



Unaudited Interim Report for the Krka Group and the Krka Company for the First Half of 2014

July 2014

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INTRODUCTION

The condensed financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (Krka Company) for the first half years 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 Supervisory Board discussed the 2014 Half Year Report for the Krka Group and the Krka Company at its regular meeting on 23 July 2014.

Highlights of the first half of 2014

- The Krka Group sold EUR 599.4 million worth of products and services, and Krka Company sales amounted to EUR 582.6 million.
- Group sales were up 0.4% compared to the same period last year, with Company sales down 0.8%.
- The highest absolute sales growth compared to the same period last year (up EUR 9.6 million, or 5%) was recorded in Region East Europe, which is Krka's largest sales region and represents 37% of total sales. The highest relative sales growth (11%) was recorded in Region South-East Europe.
- The Group generated 94%, and the Company 96% of its sales revenues in markets outside Slovenia.
- The Krka Group generated EUR 125.7 million of operating profit, a decrease by 5% compared to the same period last year, and the Krka

Company generated EUR 114.2 million of operating profit, down 6%.

- The Group recorded EUR 106.6 million, and the Company EUR 98.8 million of profit for the period, both up 6% compared to the same period last year.
- As at 30 June 2014 Krka's share on the Ljubljana Stock Exchange traded at EUR 70.00 (up 17% from the year-end of 2013), and Krka Company's market capitalisation amounted to EUR 2.5 billion.
- The Group allocated EUR 88.7 million to investments, of which the Krka Company invested EUR 80.3 million and subsidiaries EUR 8.4 million.
- At the end of June 2014 the Krka Group had 10,298 employees, which is 2% more than at the beginning of the year.

Krka Group and Krka Company financial highlights

EUR thousand	Krka Group		Krka Company	
	1-6/2014	1-6/2013	1-6/2014	1-6/2013
Revenues	599,370	597,071	582,565	587,437
EBIT ¹	125,747	132,772	114,189	121,385
EBITDA	173,169	178,497	149,058	157,141
Profit for the period	106,595	100,315	98,802	93,217
R&D costs	53,422	51,224	55,542	53,103
Investments	88,676	70,592	80,284	44,900
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Non-current assets	1,021,769	973,954	1,009,475	945,947
Current assets	876,074	785,930	823,480	755,288
Equity	1,432,851	1,332,611	1,426,913	1,332,246
Non-current liabilities	149,717	128,833	118,992	98,778
Current liabilities	315,275	298,440	287,050	270,211
RATIOS	1-6/2014	1-6/2013	1-6/2014	1-6/2013
EBIT margin	21.0%	22.2%	19.6%	20.7%
EBITDA margin	28.9%	29.9%	25.6%	26.8%
Profit margin (ROS)	17.8%	16.8%	17.0%	15.9%
ROE ²	15.4%	15.6%	14.3%	14.6%
ROA ³	11.7%	11.9%	11.2%	11.5%
Liabilities/Equity	0.325	0.324	0.285	0.280
R&D costs/Revenues	8.9%	8.6%	9.5%	9.0%
NUMBER OF EMPLOYEES	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
As at	10,298	10,048	4,672	4,628

SHARE INFORMATION	1-6/2014	1-6/2013
Total number of shares issued	35,426,120	35,426,120
Earnings per share in EUR ⁴	6.50	6.07
Closing price at end of period in EUR ⁵	70.00	51.00
Price/Earnings ratio (P/E)	10.77	8.40
Book value in EUR ⁶	40.45	37.45
Price/Book value (P/B)	1.73	1.36
Market capitalisation in EUR thousand (end of period)	2,479,828	1,806,732

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

Events after the reporting period

- The 19th Krka Annual General Meeting of Shareholders was held on 3 July 2014. The Management Board and Supervisory Board proposed to the Annual General Meeting to appropriate the accumulated profit for 2013, in the amount of EUR 179,352,421.39, as follows:
 - EUR 68,866,240.80 for dividends (EUR 2.10 gross per share),
 - EUR 55,243,090.30 for other revenue reserves, and
 - EUR 55,243,090.29 for retained earnings.

