



Unaudited Interim Report for the Krka Group and the Krka Company for January–March 2014

CONTENTS

Introduction.....	3
Highlights January to March 2014.....	3
Krka Group and Krka Company financial highlights.....	4
Krka Group ID card	5
Krka Group business model.....	5
Krka Group companies	6
Krka Group development strategy.....	7
Business report.....	9
Financial risk	9
Investor and share information.....	10
Business operations analysis.....	13
Marketing and sales	15
Investments.....	25
Employees	26
Condensed consolidated financial statements of the Krka Group, with notes.....	28
Consolidated statement of financial position of the Krka Group.....	28
Consolidated income statement of the Krka Group.....	29
Consolidated statement of comprehensive income of the Krka Group	30
Consolidated statement of changes in equity of the Krka Group	31
Consolidated statement of cash flows of the Krka Group.....	33
Notes to the consolidated financial statements of the Krka Group.....	35
Condensed financial statements of Krka, d. d., Novo mesto, with notes	41
Statement of financial position of Krka, d. d., Novo mesto.....	41
Income statement of Krka, d. d., Novo mesto	42
Statement of comprehensive income of Krka, d. d., Novo mesto.....	42
Statement of changes in equity of Krka, d. d., Novo mesto	43
Statement of cash flows of Krka, d. d., Novo mesto.....	45
Segment reporting of Krka, d. d., Novo mesto	46
Notes to the financial statements of Krka, d. d., Novo mesto.....	47
Management Board statement of responsibilities.....	53

INTRODUCTION

The condensed financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (Krka Company) for the periods January–March 2014 and 2013 are unaudited, while the financial statements for the full 2013 business year present audited figures. The Krka Company has no authorised capital and has not made a conditional share capital increase.

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

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

The Krka Company Supervisory Board discussed the January–March 2014 Report for the Krka Group and the Krka Company at its regular meeting on 14 May 2014.

Highlights January to March 2014

- The Krka Group sold EUR 298.0 million worth of products and services, and Krka Company sales amounted to EUR 288.6 million.
- Sales were up 1% from the year before both at the level of the Company and the Group.
- The highest absolute as well as relative sales growth compared to the same period last year (EUR 15.7 million, or 16%) was recorded in Region East Europe, which is Krka's largest sales region, representing 39% of total sales. Given the Russian Federation's slowing economic growth and the depreciation of the rouble, Krka estimates that annual sales growth in the Russian Federation will be lower than in the past two years. In Ukraine, Krka's second largest market in the Region, order placement, supply and payments have been normal so far despite the difficult situation in the country.
- The Group generated 94%, and the Krka Company 96% of its sales revenues in markets outside Slovenia.
- The Group generated EUR 63.0 million of operating profit, an increase by 8% compared to the same period last year, and the Krka

Company generated EUR 61.6 million of operating profit, up 12%.

- The Krka Group recorded EUR 42.5 million of profit for the period, a decrease by 17% compared to the same period last year, and the Krka Company generated EUR 41.8 million of profit for the period, down 16%. Lower profit is mainly the result of EUR 14 million of net negative foreign exchange differences, while in the same period last year both the Krka Group and the Krka Company recorded EUR 2 million of net positive foreign exchange differences.
- As at 31 March 2014 Krka's share traded at EUR 60.39 on the Ljubljana Stock Exchange (up 0.65% from the year-end of 2013), with Krka's market capitalisation totalling EUR 2.1 billion.
- The Group allocated EUR 46.2 million to investments, of which the Krka Company invested EUR 42.1 million and subsidiaries EUR 4.1 million.
- At the end of March 2014 the Krka Group had 10,178 employees, just over 1% more than at the beginning of the year.

Krka Group and Krka Company financial highlights

	Krka Group		Krka Company	
EUR thousand	1–3/2014	1–3/2013	1–3/2014	1–3/2013
Revenues	298,017	294,427	288,557	284,427
EBIT ¹	62,984	58,445	61,585	54,879
EBITDA	86,675	81,160	79,075	72,693
Profit for the period	42,540	51,367	41,794	49,965
R&D costs	25,221	24,636	26,386	25,694
Investments	46,161	29,972	42,053	15,527
	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013
Non-current assets	991,609	973,954	977,782	945,947
Current assets	796,418	785,930	761,019	755,288
Equity	1,363,196	1,332,611	1,371,029	1,332,246
Non-current liabilities	129,196	128,833	98,990	98,778
Current liabilities	295,635	298,440	268,782	270,211
RATIOS	1–3/2014	1–3/2013	1–3/2014	1–3/2013
EBIT margin	21.1%	19.9%	21.3%	19.3%
EBITDA margin	29.1%	27.6%	27.4%	25.6%
Profit margin (ROS)	14.3%	17.4%	14.5%	17.6%
ROE ²	12.6%	16.2%	12.4%	15.9%
ROA ³	9.6%	12.4%	9.7%	12.5%
Liabilities/Equity	0.312	0.302	0.268	0.268
R&D costs	8.5%	8.4%	9.1%	9.0%
NUMBER OF EMPLOYEES	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013
As at	10,178	10,048	4,664	4,628

SHARE INFORMATION	1–3/2014	1–3/2013
Total number of shares issued	35,426,120	35,426,120
Earnings per share in EUR ⁴	5.18	6.21
Closing price at end of period in EUR ⁵	60.39	46.37
Price/Earnings ratio (P/E)	11.65	7.46
Book value in EUR ⁶	38.48	36.40
Price/Book value (P/B)	1.57	1.27
Market capitalisation in EUR thousand (end of period)	2,139,383	1,642,709

¹ The difference between operating income and expenses

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

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

⁴ Profit for the period attributable to equity holders of the parent, annualised/Average number of shares issued in the period excluding 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 (Krka d. d. or the Krka Company).

Registered office Šmarješka cesta 6, 8501 Novo mesto, Slovenia

Telephone +386 (0) 7 331 21 11

Fax +386 (0) 7 332 15 37

E-mail info@krka.biz

Website www.krka.si

Core business Production of pharmaceutical preparations

Business clarification code 21.200

Year established 1954

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

Tax number 82646716

VAT number SI82646716

Company ID number 5043611

Share capital EUR 59,126,194.28

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

Krka Group business model

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

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

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

By expanding the network of our subsidiaries, we are also strengthening Krka's position in the EU member states in Western Europe.

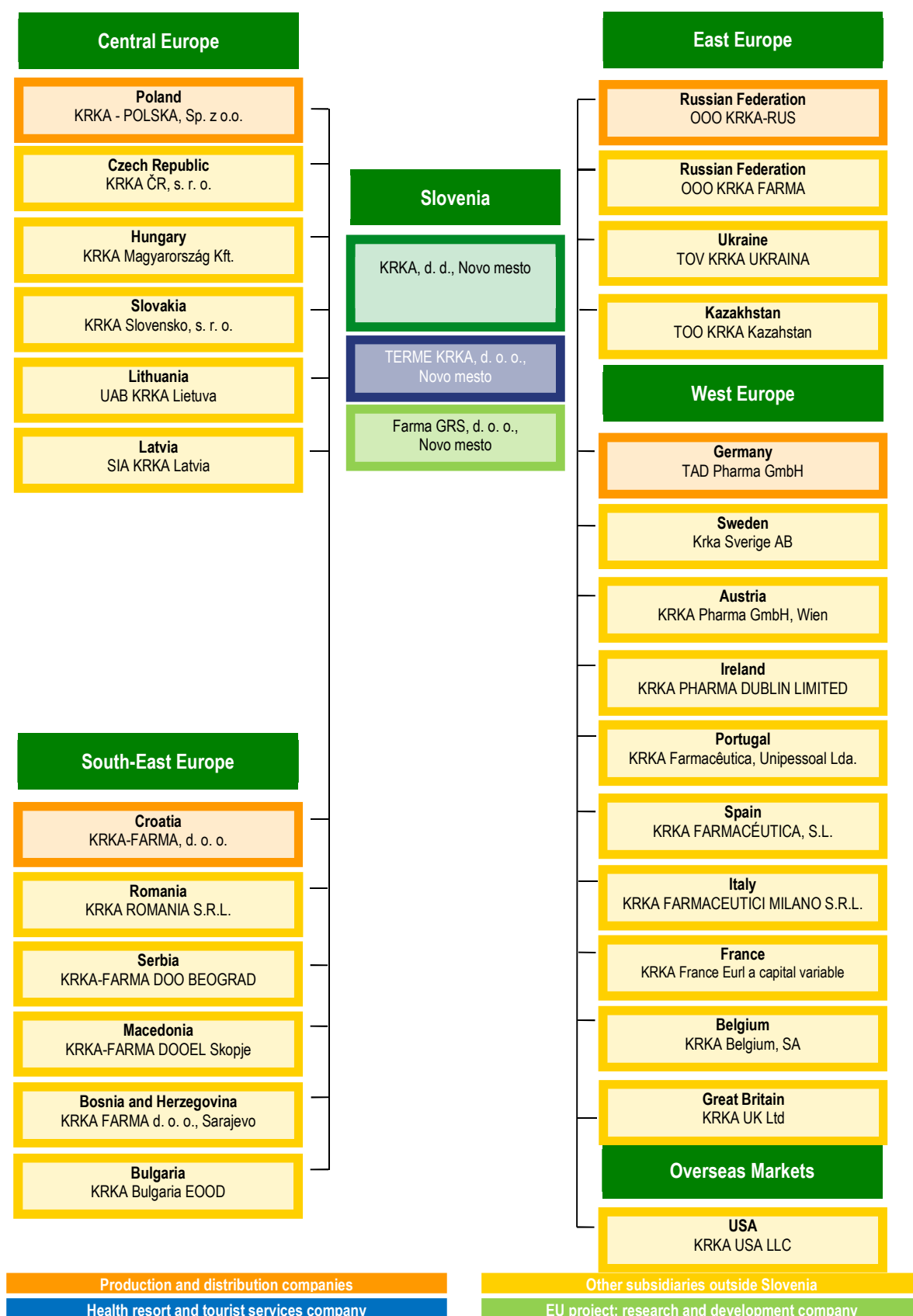
Our modern pharmaceutical production and vertically integrated business model allow us to provide patients in over 70 countries a wide range of safe, high quality and effective prescription pharmaceuticals, non-prescription products and animal health products. Most Krka products are in solid dosage pharmaceutical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

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

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

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

Krka Group companies



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

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

Krka Group development strategy

The Krka Group updates its development strategy on a bi-annual basis. At the beginning of November 2013 the Krka Company Management Board adopted the Krka Group development strategy for the 2014–2018 five-year period, and presented it to the Supervisory Board at its November meeting.

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

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

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

Key strategic objectives to 2018

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

Key strategies to 2018

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

new therapeutic fields.

- To reduce the impact of financial risk and economic hazards on Krka Group operations.
- To pursue a dividend-increase policy whereby up to 50% of the consolidated profit of major shareholders generated in the previous year is allocated to dividends, whereby the Group's financial requirements for investments and major acquisitions each year are also considered.
- To strengthen the professional and cost synergy within the Krka Group, and maximise the utilisation of competitive advantages in the

business environments of Krka companies outside Slovenia.

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

Krka Group business objectives for 2014

- Product and service sales are estimated at EUR 1.245 billion.
- East Europe is expected to be Krka's largest sales region, and the Russian Federation our most important individual market.
- The proportion of sales outside Slovenia is estimated to exceed 93%.
- Prescription pharmaceuticals will remain the most important product group, representing more than 80% of overall sales.
- Profit is planned at the level from 2013.
- The number of employees is planned to increase in Slovenia and abroad, together by more than 4%.
- Investments of more than EUR 164 million are planned, to be allocated primarily to extending and modernising production capacities, research and development capacities, and infrastructure.

BUSINESS REPORT

Financial risk

Foreign exchange risk

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

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

In the first quarter the Krka Group recorded negative exchange rate differences resulting mainly due to the declining value of the Russian rouble and also Ukrainian hryvnia. The other currencies contributed relatively little to the overall translation differences in the Krka Group.

Currency positions in the first quarter were not hedged. Russian rouble is partially “hedged” with purchases in roubles on the Russian market.

Interest rate risk

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

rates therefore no longer have an impact on the Group's overall financial expense.

Credit risk

Credit control involves the credit-rating assessment of customers to whom the controlling company and subsidiaries sell products totalling or exceeding EUR 100,000, and the regular dynamic monitoring of customer payment discipline. More than 400 of the Group's customers are included in the credit control system.

From the beginning of the year to the end of the first quarter 2014 total trade receivables increased.

