- Abrea* (acetylsalicylic acid) for the prevention of cardiovascular complications, in Romania, Poland, Hungary, Portugal, Ireland, Finland, Italy, the Benelux, Estonia, Spain and Bulgaria;
- Gliclada* (gliclazide), an antidiabetic, in the new supplementary high dosage of 90 mg, in

Slovenia, Poland, Slovakia, Croatia, Lithuania, Latvia and Portugal.

We also launched several existing medicines on new markets:

- Prenessa* (perindopril) in Uzbekistan;
- Co-Amlessa* (perindopril, amlodipine and indapamide) in Macedonia, Bosnia and Herzegovina, Armenia and Turkmenistan;
- ramipril and hydrochlorothiazide in Italy, Austria, the Benelux and Portugal;
- Enacandin* (enalapril and lercanidipine) in Germany and Norway;
- olmesartan, and olmesartan with hydrochlorothiazide in Germany, Italy, Belgium, Spain, Portugal, Ireland, Denmark and Finland;
- Telmista* (telmisartan) in the Russian Federation;
- Lortenza* (losartan and amlodipine) in Armenia Turkmenistan;
- Wamlox* (valsartan and amlodipine) in Croatia, Bulgaria, Lithuania and Latvia;
- Bixebro (ivabradine) in Slovenia, Romania, Latvia, Estonia, the Czech Republic and Slovakia;
- Sobycor (bisoprolol) in Lithuania;
- Ulcamed (bismuth) in Poland, Romania, Croatia, Bosnia and Herzegovina, Kazakhstan, Uzbekistan, Turkmenistan and Mongolia;
- Emanera* (esomeprazole) in Turkmenistan and Montenegro;
- Zulfex (rabeprazole) in Kazakhstan;
- Doreta* (tramadol and paracetamol) in Italy, Ireland and Hungary;
- Pragiola* (pregabalin) in Serbia, Macedonia, Poland and Kosovo;
- Elicea* (escitalopram) in Azerbaijan;
- Alventa* (venlafaxine) in Belarus;
- Memando* (memantine) in Macedonia and Azerbaijan;
- linezolid in Bulgaria, the Czech Republic and Italy;
- dexamethasone in the form of tablets of higher strengths, in Croatia, Poland, the Czech Republic, Portugal, Slovakia, Spain, Romania and Bulgaria;
- imatinib in Ireland, Sweden, Portugal, Ukraine and Austria;
- capecitabine and Azerbaijan;
- letrozole in Ukraine and Azerbaijan.

Non-prescription products

We sold €82.9 million worth of non-prescription products, an increase by 10% compared to the same period last year. Sales increased in regions Slovenia (by 6%), South-East Europe (by 2%), East Europe (by 18%) and West Europe (by 21%). In Region Central Europe sales were down due to lower sales in Poland.

54% of total non-prescription product sales were generated in Region East Europe, where the largest market is the Russian Federation, sales there up 19%. Sales also increased in the other markets of the Region, if we only highlight Belarus (up 21%),

Animal health products

Veterinary product sales totalled €48.4 million, a 4% year-on-year decrease. Sales increased in regions East Europe (by 16%), Central Europe (by 10%), South-East Europe (by 6%) and Slovenia (by 24%), while in Region West Europe they were down.

As to more important markets, considerable sales growth was recorded in the Russian Federation (up 26%), the Czech Republic (up 19%), Portugal (up 150%), Romania (up 9%) and Poland (up 7%).

Health resort and tourist services

In the nine months to September 2017, the Terme Krka Group generated €27.2 million of sales, an increase by 8% compared to the same period in 2016. We recorded 7% more bed nights than in the same period last year, with bed nights by domestic guests up 3% and those by foreign tourists up 18%.

Kazakhstan (up 51%), Moldova (up 27%) and Ukraine (up 26%) among the large ones.

Sales growth was recorded in the major markets of other regions as well, including Croatia (up 12%), Serbia (up 19%), Macedonia (up 18%), Lithuania (up 25%), Latvia (up 6%), the Czech Republic (21%), Hungary (9%) and Germany (28%).

Good sales results continue to be reported for the recently launched products Septotele total* and Septanazal, as well as for Herbion* and Nalgesin*.

The top five sales leaders among products were Milprazon* (milbemycin oxime and praziquantel), Floron* (florfenicol), Fypryst* (fipronil), Enroxil* (enrofloxacin) and the biocidal disinfectant Ecocid S. Two new products were launched this year, Otoxolan* ear drops for dogs (marbofloxacin, clotrimazole and dexamethasone acetate) and Dehinel tablets for cats (pyrantel embonate and praziquantel).

Sales increased in all business units: in Talaso Strunjan by 6%, in Dolenjske Toplice by 10%, in Šmarješke Toplice by 8%, and in Otočec Hotels by 15%.

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

Research and development

In the first nine months of 2017 Krka obtained marketing authorisations for 14 new products in 25 dosage forms and strengths.

Prescription pharmaceuticals

Krka obtained marketing authorisations for eight new products in 18 pharmaceutical dosage forms and strengths.

Marketing authorisations were acquired for a new fixed-dose combination in Krka's key therapeutic area of medicinal products for the treatment of cardiovascular diseases, **Olmita** (olmesartan and amlodipine), in the form of film-coated tablets in three strengths (20/5 mg, 40/5 mg and 40/10 mg). The medicine contains olmesartan, an angiotensin II antagonist, and amlodipine, a calcium channel blocker, and is used to treat high blood pressure. The fixed-dose combination lowers high blood pressure via two different mechanisms of action, therefore it can be expected to have a greater impact than monotherapy with each of the substances. The complementary action of the product's two active substances may reduce the likelihood of certain adverse effects and thus improve treatment tolerability. It is used in patients who are already taking olmesartan and amlodipine individually in the doses contained in the Olmita fixed-dose combination. Used as an alternative therapy it will optimise treatment, as it reduces the number of daily tablets and thus improves cooperation in treatment.

Marketing authorisations were obtained under decentralised procedures in several European countries for two new products treating erectile dysfunction, **Viavardis** (vardenafil) and **Tadilecto** (tadalafil). Viavardis film-coated tablets in three strengths (5 mg, 10 mg and 20 mg) and Tadilecto film-coated tablets in four strengths (2.5 mg, 5 mg, 10 mg and 20 mg) are oral medications intended to improve the erectile function in men. Both active substances are selective phosphodiesterase type 5 (PDE5) inhibitors with a fast mechanism of action. Both are highly effective as soon as after the first dosage, they extend the duration of the erection and are reliable, as their efficacy is preserved even after long-term use. Vardenafil is an effective and safe medicine for patients designated as demanding in terms of treatment, e.g. diabetics, patients with cardiovascular diseases, and radical prostatectomy

We acquired 385 new marketing approvals for 99 products in different markets.

patients. Apart in diabetics and patients with cardiovascular diseases, tadalafil in smaller doses may also be used to treat benign prostatic hyperplasia. Both medicinal products are vertically integrated, meaning that we control the processes of preparation and evaluation of incoming materials and the finished product. Vardenafil, tadalafil and sildenafil in different pharmaceutical forms and strengths constitute Krka's range of medications for the treatment of erectile dysfunction.

We were granted marketing approvals under European decentralised procedures for the analgesic **Oxycodon/Naloxon Krka** (oxycodone and naloxone) in the form of prolonged-release tablets in three strengths. It contains the combination of the opioid oxycodone and naloxone, which binds to opioid receptors. The medicine relieves moderate to severe pain and is used when safe opioid therapy is required.

Applying the decentralised procedure we obtained a marketing authorisation for a new strength of **Dulsevia/Duloxalta** (duloxetine) gastro-resistant capsules – 90 mg. It is an antidepressant from the group of combined serotonin and noradrenaline reuptake inhibitors, used to treat depression, generalised anxiety disorder and neuropathic pain in diabetes. A new strength was added to the existing 30 mg and 60 mg ones, facilitating a one-capsule-a-day dosing when higher dosages are needed. This makes treatment easier for patients.