The proposal was passed. Dividend payments, in the amount of EUR 2.10 gross per share, will commence within 60 days of the Annual General Meeting, and will be made to those shareholders that are recorded in the share register of the Central Securities Clearing Corporation (KDD) as at 8 July 2014.

The Annual General Meeting endorsed and approved the work of the Management and

- In the first half of July Krka received a decision of the European Commission in the perindopril case.

Krka was imposed a EUR 10,000,000 fine by the Commission for allegedly having breached the provisions of Article 101 of the Treaty on the Functioning of the European Union, thereby distorting competition in the EU's perindopril market.

Krka believes that its actions had not caused a distortion or delay in the launch of perindopril on the EU markets, and that it had not breached competition law.

Supervisory Boards in the financial year 2013, and discharged them from liability.

Shareholders also passed a resolution on the reduction of share capital via a cancellation of 2,632,672 treasury shares, which represents 7.431% of the Krka's share capital. In addition, the Management Board was granted a new authorisation to acquire treasury shares, whereby the total volume of treasury shares cannot exceed 10% of the Company's share capital.

The Annual General Meeting was also informed of the elected members of the Supervisory Board – Franc Šašek, Tomaž Sever and Mateja Vrečer –, employee representatives elected by the Company's Worker's Council.

Following the Supervisory Board's proposal, the Annual General Meeting appointed Ernst & Young Revizija, poslovno svetovanje, d. o. o., Ljubljana as the Company's auditor for the financial year 2014.

Krka will appeal / file an action against the Commission's decision at the Court of Justice of the European Union (General Court), however it will also respect the Commission's decision and settle the imposed fine in the set deadline, i.e. within three months.

The decision to withdraw the remaining EUR 37,500,000 of provisions for this matter – the amount remaining after the fine will have been settled –, will be adopted at the end of the business year when additional circumstances are known.

Krka has released communications with respect to the EU Commission's perindopril investigation on 26 November 2008, 6 January 2009, 8 July 2009, 3 July 2014 and 9 July 2014.

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

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E-mail info@krka.biz

Website www.krka.si

Core business Production of pharmaceutical preparations

Business clarification code 21.200

Year established 1954

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

Tax number 82646716

VAT number SI82646716

Company ID number 5043611

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

Total number of shares issued 35,426,120 ordinary registered no-par value shares. Following the reduction of share capital pursuant to the resolution adopted by the 19th Annual General Meeting as of 3 July 2014, the Company's share capital is now divided into 32,793,448 ordinary registered no par value shares with the ticker symbol KRKG. Krka has been listed on the Ljubljana Stock Exchange under symbol KRKG since 1997, and since April 2012 additionally on the Warsaw Stock Exchange under symbol KRK.

Krka Group business model

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

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

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

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'

product offer is supplemented by the health resort and tourist services of the Terme Krka spa group.