This was the result of sales growth in markets with longer payment periods and the result of increased sales at the year-end of 2013 for which payment was not yet due. An increase in trade receivables at the end of the first quarter is a recurring seasonal

occurrence in Krka Group's annual operations.

The amount of past due receivables at the end of the first quarter remained at a level that Krka considers normal and acceptable.

Customer payment discipline is estimated to have remained unchanged.

We did not write off any trade receivables in the first quarter. Approximately one half of our trade receivables have credit insurance coverage or are hedged with financial instruments. Our policy of hedging receivables did not change in the reported period.

Liquidity risk

Risks related to the Group's liquidity were managed by effective short-term cash flow planning. Short-term liquidity was ensured through a continual cash flow, pre-agreed current borrowings from banks, and the daily, rolling weekly, monthly and longer-

term planning and monitoring of cash inflows and outflows. We also optimised the bank balances of Krka's subsidiaries.

With the volume of our current borrowings small against a substantial cash flow, liquidity risk is

estimated as very low. We settled all our liabilities regularly and in the agreed time frames.

Property, business interruption and liability insurance

After thoroughly examining insurance arrangements in the Krka Group and after researching the insurance market offers for over 98% of our total insurance premium, we entered in the first quarter of 2014 into insurance agreements with domestic and foreign insurers. We optimised our insurance costs by eliminating certain classes of insurance and by increasing net retained loss. Companies abroad are insured locally with the so-called "fronting" insurance policies, while inside the European Union policies are taken out in line with the system of the free movement of services.

The analysis of the Group's car insurance arrangements in 2013 shows that measures introduced in the past continue to have positive

effects. Insurance premiums and the number of loss events have decreased, with the cost-effectiveness and availability of cars increasing.

With respect to transportation insurance, we examined insurance covers in purchase contracts from the perspective of the International Commercial Terms, Incoterms 2010, and implemented measures to increase its efficiency and efficacy.

In the first quarter Krka's insurance arrangements ensured the management of risks and liabilities related to investment projects Krka-Rus 2, Sinteza 1 and Notol 2.

Investor and share information

Krka had 63,193 shareholders at the end of March 2014, which is 1% less than at the end of 2013. The decrease was mainly due to individual Slovenian investors.

The shareholdings of international investors and of Slovenian investment companies and funds were slightly up in the first quarter, while the shareholdings of individual Slovenian investors and of other Slovenian legal entities were slightly down.

Shareholder structure (%)

	31 Mar 2014	31 Dec 2013
Individual Slovenian investors	38.3	38.6
SOD fund	15.0	15.0
KAD fund and PPS	10.2	10.2
Slovenian investment companies and funds	2.2	2.1
Other Slovenian legal entities	6.4	6.6
International investors	20.5	20.3
Treasury shares	7.4	7.2
Total	100.0	100.0

At the end of March 2014 Krka held 2,612,600 treasury shares, which is 7.4% of the value of its share capital. Krka repurchased 51,595 treasury

shares via the Ljubljana Stock Exchange in the first quarter of 2014, in the total value of EUR 3,180,372.

10 largest shareholders as at 31 March 2014

	Country	No. of shares	Share in equity (%)	Share of voting rights (%)
SLOVENSKA ODŠKODNINSKA DRUŽBA, D. D.	Slovenia	5,312,070	14.99	16.19
KAPITALSKA DRUŽBA, D. D.	Slovenia	3,493,030	9.86	10.65
SOCIETE GENERALE-SPLITSKA BANKA D. D.	Croatia	1,348,414	3.81	4.11
HYPO ALPE-ADRIA-BANK D. D.	Croatia	1,011,385	2.85	3.08
NEW WORLD FUND INC	USA	755,000	2.13	2.30
KDPW POLAND	Poland	649,365	1.83	1.98
LUKA KOPER, D. D.	Slovenia	433,970	1.23	1.32
ZAVAROVALNICA TRIGLAV, D. D.	Slovenia	388,300	1.10	1.18
AMERICAN FUNDS INSURANCE SERIES	USA	353,049	1.00	1.08
UNICREDIT BANK HUNGARY ZRT	Hungary	309,330	0.87	0.94
Total		14,053,913	39.67	42.83

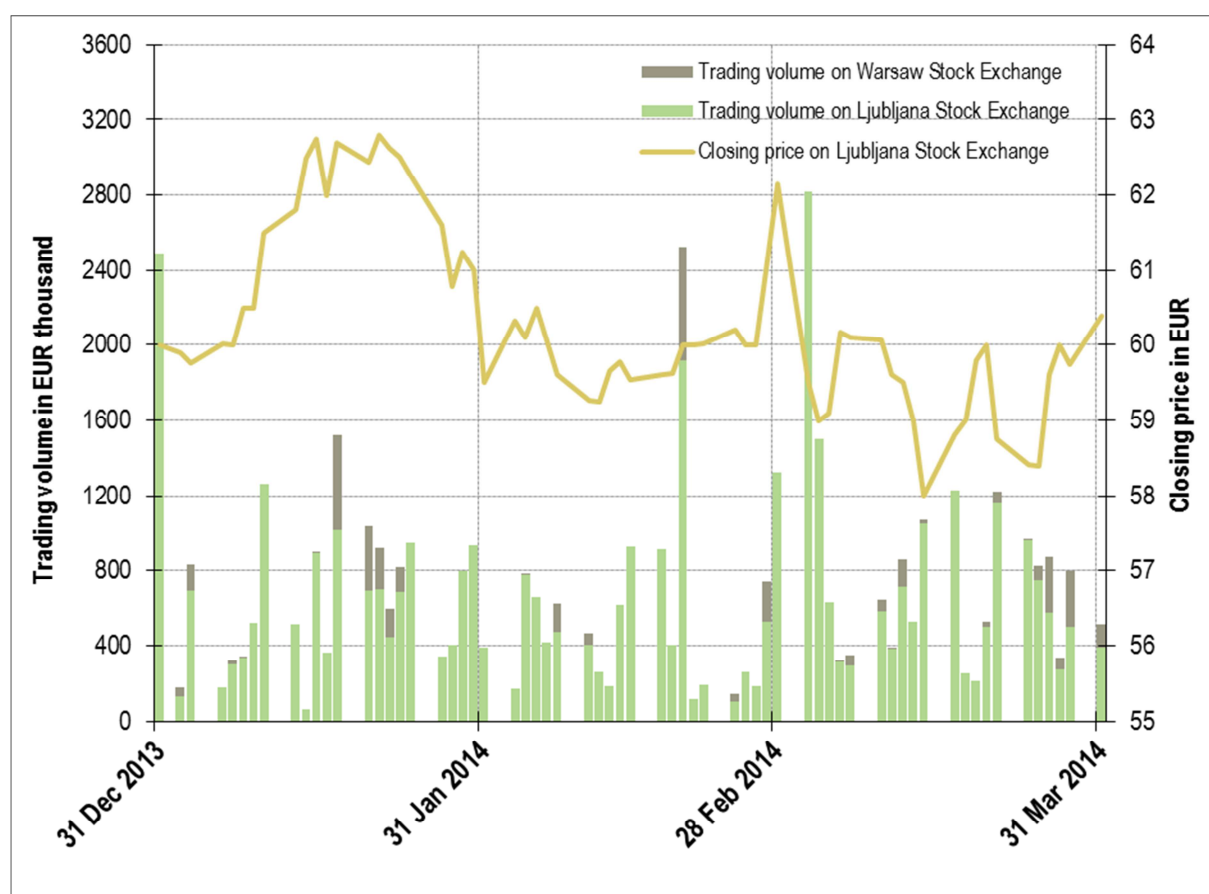
Krka's ten largest shareholders held a total of 14,053,913 shares at the end of March 2014, which is just over 39.67% of all issued shares.

On 31 March 2014 members of the Krka Management and Supervisory Board held a total of 50,495 shares, which is 0.143% of all issued shares.

Shares in equity and shares of voting rights held by members of the Krka Management Board and Supervisory Board on 31 March 2014

	No. of shares	Share in equity (%)	Share of voting rights (%)
Management Board members			
Jože Colarič	22,500	0.06351	0.06857
Aleš Rotar	12,770	0.03605	0.03892
Zvezdana Bajc	1,660	0.00469	0.00506
Vinko Zupančič	120	0.00034	0.00037
Danica Novak Malnar	0	0.00000	0.00000
Total Management Board	37,050	0.10459	0.11291
Supervisory Board members			
Jože Lenič	180	0.00051	0.00055
Matjaž Rakovec	0	0.00000	0.00000
Julijana Kristl	230	0.00065	0.00070
Vincenc Manček	11,543	0.03258	0.03518
Mojca Osolnik Videmšek	452	0.00128	0.00138
Tomaž Sever	500	0.00141	0.00152
Sergeja Slapničar	0	0.00000	0.00000
Franc Šašek	540	0.00152	0.00165
Mateja Vrečer	0	0.00000	0.00000
Total Supervisory Board	13,445	0.03900	0.04097

Share trading January–March 2014



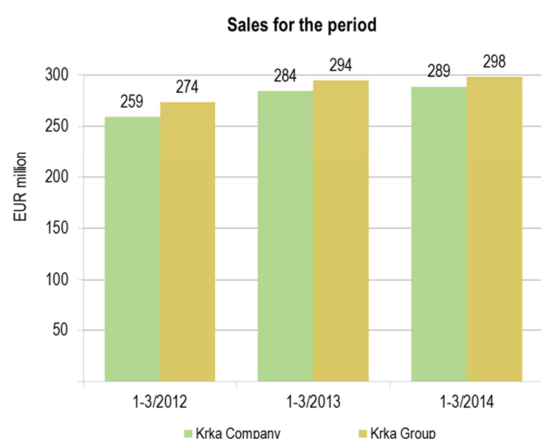
Krka's share price rose by 0.65% in the first quarter of 2014, and stood at EUR 60.39 at the end of March. In the same period, the Slovenian blue-chip index SBI TOP was up 9%. Krka's market capitalisation as at 31 March 2014 amounted to EUR 2.1 billion.

Deals in Krka's share generated an average EUR 0.6 million of daily trading volume on the Ljubljana Stock Exchange, making it the most traded share on the LJSE.

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



Both the Krka Group and the Krka Company witnessed a 1% increase in their sales revenues compared to the same period last year. The Krka Company sold EUR 288.6 million worth of prescription pharmaceuticals, non-prescription products and animal health products, while the

Group generated EUR 298.0 million of sales revenues from these products plus the health resort and tourist services.

The sale of prescription pharmaceuticals increased by 2% compared to the same period last year, representing 83% of total Krka Group sales revenues. The Group generated 94% of its sales revenues in markets outside Slovenia.

Taking into account other operating and financial income, the Group generated a total of EUR 301.4 million of revenues, and the Krka Company EUR 290.0 million.

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

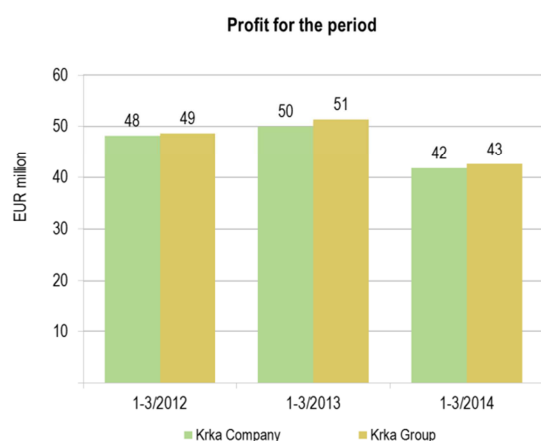
Expenses

Total Group expenses incurred in the first quarter of 2014 amounted to EUR 252.5 million, up 6% compared to the same period last year.

The Group incurred EUR 238.2 million of operating expenses, of which the cost of sales was EUR 120.1 million, distribution expenses were EUR 73.8 million, R&D costs were EUR 25.2 million, and administrative expenses were EUR 19.1 million.

The Group cost of sales increased by 3%, on a costs to sales ratio of 40.3%. Distribution expenses decreased by 4%, on a costs to sales ratio of 24.8%. Group R&D costs increased by 2%, on a costs to sales ratio of 8.5%. The Group does not capitalise R&D costs, therefore they are recognised as expenses for the period in full. Administrative expenses decreased by 3% compared to the same period last year, on a costs to sales ratio of 6.4%.

Operating result



The Krka Group recorded EUR 63.0 million of operating profit, up 8% compared to the same period last year.

Assets

At the end of March 2014 Krka Group assets totalled EUR 1,788.0 million, an increase by 2% compared to the year-end of 2013.