Under a decentralised European procedure we obtained marketing authorisations for **Meaxin** (imatinib) in the new pharmaceutical form of dispersible tablets in two strengths (100 mg and 400 mg), for the treatment of cancer. It is used to treat chronic myeloid leukaemia, acute lymphoblastic leukaemia, myelodysplastic–myeloproliferative diseases, hypereosinophilic syndrome, chronic eosinophilic leukaemia, and protuberant dermatofibrosarcoma. Dispersible tablets dissolve in a small amount of water or apple juice, which makes the medicine easy to take. The product is thus appropriate for patients who have

difficulty swallowing, and patients with gastrointestinal dysfunction, and it is particularly suitable for children and older patients.

Under the decentralised authorisation procedure we launched on European markets a new formulation of **Dexamethasone Krka** in the form of 0.5 mg tablets. The medicine is a corticosteroid with an anti-inflammatory, analgesic and anti-allergic effect, and it affects the functioning of the immune system. It is used for the symptomatic treatment of rheumatic, systemic connective tissue, allergic and skin diseases, diseases of the eyes, alimentary tract, respiratory tract, blood and kidneys, certain forms of cancer, and transplant rejection after organ transplant.

In Hungary we were granted a marketing authorisation under the national procedure for a new strength of the medicine **Kventiax/Quentiax** (quetiapine) – 400 mg prolonged-release tablets. This has completed our range of quetiapine pharmaceuticals. These wide-spectrum antipsychotics are used to treat different psychiatric disorders (schizophrenia, bipolar disorder and major depression). The medicine is now available in four strengths and is taken as a single daily dose, thus simplifying treatment.

Additional products were launched on European markets after we obtained new marketing approvals for pharmaceuticals from Krka's key group of medicinal products treating cardiovascular diseases. Under the decentralised procedure we obtained marketing authorisations for the fixed-dose combination **Teldipin/Telassmo** (telmisartan and amlodipine) in the form of tablets in four strengths (40 mg/5 mg, 40 mg/10 mg, 80 mg/5 mg and 80 mg/10 mg) and were the first, in addition to the originator, to have entered the Polish market with it. We obtained marketing authorisations under decentralised procedures for two combination-products, **Rameam** (ramipril and amlodipine) hard capsules in four strengths and **Vasitimb** (ezetimibe and simvastatin) tablets in three strengths, and for two mono-component products, **Bixebra** (ivabradine) film-coated tablets in two strengths and **Bloxazoc** (metoprolol succinate) prolonged-release tablets in four strengths. We expanded marketing opportunities for **Olimestra** (olmesartan) film-coated tablets in three strengths, and for the fixed-dose combination **Co-Olimestra** (olmesartan and hydrochlorothiazide) in the form of film-coated tablets in four strengths. As to the group of antibiotics, the European decentralised procedure

was used to expand markets for **Klaritromicin Krka** (clarithromycin) film-coated tablets in two strengths. Applying the European centralised procedure we obtained approvals to market the combination **Emtricitabine/Tenofovir disoproxil Krka** (emtricitabine and tenofovir disoproxil), an HIV infection treatment in the form of film-coated tablets in the strength of 200 mg/245 mg.

New marketing authorisations were obtained in different Eastern European countries for pharmaceuticals treating cardiovascular diseases: the fixed-dose combinations **Telmista H40**, **Telmista H80** and **Telmista HD80** (telmisartan and hydrochlorothiazide), **Roxera combi** (rosuvastatin and amlodipine), **Valarox** (rosuvastatin and valsartan) and **Co-Prenessa** (perindopril and indapamide), and the product **Bravadin** (ivabradine). We expanded marketing authorisations for medicinal products for the treatment of diseases of the central nervous system – **Pregabio** (pregabalin), **Ralago** (rasagiline), **Maruxa** (memantine), **Duloxenta/Dulsevia** (duloxetine), **Opryme SR** (pramipexole) and **Torendo** (risperidone) – and for antibiotics – **Moflaxa** (moxifloxacin) tablets and solution for injection, **Betaklav** (amoxicillin and clavulanic acid) tablets and oral suspension, **Levaxela** (levofloxacin), **Linezolid Krka** (linezolid), **Azibiot** (azithromycin) powder for oral suspension and film-coated tablets, and **Furocef** (cefuroxime). New marketing authorisations were obtained for the analgesic **Roticox** (etoricoxib), the medicine for the treatment of HIV infections **Emtricitabine/tenofovir Krka** (emtricitabine and tenofovir), and cancer medicines **Ecansia** (capecitabine) and **Docetaxel Krka** (docetaxel).

We obtained additional marketing authorisations in the markets of South-Eastern Europe for products from our key therapeutic groups. New marketing authorisations were obtained for the cardiovascular products **Co-Amlessa** (perindopril, amlodipine and indapamide) in the form of tablets, **Valsaros** (rosuvastatin and valsartan) film-coated tablets, and **Lortenza** (losartan and amlodipine). As to medications for diseases of the central nervous system we obtained new authorisations for **Kventiax SR** (quetiapine) prolonged-release tablets in four strengths, **Memando** (memantine) film-coated tablets, and **Pragiola** (pregabalin) hard capsules. We expanded marketing opportunities for the antibiotics **Moloxin** (moxifloxacin), **Levalox** (levofloxacin) in the form of a film-coated tablets and solution for injection, and **Furocef** (cefuroxime)

in the form of film-coated tablets. Marketing authorisations were also obtained for a medicine treating an enlarged prostate, **Dutrys** (dutasteride), in the form of a soft capsules, and for a medication decreasing high blood sugar levels, **Gliclada SR** (gliclazide), in the form of 90 mg prolonged-release tablets.

Non-prescription products

We launched four new non-prescription products in five pharmaceutical dosage forms and strengths.

Magnezij Krka 300 granules for the preparation of a beverage contain magnesium in the form of citrate, and vitamin B₂. Both ingredients contribute to decreasing fatigue and exhaustion and support a normal functioning of the nervous system, with magnesium in the form of magnesium citrate also contributing to muscle action. The product does not contain preservatives, artificial colours, flavours or sweeteners. It was authorised for marketing as a food supplement in Slovenia and the markets of East Europe.

Under the European decentralised procedure we obtained marketing authorisations in 12 European countries for the new product **Flebaven/Flebazol/Fladios** (diosmin) in the form of 500 mg film-coated tablets and 100 mg tablets. Both forms contain micronized diosmin of pharmacopoeia quality and are intended for the treatment of symptoms of chronic venous insufficiency in adults – showing as the feeling of heavy legs, leg pain and night leg cramps – and for the symptomatic treatment of deteriorated haemorrhoid-related problems in adults.

New authorisations have expanded marketing opportunities for **Septolete total/Septabene** lozenges (benzylamine hydrochloride and cetylpyridinium chloride). The product has anti-inflammatory properties, it is an analgesic and antiseptic, and it is used to treat mouth and throat pain and sores. Applying decentralised procedures we obtained marketing authorisations for it in the Czech Republic, Ireland and Germany, and it was granted the status of a product available without prescription.

In the overseas markets we obtained marketing authorisations for a series of key products containing the substances atorvastatin, telmisartan, the combination of tramadol and paracetamol, esomeprazole, metoprolol, solifenacin, desloratadine, aripiprazole, ezetimibe, linezolid, gliclazide, memantine, pregabalin and rabeprazole. The most products were authorised for marketing in Hong Kong and Lebanon.

Under the European decentralised procedure we obtained first marketing authorisations in 15 countries for two new **Septabene** products, Lemon/Honey and Lemon/Elder lozenges. Both complement our broad range of cold and flu products.

We expanded marketing opportunities in European markets for our well-established product Bilobil. In the European decentralised procedure, it was granted marketing approvals as **Gingonin** (ginkgo leaf extract) in the form of hard capsules in two strengths in Germany, and one of its strengths was also authorised for marketing in France.

In Slovenia we were granted an additional marketing authorisation under the national procedure for **Nalgesin** (naproxen) 220 mg film-coated tablets.