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

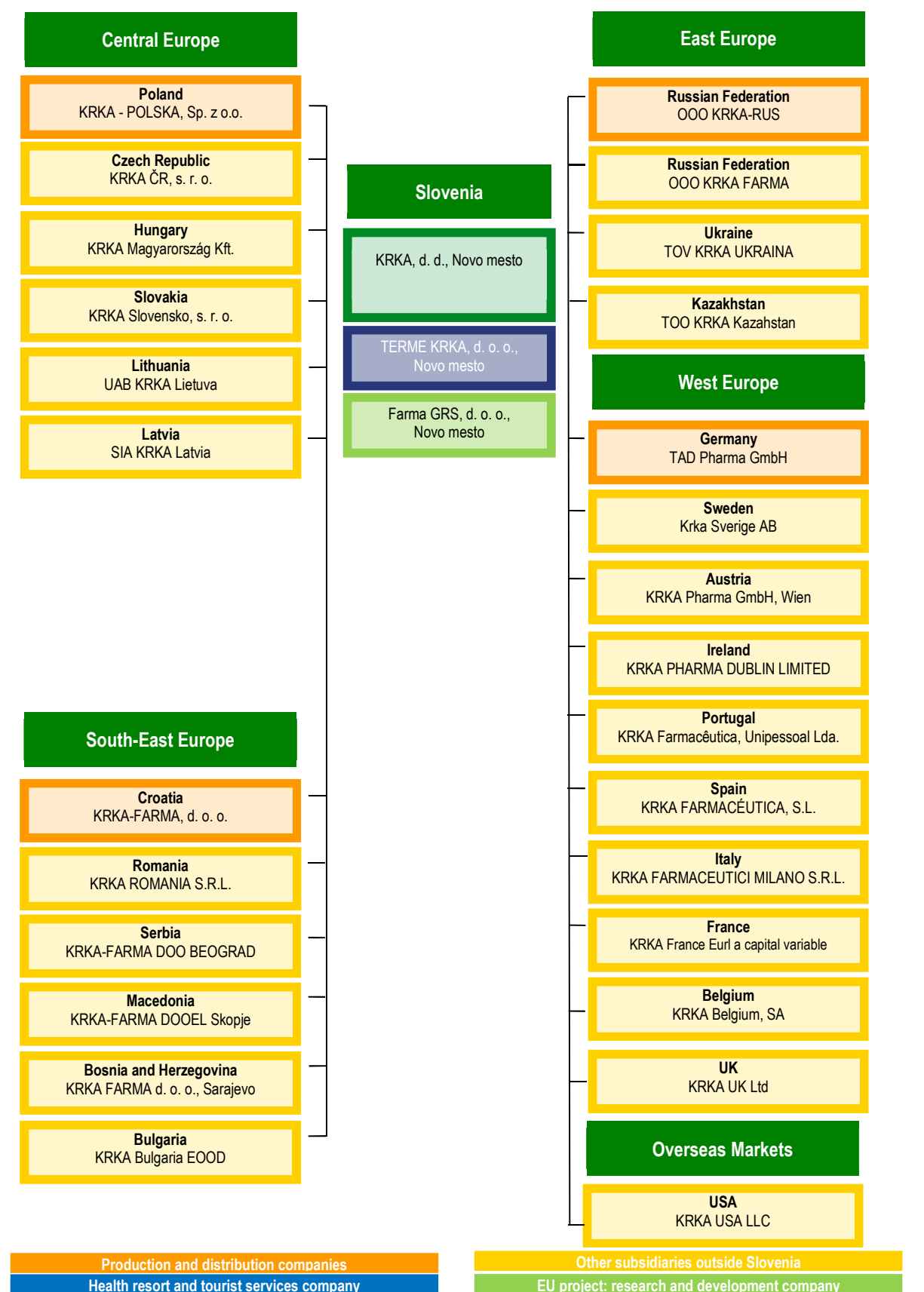
We will continue to concentrate on marketing and developing our own marketing-and-sales network in the future, both by establishing new companies and through mergers in target markets. Our objective is to strengthen the Krka Group market position in European and Central Asian markets as well as to enter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

In order to increase the competitive advantage of our product portfolio and maintain a large share of

vertically integrated products, Krka has been allocating 8 to 10% of our revenues to research and development. We have more than 170 new products in the pipeline. A large proportion of our

total revenues is generated by the sale of new products, i.e. products launched on different markets in the past five years.

Krka Group companies



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

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

Krka Group development strategy

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

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

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

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

Key strategic objectives to 2018

- To report an average annual sales organic 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 preserve independence.

Key strategies to 2018

- To prioritise focus on European and Central Asian markets.
- To establish a new sales region, Overseas Markets, with sales offices for the Middle East, Far East and Africa, and the Americas, in order to better exploit the areas' sales potential.
- To focus 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 to optimise supply in order to constantly drive down purchase prices.
- To develop generic pharmaceuticals and prepare their marketing authorisation documentation prior to the expiry of the product patent for the original medicine.
- To strengthen all types of connections with external institutions and companies in the field of development.
- To continue to increase investments in our production, development and infrastructure capacities.
- To acquire local pharmaceutical companies, and plan takeovers, mergers and various kinds of long-term business arrangements (joint

ventures) in selected markets, with the primary objective of acquiring market shares and entering new therapeutic fields.