Non-current assets represent 55.5% of total assets, up 0.2 of a percentage point since the beginning of the year. The largest item under non-current assets, which totalled EUR 991.6 million, was property, plant and equipment on EUR 838.7 million, which represents 46.9% of the Group's total assets. Property, plant and equipment were up 2% from the

Profit before tax amounted to EUR 48.9 million, down 19% compared to the same period last year. Income tax totalled EUR 6.4 million, and the effective tax rate was 13.1%.

The Group reported EUR 42.5 million of profit for the period, down 17% compared to the same period last year, and the Krka Company generated EUR 41.8 million of profit for the period, down 16%. Lower profit is mainly the result of EUR 14 million of net negative foreign exchange differences, while in the same period last year both the Krka Group and the Krka Company recorded EUR 2 million of net positive foreign exchange differences.

beginning of the year. Intangible assets amounted to EUR 114.5 million.

Current assets were up 1% in the first three months of 2014, to EUR 796.4 million. Inventories were down 3% in the same period, to EUR 228.2 million, and receivables increased by 6% to EUR 488.8 million (of which trade receivables amounted to EUR 461.0 million, up 7% from the beginning of the year).

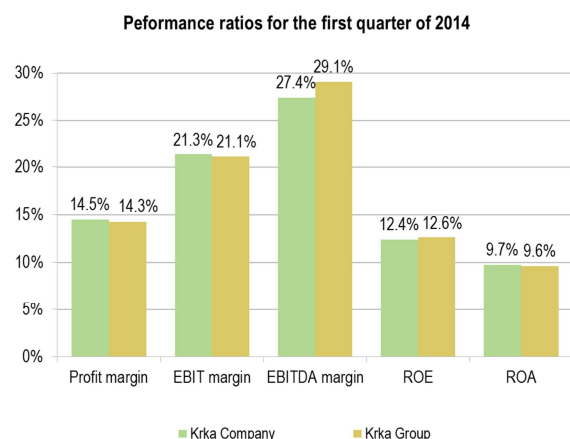
Equity and liabilities

The Group's equity increased by 2% from the year-end of 2013, to EUR 1,363.2 million, and represents 76.2% of total equity and liabilities.

Amounting to EUR 129.2 million, non-current liabilities represent 7.2% of the Group's total assets. Provisions, which amounted to EUR 103.4 million at the end of the period, remained at the same level as at the year-end of 2013.

Current liabilities decreased by 1% from to the year-end of 2013 and totalled EUR 295.6 million, which is 16.6% of the Group's total assets. Among current liabilities, trade payables amounted to EUR 132.8 million, up 1% compared to the year-end of 2013, with other current liabilities down 5% to EUR 152.5 million.

Performance ratios



The Krka Group profit margin for the period January–March 2014 was 14.3% (Krka Company 14.5%), its EBIT margin 21.1% (Krka Company 21.3%), and its EBITDA margin 29.1% (Krka Company 27.4%).

ROE at the level of the Group was 12.6% (Krka Company 12.4%), with ROA at 9.6% (Krka Company 9.7%).

Marketing and sales

In the first three months of 2014 the sales of both the Krka Group and the Krka Company exceeded the sales figures recorded in the same period last year.

Group sales were EUR 298.0 million and Krka Company sales amounted to EUR 288.6 million.

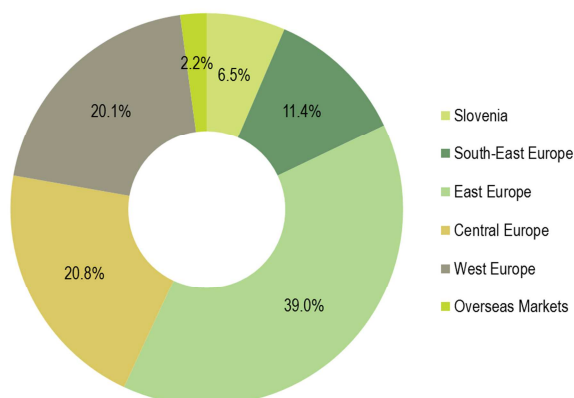
Sales by Region

Krka's sales were the highest in Region East Europe, where they amounted to EUR 116.2 million, which is 39.0% of total Group sales. Region Central Europe reported the second best result, sales there amounting to EUR 62.1 million and representing 20.8% of total sales. The third largest area in terms of sales was Region West Europe, where Krka sold EUR 59.8 million worth of products in the reported

period, which is 20.1% of overall sales. In Region South-East Europe product sales amounted to EUR 34.2 million, which represents 11.4% of Group sales. In the domestic market sales totalled EUR 19.3 million, which is 6.5% of total sales, while Overseas Markets sales generated EUR 6.5 million, or 2.2% of Group sales.

EUR thousand	Krka Group			Krka Company		
	1–3/2014	1–3/2013	Index	1–3/2014	1–3/2013	Index
Slovenia	19,286	21,086	91	12,880	14,981	86
South-East Europe	34,158	34,240	100	55,282	39,960	138
East Europe	116,206	100,518	116	104,652	97,685	107
Central Europe	62,093	63,524	98	63,423	65,152	97
West Europe	59,790	64,986	92	46,455	57,259	81
Overseas Markets	6,484	10,073	64	5,865	9,390	62
Total	298,017	294,427	101	288,557	284,427	101

Krka Group sales by Region, January–March 2014



Slovenia

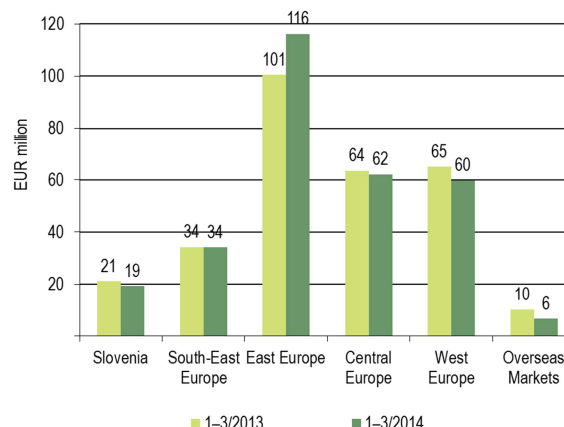
Operations in the domestic market in the first quarter were affected by legislative changes which additionally strengthened competition in the market for prescription pharmaceuticals. In January we witnessed therapeutic groups of ACE inhibitors and statins enter into effect. Krka responded by adjusting the prices of our products; in this way we preserved our patients, but recorded lower sales as a result. The new Medicinal Products Act, which took effect in February, has introduced additional changes in numerous areas, including price formation, pharmacovigilance and pharmaceutical marketing.

In the first three months of the year we sold a total of EUR 19.3 million worth of products and services in Slovenia. The majority – EUR 9.6 million – came from prescription pharmaceuticals, with non-prescription product sales amounting to EUR 1.4 million, and animal health product sales totalling EUR 0.5 million. Terme Krka Group sales in the period were EUR 6.8 million, while other sales

South-East Europe

Product sales in the markets of South-East Europe totalled EUR 34.2 million at the end of the first quarter, remaining on the level of sales recorded in the same period last year. Sales growth was recorded in Romania, Serbia, Macedonia, Kosovo and Albania.

Krka Group sales by Region, January–March 2013 and 2014



amounted to EUR 1.0 million.

Most attention was devoted to our best-selling product group, prescription pharmaceuticals, especially products treating cardiovascular diseases. We additionally strengthened our recognition in the market for antihypertensives, thereby enhancing the identity of Krka brands Prenessa (perindopril), Prenewel (perindopril and indapamide) and Amlessa (perindopril and amlodipine). In addition to the angiotensin II receptor antagonist Tolura, our product portfolio now includes its fixed-dose combination with a diuretic, Tolucombi (telmisartan and hydrochlorothiazide), and we also launched Elyrno (enalapril and lercanidipine), a brand new fixed-dose combination in two concentrations. As to the group of statins we built up brand recognition for Sorvasta (rosuvastatin) and Atoris (atorvastatin), while on the market for oncology medications we launched Meaxin (imatinib) and Ecansya (capecitabine).

Romania is the most important market in the Region and one of Krka's key markets. Sales there were up 5% to EUR 12.5 million. Our best-selling products were prescription pharmaceuticals, especially the leading Atoris (atorvastatin), Roswera (rosuvastatin), Prenessa/Co-Prenessa (perindopril/perindopril and indapamide), Tolura

(telmisartan), Karbis (candesartan), Enap (enalapril) and Nolpaza (pantoprazole).

With respect to non-prescription products, sales were up for Bilobil (ginkgo biloba) and we launched new products of the Pikovit brand.

In the area of veterinary products, we continued introducing medicinal products for companion animals. In March we thus launched Amflee (fipronil), a product to be sold in specialised shops.

In our second most important market in the Region, **Croatia**, product sales totalled EUR 7.3 million. This ranks Krka the country's fourth largest generic provider of human health pharmaceuticals and the second largest in the animal health market. Sales in Croatia were down 8% compared to the same period last year.

Most sales were generated in prescription pharmaceuticals, especially our ACE inhibitors, anxiolytics, sartans, statins and proton pump inhibitors; these are all product groups in which we hold considerable market shares. Our best-selling products from these therapeutic groups were Atoris (atorvastatin), Helex (alprazolam), Nolpaza (pantoprazole), Emanera (esomeprazole), Co-Perineva (perindopril and indapamide), Ciprinol (ciprofloxacin), Roswera (rosuvastatin) and Valsacor (valsartan).

New launches on this market in the reported period included Tolucombi (telmisartan and hydrochlorothiazide) and Atordapin (atorvastatin and amlodipine), an additional strength of Gliclada (gliclazide), and oncology medications Tolnexa (docetaxel) and Cansata (capecitabine).

In **Bosnia and Herzegovina** product sales in the first quarter totalled EUR 4.4 million, down 7% compared to the same period last year. The decrease is the result of pressures to reduce our product prices, which are expected to continue in the future. The largest contributors to sales were prescription pharmaceuticals, especially Enap

(enalapril), Lorista (losartan), Valsacor (valsartan), Atoris (atorvastatin), Naklofen (diclofenac), Roswera (rosuvastatin) and Nolpaza (pantoprazole). The best-selling non-prescription products were those of the B-complex, Nalgesin (naproxen), Septotele and Bilobil (ginkgo biloba) brands, the entire product group witnessing growing sales.

In **Macedonia** Krka remains the leading foreign producer of generic pharmaceuticals. Sales there were up 5% compared to the same period last year, to EUR 2.9 million. Despite lower reference prices, prescription pharmaceuticals were the main contributors to the increase in sales volume and sales value, while non-prescription product sales were up 11% compared to the same period last year. Preserving sales growth and a large market share in Macedonia remain our goals for the future in this market.

After the sales-wise weak initial two months of 2014, conditions in **Serbia** stabilised in March, Krka sales there totalling EUR 2.5 million at the end of the quarter, up 8% compared to the same period last year. We expect sales growth to continue in the future.

Sales in **Bulgaria** were EUR 2.1 million, down 2% compared to the same period last year. Despite the overall decrease, the group of non-prescription products recorded a 75% sales growth. In the future we expect overall sales to pick up again, both due to good sales results for existing and newly launched products.

First quarter sales in **Kosovo** totalled EUR 1.4 million, up 3% compared to the same period last year. Krka remains one of the leading providers of pharmaceutical products in the Kosovo market. In **Albania** we sold EUR 0.9 million worth of products in the same period, up 1%, while in **Montenegro** sales were down 7% compared to the same period last year, to EUR 0.2 million. Sales in this market continue to depend to a large extent on government tenders.

East Europe

Encompassing several Eastern European and Central Asian markets, Region East Europe remains one of Krka's leading sales regions. Despite the first quarter of 2014 being marked by economic and overall instability in certain regional markets, our sales increased as compared to the same period last year in 11 out of the 13 markets.

Sales in the Region totalled EUR 116.2 million, up 16%, mainly driven by sales growth in the Russian Federation.

The **Russian Federation** remains Krka's key market while also being our largest individual market. First quarter sales value there totalled EUR 84.6 million, up 20% compared to the same period last year. The main drivers of sales growth were prescription pharmaceuticals. Krka is one of the country's leading suppliers of ACE inhibitors, statins, sartans, proton pump inhibitors and weight care pharmaceutical products, and in the area of non-prescription products we have strong market shares for multivitamin products for children, and cough syrups. Good sales results were recorded for products treating diseases of the central nervous system, for which the sales growth rate in the reported period was high.