In the markets of Eastern and South-Eastern Europe we strengthened the position of the Septolete brand, having obtained new authorisations for **Septolete total** lozenges and the **Septolete total** spray.

We obtained marketing authorisations for **Ulcavis** (bismuth) 120 mg film-coated tablets in Ukraine, Armenia, Moldova, Uzbekistan and Kazakhstan, and for **Flebaven** (diosmin and flavonoids expressed as hesperidin) 450 mg/50 mg film-coated tablets in Kazakhstan.

In the overseas markets we obtained marketing authorisations for Septolete and Pikovit products.

Animal health products

We obtained approvals to market two new veterinary products.

Applying the European decentralised procedure, Krka obtained marketing authorisations in 22 European countries for the new product **Dehinel/Anthelmin** (pyrantel embonate and praziquantel) in the form of film-coated tablets. It contains a fixed-dose combination of substances treating mixed gastrointestinal parasite infestations in cats, and has completed Krka's range of state-of-the-art products for the elimination of parasites in companion animals.

Our range of products for the treatment of farm animals in Kazakhstan was supplemented with the approval for marketing granted for the new product **Toltarox** (toltrazuril) in the form of oral suspension. It treats coccidia infestations in different types of poultry, and is added to drinking water.

We increased the number of marketing authorisations and consolidated our well-established brands of pharmaceuticals for farm animals. Under national procedures we obtained a marketing approval for the **Floron** (florfenicol) oral powder in the Russian Federation, and for the **Floron** (florfenicol) solution for injection in Moldova. It is used to treat respiratory infections in pigs and bovine animals. In Moldova, Ukraine and Kazakhstan we obtained marketing authorisations for the **Doxatib** (doxycycline) powder to be administered in drinking water, a first-choice

medicinal product for the treatment of respiratory tract infections in pigs and chickens.

We also entered new markets with products for companion animals. Under the European decentralised procedure we obtained marketing authorisations for **Milprazon/Milquantel** (milbemycin oxime and praziquantel) flavoured tablets for dogs and film-coated flavoured tablets for cats in six European countries. The product prevents and treats gastrointestinal parasites in cats and dogs.

In the Russian Federation we obtained marketing authorisations for the fixed-dose combination **Dehinel** (praziquantel and pyrantel embonate) in the form of the film-coated tablets, intended for the prevention and treatment of gastrointestinal parasites in cats. In Kazakhstan and Macedonia we obtained approvals to market the **Otoxolan** ear drops for dogs (marbofloxacin, clotrimazole and dexamethasone acetate) in the form of suspension. The new fixed-dose combination is used to treat outer ear bacterial and yeast infections in dogs. In Serbia we obtained approvals for the fixed-dose combination **Ataxxa** (imidacloprid and permethrin) in the form of spot on drops for the treatment and prevention of external skin and hair parasite infections in dogs. In several overseas markets we obtained marketing authorisations for the fixed-dose combination **Dehinel Plus Flavour** (febantel, pyrantel embonate and praziquantel) in the form of flavoured tablets, intended for the treatment and prevention of gastrointestinal infections in dogs.

Investments

In the first nine months of 2017 the Krka Group allocated €75.2 million to investments, of which the controlling company invested €62.0 million and subsidiaries €13.2 million. Investments have primarily increased and modernised our production, and research and development capacities.

Krka Group investments for the full year 2017 are expected to amount to just over €120 million, which is less than planned and less than last year. The estimated amount to actually be spent is lower than originally planned due to the good prices negotiated with contractors and equipment suppliers. This amount does not include potential acquisitions.

Krka's key investment to support development activities and quality assurance in the following years is the Development and Control Centre 4 (RKC 4), located in the group of production facilities at Ločna in Novo mesto, Slovenia. The investment is estimated at €54 million. In the facility with a surface area of 18,000 m², we have started installing laboratory and other technological equipment.

Also at the Ločna location we are building a multipurpose warehouse for the storage of finished products, raw materials and packaging. It will have 25,000 new pallet spaces and thus brings new warehousing capacity for incoming materials and

finished products. This will increase the speed and flexibility of production and improve the availability of products and market supply. The investment is estimated at €30 million.

At the same location we operate a state-of-the-art solid dosage forms production plant Notol 2. Production had been launched in January 2015 and it was officially opened in November that year. More than two years later, work is running smoothly with production capacity increasing. Approximately two thirds of the entire technological equipment has been fitted so far. To satisfy increasing market demand and facilitate the production of new products, we have started procuring additional technological equipment to ensure the plant is fully equipped and can reach the target production volume of 4.5 billion tablets, film-coated tablets and capsules per year. The estimated value of the additional equipment for Notol 2 is €23 million.

Also ongoing is the €11 million investment into increasing capacities for the coating of pellets in the Solid Dosage Forms Plant.

The new Hydrogenation 2 facility in Krško, Slovenia will facilitate hydrogenation capacities and increase Krka's independent production capacity for active pharmaceutical ingredients.

In the Bršljin plant in Novo mesto, Slovenia we are expanding the Plant for the Production of Animal Health Products with a Biocidal Effect. The estimated value of the investment is €4.6 million.

New production capacities in Novo mesto have increased our electricity needs. After all systems in Notol 2 start operating and the RKC 4 is complete, a peak consumption of close to 20 MW is expected. Electricity supply will be secured via 20 kV lines from the 110/20 kV Ločna substation for a permanent combined consumption of approximately 25 MW. Systems are expected to connect to the new substation at the beginning of 2018. The investment into increasing and modernising energy-generating infrastructure is worth over €3 million.

One of the more important investments in Krka subsidiaries has been Krka-Rus 2 in Istra, the Russian Federation. The first stage had included building a new plant and logistics centre, which were fitted in 2015 and 2016 with additional technical and logistics equipment worth just over €20 million. This has increased the plant's production capacity to two thirds of its planned

target capacity, i.e. 2.5 billion tablets and capsules per year. The warehouse and logistics system have reached full capacity after the installation of the remaining logistics equipment. The second phase of the investment, estimated at €30 million, will include bringing the plant to its target production capacity and building a proprietary wastewater treatment plant to ensure in the long term that the purity of wastewater released from the Krka-Rus factory corresponds to statutory requirements. More than 60% of products intended for the Russian market are manufactured in Krka-Rus, which gives Krka the status of a domestic producer.

Due to the expansion of Krka's production programme in Jastrebarsko, Croatia, the production and distribution centre there is being rearranged to acquire new production and laboratory capacities for solid dosage oncology pharmaceuticals. Equipment installation and assembly were completed at the end of 2016, and the launch of production and gradual transfer of technologies to the new technological equipment have been ongoing during 2017. We have obtained the GMP (good manufacturing practice) certificate and manufacturing authorisation, and have thus met the conditions for starting the production of oncology medications to be sold in demanding global markets. The investment is worth €34 million.

In the Terme Krka health resort in Strunjan we replaced the system of heating. In compliance with the legislation and the objectives of the Strunjan Landscape Park, this investment will reduce negative impacts on the environment and drive down the cost of heat energy. The renovation of the Laguna Hotel in Strunjan is also ongoing; a small pool is being built next to it and a children's playground set up, diversifying our programme for visitors. In the Šmarješke Toplice health resort we upgraded the wastewater system, and the renovation of the energy system is ongoing. In the Dolenjske Toplice health resort we are completing the renovation of the interior of the medical rehabilitation centre, and rooms are being renovated in Šport Hotel at Otočec. The total estimated value of investments in the Terme Krka Group to be completed this year is almost €3 million.

In the following weeks we intend to increase our presence in China by establishing a joint venture in which Krka will hold the majority share.

Employees

At the end of September the Krka Group had 10,733 employees. Krka's subsidiaries and representation offices outside Slovenia employed 53% of the Group's employees, and 56% of the entire Krka team had at least a university level degree.

There were 1,412 temporary agency workers at the end of September, 189 more than at the end of 2016.