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

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

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

Krka Group business objectives for 2014

- Product and service sales are expected to reach EUR 1.245 billion.
- East Europe is expected to be Krka's largest sales region, and the Russian Federation our most important individual market.
- It is estimated that the proportion of sales outside Slovenia will exceed 93%.
- Prescription pharmaceuticals will remain the most important product group, representing more than 80% of overall sales.

- Profit is planned at the level of the profit reported for 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 increasing 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.

The Russian rouble, the Polish złoty and the Romanian leu appreciated in the second quarter. This resulted in positive exchange rate differences on our books, which mainly neutralised the negative effects of downward foreign exchange trends witnessed in the first quarter.

Currency positions were not hedged in the first half of the year. We strive to decrease our exposure to exchange rate fluctuations by using natural hedges.

Interest rate risk

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

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

Credit risk

The credit control process involves obtaining credit ratings for customers to which the controlling company and subsidiaries make product sales worth an annual EUR 100,000 or more, and regular, dynamic monitoring of customer payment discipline. Over 400 of the Group's customers are included in the credit control system.

Higher trade receivables at the end of June were the result of sales growth in markets with longer payment periods and the result of extended sales payment periods in certain key markets. An increase in trade receivables at the end of each quarter is a recurring seasonal occurrence in Krka

Group's operations.

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

We did not write off any major trade receivables in the first half of the year. 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. While optimising their bank balances, the

Krka Company regularly provided the subsidiaries with the required sources of funds.

With the volume of cash inflows exceeding our cash outflows practically every month, liquidity risk is estimated to be low. The volume of current borrowings in the reported period was low, while a

proportion of periodic cash surpluses were placed into current bank deposits. All our liabilities were

settled regularly and on time.

Property, business interruption and liability insurance

After thoroughly examining insurance arrangements in the Krka Group and after researching the insurance market offers for over 98% of our total insurance premium, we entered at the beginning of the year into insurance agreements with domestic and foreign insurers. We optimised the Group's insurance costs and insurance coverages by eliminating certain classes of insurance and by increasing net retained loss. Subsidiaries outside Slovenia are insured locally with local "fronting" insurance policies, or inside the European Union with direct policies taken out in line with the system of the free movement of services.

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

effects. Insurance premiums and the number of loss events have decreased considerably, 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 reported period Krka's insurance arrangements ensured the management of risks and liabilities related to investment projects Krka-Rus 2 in the Russian Federation, Sinteza 1 in Krško, Slovenia and Notol 2 in Novo mesto, Slovenia.

Investor and share information

In the first half of 2014 Krka's share price rose by 17% while the Slovenian benchmark stock index SBI TOP gained 25%. International investors increased their shareholdings in Krka the most in the reported period, to the current 20.8%, which is

the largest stake in Krka they have held to date. The holdings of individual and corporate domestic investors, on the other hand, decreased. At the end of June 2014, Krka had a total of 62,547 shareholders.

Shareholder structure (%)

	30 Jun 2014	31 Dec 2013
Individual Slovenian investors	38.1	38.6
Slovenian Sovereign Holding	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	6.3	6.6
International investors	20.8	20.3
Treasury shares	7.4	7.2
Total	100.0	100.0

In the first half of 2014 Krka acquired 71,667 treasury shares worth a total of EUR 4,456,126. On 30 June 2014 it thus held a

total of 2,632,672 treasury shares, which is 7.431% of the Company's share capital.