Our leading products in terms of sales were Atoris (atorvastatin), Enap (enalapril), Lorista (losartan), Zyllt (clopidogrel), Perineva (perindopril), Nolzapa (pantoprazole), Orsoten (orlistat), Herbion, Panzynom, Roxera (rosuvastatin) and Nolicin (norfloxacin). An increasingly important contribution to sales has been coming from pharmaceuticals launched on the market in the last five years; the ones that recorded the highest sales growth in the reported period were Perineva (perindopril), Nolzapa (pantoprazole) and Roxera (rosuvastatin).

Operations in **Ukraine** in the first quarter of 2014 were marked by the difficult general and economic situation in the country. We monitored market developments throughout the reported period, adjusting to the changing conditions. Despite the general instability and the depreciation of the local currency we sold EUR 13.2 million worth of products there; while representing a decrease by 3% compared to the sales recorded in the same period last year, this result increased Krka's market share in the country. Our best-selling prescription pharmaceuticals were Enap (enalapril), Atoris (atorvastatin), Prenessa (perindopril) and Nolzapa

(pantoprazole). The leading non-prescription products in terms of sales were Herbion, Panzynom and Bilobil (ginkgo biloba).

The sales of Krka's products in **Uzbekistan** continued to rise, totalling EUR 4.5 million in the first quarter, up 18% compared to the same period last year. Prescription pharmaceuticals remained the leaders in term of sales, especially Enap (enalapril), Lorista (losartan) and Atoris (atorvastatin). Non-prescription product sales were up 28%, the main sales drivers being Pikovit, Septotele and Herbion. Sales results were also good for the newly launched medicine Amlessa (perindopril and amlodipine). Later this year we plan to launch Zulbex (rabeprazole), Azibiot (azithromycin) and Herbion Iceland moss syrup. Due to the specifics in payment transactions in this market, we continue to devote special attention to shortening payment periods and decreasing receivables.

Kazakhstan witnessed a depreciation of the local currency in February, followed by several days of insecurity. However, the pharmaceuticals market stabilised quickly, and we managed to increase first quarter sales by 3% compared to the same period last year. Total sales value amounted to EUR 4.3 million, mainly driven by prescription pharmaceuticals, especially Zyllt (clopidogrel), Enap (enalapril), Nolzapa (pantoprazole) and Gliclada (gliclazide). Good sales results were also reported for the new products Kventiax (quetiapine), Asentra (sertraline), Elicea (escitalopram) and Alventa (venlafaxine). In the following quarter we plan to launch two new products on the market, Helex SR (alprazolam) and Naklofen gel (diclofenac).

Despite strong protectionism in **Belarus**, Krka's product sales there amounted to EUR 2.9 million, up 11% compared to the same period last year. The largest contributors to total sales were Lorista (losartan), Nolzapa (pantoprazole) and Prenessa (perindopril). The product group that recorded the highest sales growth rate was prescription pharmaceuticals, the sales of which were up 23% compared to the same period last year.

In **Moldova** sales in the first quarter totalled EUR 1.6 million, up 12% compared to the same period last year. Our leading prescription product in terms of sales was Rawel SR (indapamide), and we managed to include Glyclada (gliclazide) on the reimbursement list and launch it on the market. In

addition to the ongoing pressures to reduce prices, first quarter sales were marked by the depreciation of the local currency.

Sales in **Mongolia** were impacted by the deteriorating economic situation, which resulted in high inflation and a decrease in purchasing power. Krka nevertheless sold EUR 1.3 million worth of products there in the first quarter, up 4%, thus remaining one of the leading pharmaceuticals providers in the market.

After a longer period of stagnation, first quarter sales in **Azerbaijan** were up 50% compared to the same period last year, amounting to EUR 0.9 million. Sales increased considerably for prescription pharmaceuticals and for non-prescription products, the leader in the latter group being Herbion. First quarter sales in **Georgia** were

up 24% to EUR 0.8 million, mainly driven by the 36% sales growth in the group of prescription pharmaceuticals. In **Turkmenistan** sales totalled EUR 0.8 million, up 65% compared to the same period last year. The increase was mainly driven by the sale of prescription pharmaceuticals, especially the leading Naklofen (diclofenac). The generally stringent economic conditions in **Kyrgyzstan**, together with the depreciation of the local currency and thus higher prices of all imports, resulted in Krka reporting first quarter sales of EUR 0.6 million there, down 37% compared to the same period last year. In **Armenia** sales increased by 3% to EUR 0.4 million, with the main sales drivers being prescription pharmaceuticals. Despite the economically and generally unstable situation in **Tajikistan**, our sales there were up 7% to EUR 0.4 million.

Central Europe

Sales in the markets of Central Europe totalled EUR 62.1 million in the first quarter, down 2% compared to the first three months last year. The decrease was mainly due to the lower sales in the Czech Republic.

A half of the Region's overall sales was generated in **Poland**, the leading market in the Region as well as one of Krka's key markets. Sales there totalled EUR 31.5 million, up 3% compared to the same period last year. The main sales drivers were prescription pharmaceuticals, mainly Atoris (atorvastatin), Roswera (rosuvastatin), Valsacor (valsartan), Nolpaza (pantoprazole), Lorista (losartan), Sulfasalazin (sulfasalazine) and Tolura (telmisartan), while high sales growth rates were also recorded for the more recently launched Doreta (paracetamol and tramadol) and Emanera (esomeprazole). The leading non-prescription products in terms of sales were Septotele and Bilobil (ginkgo biloba), while in the group of animal health products the best-sellers were Fypryst (fipronil) and Floron (florfenicol).

Sales in **Hungary**, one of the Krka's key markets, were up 92% compared to the same period last year, to EUR 11.0 million. Our key products from the best-selling group of prescription pharmaceuticals were Prenessa (perindopril), Fromilid (clarithromycin), Roxera (rosuvastatin), Atoris (atorvastatin), Nolpaza (pantoprazole) and Tenox

(amlodipine). We expect sales growth in Hungary to continue in the next quarter.

First quarter sales in **Slovakia** totalled EUR 8.8 million, up 26% compared to the same period last year. The largest contributors to overall sales value were prescription pharmaceuticals, especially Prenessa (perindopril), Valsacor (valsartan), Atoris (atorvastatin), Nolpaza (pantoprazole) and Amlessa (perindopril and amlodipine), while Nalgessin (naproxen) and Septotele recorded the best sales results among non-prescription products.

In the first quarter of 2014 the pharmaceuticals market of the **Czech Republic** witnessed changes of the healthcare system that caused a drop in the prices of pharmaceuticals. This was reflected in Krka's sales value for the period, which totalled EUR 3.2 million, down 73% compared to the first quarter last year. The leading product group in terms of sales were prescription pharmaceuticals, in which the best-selling products were Nolpaza (pantoprazole), Tolura (telmisartan), Fromilid (clarithromycin), Prenessa (perindopril), Likarda (letrozole) and Oprymea (pramipexole). The leading non-prescription products were Septotele and Bisacodyl-K (bisacodyl).

Sales in **Lithuania** totalled EUR 4.6 million, down 8% compared to the first quarter last year, mainly due to the lower sales of seasonal products. The

most important prescription pharmaceuticals in terms of sales were Valsacor (valsartan), Prenessa (perindopril) and Tolura (telmisartan), and all their fixed-dose combinations with diuretics, while sales increased for Atoris (atorvastatin) and Roswera (rosuvastatin). Non-prescription product sales were also down 5%, however the products' market shares increased. The sale of animal health products decreased by 9%, with the best-selling products in this group remaining Enroxil (enrofloxacin) and Fypryst (fipronil).

Sales in **Latvia** were down 16% compared to the same period last year, to EUR 1.8 million. High

sales growth rates were recorded for Amlessa (perindopril and amlodipine) and Tolura (telmisartan) in fixed-dose combinations with a diuretic.

In **Estonia** first quarter sales increased by 5% to EUR 1.1 million. The most important prescription pharmaceuticals in terms of sales were Gliclada (gliclazide), Enap (enalapril) and Valsacor (valsartan), including their fixed-dose combinations with a diuretic, and Roswera (rosuvastatin). By successfully launching Escadra (esomeprazole), we managed to additionally increase our market share in a demanding economic environment.

West Europe

Product sales in Region West Europe amounted to EUR 59.8 million in the three months of 2014, down 8% compared to the same period last year. This was exclusively the result of the continued decrease in sales via unaffiliated companies, mainly in France, Italy and Germany. Krka's presence in Western European markets is nevertheless strengthening via our subsidiaries, which reported a 29% sales increase compared to the same period last year.

The Region's leading market in the first quarter was **Germany**, where the majority of sales was generated by Krka's subsidiary TAD Pharma, which reported a sales increase of 27% compared to the same period last year. A major share of sales in **Spain** was via a public tender in Andalusia. The third market in terms of sales was **France**, where the majority of sales continues to be generated by unaffiliated companies. In **Portugal** Krka's products have been successfully sold via the subsidiary Krka Farmaceutica, which continues to rank as one of the fastest growing companies in Portugal. All the other newly founded subsidiaries in Western Europe also recorded high first-quarter sales growth rates, and we expect the trend to continue in the future.

The main sales drivers were again prescription pharmaceuticals, which represented 91% of overall first-quarter sales despite sales in the Region being down 8%. The best-selling products are generic pharmaceuticals with esomeprazole, gliclazide, clopidogrel, candesartan and pantoprazole. As the first and only generic producer in Germany we

successfully launched the generic medicine for high blood pressure Tolucombi (telmisartan and hydrochlorothiazide); our subsidiary TAD Pharma released the medicine in mid-January. In Portugal, good sales results continued for our generic enalapril in the fixed-dose combination with lercanidipine, and for 60 mg of gliclazide in prolonged release tablet form. The latter sold well in France as well, where we remain the only provider of this generic medicine. After successfully launching it in Germany, we continued introducing the generic medicine with pramipexole in the form of prolonged release tablets, which we market under the brand name Oprymea SR, in several other Western European countries.

The sales value of non-prescription products was comparable to that in the first quarter last year, and represented 2% of overall first-quarter 2014 sales in the Region, with the most important markets in terms of sales being Germany and Portugal.

Animal health product sales were down 10% from the first quarter last year and represented 7% of the Region's overall sales, with the most important markets in terms of sales being the Benelux, France and Germany. In the second quarter of 2014 we plan to launch products under Krka's brand in the Benelux via Krka Belgium and in Germany via TAD Pharma, thereby fostering sales growth for our animal health products – intended both for large animals and pets – in the markets of Western Europe.

Overseas Markets

First-quarter sales in the Overseas Markets – Krka's sales region that was established this year – totalled EUR 6.5 million, down 36% compared to the same period last year. The majority of sales, 88%, came from prescription pharmaceuticals.

Sales growth was recorded in the Far East and in Africa, where the Republic of South Africa remains our most important market, sales there up 15% from the same period last year. The best-selling products there are generic pharmaceuticals with lansoprazole, amlodipine and enalapril. The next best result was recorded in Malaysia where sales more than doubled from the same period last year. The leading product in this market was Kamiren (doxazosin), which we sold after winning a public tender.

Sales in the Middle East did not reach the sales we recorded in the same period last year, mainly due to the impact of the quarterly order-placement dynamics and due to the restrictions imposed on Iranian importers of pharmaceuticals. This drove down sales in Iran, which nevertheless remains our leading market in the Region. Intensified marketing activities resulted in high sales growth in Yemen. Our best-selling products in this market were dexamethasone, Atoris (atorvastatin), Novolax (bisacodyl), Naklofen (diclofenac) and Fromilid (clarithromycin).

10% of the Region's sales were generated by the subsidiary TAD Pharma, which makes the most sales to Iraq and China.

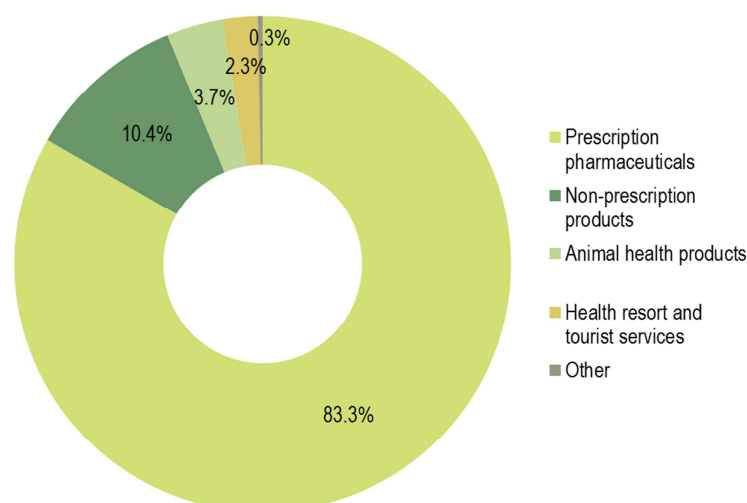
Krka Group and Krka Company sales by product and service group

The Group generated 93.7% of overall sales during the period January to March 2014 in human health products, making this Krka's most important product group. The most sales in the Krka Group were generated in prescription pharmaceuticals, which represented 83.3% of overall sales, being up 2%

compared to the same period last year. Non-prescription product sales represented 10.4% of total sales, and animal health products 3.7%, while health resort and tourist services accounted for 2.3% of overall Krka Group sales.