Educational structure

	30 Sep 2017		31 Dec 2016	
	No. of employees	Share (in%)	No. of employees	Share (in%)
PhD	176	1.6	169	1.6
MSc	362	3.4	396	3.6
University degree	5,462	50.9	5,594	51.4
Higher professional education degree	1,460	13.6	1,422	13.1
Vocational college degree	266	2.5	265	2.4
Secondary school education, level V	1,860	17.3	1,868	17.2
Other	1,147	10.7	1,175	10.8
Krka Group	10,733	100.0	10,889	100.0

We have been ensuring a continuous inflow of new 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 scholarships are also granted to promising students from other fields of interest to Krka. We have awarded 16 new scholarships. By means of the employee development system and succession planning we make sure that most of Krka's key personnel requirements – both in terms of field experts and managers – are catered for within the Group.

Krka has always invested in the knowledge and development of employees who wish to acquire new knowledge and higher academic degrees. We enable employees to undergo additional training both in Slovenia and abroad, related to various professional areas of expertise, quality, management, personal growth, foreign languages and informatics. Trainings are adjusted to the needs of our employees, the technological process, market conditions and the Group's development needs. The majority of these trainings are organised in-house, and they are constantly updated and remodelled into new types better adjusted to the contemporary line of work.

With Krka's support, 143 employees are enrolled into part-time university studies, 48 of them postgraduate students on their way to obtaining a specialisation, master's degree or doctoral degree. By the end of September, 19 employees had completed their studies.

Krka is the only certificate-awarding body in Slovenia with the power to examine and approve candidates taking the National Vocational Qualification (NVQ) exams in the area of pharmacy. By examining and approving candidates under the NVQ system between 2002 and September 2017, we have awarded 1,262 NVQ certificates to Krka employees and 142 to participants from other organisations in the pharmaceutical industry, a total of 1,404 certificates for four vocational qualifications. There are currently 95 Krka employees in the process of obtaining a NVQ certificate.

We have been steering the young towards creativity in research work for 47 years with Krka awards, 2,691 young researchers having received Krka awards to date. This year we awarded 32 Krka awards for graduate and postgraduate research work, 15 to doctors of science and 28 to upper secondary school students.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP, WITH NOTES

Consolidated statement of financial position of the Krka Group

In € thousand	30 Sep 2017	31 Dec 2016	Index
Assets			
Property, plant and equipment	866,143	874,100	99
Intangible assets	110,622	113,511	97
Loans	10,456	8,801	119
Investments	9,078	10,138	90
Deferred tax assets	37,521	31,260	120
Other non-current assets	343	257	133
Total non-current assets	1,034,163	1,038,067	100
Assets held for sale	463	467	99
Inventories	304,763	280,653	109
Trade receivables	485,313	510,406	95
Other receivables	26,660	33,777	79
Loans	497	9,441	5
Investments	0	77	0
Cash and cash equivalents	30,936	38,630	80
Total current assets	848,632	873,451	97
Total assets	1,882,795	1,911,518	98
Equity			
Share capital	54,732	54,732	100
Treasury shares	-37,546	-29,690	126
Reserves	109,197	109,678	100
Retained earnings	1,322,227	1,308,668	101
Total equity holders of the parent	1,448,610	1,443,388	100
Non-controlling interests within equity	1,048	1,056	99
Total equity	1,449,658	1,444,444	100
Liabilities			
Provisions	93,017	90,807	102
Deferred revenue	11,253	12,158	93
Deferred tax liabilities	12,175	12,348	99
Total non-current liabilities	116,445	115,313	101
Trade payables	121,966	128,437	95
Income tax payable	14,415	1,666	865
Other current liabilities	180,311	221,658	81
Total current liabilities	316,692	351,761	90
Total liabilities	433,137	467,074	93
Total equity and liabilities	1,882,795	1,911,518	98

Consolidated income statement of the Krka Group

In € thousand	1–9/2017	1–9/2016	Index
Revenues	928,251	852,385	109
Costs of goods sold	-398,518	-392,686	101
Gross profit	529,733	459,699	115
Other operating income	8,174	5,263	155
Selling and distribution expenses	-237,537	-222,492	107
R&D expenses	-92,877	-85,300	109
General and administrative expenses	-58,270	-57,496	101
Operating profit	149,223	99,674	150
Financial income	9,892	46,446	21
Financial expenses	-29,870	-57,608	52
Net financial result	-19,978	-11,162	179
Profit before tax	129,245	88,512	146
Income tax	-19,194	-8,196	234
Net profit	110,051	80,316	137
Attributable to:			
– equity holders of the parent	110,059	80,299	137
– non-controlling interest	-8	17	-47
Basic earnings per share* (in €)	3.41	2.48	138
Diluted earnings per share** (in €)	3.41	2.48	138

* Net profit/Average number of shares issued in the period, exclusive of 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 € thousand	1–9/2017	1–9/2016	Index
Net profit	110,051	80,316	137
Other comprehensive income for the period			
Other comprehensive income for the period reclassified to profit or loss in future periods			
Translation reserve	-7,460	14,591	
Change in fair value of available-for-sale financial assets	-1,082	1,858	
Deferred tax effect	205	-448	
Net other comprehensive income for the period reclassified to profit or loss in future periods	-8,337	16,001	
Total other comprehensive income for the period (net of tax)	-8,337	16,001	
Total comprehensive income for the period (net of tax)	101,714	96,317	106
Attributable to:			
– equity holders of the parent	101,722	96,300	106
– non-controlling interest	-8	17	

Consolidated statement of changes in equity of the Krka Group

In € 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			
Balance at 1 Jan 2017	54,732	-29,690	29,690	105,897	14,990	30,000	-11,802	-59,097	1,102,165	107,670	98,833	1,443,388	1,056	1,444,444
Net profit	0	0	0	0	0	0	0	0	0	0	110,059	110,059	-8	110,051
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	-877	-7,460	0	0	0	-8,337	0	-8,337
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	-877	-7,460	0	0	110,059	101,722	-8	101,714
Transactions with owners, recognised in equity														
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	98,833	-98,833	0	0	0
Repurchase of treasury shares	0	-7,856	0	0	0	0	0	0	0	0	0	-7,856	0	-7,856
Formation of reserves for treasury shares	0	0	7,856	0	0	0	0	0	0	0	-7,856	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	-88,644	0	-88,644	0	-88,644
Total transactions with owners, recognised in equity	0	-7,856	7,856	0	0	0	0	0	0	10,189	-106,689	-96,500	0	-96,500
Balance at 30 Sep 2017	54,732	-37,546	37,546	105,897	14,990	30,000	-12,679	-66,557	1,102,165	117,859	102,203	1,448,610	1,048	1,449,658

In € 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			
Balance at 1 Jan 2016	54,732	-20,071	20,071	105,897	14,990	30,000	-12,453	-85,118	1,051,677	96,160	148,851	1,404,736	1,248	1,405,984
Net profit	0	0	0	0	0	0	0	0	0	0	80,299	80,299	17	80,316
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	1,941	14,591	0	-531	0	16,001	0	16,001
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	1,941	14,591	0	-531	80,299	96,300	17	96,317
Transactions with owners, recognised in equity														
Formation of other profit reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	0	50,488	-50,488	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	148,851	-148,851	0	0	0
Repurchase of treasury shares	0	-4,972	0	0	0	0	0	0	0	0	0	-4,972	0	-4,972
Formation of reserves for treasury shares	0	0	4,972	0	0	0	0	0	0	0	-4,972	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	-85,932	0	-85,932	0	-85,932
Total transactions with owners, recognised in equity	0	-4,972	4,972	0	0	0	0	0	50,488	12,431	-153,823	-90,904	0	-90,904
Balance at 30 Sep 2016	54,732	-25,043	25,043	105,897	14,990	30,000	-10,512	-70,527	1,102,165	108,060	75,327	1,410,132	1,265	1,411,397