10 largest shareholders as at 30 June 2014

	Country	No. of shares	Share in equity (%)	Share of voting rights (%)
SDH, D. D.	Slovenia	5,312,070	14.99	16.20
KAPITALSKA DRUŽBA, D. D.	Slovenia	3,493,030	9.86	10.65
SOCIETE GENERALE - SPLITSKA BANKA D. D.	Croatia	1,394,470	3.94	4.25
HYPO ALPE-ADRIA-BANK D. D.	Croatia	993,405	2.80	3.03
NEW WORLD FUND INC	USA	755,000	2.13	2.30
KDPW	Poland	589,279	1.66	1.80
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
THE BANK OF NEW YORK MELLON	USA	279,961	0.79	0.85
Total		13,992,534	39.50	42.67

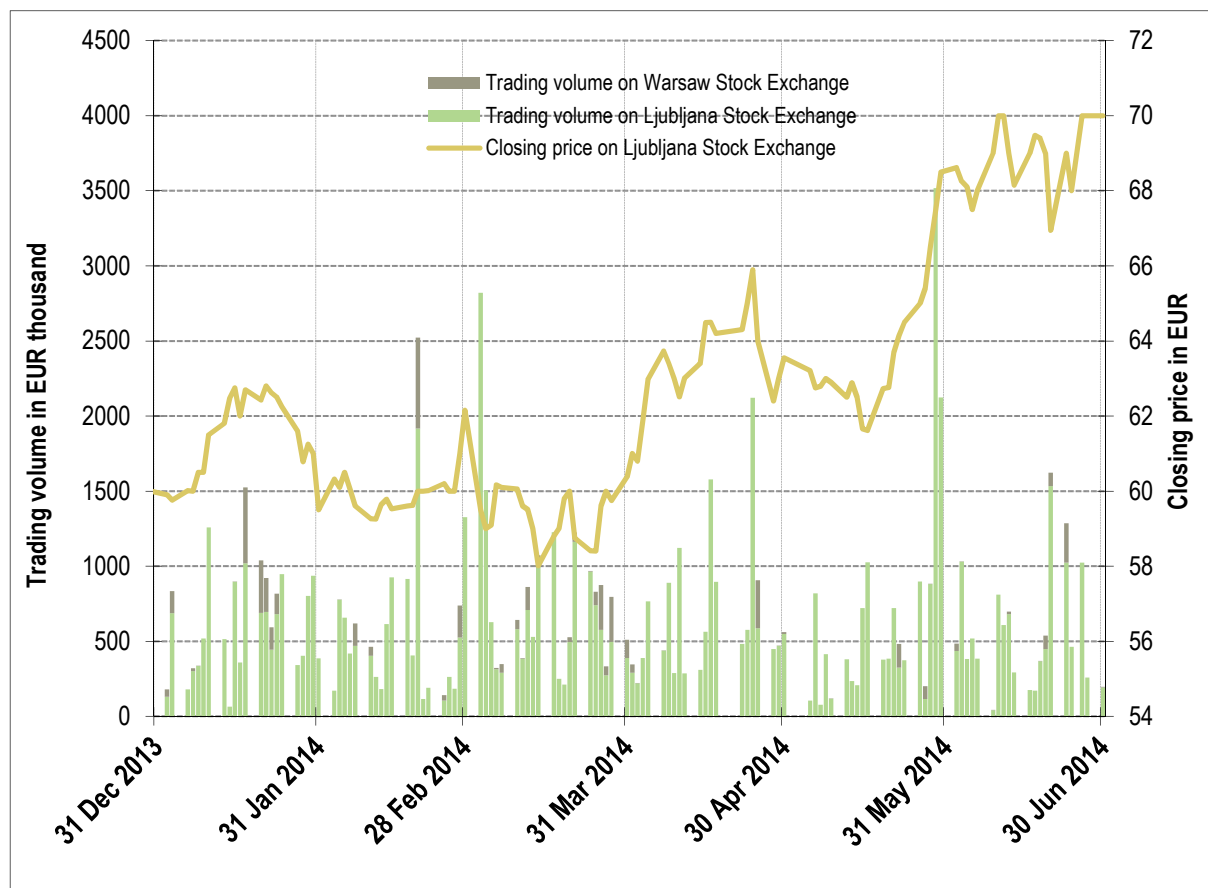
Krka's ten largest shareholders held a total of 13,992,534 shares on 30 June 2014, which is 39.50% of all issued shares.

On 30 June 2014 members of the Krka Management Board and Supervisory Board held a total of 50,495 Krka shares, which is 0.144% of all issued shares.