EUR thousand	Krka Group			Krka Company		
	1-3/2014	1-3/2013	Index	1-3/2014	1-3/2013	Index
Human health products	279,342	276,760	101	275,411	272,489	101
– Prescription pharmaceuticals	248,294	242,811	102	249,355	243,874	102
– Non-prescription products	31,048	33,949	91	26,056	28,615	91
Animal health products	10,894	10,937	100	11,771	11,312	104
Health resort and tourist services	6,830	6,546	104			
Other	951	184	517	1,375	626	220
Total	298,017	294,427	101	288,557	284,427	101

Krka Group sales by product and service group, January–March 2014



Prescription pharmaceuticals

The Krka Group sold EUR 248.3 million worth of prescription pharmaceuticals in the first quarter of 2014, up 2% compared to the same period last year. A substantial sales increase was recorded in Region East Europe (up 22%).

The sale of prescription pharmaceuticals was up compared to the same period last year in all large markets, the most in Hungary, where it more than doubled, in the Russian Federation (up 24%), Ukraine (up 16%) and Germany (up 14%).

As to mid-size markets, the highest sales growths were recorded in Spain (up 63%) and Slovakia (up 31%).

Among small markets for Krka's prescription pharmaceuticals, the highest sales growth rates were recorded in Belarus (up 23%), Uzbekistan (up 13%) and Macedonia (up 6%).

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

The highest sales growth rates in absolute terms compared to the same period last year were recorded by the leading products Atoris (atorvastatin), Enap (enalapril), Tolura* (telmisartan), Gliclada* (gliclazide), Roswera*

(rosuvastatin), Nolpaza* (pantoprazole) and Marixino* (memantine).

In the first three months of 2014 we launched several products on new markets:

- Atordapin* (atorvastatin and amlodipine) in Croatia and Spain;
- Elnap* (enalapril and lercanidipine) in the Czech Republic and Spain;
- Candecor (candesartan) in Kazakhstan;
- Ifirmacombi (irbesartan and hydrochlorothiazide) in Ireland;
- Tolura (telmisartan) in Portugal and Ireland, and Tolucombi (telmisartan and hydrochlorothiazide) in Germany, Spain, the Czech Republic, Portugal and Ireland;
- Perindopril in Spain, and perindopril with indapamide in Italy;
- Amlessa (amlodipine and perindopril) in Uzbekistan and Armenia;
- Ramipril in Italy;
- Sobyacor* (bisoprolol) in Poland, Hungary, the Czech Republic, Portugal, Ireland and Estonia;
- Glyclada (gliclazide) in Moldova;
- Emanera (esomeprazole) in Estonia and Georgia;
- Marixino (memantine) in Latvia;
- Oprymea (pramipexole) prolonged release tablets in Romania, Lithuania, Spain, France, Hungary, the Czech Republic and Ireland;
- Ypsila (ziprasidone) in Estonia;
- Dasselta (desloratadine) in Kosovo;
- Montelukast in Portugal; and
- Sildenafil in Portugal.

In the area of oncology medications we launched:

- Meaxin* (imatinib) in Poland;
- Ecansya* (capecitabine) in Slovenia, Croatia and Lithuania; and
- Tolnexa (docetaxel) in Croatia.

Non-prescription products

We sold EUR 31.0 million worth of non-prescription products, a decrease by 9% compared to the same period last year.

Sales increased in the Russian Federation (up 2%), Uzbekistan (up 28%), Kazakhstan (up 3%) and

Mongolia (up 17%). The sale of non-seasonal products, such as Nalgesin* (naproxen), Bilobil and Naklofen gel, increased (they were up 10%, 6% and 4%, respectively), while the sale of seasonal cough and cold products was down.

Animal health products

Animal health product sales totalled EUR 10.9 million in the three months to March, which is on the same level as last year's first quarter sales.

A substantial sales increase was recorded in Region East Europe (up 22%), and sales were also up in Region Central Europe (up 14%).

Among large individual markets, the highest sales growths were recorded in the Russian Federation

(up 32%), the Czech Republic (up 55%), the UK and Ireland (up 36%), and the Benelux (up 30%).

The leading products in terms of first-quarter sales were Fypryst* (fipronil), Floron (florfenicol) and Enroxil* (enrofloxacin), followed by the recently launched Toltarox* (toltrazuril) and Marfloxin* (marbofloxacin). Fipronil was launched on several markets under the new brand name Amflee.

Health resort and tourist services

In the first quarter of 2014 the Terme Krka Group generated EUR 6.8 million of sales, up 4% compared to the same period last year. Overnight stays were up 4% for foreign guests and 20% for domestic guests, which resulted in EUR 2.2 million of sales, an increase by 5% from last year. Medical service sales were up 2%, and after several years of declining sales catering services were also up again, having increased by 9%.

Spa resorts Terme Krka recorded sales growth in

the domestic market for spa therapies covered by the healthcare system and for self-paying customers. As to foreign guests, overnight stays were up the most, 76%, for Russian guests, which represent almost one fifth of all overnight stays by foreign guests. In the Russian market we were successful at public tenders for medical rehabilitation, and in the segment of high-end wellness programmes for individual guests. A high growth rate, of 16%, was also recorded in the very important Italian market.

**Products in this chapter marked with * are marketed under different brand names in individual markets.*

Research and development

In the first quarter of 2014 we obtained marketing authorisations for **5 new products in 12 dosage forms and strengths**, and acquired 119 new

marketing authorisations for 50 products in different markets.

Prescription pharmaceuticals

In the first quarter of 2014 we obtained marketing authorisations for 4 new prescription pharmaceuticals in 7 dosage forms and strengths.

We were the first generic producer to obtain marketing authorisations for **Tenloris** (losartan and amlodipine) in the form of film-coated tablets in four strengths, a new medicine used to lower blood pressure, for which approvals were granted under the European Decentralised Procedure (DCP). The product's two active substances complement each other and reduce high blood pressure via two different mechanisms of action. Their complementary effect reduces the likelihood of adverse effects and improves treatment tolerability in patients. Tenloris enables patients to take one tablet with a fixed-dose combination of both active substances instead of having to take two tablets with one substance each. This reduces the number of tablets to be taken daily, improving patient cooperation in the treatment.

In the field of cholesterol-lowering medicinal products, we obtained for the first time marketing authorisations for the new fixed-dose combination **Vasitimb** (ezetimibe and simvastatin) in the form of tablets. The two active substances have different yet complementary mechanisms of action, with their fixed-dose combination increasing responsiveness in reaching and maintaining target cholesterol levels.

In the group of antidepressants, we obtained marketing authorisations for a new strength of **Elicea/Escitalex** (escitalopram), which was approved in the form of 15 mg film-coated tablets under the DCP. Escitalopram is a frequently prescribed antidepressant. This additional strength enables single-dosage treatment even for patients in which the other strengths of the medicine do not provide the desired effect. In Western Europe we additionally expanded marketing opportunities for escitalopram film-coated tablets in its other strengths.

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

We expanded marketing opportunities for the **Nolpaza** (pantoprazole) powder for solution for injection, which was additionally approved under the European decentralised procedure in the UK, Bulgaria, Estonia, Latvia and Lithuania.

In the Russian Federation we obtained new marketing authorisations for **Rolpryna SR** (ropinirole) prolonged release tablets in three strengths, and for **Maruxa** (memantine) film-coated tablets in two strengths. In the other markets of Eastern Europe we expanded marketing opportunities for Krka's key products. In Uzbekistan we obtained approvals for **Roxera** (rosuvastatin) 15 mg and 30 mg film-coated tablets, for **Candecor** (candesartan) tablets, for **Candecor H/Candecor HD** (candesartan and hydrochlorothiazide) tablets, and for **Repodiab** (repaglinide) tablets, while in Kazakhstan and Georgia we obtained marketing authorisations for **Desradin/Dasselta** (desloratadine) film-coated tablets. Also in Georgia we obtained approvals for **Emanera** (esomeprazole) gastro-resistant capsules, for **Memaxa** (memantine) film-coated tablets, and for **Yasnal** (donepezil) film-coated tablets. For **Vizarsin** (sildenafil) film-coated tablets and orodispersible tablets marketing opportunities were expanded in Ukraine, Moldova and Georgia. Our well-established products **Atoris** (atorvastatin) 30 mg, 60 mg and 80 mg tablets, and **Nolpaza** (pantoprazole) powder for solution for injection, were approved in Kyrgyzstan, and **Amlessa** (perindopril and amlodipine) tablets in four

strengths were granted marketing authorisations in Armenia.

In South-Eastern Europe we acquired new marketing authorisations for **Dasselta** (desloratadine) in Macedonia and Albania. By obtaining approvals for **Escepran** (exemestane) in Bosnia and Herzegovina, for **Tolnexa** (docetaxel) in Macedonia, and for **Ecansya** (capecitabine) in Serbia, we expanded marketing opportunities of our oncology medications. In Serbia we also obtained marketing authorisations for **Tolucombi** (telmisartan and hydrochlorothiazide), for **Nalgesin Forte** film-

coated tablets, for **Prenessa Q Tab** (perindopril) orodispersible tablets, and for **Yasnal Q-Tab** (donepezil) orodispersible tablets.

We also obtained marketing authorisations for Krka's key products in the different countries of our sales region Overseas Markets, where approvals were obtained for **Emanera** (esomeprazole), **Roswera** (rosuvastatin), **Valsacor** (valsartan), **Valsaden** (valsartan and hydrochlorothiazide), **Zyllt** (clopidogrel), **Lanzul** (lansoprazole) and **Monkasta** (montelukast).

Non-prescription products

Our well-established brand Septotele was expanded to new markets as we obtained approvals for the **Septotele plus spray** in Armenia, and for **Septanazal nasal spray for adults** and **Septanazal nasal spray for children** in Serbia.

Nolpaza Control (pantoprazole) 20 mg gastro-resistant tablets were approved in Moldova as a

product available without prescription.

As to herbal products, marketing opportunities were expanded for the key brand **Herbion**, with **Herbion ivy syrup** approved in Serbia and Kosovo, and **Herbion Iceland moss syrup** additionally approved in Kosovo, Ukraine, Belarus and Estonia.

Animal health products

As the first generic producer we acquired in the first quarter of 2014 marketing authorisations for the new medicinal product **Fypyryst Combo** (fipronil and S-methoprene) in the form of spot-on solution in five strengths. The product preventing and treating tick, flea and lice infestations in cats, dogs and skunks, was approved in ten countries of the European Union under the DCP. It enables a modern and wholesome treatment of external parasite infestations, affecting all life stages of fleas with its expanded mode of action. The product is an important member of our growing range of products for companion animals.

In Ireland, Slovenia, Poland, Romania and Bulgaria we were granted marketing authorisations under the European decentralised procedure for the **Marfloxin**

(marbofloxacin) 20 mg/ml solution for injection, its use now extended to cats and dogs. The product treats bacterial infections of the respiratory tract, the skin and subcutaneous tissue.

In Germany marketing authorisations were acquired for the **Floron** (florfenicol) oral powder for the treatment of respiratory infections in pigs. In Serbia the **Toltarox** (toltrazuril) oral suspension preventing Coccidia infections was approved as suitable for bovine animals, and in Ukraine we acquired marketing authorisations for the **Fypyryst** (fipronil) cutaneous spray repellent for fleas, ticks and lice in cats and dogs. Additional notifications were obtained in Estonia and Croatia for **Ecocid Advanced**, a disinfectant based on peracetic acid.

Investments

In the first quarter of 2014 the Krka Group allocated EUR 46.2 million to investments, of which the controlling company invested EUR 42.1 million and subsidiaries EUR 4.1 million. Investments are

primarily increasing and modernising our production capacities, and research and development capacities.

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

The construction of a new production plant for solid dosage pharmaceuticals, Notol 2, has continued at an accelerated pace after works at Krka's pivotal location in Ločna, Novo mesto, Slovenia had started back in June 2012. This is the largest investment in Krka's history, and has an estimated investment value of EUR 200 million. The 55,000 m² plant will have the target annual production capacity of 4.5 billion finished products. Production will start by the end of 2015.