Consolidated statement of cash flows of the Krka Group

In € thousand	1–9/2017	1–9/2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	110,051	80,316
Adjustments for:	102,533	124,462
– amortisation/depreciation	79,734	79,150
– foreign exchange differences	-1,924	2,536
– investment income	-10,848	-23,482
– investment expenses	15,039	57,234
– interest expenses and other financial expenses	1,338	828
– income tax	19,194	8,196
– other		
Operating profit before changes in net operating current assets	212,585	204,778
Change in trade receivables	26,331	-6,431
Change in inventories	-24,109	-5,892
Change in trade payables	-1,638	8,868
Change in provisions	1,139	277
Change in deferred revenues	-905	-920
Change in other current liabilities	-29,535	1,885
Income tax paid	-6,894	-17,984
Net cash from operating activities	176,973	184,581
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	402	776
Proceeds from sale of current investments	2	0
Dividends received	15	835
Proceeds from sale of property, plant and equipment	1,279	1,102
Purchase of intangible assets	-2,899	-1,877
Purchase of property, plant and equipment	-77,410	-85,419
Non-current loans	-1,911	-2,034
Proceeds from repayment of non-current loans	983	1,001
Payments to acquire non-current investments	-124	-60
Proceeds from sale of non-current investments	11	50
Payments/Proceeds in connection with current investments and loans	8,281	36,406
Payments in connection with derivative financial instruments	-25,820	-45,041
Proceeds from derivative financial instruments	9,473	21,292
Net cash flows used in investing activities	-87,718	-72,969
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-268	-829
Dividends and other profit shares paid	-88,748	-85,766
Repurchase of treasury shares	-7,856	-4,972
Proceeds of payments from non-controlling interests		
Net cash used in financing activities	-96,871	-91,567
Net increase in cash and cash equivalents	-7,616	20,045
Cash and cash equivalents at beginning of the year	38,630	35,826
Effect of exchange rate fluctuations on cash held	-78	137
Net cash and cash equivalents at end of the period	30,936	56,008

Segment reporting of the Krka Group

In € thousand	European Union		South-East Europe		East Europe		Other		Elimination		Total	
	1-9/2017	1-9/2016	1-9/2017	1-9/2016	1-9/2017	1-9/2016	1-9/2017	1-9/2016	1-9/2017	1-9/2016	1-9/2017	1-9/2016
Revenues from external customers	574,164	545,041	46,220	43,036	271,434	229,996	36,433	34,312	0	0	928,251	852,385
Sales between group companies	172,793	158,862	22,499	20,271	172,465	114,784	0	0	-367,757	-293,917	0	0
Other operating income	5,121	3,024	117	768	2,936	1,471	0	0	0	0	8,174	5,263
Operating expenses	-495,401	-489,445	-33,866	-34,134	-236,313	-212,825	-21,622	-21,570	0	0	-787,202	-757,974
Operating expenses to Group companies	-277,590	-271,085	-25,419	-21,993	-325,909	-236,727	-6	-4	628,924	529,809	0	0
Operating profit	83,884	58,620	12,471	9,670	38,057	18,642	14,811	12,742	0	0	149,223	99,674
Interest income	141	336	0	206	260	231	0	0	0	0	401	773
Interest income from Group companies	539	687	0	0	2	3	0	0	-541	-690	0	0
Interest expenses	-201	-634	0	0	2	3	0	0	0	0	-199	-631
Interest expenses to Group companies	-195	-222	0	0	-281	-583	0	0	476	805	0	0
Net financial result	293	-551	562	-363	-20,708	-9,158	-125	-1,090	0	0	-19,978	-11,162
Income tax	-10,724	-6,209	-1,619	-469	-5,366	-1,048	-1,485	-470	0	0	-19,194	-8,196
Net profit	73,453	51,860	11,414	8,838	11,983	8,436	13,201	11,182	0	0	110,051	80,316
Investments	72,657	74,674	148	148	2,436	13,694	0	0	0	0	75,241	88,516
Depreciation	49,658	51,731	1,440	1,527	22,654	20,041	277	273	0	0	74,029	73,572
Amortisation	3,514	3,658	208	237	1,823	1,513	160	170	0	0	5,705	5,578
	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016
Total assets	1,369,058	1,394,236	41,849	40,107	462,071	467,293	9,817	9,882	0	0	1,882,795	1,911,518
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	38,375	39,011	0	0	0	0	0	0	0	0	38,375	39,011
Total liabilities	323,544	364,038	9,203	9,251	78,029	67,764	22,361	26,021	0	0	433,137	467,074

Notes to the consolidated financial statements of the Krka Group

Costs by nature

€787,202 thousand

In € thousand	1-9/2017	1-9/2016	Index
Cost of goods and material	267,441	253,701	105
Costs of services	173,915	164,939	105
Employee benefit costs	262,036	244,176	107
Amortisation and depreciation	79,734	79,150	101
Inventory write-offs and allowances	8,799	7,553	116
Receivable impairment and write-offs	1,803	621	290
Other operating expenses	25,453	24,919	102
Total costs	819,181	775,059	106
Change in the value of inventories of products and work in progress	-31,979	-17,085	187
Total	787,202	757,974	104

Employee benefit costs

€262,036 thousand

In € thousand	1-9/2017	1-9/2016	Index
Gross wages and salaries and continued pay	203,516	188,770	108
Social security contributions	15,492	14,804	105
Pension insurance contributions	28,476	26,466	108
Payroll tax	821	906	91
Post-employment benefits and other non-current employee benefits	3,581	344	1041
Other employee benefit costs	10,150	12,886	79
Total employee benefit costs	262,036	244,176	107

Other operating expenses

€25,453 thousand

In € thousand	1-9/2017	1-9/2016	Index
Grants and assistance for humanitarian and other purposes	1,248	1,243	100
Environmental protection expenses	2,719	2,542	107
Other taxes and levies	17,748	17,031	104
Loss on sale of property, plant and equipment and intangible assets	927	456	203
Other expenses	2,811	3,647	77
Total other operating expenses	25,453	24,919	102

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

Financial income and expenses

In € thousand	1-9/2017	1-9/2016	Index
Net foreign exchange differences	0	23,539	0
Interest income	401	773	52
Change in fair value of investments through profit or loss	0	7	0
Proceeds from sale of investments	2	0	
Derivative financial instruments income	9,474	21,292	44
– income	9,474	21,292	44
Income from dividends and other shares of the profit	15	835	2
Total financial income	9,892	46,446	21
Net foreign exchange differences	-14,323	0	
Interest expenses	-199	-631	32
Change in fair value of investments through profit or loss	0	-8	0
Derivative financial instruments expenses	-14,111	-56,770	25
– expenses	-25,820	-45,041	57
– change in fair value	11,709	-11,729	
Other financial expenses	-1,237	-199	622
Total financial expenses	-29,870	-57,608	52
Net financial result	-19,978	-11,162	179

Income tax

€19,194 thousand

Current income tax amounts to €25,524 thousand, which is 19.7% of pre-tax profit. Together with the deferred tax of €-6,330 thousand, the total income

tax expense in the income statement amounts to €19,194 thousand. The effective tax rate is 14.9%.

Property, plant and equipment

€866,143 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Land	37,030	36,575	101
Buildings	393,477	403,257	98
Equipment	329,481	343,390	96
Property, plant and equipment being acquired	99,541	84,635	118
Advances for property, plant and equipment	6,614	6,243	106
Total property, plant and equipment	866,143	874,100	99

The value of property, plant and equipment represents just over 46% of the Group's total assets. Krka's major investments are described in the chapter Investments in the Business Report.

Intangible assets

€110,622 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Goodwill	42,644	42,644	100
Trademark	38,375	39,011	98
Concessions, patents, licences and similar rights	25,652	28,184	91
Intangible assets being acquired	3,951	3,672	108
Total intangible assets	110,622	113,511	97

Loans

€10,456 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Non-current loans	10,456	8,801	119
– loans to others	10,456	8,801	119
Current loans	497	9,441	5
– portion of non-current loans maturing next year	328	1,201	27
– loans to others	169	8,240	2
Total loans	10,953	18,242	60
Non-current loans	10,456	8,801	119

Non-current loans represent 95% of total loans.

to its employees, and that are primarily housing loans.