Shares in equity and shares of voting rights held by members of the Krka Management and Supervisory Board on 30 June 2014

	No. of shares	Share in equity (%)	Share of voting rights (%)
Management Board members			
Jože Colarič	22,500	0.064	0.069
Aleš Rotar	12,770	0.036	0.005
Zvezdana Bajc	1,660	0.005	0.039
Vinko Zupančič	120	0.000	0.000
Danica Novak Malnar	0	0.000	0.000
Total Management Board	37,050	0.105	0.113
Supervisory Board members			
Jože Lenič	180	0.001	0.001
Matjaž Rakovec	0	0.000	0.000
Franc Šašek	540	0.002	0.002
Julijana Kristl	230	0.001	0.001
Vincenc Manček	11,543	0.033	0.035
Mojca Osolnik Videmšek	452	0.001	0.001
Tomaž Sever	500	0.001	0.002
Sergeja Slapničar	0	0.000	0.000
Mateja Vrečer	0	0.000	0.000
Total Supervisory Board	13,445	0.039	0.041

Share trading in the first half of 2014



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

Krka's market capitalisation as at the same day

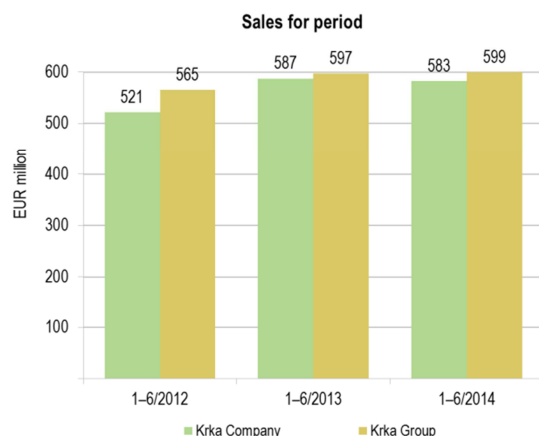
amounted to EUR 2.5 billion. Deals in Krka's share generated an average daily trading volume of EUR 0.6 million, making Krka's share the most actively traded security on the Ljubljana Stock Exchange in the period.

Since April 2012 Krka's shares have also been listed on the Warsaw Stock Exchange.

Business operations analysis

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

Revenues



Compared to the first half of last year, Krka's sales revenues at Group level increased by 0.4%, decreasing by 0.8% at Company level. The Company sold EUR 582.6 million worth of prescription pharmaceuticals, non-prescription products and animal health products, while the Group generated EUR 599.4 million of sales revenues from these products plus the health resort and tourist services.

Expenses

Total Group expenses incurred in the first half of 2014 amounted to EUR 504.5 million, up 4% compared to the same period last year.

The Group incurred EUR 502.3 million of operating expenses, of which the cost of sales was EUR 235.3 million, distribution expenses were EUR 177.0 million, R&D costs were EUR 53.4 million, and administrative expenses were EUR 36.6 million.

The Group cost of sales increased by 6%, on a costs to sales ratio of 39.3%, and distribution expenses increased by 13%, on a costs to sales ratio of 29.5%. Distribution expenses include

The sale of prescription pharmaceuticals increased by 1% compared to the same period last year, representing 84% of total Krka Group sales revenues. The Group generated 94% of its sales in markets outside Slovenia.

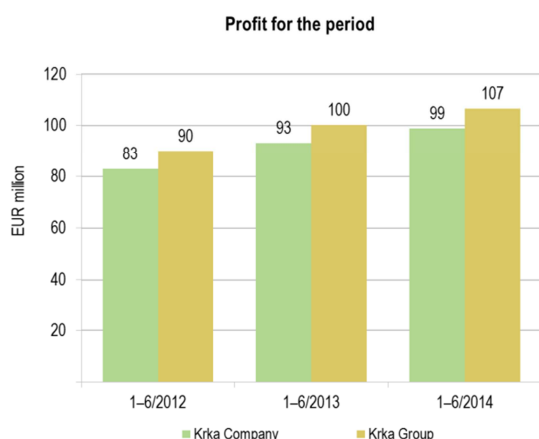
Taking into account other operating and financial income, the Group generated a total of EUR 628.8 million of revenues in the six months to June, and the Company EUR 607.4 million. Other operating income includes the damages and reimbursement of court fees received in the dispute with AstraZeneca over the unjust preliminary injunction that prevented Krka from marketing its esomeprazole in the UK from mid-2010 to mid-2011, in the total amount of EUR 20.8 million (received in pound sterling).