The construction of a new complex for the production of active pharmaceutical ingredients in Krško, Slovenia had begun in July 2012. In the first stage we have been building the Sinteza 1 (Synthesis 1) production plant and the related infrastructure. The project's estimated investment value is EUR 85 million, and production will start by the end of 2014.

At Ločna we are also constructing a new water preparation plant to ensure sufficient capacity for the preparation of purified waters and tower feedwater, and to provide for a secure supply after Notol 2 is constructed. The project's estimated investment value is EUR 13.7 million, and

construction should be completed by the end of 2014.

We are constructing a new headquarters building in Ločna, which forms a functional and aesthetic whole with the existing headquarters building. The facility will presumably enter into use by the end of this year.

One of the most important investments in the Krka Group is the Krka-Rus 2 project. It features the expansion of our logistics centre and construction of a new plant in the Russian Federation, which will consolidate Krka's status as a domestic pharmaceuticals producer in this country. The new facilities will spread over 34,500 m² of total surface area, and the plant will have a target annual production capacity of 1.8 billion tablets and capsules. The entire investment is estimated at EUR 135 million, of which EUR 95 million was invested in the first stage of the project, completed in 2013. In July 2013 we started using the new logistics centre with the high-bay warehouse, the packaging of finished products began in October, and by December last year all formal conditions were also met to launch the production of bulk products.

The subsidiary spa resort Group Terme Krka plans to build a small pool in Hotel Šport in Otočec, Slovenia this year. The investment will also include an energy overhaul of the hotel and is estimated at EUR 2.8 million.

Employees

In the first quarter of 2014 the number of Krka Group employees increased by 130 (by 19 in Slovenia and by 111 abroad). At the end of March the Krka Group had 10,178 employees, which is 1% more than at the beginning of the year.

Krka's subsidiaries and representation offices outside Slovenia employ 52% of the Group's employees, with 54% of the Krka team having at least a university level education.

Educational structure

	31 Mar 2014		31 Dec 2013	
	No. of employees	Share (%)	No. of employees	Share (%)
Doctorate	116	1.1	111	1.1
Master of science	328	3.2	323	3.2
University education	5,035	49.5	4,927	49.0
Higher professional education	1,212	11.9	1,200	11.9
Vocational college education	272	2.7	272	2.7
Secondary school education	1,896	18.6	1,889	18.8
Other	1,319	13.0	1,326	13.3
Total	10,178	100.0	10,048	100.0

We ensure a continuous inflow of new talented employees by offering study grants to students. There were 64 Krka scholarship holders in 2013, and in the first quarter of 2014 we awarded three new scholarships.

Krka employees in Slovenia and abroad undergo additional training in various areas of expertise to acquire new knowledge on quality, leadership, personal growth and informatics, and to learn foreign languages. Training is adjusted to our employees' needs, the technological process, market conditions, and the Group's development requirements, which is why we organise the majority of staff trainings ourselves.

Employees show a keen interest in gaining new knowledge and attaining higher academic degrees. Currently there are 50 employees enrolled into postgraduate studies towards obtaining a specialisation, master's degree or doctoral degree, with a total of 174 Krka employees engaged in part time 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 pharmaceuticals. By examining and approving candidates under the NVQ system between 2002 and the end of March 2014, we awarded as many as 961 NVQ certificates to Krka employees and 142 to participants from other organisations in the pharmaceutical industry. This is a total of 1,103 certificates for four vocational qualifications. Currently there are 195 Krka employees in the process towards obtaining two national vocational qualifications: Pharmaceutical Process Operator and API Production Operator.

In 2014 our employees again have the option to

undertake a wide range of pastime activities, with which we are ensuring they lead quality professional and private lives from several perspectives. In this way Krka is realising its corporate mission of Living the Healthy Life on behalf of our employees as well.

At the end of 2013 we again measured the organisational climate and employee engagement, finding the climate to be beneficial and employees very satisfied and highly engaged.

Krka employees also display social responsibility and responsibility toward the environment. This April we again organised Krka's Week of Charity and Volunteering, which attracted an even stronger turnout of employees than last year: almost 1,000 participated, which is 22% of all Krka employees in Slovenia. In Novo mesto, Ljubljana and Ljutomer 239 of them acted as blood donors, 34 for the first time ever, collecting almost 100 litres of blood altogether. At various Krka locations around Slovenia our employees collected clothes, toys, footwear, food, books and other consumables for adults and children, and cat and dog food. We collected almost 4 tonnes of consumable commodities and 380 kilograms of animal food. We helped the Red Cross and Karitas charities pack and collect 690 food packages from 6,720 kilograms of foodstuffs. We kept company with the elderly at 22 retirement homes and with the tenants of six occupational activity centres and certain other institutions. The charity event was also attended by the employees and organisations working under the aegis of Krka, including the Krka Culture and Arts Society (Krka Drama Club, Krka Mixed Choir, creative workshops), the Krka Trim Club, the Krka Pensioners Club, and the recipients of Krka's grants – sports clubs and the Krka Wind Orchestra. In the context of celebrating Krka's 60th anniversary, the Week of Charity and Volunteering was rounded off with an open door day for our employees and their family members.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP, WITH NOTES

Consolidated statement of financial position of the Krka Group

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Assets			
Property, plant and equipment	838,731	823,704	102
Intangible assets	114,492	115,744	99
Loans	6,196	5,845	106
Investments	5,440	5,231	104
Deferred tax assets	26,543	23,236	114
Other non-current assets	207	194	107
Total non-current assets	991,609	973,954	102
Inventories	228,156	235,820	97
Trade receivables	461,041	430,435	107
Other receivables	27,740	31,393	88
Loans	14,205	20,215	70
Investments	503	792	64
Cash and cash equivalents	64,773	67,275	96
Total current assets	796,418	785,930	101
Total assets	1,788,027	1,759,884	102
Equity			
Share capital	59,126	59,126	100
Treasury shares	-72,557	-69,372	105
Reserves	188,874	194,459	97
Retained earnings	1,186,387	1,147,030	103
Equity holders of the parent	1,361,830	1,331,243	102
Non-controlling interests within equity	1,366	1,368	100
Total equity	1,363,196	1,332,611	102
Liabilities			
Provisions	103,412	103,103	100
Deferred revenue	12,794	12,805	100
Deferred tax liabilities	12,990	12,925	101
Total non-current liabilities	129,196	128,833	100
Trade payables	132,775	131,227	101
Current borrowings	1,341	0	
Income tax liabilities	8,999	7,030	128
Other current liabilities	152,520	160,183	95
Total current liabilities	295,635	298,440	99
Total liabilities	424,831	427,273	99
Total equity and liabilities	1,788,027	1,759,884	102

Consolidated income statement of the Krka Group

EUR thousand	1-3/2014	1-3/2013	Index
Revenues	298,017	294,427	101
Cost of sales	-120,085	-116,490	103
Gross profit	177,932	177,937	100
Other income	3,119	1,284	243
Distribution expenses	-73,792	-76,526	96
R&D costs	-25,221	-24,636	102
Administrative expenses	-19,054	-19,614	97
Operating profit	62,984	58,445	108
Financial income	313	2,523	12
Financial expenses	-14,354	-280	5,126
Net financial result	-14,041	2,243	-626
Profit before tax	48,943	60,688	81
Income tax expense	-6,403	-9,321	69
Profit for the period	42,540	51,367	83
Attributable to:			
– equity holders of the parent	42,542	51,379	83
– non-controlling interest	-2	-12	17
Basic earnings per share (in EUR)*	1.30	1.55	83
Diluted earnings per share (in EUR)**	1.30	1.55	83

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

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

Consolidated statement of comprehensive income of the Krka Group

EUR thousand	1-3/2014	1-3/2013	Index
Profit for the period	42,540	51,367	83
Other comprehensive income for the period			
<i>Other comprehensive income to be reclassified to profit or loss in future periods</i>			
Translation reserve	-8,944	199	-4,494
Change in fair value of available-for-sale financial assets	210	163	129
Deferred tax effect	-36	-4	900
Other	0	3	
<i>Other comprehensive income to be reclassified to profit or loss in future periods (net)</i>	-8,770	361	
Total other comprehensive income for the period (after tax)	-8,770	361	
Total comprehensive income for the period (after tax)	33,770	51,728	65
Attributable to:			
– equity holders of the parent	33,772	51,740	65
– non-controlling interest	-2	-12	17

Consolidated statement of changes in equity of the Krka Group

EUR thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the parent	Non-controlling interests within equity	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other revenue reserves	Profit for the period	Retained earnings			
Balance at 1 Jan 2014	59,126	-69,372	69,372	101,503	14,990	30,000	3,883	-25,289	943,393	125,119	78,518	1,331,243	1,368	1,332,611
Profit for the period	0	0	0	0	0	0	0	0	0	42,542	0	42,542	-2	42,540
Total other comprehensive income for the period (after tax)	0	0	0	0	0	0	174	-8,944	0	0	0	-8,770	0	-8,770
Total comprehensive income for the period (after tax)	0	0	0	0	0	0	174	-8,944	0	42,542	0	33,772	-2	33,770
Transactions with owners, recognised directly in equity														
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	-125,119	125,119	0	0	0
Transfer to other revenue reserves under the resolution of the Annual Shareholders Meeting	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	3,185	0	0	0	0	0	0	-3,185	0	0	0	0
Repurchase of treasury shares	0	-3,185	0	0	0	0	0	0	0	0	0	-3,185	0	-3,185
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners, recognised directly in equity	0	-3,185	3,185	0	0	0	0	0	0	-128,304	125,119	-3,185	0	-3,185
Balance at 31 Mar 2014	59,126	-72,557	72,557	101,503	14,990	30,000	4,057	-34,233	943,393	39,357	203,637	1,361,830	1,366	1,363,196

EUR thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the parent	Non-controlling interests within equity	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other revenue reserves	Profit for the period	Retained earnings			
Balance at 1 Jan 2013	59,126	-55,656	55,656	101,503	14,990	30,000	1,667	-11,747	846,998	121,843	74,703	1,239,083	1,438	1,240,521
Profit for the period	0	0	0	0	0	0	0	0	0	51,379	0	51,379	-12	51,367
Total other comprehensive income for the period (after tax)	0	0	0	0	0	0	159	199	0	0	3	361	0	361
Total comprehensive income for the period (after tax)	0	0	0	0	0	0	159	199	0	51,379	3	51,740	-12	51,728
Transactions with owners, recognised directly in equity														
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	-121,843	121,843	0	0	0
Transfer to other revenue reserves under the resolution of the Annual Shareholders Meeting	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	2,644	0	0	0	0	0	0	-2,644	0	0	0	0
Repurchase of treasury shares	0	-2,644	0	0	0	0	0	0	0	0	0	-2,644	0	-2,644
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners, recognised directly in equity	0	-2,644	2,644	0	0	0	0	0	0	-124,487	121,843	-2,644	0	-2,644
Balance at 31 Mar 2013	59,126	-58,300	58,300	101,503	14,990	30,000	1,826	-11,548	846,998	48,735	196,549	1,288,179	1,426	1,289,605

Consolidated statement of cash flows of the Krka Group

EUR thousand	1–3/2014	1–3/2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	42,540	51,367
Adjustments for:	29,872	30,938
– amortisation/depreciation	23,691	22,715
– foreign exchange differences	-4	-1,318
– investment income	-455	-407
– investment expense	162	357
– interest expense and other financial expense	75	267
– income tax	6,403	9,321
– other	0	3
Operating profit before changes in net operating current assets	72,412	82,305
Change in trade receivables	-27,544	-23,868
Change in inventories	7,664	-13,795
Change in trade payables	1,548	6,158
Change in provisions	309	-40
Change in deferred revenue	-11	515
Change in other current liabilities	-7,648	786
Income taxes paid	-7,328	-9,796
Net cash from operating activities	39,402	42,265
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	217	184
Proceeds from sale of current investments and repayment of current loans	3	0
Dividends received	0	4
Proceeds from sale of property, plant and equipment	121	170
Purchase of intangible assets	-821	-1,017
Purchase of property, plant and equipment	-45,451	-28,587
Non-current loans	-448	-300
Proceeds from repayment of non-current loans	334	621
Acquisition of non-current investments	-40	-16
Proceeds from sale of non-current investments	27	16
Payments/Proceeds in connection with current investments and loans	6,245	-9,980
Net cash used in investing activities	-39,813	-38,905
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-75	-644
Repayment of non-current borrowings	0	-6,300
Proceeds from current borrowings	1,341	1,599
Dividends paid	-16	-19
Repurchase of treasury shares	-3,185	-2,644
Net cash used in financing activities	-1,935	-8,008
Net increase in cash and cash equivalents	-2,346	-4,648
Cash and cash equivalents at beginning of period	67,275	22,994
Effect of exchange rate fluctuations on cash held	-156	-38
Net cash and cash equivalents at end of period	64,773	18,308