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

Investments

€9,078 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Non-current investments	9,078	10,138	90
– available-for-sale financial assets	9,078	10,138	90
Current investments including derivative financial instruments	0	77	0
– shares and interests held for trading	0	77	0
Total investments	9,078	10,215	89

Available-for-sale financial assets include €817 thousand of investments in shares and interests in companies in Slovenia, and

€8,261 thousand of investments in shares and interests in companies abroad.

Inventories

€304,763 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Material	118,937	122,515	97
Work in progress	73,677	63,212	117
Products	102,828	86,369	119
Merchandise	7,794	7,783	100
Inventory advances	1,527	774	197
Total inventories	304,763	280,653	109

Trade and other receivables

€511,973 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Current trade receivables	485,313	510,406	95
Other current receivables	26,660	33,777	79
Total receivables	511,973	544,183	94

Cash and cash equivalents

€30,936 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Cash in hand	99	78	127
Bank balances	30,837	38,552	80
Total cash and cash equivalents	30,936	38,630	80

Equity

€1,449,658 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Share capital	54,732	54,732	100
Treasury shares	-37,546	-29,690	126
Reserves	109,197	109,678	100
– reserves for treasury shares	37,546	29,690	126
– share premium	105,897	105,897	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserves	-12,679	-11,802	107
– translation reserve	-66,557	-59,097	113
Retained earnings	1,322,227	1,308,668	101
Total equity holders of the parent	1,448,610	1,443,388	100
Non-controlling interests within equity	1,048	1,056	99
Total equity	1,449,658	1,444,444	100

Provisions

€93,017 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Provisions for lawsuits	161	166	97
Provisions for post-employment benefits and other non-current employee benefits	91,924	89,970	102
Other provisions	932	671	139
Total provisions	93,017	90,807	102

Deferred revenues

€11,253 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Grants received from the European Fund for Regional Development and Republic of Slovenia budget for the production of pharmaceuticals in the new Notol 2 plant	2,184	2,384	92
Grants received from the budget for the Dolenjske and Šmarješke Toplice health resorts and Golf Grad Otočec	3,821	3,927	97
Grants received from the European Regional Development Fund for the development of new technologies (FBD project)	266	340	78
Grants received from the European Regional Development Fund for setting up an information and technology solutions system (GEN-I)	11	14	79
Grants received from the European Regional Development Fund for development centres of the Slovenian economy	4,919	5,419	91
Subsidy for acquisition of electric vehicles	7	5	140
Property, plant and equipment received free of charge	36	53	68
Emission coupons	9	16	56
Total deferred revenue	11,253	12,158	93

Development Centres of the Slovenian 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; Priority objective 1.1: Improving Competitiveness and Research Excellence.

Trade payables

€121,966 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Payables to domestic suppliers	57,926	45,748	127
Payables to foreign suppliers	61,507	78,696	78
Payables from advances	2,533	3,993	63
Total trade payables	121,966	128,437	95

Other current liabilities

€180,311 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Accrued contractual discounts on products sold	123,620	150,080	82
Payables to employees – gross wages, other receipts and charges	39,576	38,112	104
Derivative financial instruments	961	12,670	8
Other	16,154	20,796	78
Total other current liabilities	180,311	221,658	81

Contingent liabilities

€16,846 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Guarantees issued	16,226	12,846	126
Other	620	620	100
Total contingent liabilities	16,846	13,466	125

Fair value

In € thousand	30 Sep 2017		31 Dec 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans	10,456	10,456	8,801	8,801
Available-for-sale financial assets	9,078	9,078	10,138	10,138
Current loans	497	497	9,441	9,441
Short-term financial investments	0	0	77	77
– shares and interests held for trading	0	0	77	77
Trade receivables	485,313	485,313	510,406	510,406
Cash and cash equivalents	30,936	30,936	38,630	38,630
Trade payables and other liabilities, excluding amounts owed to the state, to employees and advances	-251,659	-251,659	-282,784	-282,784
Other current liabilities	-961	-961	-12,670	-12,670
– derivative financial instruments	-961	-961	-12,670	-12,670
Total	283,660	283,660	282,039	282,039

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

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

The fair value of non-current loans and borrowings

is calculated by applying the discounted cash flow of the principal and interest. The discount interest rate for 2017 and 2016 was computed based on the 2% annual interest rate.

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

Assets at fair value

In € thousand	30 Sep 2017				31 Dec 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Available-for-sale financial assets	7,696	0	1,382	9,078	8,775	0	1,363	10,138
Shares and interests held for trading	0	0	0	0	77	0	0	77
Total assets at fair value	7,696	0	1,382	9,078	8,852	0	1,363	10,215
Assets for which fair value is disclosed								
Non-current loans	0	0	10,456	10,456	0	0	8,801	8,801
Current loans	0	0	497	497	0	0	9,441	9,441
Trade receivables	0	0	485,313	485,313	0	0	510,406	510,406
Cash and cash equivalents	0	0	30,936	30,936	0	0	38,630	38,630
Total assets for which fair value is disclosed	0	0	527,202	527,202	0	0	567,278	567,278
Total	7,696	0	528,584	536,280	8,852	0	568,641	577,493

Liabilities at fair value

In € thousand	30 Sep 2017				31 Dec 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities at fair value								
Derivative financial instruments	0	0	961	961	0	0	12,670	12,670
Total liabilities at fair value	0	0	961	961	0	0	12,670	12,670
Liabilities for which fair value is disclosed								
Trade payables and other liabilities, excluding amounts owed to the state, to employees and advances	0	0	251,659	251,659	0	0	282,784	282,784
Total liabilities for which fair value is disclosed	0	0	251,659	251,659	0	0	282,784	282,784
Total	0	0	252,620	252,620	0	0	295,454	295,454

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

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

In € thousand	30 Sep 2017	31 Dec 2016	Index
Assets			
Property, plant and equipment	611,845	609,543	100
Intangible assets	27,760	29,302	95
Investments in subsidiaries	321,898	321,185	100
Trade receivables due from subsidiaries	39,770	23,515	169
Loans	14,723	18,302	80
Investments	9,076	10,136	90
Deferred tax assets	12,227	12,101	101
Other non-current assets	103	92	112
Total non-current assets	1,037,402	1,024,176	101
Assets held for sale	41	41	100
Inventories	254,712	236,214	108
Trade receivables	450,430	479,234	94
Other receivables	12,080	21,408	56
Loans	30,789	52,504	59
Investments	0	77	0
Cash and cash equivalents	17,473	24,049	73
Total current assets	765,525	813,527	94
Total assets	1,802,927	1,837,703	98
Equity			
Share capital	54,732	54,732	100
Treasury shares	-37,546	-29,690	126
Reserves	177,562	170,583	104
Retained earnings	1,254,659	1,244,823	101
Total equity	1,449,407	1,440,448	101
Liabilities			
Provisions	80,616	78,903	102
Deferred revenue	2,500	2,788	90
Total non-current liabilities	83,116	81,691	102
Trade payables	148,736	148,562	100
Borrowings	43,741	105,269	42
Income tax payable	12,832	0	
Other current liabilities	65,095	61,733	105
Total current liabilities	270,404	315,564	86
Total liabilities	353,520	397,255	89
Total equity and liabilities	1,802,927	1,837,703	98

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

In € thousand	1–9/2017	1–9/2016	Index
Revenues	887,422	782,538	113
Costs of goods sold	-391,749	-378,647	103
Gross profit	495,673	403,891	123
Other operating income	4,398	2,490	177
Selling and distribution expenses	-213,120	-195,171	109
R&D expenses	-96,377	-89,385	108
General and administrative expenses	-46,983	-46,518	101
Operating profit	143,591	75,307	191
Financial income	11,100	58,910	19
Financial expenses	-30,077	-58,204	52
Net financial result	-18,977	706	
Profit before tax	124,614	76,013	164
Income tax	-18,278	-3,601	508
Net profit	106,336	72,412	147
Basic earnings per share* (in €)	3.30	2.23	148
Diluted earnings per share** (in €)	3.30	2.23	148