Segment reporting of the Krka Group

EUR thousand	European Union		South-East Europe		East Europe		Other markets		Elimination		Total	
	1-3/2014	1-3/2013	1-3/2014	1-3/2013	1-3/2014	1-3/2013	1-3/2014	1-3/2013	1-3/2014	1-3/2013	1-3/2014	1-3/2013
Revenues to non-Group companies	161,029	168,068	12,298	12,278	116,206	100,518	8,484	13,563	0	0	298,017	294,427
Revenues to Group companies	55,596	39,698	5,780	5,184	52,697	61,352	0	0	-114,073	-106,234	0	0
Revenues from reversal of provisions and other income	1,654	1,027	13	48	1,452	209	0	0	0	0	3,119	1,284
Operating expenses	-132,095	-131,253	-8,649	-8,753	-92,329	-86,852	-5,079	-10,408	0	0	-238,152	-237,266
Operating expense to Group companies	-83,739	-73,131	-5,757	-5,636	-109,249	-111,810	-2	-2	198,747	190,579		
Operating profit	30,588	37,842	3,662	3,573	25,329	13,875	3,405	3,155	0	0	62,984	58,445
Interest income	251	225	0	0	38	28	0	0	0	0	289	253
Interest revenue to Group companies	251	305	0	0	0	0	0	0	-251	-305	0	0
Interest expense	-7	-224	0	0	0	0	0	0	0	0	-7	-224
Interest expense to Group companies	-263	-296	0	0	-249	-248	0	0	512	544	0	0
Net financial income/expenses	231	-498	-220	152	-14,086	2,836	34	-247	0	0	-14,041	2,243
Income tax expense	-2,436	-5,953	-335	-391	-3,370	-2,354	-262	-623	0	0	-6,403	-9,321
Profit for the period	28,383	31,391	3,107	3,334	7,873	14,357	3,177	2,285	0	0	42,540	51,367
Investments	43,510	19,377	7	33	2,644	10,562	0	0	0	0	46,161	29,972
Depreciation	15,355	15,169	365	426	6,042	5,102	78	119	0	0	21,840	20,816
Amortisation	1,138	1,212	69	68	604	549	40	70	0	0	1,851	1,899
	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013
Total assets	1,321,714	1,304,092	33,845	34,641	423,407	410,819	9,061	10,332	0	0	1,788,027	1,759,884
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	41,555	41,555	0	0	0	0	0	0	0	0	41,555	41,555
Total liabilities	310,531	317,839	9,006	8,321	82,927	85,200	22,367	15,913	0	0	424,831	427,273

Notes to the consolidated financial statements of the Krka Group

Costs by nature

EUR 238,152 thousand

EUR thousand	1-3/2014	1-3/2013	Index
Cost of goods and material	90,590	88,936	102
Cost of services	49,297	59,721	83
Employee benefits cost	75,138	74,748	101
Depreciation	23,691	22,715	104
Inventory write-off and allowances	4,334	1,743	249
Receivables impairment and write-offs	585	520	113
Other expenses	8,051	6,736	120
Total costs	251,686	255,119	99
Change in inventories of products and work in progress	-13,534	-17,853	76
Total	238,152	237,266	100

Employee benefits cost

EUR 75,138 thousand

EUR thousand	1-3/2014	1-3/2013	Index
Gross wages and salaries and continued pay	58,885	59,261	99
Social security contributions	4,718	4,510	105
Pension insurance contributions	8,430	8,043	105
Payroll tax	238	228	104
Post-employment benefits and other non-current employee benefits	691	590	117
Other employee benefits cost	2,176	2,116	103
Total employee benefits cost	75,138	74,748	101

Other expenses

EUR 8,051 thousand

EUR thousand	1-3/2014	1-3/2013	Index
Grants and assistance for humanitarian and other purposes	491	313	157
Environmental levies	725	794	91
Other taxes and levies	5,318	4,197	127
Loss on sale of property, plant and equipment and intangible assets	162	344	47
Other costs	1,355	1,088	125
Total other expenses	8,051	6,736	120

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

Financial income and expenses

EUR thousand	1–3/2014	1–3/2013	Index
Net foreign exchange differences	0	2,224	0
Interest income	289	252	115
Change in fair value of investments through profit or loss	21	43	49
Income from dividends and other shares of the profit	0	4	0
Other income	3	0	
Total financial income	313	2,523	12
Net foreign exchange differences	-14,282	0	
Interest expense	-7	-224	3
Change in fair value of investments through profit or loss	0	-13	0
Other expenses	-65	-43	151
Total financial expenses	-14,354	-280	5,126
Net financial result	-14,041	2,243	

Income tax expense

EUR 6,403 thousand

Current income tax amounts to EUR 9,888 thousand, which is 20.2% of pre-tax profit. Together with the deferred tax of EUR –3,485 thousand, the total income tax expense in the

income statement equals EUR 6,403 thousand. The effective tax rate is 13.1%, which is 2.3 of a percentage point less than in the same period last year.

Property, plant and equipment

EUR 838,731 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Property	32,363	32,295	100
Plant	354,139	362,654	98
Equipment	292,996	305,619	96
Property, plant and equipment being acquired	159,233	123,136	129
Total property, plant and equipment	838,731	823,704	102

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

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

Intangible assets

EUR 114,492 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Goodwill	42,644	42,644	100
Trademark	41,343	41,555	99
Concessions, patents, licences and similar rights	25,114	26,489	95
Intangible assets being acquired	5,391	5,056	107
Total intangible assets	114,492	115,744	99

Loans

EUR 20,401 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Non-current loans	6,196	5,845	106
– loans to others	6,196	5,845	106
Current loans	14,205	20,215	70
– portion of non-current loans maturing next year	800	1,180	68
– loans to others	13,404	19,034	70
– current interest receivable	1	1	100
Total loans	20,401	26,060	78

Non-current loans represent 30% of total loans.

loans.

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

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

Investments

EUR 5,943 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Non-current investments	5,440	5,231	104
– available-for-sale financial assets	5,440	5,231	104
Current investments including derivatives	503	792	64
– shares and interests held for trading	144	131	110
– other current investments	359	661	54
Total investments	5,943	6,023	99

Available-for-sale financial assets include EUR 907 thousand of investments in shares and interests in companies in Slovenia, and EUR 4,533 thousand of investments in shares and interests in companies

abroad.

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

Inventories

EUR 228,156 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Material	88,994	96,785	92
Work in progress	52,883	57,903	91
Products	79,260	77,069	103
Merchandise	6,961	3,923	177
Inventory advances	58	140	41
Total inventories	228,156	235,820	97

Trade and other receivables

EUR 488,781 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Current trade receivables	461,041	430,435	107
Other current receivables	27,740	31,393	88
Total receivables	488,781	461,828	106

Cash and cash equivalents

EUR 64,773 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Cash in hand and cheques	34	39	87
Bank balances	64,739	67,236	96
Total cash and cash equivalents	64,773	67,275	96

Equity

EUR 1,363,196 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Share capital	59,126	59,126	100
Treasury shares	-72,557	-69,372	105
Reserves	188,874	194,459	97
– reserves for treasury shares	72,557	69,372	105
– share premium	101,503	101,503	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserve	4,057	3,883	104
– translation reserves	-34,233	-25,289	135
Retained earnings	1,186,387	1,147,030	103
Total equity holders of the parent	1,361,830	1,331,243	102
Non-controlling interests within equity	1,366	1,368	100
Total equity	1,363,196	1,332,611	102

Borrowings

EUR 1,341 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Current borrowings	1,341	0	
– borrowings from domestic banks	5	0	
– borrowings from foreign banks	1,336	0	
Total borrowings	1,341	0	

Provisions

EUR 103,412 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Obligation for post-employment and other non-current employee benefits	53,986	53,624	101
Other provisions:	49,426	49,479	100
– provisions for lawsuits	49,074	49,142	100
– other provisions	352	337	104
Total provisions	103,412	103,103	100

Deferred revenue

EUR 12,794 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Grants received for the Dolenjske and Šmarješke Toplice health resorts and for Golf Grad Otočec	4,461	4,515	99
Grants by the European Regional Development Fund	11	13	85
Grants by a European Fund – Development of New Technologies (FBD project)	609	633	96
Grants by a European Fund – Development Centres of the Slovene Economy	7,164	7,091	101
Property, plant and equipment received for free	549	553	99
Total deferred revenue	12,794	12,805	100

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

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

Trade payables

EUR 132,775 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Payables to domestic suppliers	55,094	51,905	106
Payables to foreign suppliers	73,143	70,859	103
Payables from advances	4,538	8,463	54
Total trade payables	132,775	131,227	101

Other current liabilities

EUR 152,520 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Accrued contractual discounts on products sold	103,525	102,952	101
Payables to employees – gross wages, other receipts and charges	31,014	32,028	97
Other	17,981	25,203	71
Total other current liabilities	152,520	160,183	95

Contingent liabilities

EUR 25,431 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Guarantees issued	24,811	19,710	126
Other	620	620	100
Total contingent liabilities	25,431	20,330	125

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

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

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Assets			
Property, plant and equipment	589,366	563,978	105
Intangible assets	27,522	28,303	97
Investments in subsidiaries	290,026	288,323	101
Trade receivables from subsidiaries	20,637	14,018	147
Loans	29,737	31,009	96
Investments	5,231	5,022	104
Deferred tax assets	15,142	15,167	100
Other non-current assets	121	127	95
Total non-current assets	977,782	945,947	103
Inventories	178,174	190,968	93
Trade receivables	453,432	426,195	106
Other receivables	13,223	15,424	86
Loans	64,153	72,492	88
Investments	502	792	63
Cash and cash equivalents	51,535	49,417	104
Total current assets	761,019	755,288	101
Total assets	1,738,801	1,701,235	102
Equity			
Share capital	59,126	59,126	100
Treasury shares	-72,557	-69,372	105
Reserves	223,105	219,746	102
Retained earnings	1,161,355	1,122,746	103
Total equity	1,371,029	1,332,246	103
Liabilities			
Non-current borrowings	2,000	2,000	100
Provisions	94,844	94,464	100
Deferred revenue	2,146	2,314	93
Total non-current liabilities	98,990	98,778	100
Trade payables	153,483	145,921	105
Current borrowings	64,392	70,190	92
Income tax liabilities	6,077	4,823	126
Other current liabilities	44,830	49,277	91
Total current liabilities	268,782	270,211	99
Total liabilities	367,772	368,989	100
Total equity and liabilities	1,738,801	1,701,235	102

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

EUR thousand	1–3/2014	1–3/2013	Index
Revenues	288,557	284,427	101
Cost of sales	-114,989	-114,127	101
Gross profit	173,568	170,300	102
Other income	639	529	121
Distribution expenses	-70,515	-75,188	94
R&D costs	-26,386	-25,694	103
Administrative expenses	-15,721	-15,068	104
Operating profit	61,585	54,879	112
Financial income	768	2,794	27
Financial expenses	-14,588	-570	2,559
Net financial result	-13,820	2,224	
Profit before tax	47,765	57,103	84
Income tax expense	-5,971	-7,138	84
Profit for the period	41,794	49,965	84
Basic earnings per share (in EUR)*	1.27	1.51	84
Diluted earnings per share (in EUR)**	1.27	1.51	84

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

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

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

EUR thousand	1–3/2014	1–3/2013	Index
Profit for the period	41,794	49,965	84
Other comprehensive income for the period			
<i>Other comprehensive income to be reclassified to profit or loss in future periods</i>			
Change in fair value of available-for-sale financial assets	210	163	129
Deferred tax effect	-36	-4	900
<i>Other comprehensive income to be reclassified to profit or loss in future periods (net)</i>	174	159	109
Total other comprehensive income for the period (after tax)	174	159	109
Total comprehensive income for the period (after tax)	41,968	50,124	84

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

	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Profit for the period	Retained earnings	
EUR thousand											
Balance at 1 Jan 2014	59,126	-69,372	69,372	101,503	14,990	30,000	3,881	943,393	116,957	62,396	1,332,246
Profit for the period	0	0	0	0	0	0	0	0	41,794	0	41,794
Total other comprehensive income for the period (after tax)	0	0	0	0	0	0	174	0	0	0	174
Total comprehensive income for the period (after tax)	0	0	0	0	0	0	174	0	41,794	0	41,968
Transactions with owners, recognised directly in equity											
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	-116,957	116,957	0
Transfer to other revenue reserves under the resolution of the Annual Shareholders Meeting	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	3,185	0	0	0	0	0	-3,185	0	0
Repurchase of treasury shares	0	-3,185	0	0	0	0	0	0	0	0	-3,185
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners, recognised directly in equity	0	-3,185	3,185	0	0	0	0	0	-120,142	116,957	-3,185
Balance at 31 Mar 2014	59,126	-72,557	72,557	101,503	14,990	30,000	4,055	943,393	38,609	179,353	1,371,029

EUR thousand	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Profit for the period	Retained earnings	
Balance at 1 Jan 2013	59,126	-55,656	55,656	101,503	14,990	30,000	1,667	846,998	116,543	61,388	1,232,215
Profit for the period	0	0	0	0	0	0	0	0	49,965	0	49,965
Total other comprehensive income for the period (after tax)	0	0	0	0	0	0	159	0	0	0	159
Total comprehensive income for the period (after tax)	0	0	0	0	0	0	159	0	49,965	0	50,124
Transactions with owners, recognised directly in equity											
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	-116,543	116,543	0
Transfer to other revenue reserves under the resolution of the Annual Shareholders Meeting	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	2,644		0	0	0	0	-2,644	0	0
Repurchase of treasury shares	0	-2,644	0	0	0	0	0	0	0	0	-2,644
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners, recognised directly in equity	0	-2,644	2,644	0	0	0	0	0	-119,187	116,543	-2,644
Balance at 31 Mar 2013	59,126	-58,300	58,300	101,503	14,990	30,000	1,826	846,998	47,321	177,931	1,279,695

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

EUR thousand	1–3/2014	1–3/2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	41,794	49,965
Adjustments for:	24,722	24,660
– amortisation/depreciation	17,490	17,814
– foreign exchange differences	1,680	-332
– investment income	-829	-809
– investment expense	101	293
– interest expense and other financial expense	309	556
– income tax	5,971	7,138
Operating profit before changes in net operating current assets	66,516	74,625
Change in trade receivables	-31,654	-33,871
Change in inventories	12,794	-1,778
Change in trade payables	7,562	15,269
Change in provisions	380	0
Change in deferred revenue	-168	-174
Change in other current liabilities	-4,432	-1696
Income taxes paid	-4,727	-7,364
Net cash from operating activities	46,271	45,011
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	687	588
Proceeds from sale of current investments and repayment of current loans	3	0
Dividends received	0	4
Proportionate profit of subsidiaries		1,008
Proceeds from sale of property, plant and equipment	81	169
Purchase of intangible assets	-697	-736
Purchase of property, plant and equipment	-41,519	-14,623
Acquisition of subsidiaries and a share of minority interest without obtained assets	-1,703	-14,214
Non-current loans	-743	-423
Proceeds from repayment of non-current loans	1,489	220
Acquisition of non-current investments	-22	-12
Proceeds from sale of non-current investments	27	11
Payments/Proceeds in connection with current investments and loans	7,782	-13,231
Net cash used in investing activities	-34,615	-41,239
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-318	-858
Repayment of non-current borrowings	0	-6,300
Repayment/Acquisition of current borrowings	-5,789	2,567
Dividends paid	-16	-19
Repurchase of treasury shares	-3,185	-2,644
Net cash used in financing activities	-9,308	-7,254
Net increase in cash and cash equivalents	2,348	-3,482
Cash and cash equivalents at beginning of period	49,417	13,369
Effect of exchange rate fluctuations on cash held	-230	10
Net cash and cash equivalents at end of period	51,535	9,897

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

EUR thousand	European Union		South-East Europe		East Europe		Other markets		Total	
	1–3/2014	1–3/2013	1–3/2014	1–3/2013	1–3/2014	1–3/2013	1–3/2014	1–3/2013	1–3/2014	1–3/2013
Revenues	163,448	161,963	12,672	12,085	104,652	97,685	7,785	12,694	288,557	284,427
Revenues from reversal of provisions and other income	559	445	6	6	74	78	0	0	639	529
Operating expenses	-129,841	-130,310	-8,260	-8,392	-84,431	-81,467	-5,079	-9,908	-227,611	-230,077
Operating profit	34,166	32,098	4,418	3,699	20,295	16,296	2,706	2,786	61,585	54,879
Interest income	495	505	0	0	249	248	0	0	744	753
Interest expense	-255	-523	0	0	0	0	0	0	-255	-523
Net financial income/expenses	263	-563	9	0	-14,126	3,034	34	-247	-13,820	2,224
Income tax expense	-3,312	-3,915	-429	-481	-1,968	-2,119	-262	-623	-5,971	-7,138
Profit for the period	31,117	27,620	3,998	3,218	4,201	17,211	2,478	1,916	41,794	49,965
Investments	42,053	15,527	0	0	0	0	0	0	42,053	15,527
Depreciation	11,776	11,780	311	371	3,847	3,974	78	119	16,012	16,244
Amortisation	837	894	65	67	536	539	40	70	1,478	1,570
	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013
Total assets	1,274,113	1,242,625	34,485	35,407	421,143	412,873	9,060	10,330	1,738,801	1,701,235
Total liabilities	268,398	270,622	6,928	7,368	70,080	75,086	22,366	15,913	367,772	368,989

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

Costs by nature

EUR 227,611 thousand

EUR thousand	1–3/2014	1–3/2013	Index
Cost of goods and material	81,819	89,088	92
Cost of services	73,941	81,971	90
Employee benefits cost	46,031	44,697	103
Depreciation	17,490	17,814	98
Inventory write-off and allowances	3,422	1,256	272
Receivables impairment and write-offs	323	368	88
Other expenses	7,477	4,602	162
Total costs	230,503	239,796	96
Change in inventories of products and work in progress	-2,892	-9,719	30
Total	227,611	230,077	99

Employee benefits cost

EUR 46,031 thousand

EUR thousand	1–3/2014	1–3/2013	Index
Gross wages and salaries and continued pay	37,301	36,544	102
Social security contributions	2,500	2,357	106
Pension insurance contributions	4,449	4,186	106
Retirement benefits and anniversary bonuses	640	485	132
Other employee benefits cost	1,141	1,125	101
Total employee benefits cost	46,031	44,697	103

Other expenses

EUR 7,477 thousand

EUR thousand	1–3/2014	1–3/2013	Index
Grants and assistance for humanitarian and other purposes	379	182	208
Environmental levies	516	621	83
Other taxes and levies	3,547	2,878	123
Loss on the sale of property, plant and equipment and intangible assets and write-offs	100	279	36
Other costs	2,935	642	457
Total other expenses	7,477	4,602	162

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

Financial income and expenses

EUR thousand	1–3/2014	1–3/2013	Index
Net foreign exchange differences	0	1,994	0
Interest income	744	753	99
Change in fair value of investments through profit or loss	21	43	49
Income from dividends and other shares of the profit	0	4	0
Other financial income	3	0	
Total financial income	768	2,794	27
Net foreign exchange differences	-14,278	0	
Interest expense	-255	-523	49
Change in fair value of investments through profit or loss	0	-14	0
Other financial expenses	-55	-33	167
Total financial expenses	-14,588	-570	2559
Net financial result	-13,820	2,224	-621

Income tax expense

EUR 5,971 thousand

Current income tax amounts to EUR 5,981 thousand, which is 12.5% of pre-tax profit. Together with the deferred tax of EUR 10 thousand, the total income tax expense in the

income statement equals EUR 5,971 thousand. The effective tax rate is 12.5%, which is on the level of the same period last year.

Property, plant and equipment

EUR 589,366 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Property	19,512	19,348	101
Plant	202,519	206,786	98
Equipment	214,213	222,865	96
Property, plant and equipment being acquired	153,122	114,979	133
Total property, plant and equipment	589,366	563,978	105

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

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

Intangible assets

EUR 27,522 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Concessions, patents, licences and similar rights	22,214	23,334	95
Intangible assets being acquired	5,308	4,969	107
Total intangible assets	27,522	28,303	97

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

Loans

EUR 93,890 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Non-current loans	29,737	31,009	96
– loans to subsidiaries	23,836	25,533	93
– loans to others	5,901	5,476	108
Current loans	64,153	72,492	88
– portion of non-current loans maturing next year	1,364	2,290	60
– loans to subsidiaries	49,148	50,744	97
– loans to others	13,137	19,011	69
– current interest receivable	504	447	113
Total loans	93,890	103,501	91

Non-current loans represent 32% of total loans.

loans.

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

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

Investments

EUR 5,733 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Non-current investments	5,231	5,022	104
– available-for-sale financial assets	5,231	5,022	104
Current investments including derivatives	502	792	63
– shares and interests held for trading	143	131	109
– other current investments	359	661	54
Total investments	5,733	5,814	99

Available-for-sale financial assets include EUR 699 thousand of investments in shares and interests in companies in Slovenia, and EUR 4,532 thousand of investments in shares and interests in companies

abroad.

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

Inventories

EUR 178,174 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Material	72,032	85,272	84
Work in progress	50,232	55,192	91
Products	50,279	45,450	111
Merchandise	5,614	5,021	112
Inventory advances	17	33	52
Total inventories	178,174	190,968	93

Trade and other receivables

EUR 466,655 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Current receivables due from subsidiaries	236,372	225,363	105
Current receivables due from customers other than subsidiaries	217,060	200,832	108
Other current receivables	13,223	15,424	86
Total receivables	466,655	441,619	106

Cash and cash equivalents

EUR 51,535 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Cash in hand and cheques	8	4	200
Bank balances	51,527	49,413	104
Total cash and cash equivalents	51,535	49,417	104

Equity

EUR 1,371,029 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Share capital	59,126	59,126	100
Treasury shares	-72,557	-69,372	105
Reserves:	223,105	219,746	102
– share premium	101,503	101,503	100
– reserves for treasury shares	72,557	69,372	105
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserve	4,055	3,881	104
Retained earnings	1,161,355	1,122,746	103
Total equity	1,371,029	1,332,246	103

Borrowings

EUR 66,392 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Non-current borrowings	2,000	2,000	100
– borrowings from subsidiaries	2,000	2,000	100
Current borrowings	64,392	70,190	92
– borrowings from subsidiaries	64,302	70,097	92
– borrowings from domestic banks	5	0	
– current interest payable	85	93	91
Total borrowings	66,392	72,190	92

Provisions

EUR 94,844 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Obligation for post-employment and other non-current employee benefits	45,844	45,464	101
Provisions for lawsuits	49,000	49,000	100
Total provisions	94,844	94,464	100

Deferred revenue

EUR 2,146 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Grants by the European Regional Development Fund	11	13	85
Grants by a European Fund – Development of New Technologies (FBD project)	609	633	96
Property, plant and equipment received for free	549	553	99
Other deferred revenue	977	1,115	88
Total deferred revenue	2,146	2,314	93

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

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

Trade payables

EUR 153,483 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Total payables to subsidiaries	54,459	58,218	94
Payables to domestic suppliers	51,832	48,313	107
Payables to foreign suppliers	46,064	35,613	129
Payables from advances	1,128	3,777	30
Total trade payables	153,483	145,921	105

Other current liabilities

EUR 44,830 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Accrued contractual discounts on products sold to other customers	14,637	17,192	85
Payables relating to unpaid equity of subsidiaries	258	258	100
Payables to employees – gross wages, other receipts and charges	24,552	24,660	100
Other	5,383	7,167	75
Total other current liabilities	44,830	49,277	91

Contingent liabilities

EUR 27,408 thousand

EUR thousand	31 Mar 2014	31 Dec 2013	Index
Guarantees issued	26,788	21,734	123
Other	620	620	100
Total contingent liabilities	27,408	22,354	123

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 three months ended 31 March 2014 were drawn up so as to provide a true and fair view of the financial standing and operating results of the Krka Company and the Krka Group. The condensed statements for the period January–March 2014 were drawn up using the same accounting principles as for the annual financial statements of the Krka Company and Group for 2013.

The condensed interim financial statements for the three months ended 31 March 2014 were drawn up

Novo mesto, 17 April 2014

pursuant to IAS 34 – Interim Financial Reporting, and must be read in conjunction with the annual financial statements drawn up for the business year ended 31 December 2013.

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

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



Jože Colarič
President of the Management Board and Chief Executive



Dr Aleš Rotar
Member of the Management Board



Zvezdana Bajc
Member of the Management Board



Dr Vinko Zupančič
Member of the Management Board



Danica Novak Malnar
Worker Director – Member of the Management Board