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

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

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

In € thousand	1–9/2017	1–9/2016	Index
Net profit	106,336	72,412	147
Other comprehensive income for the period			
Other comprehensive income for the period reclassified to profit or loss in future periods			
Change in fair value of available-for-sale financial assets	-1,082	1,858	
Deferred tax effect	205	-448	
Net other comprehensive income for the period reclassified to profit or loss in future periods	-877	1,410	
Total other comprehensive income for the period (net of tax)	-877	1,410	
Total comprehensive income for the period (net of tax)	105,459	73,822	143

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

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

In € 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 2016	54,732	-20,071	20,071	105,897	14,990	30,000	-10,993	1,051,677	50,040	136,868	1,433,211
Net profit	0	0	0	0	0	0	0	0	0	72,412	72,412
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	1,941	0	-531	0	1,410
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	1,941	0	-531	72,412	73,822
Transactions with owners, recognised in equity											
Formation of other profit reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	50,488	-50,488	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	136,868	-136,868	0
Repurchase of treasury shares	0	-4,972	0	0	0	0	0	0	0	0	-4,972
Formation of reserves for treasury shares	0	0	4,972	0	0	0	0	0	0	-4,972	0
Dividends paid	0	0	0	0	0	0	0	0	-85,932	0	-85,932
Total transactions with owners, recognised in equity	0	-4,972	4,972	0	0	0	0	50,488	448	-141,840	-90,904
Balance at 30 Sep 2016	54,732	-25,043	25,043	105,897	14,990	30,000	-9,052	1,102,165	49,957	67,440	1,416,129

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

In € thousand	1–9/2017	1–9/2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	106,336	72,412
Adjustments for:	83,852	86,158
– amortisation/depreciation	60,365	61,450
– foreign exchange differences	-65	-2,827
– investment income	-11,467	-34,466
– investment expenses	14,951	56,975
– interest expenses and other financial expenses	1,790	1,425
– income tax	18,278	3,601
Operating profit before changes in net operating current assets	190,188	158,570
Change in trade receivables	15,449	-13,933
Change in inventories	-18,497	1,342
Change in trade payables	4,033	-13,094
Change in provisions	642	-8
Change in deferred revenues	-288	-283
Change in other current liabilities	17,175	-4,441
Income tax paid	1,294	-13,583
Net cash from operating activities	209,996	114,570
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	744	1,067
Proceeds from sale of current investments	2	0
Dividends received	15	835
Proportionate profit of subsidiaries	1,027	8,969
Proceeds from sale of property, plant and equipment	267	942
Purchase of intangible assets	-2,717	-1,795
Purchase of property, plant and equipment	-65,239	-41,516
Acquisition of subsidiaries and a share of minority interest without obtained assets	-951	-16,958
Refund of subsequent payments in subsidiaries	237	79
Non-current loans	-1,765	-2,898
Proceeds from repayment of non-current loans	15,800	1,352
Payments to acquire non-current investments	-49	-47
Proceeds from sale of non-current investments	11	50
Proceeds/Payments in connection with current investments and loans	11,177	40,276
Payments in connection with derivative financial instruments	-25,820	-45,041
Proceeds from derivative financial instruments	9,474	21,292
Net cash flows used in investing activities	-57,787	-33,393
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-786	-1,211
Repayment of non-current borrowings	0	-500
Acquisition/Repayment of current borrowings	-61,461	28,956
Dividends and other profit shares paid	-88,748	-85,767
Repurchase of treasury shares	-7,856	-4,972
Net cash used in financing activities	-158,851	-63,494
Net decrease/increase in cash and cash equivalents	-6,642	17,683
Cash and cash equivalents at beginning of the year	24,049	24,622
Effect of exchange rate fluctuations on cash held	66	333
Net cash and cash equivalents at end of the period	17,473	42,638

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

In € thousand	European Union		South-East Europe		East Europe		Other		Total	
	1-9/2017	1-9/2016	1-9/2017	1-9/2016	1-9/2017	1-9/2016	1-9/2017	1-9/2016	1-9/2017	1-9/2016
Revenues	534,402	499,362	42,923	41,676	276,812	210,094	33,285	31,406	887,422	782,538
Other operating income	4,024	2,149	32	12	342	329	0	0	4,398	2,490
Operating expenses	-458,083	-457,253	-32,514	-32,976	-236,010	-197,922	-21,622	-21,570	-748,229	-709,721
Operating profit	80,343	44,258	10,441	8,712	41,144	12,501	11,663	9,836	143,591	75,307
Interest income	318	516	0	0	279	581	0	0	597	1,097
Interest expenses	-739	-1,313	0	0	0	0	0	0	-739	-1,313
Net financial result	826	10,832	-59	-24	-19,619	-9,012	-125	-1,090	-18,977	706
Income tax	-10,227	-2,117	-1,329	-416	-5,237	-598	-1,485	-470	-18,278	-3,601
Net profit	70,942	52,973	9,053	8,272	16,288	2,891	10,053	8,276	106,336	72,412
Investments	61,983	45,939	0	0	0	0	0	0	61,983	45,939
Depreciation	39,788	41,265	1,258	1,342	14,783	14,332	277	273	56,106	57,212
Amortisation	2,565	2,704	206	226	1,328	1,138	160	170	4,259	4,238
	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016
Total assets	1,275,593	1,300,003	41,136	41,895	476,385	485,928	9,813	9,877	1,802,927	1,837,703
Total liabilities	248,534	296,209	8,740	9,103	73,885	65,922	22,361	26,021	353,520	397,255

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

Costs by nature

€748,229 thousand

In € thousand	1-9/2017	1-9/2016	Index
Cost of goods and material	284,941	253,216	113
Costs of services	249,553	228,858	109
Employee benefit costs	157,215	148,306	106
Amortisation and depreciation	60,365	61,450	98
Inventory write-offs and allowances	4,344	6,560	66
Receivable impairment and write-offs	-44	58	
Other operating expenses	16,387	16,649	98
Total costs	772,761	715,097	108
Change in the value of inventories of products and work in progress	-24,532	-5,376	456
Total	748,229	709,721	105

Employee benefit costs

€157,215 thousand

In € thousand	1-9/2017	1-9/2016	Index
Gross wages and salaries and continued pay	123,142	115,207	107
Social security contributions	8,256	8,431	98
Pension insurance contributions	16,045	15,094	106
Post-employment benefits and other non-current employee benefits	3,193	0	
Other employee benefit costs	6,579	9,574	69
Total employee benefit costs	157,215	148,306	106

Other operating expenses

€16,387 thousand

In € thousand	1-9/2017	1-9/2016	Index
Grants and assistance for humanitarian and other purposes	940	944	100
Environmental protection expenses	1,624	1,525	106
Other taxes and levies	11,188	11,028	101
Loss on sale of property, plant and equipment and intangible assets	840	196	429
Other expenses	1,795	2,956	61
Total other operating expenses	16,387	16,649	98

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 € thousand	1-9/2017	1-9/2016	Index
Net foreign exchange differences	0	24,628	0
Interest income	597	1,097	54
Change in fair value of investments through profit or loss	0	7	0
Proceeds from sale of investments	2	0	
Derivative financial instruments income	9,474	21,292	44
– income	9,474	21,292	44
Income from dividends and other shares of the profit	1,027	11,886	9
– dividends	15	835	2
– profits of subsidiaries	1,012	11,051	9
Total financial income	11,100	58,910	19
Net foreign exchange differences	-14,077	0	
Interest expenses	-739	-1,313	56
Change in fair value of investments through profit or loss	0	-8	0
Derivative financial instruments expenses	-14,111	-56,770	25
– expenses	-25,820	-45,041	57
– change in fair value	11,709	-11,729	
Other financial expenses	-1,150	-113	1,018
Total financial expenses	-30,077	-58,204	52
Net financial result	-18,977	706	-2,688

Income tax

€18,278 thousand

Current income tax amounts to €18,198 thousand, which is 14.6% of pre-tax profit. Together with the deferred tax of €80 thousand, the total income tax

expense in the income statement amounts to €18,278 thousand. The effective tax rate is 14.7%.

Property, plant and equipment

€611,845 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Land	23,939	24,005	100
Buildings	257,512	258,880	99
Equipment	266,517	278,847	96
Property, plant and equipment being acquired	57,658	42,049	137
Advances for property, plant and equipment	6,219	5,762	108
Total property, plant and equipment	611,845	609,543	100

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

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

Intangible assets

€27,760 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Concessions, patents, licences and similar rights	23,845	25,635	93
Intangible assets being acquired	3,915	3,667	107
Total intangible assets	27,760	29,302	95

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

Loans

€45,512 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Non-current loans	14,723	18,302	80
– loans to subsidiaries	4,597	9,830	47
– loans to others	10,126	8,472	120
Current loans	30,789	52,504	59
– portion of non-current loans maturing next year	1,243	11,708	11
– loans to subsidiaries	29,374	32,397	91
– loans to others	124	8,203	2
– current interest receivable	48	196	24
Total loans	45,512	70,806	64

Non-current loans represent 32% of total loans.

acts to its employees and that are primarily housing loans.

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

Investments

€9,076 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Non-current investments	9,076	10,136	90
– available-for-sale financial assets	9,076	10,136	90
Current investments including derivative financial instruments	0	77	0
– shares and interests held for trading	0	77	0
Total investments	9,076	10,213	89

Available-for-sale financial assets include €816 thousand of investments in shares and

interests in Slovenia, and €8,260 thousand of investments in shares and interests abroad.

Inventories

€254,712 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Material	107,967	112,208	96
Work in progress	72,107	61,978	116
Products	63,453	52,478	121
Merchandise	9,741	8,816	110
Inventory advances	1,444	734	197
Total inventories	254,712	236,214	108

Trade and other receivables

€462,510 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Current trade receivables	450,430	479,234	94
– current trade receivables due from subsidiaries	252,922	273,876	92
– current trade receivables due from customers other than subsidiaries	197,508	205,358	96
Other current receivables	12,080	21,408	56
Total receivables	462,510	500,642	92

Cash and cash equivalents

€17,473 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Cash in hand	3	2	150
Bank balances	17,470	24,047	73
Total cash and cash equivalents	17,473	24,049	73

Equity

€1,449,407 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Share capital	54,732	54,732	100
Treasury shares	-37,546	-29,690	126
Reserves:	177,562	170,583	104
– reserves for treasury shares	37,546	29,690	126
– share premium	105,897	105,897	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserve	-10,871	-9,994	109
Retained earnings	1,254,659	1,244,823	101
Total equity	1,449,407	1,440,448	101

Borrowings

€43,741 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Current borrowings	43,741	105,269	42
– borrowings from subsidiaries	43,649	105,110	42
– current interest payable	92	159	58
Total borrowings	43,741	105,269	42

Provisions

€80,616 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Provisions for post-employment benefits and other non-current employee benefits	80,616	78,903	102
Total provisions	80,616	78,903	102

Deferred revenues

€2,500 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Grants received from the European Fund for Regional Development and Republic of Slovenia budget for the production of pharmaceuticals in the new Notol 2 plant	2,184	2,384	92
Grants received from the European Regional Development Fund for the development of new technologies (FBD project)	266	340	78
Grants received from the European Regional Development Fund for setting up an information and technology solutions system (GEN-I)	11	14	79
Subsidy for acquisition of electric vehicles	7	5	140
Property, plant and equipment received free of charge	23	29	79
Emission coupons	9	16	56
Total deferred revenue	2,500	2,788	90

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; Priority objective 1.1: Improving Competitiveness and Research Excellence.

Trade payables

€148,736 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Payables to subsidiaries	56,374	56,943	99
Payables to domestic suppliers	54,770	41,387	132
Payables to foreign suppliers	35,801	46,799	76
Payables from advances	1,791	3,433	52
Total trade payables	148,736	148,562	100

Other current liabilities

€65,095 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Accrued contractual discounts on products sold	30,371	14,141	215
Payables to employees – gross wages, other receipts and charges	27,999	27,726	101
Derivative financial instruments	961	12,670	8
Other	5,764	7,196	80
Total other current liabilities	65,095	61,733	105

Contingent liabilities

€17,302 thousand

In € thousand	30 Sep 2017	31 Dec 2016	Index
Guarantees issued	16,682	13,598	123
Other	620	620	100
Total contingent liabilities	17,302	14,218	122

Fair value

In € thousand	30 Sep 2017		31 Dec 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables due from subsidiaries	39,770	39,770	23,515	23,515
Non-current loans	14,723	14,723	18,302	18,302
Available-for-sale financial assets	9,076	9,076	10,136	10,136
Current loans	30,789	30,789	52,504	52,504
Short-term financial investments	0	0	77	77
– shares and interests held for trading	0	0	77	77
Trade receivables	450,430	450,430	479,234	479,234
Cash and cash equivalents	17,473	17,473	24,049	24,049
Current borrowings	-43,741	-43,741	-105,269	-105,269
Trade payables and other liabilities, excluding amounts owed to the state, to employees and advances	-178,585	-178,585	-160,861	-160,861
Other current liabilities	-961	-961	-12,670	-12,670
– derivative financial instruments	-961	-961	-12,670	-12,670
Total	338,974	338,974	329,017	329,017

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

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

The fair value of non-current loans and borrowings is calculated by applying the discounted cash flow of the principal and interest. The discount interest rate for 2017 and 2016 was computed based on the 2% annual interest rate.

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

Assets at fair value

In € thousand	30 Sep 2017				31 Dec 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Available-for-sale financial assets	7,696	0	1,380	9,076	8,775	0	1,361	10,136
Shares and interests held for trading	0	0	0	0	77	0	0	77
Total assets at fair value	7,696	0	1,380	9,076	8,852	0	1,361	10,213
Assets for which fair value is disclosed								
Trade receivables due from subsidiaries	0	0	39,770	39,770	0	0	23,515	23,515
Non-current loans	0	0	14,723	14,723	0	0	18,302	18,302
Current loans	0	0	30,789	30,789	0	0	52,504	52,504
Trade receivables	0	0	450,430	450,430	0	0	479,234	479,234
Cash and cash equivalents	0	0	17,473	17,473	0	0	24,049	24,049
Total assets for which fair value is disclosed	0	0	553,185	553,185	0	0	597,604	597,604
Total	7,696	0	554,565	562,261	8,852	0	598,965	607,817

Liabilities at fair value

In € thousand	30 Sep 2017				31 Dec 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities at fair value								
Derivative financial instruments	0	0	961	961	0	0	961	961
Total liabilities at fair value	0	0	961	961	0	0	961	961
Liabilities for which fair value is disclosed								
Current borrowings	0	0	43,741	43,741	0	0	43,741	43,741
Trade payables and other liabilities, excluding amounts owed to the state, to employees and advances	0	0	178,585	178,585	0	0	178,585	178,585
Total liabilities for which fair value is disclosed	0	0	222,326	222,326	0	0	222,326	222,326
Total	0	0	223,287	223,287	0	0	223,287	223,287

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 2017 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 2017 were drawn up using the same accounting principles as for the annual financial statements of the Krka Company and Group for 2016.

The condensed interim financial statements for the nine months ended 30 September 2017 were drawn

Novo mesto, 19 October 2017

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 2016.

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 Krka Group companies were executed on the basis of purchase contracts, using market prices for products and services. There were no significant transactions with any other related parties.



Jože Colarič
President of the Management Board and Chief Executive



Dr Aleš Rotar
Member of the Management Board



Dr Vinko Zupančič
Member of the Management Board



David Bratož
Member of the Management Board



Milena Kastelic
Member of the Management Board – Worker Director