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

EUR 20.6 million of formed provisions, an amount corresponding to the damages Krka received from AstraZeneca. Since the plaintiff appealed against the court's decision, Krka formed provisions in the amount of the received damages. Without these provisions, distribution expenses would correspond to the distribution expenses incurred in the same period last year.

Group R&D costs increased by 4%, on a costs to sales ratio of 8.9%. The Group does not capitalise R&D costs, therefore they are recognised as expenses for the period in full. Administrative expenses decreased by 5% compared to the same period last year, on a costs to sales ratio of 6.1%.

Operating result



The Group recorded EUR 125.7 million of operating profit, down 5% compared to the same period last year.

Profit before tax amounted to EUR 124.3 million, up 6% compared to the same period last year. Income tax totalled EUR 17.7 million, and the effective tax rate was 14.3%.

The Group reported EUR 106.6 million, and the Company EUR 98.8 million of profit for the period, both up 6% from the first half year of 2013.

Assets

Krka Group assets were worth EUR 1,897.8 million at the end of June 2014, an increase by 8% compared to the end of 2013.

Non-current assets represent 53.8% of total assets, their proportion down 1.5 of a percentage point from the beginning of the year. The largest item under non-current assets, which totalled EUR 1,021.8 million, was property, plant and equipment on EUR 861.9 million, which represents

45.4% of the Group's total assets, up 5% from the beginning of the year. Intangible assets amounted to EUR 115.1 million.

Current assets were up 11% in the first six months of 2014, to EUR 876.1 million. Inventories were up 2% to EUR 239.6 million, and receivables increased by 13% to EUR 521.3 million (of which trade receivables amounted to EUR 491.9 million, which is a 14% increase from the beginning of the year).

Equity and liabilities

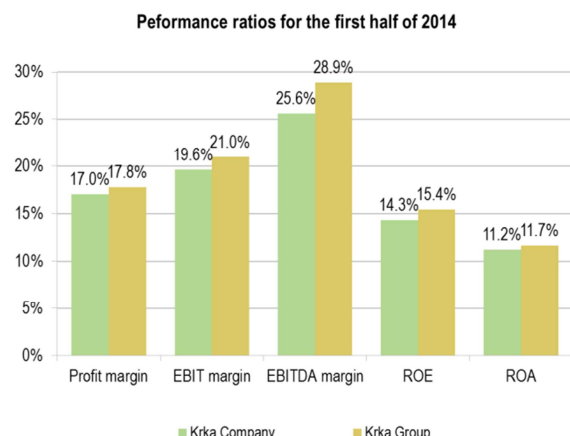
The Group's equity increased by 8% compared to the end of 2013, to EUR 1,432.9 million, and represents 75.5% of total equity and liabilities.

Amounting to EUR 149.7 million, non-current liabilities represent 7.9% of the Group's total equity and liabilities. Provisions, which amounted to EUR 123.6 million at the end of the period, were up 20% from the year-end of 2013, the increase attributable

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

Current liabilities increased by 6% compared to the end of 2013 and totalled EUR 315.3 million at the end of June, which is 16.6% of the Group's total equity and liabilities. Among current liabilities, trade payables amounted to EUR 152.2 million, up 16% compared to the year-end of 2013, with other current liabilities down 2% to EUR 157.3 million.

Performance ratios



The Krka Group profit margin for the six months to June was 17.8% (Krka Company 17.0%), its EBIT margin 21.0% (Krka Company 19.6%) and its EBITDA margin 28.9% (Krka Company 25.6%).

ROE at the level of the Group was 15.4% (Krka Company 14.3%), with ROA at 11.7% (Krka Company 11.2%).

Marketing and sales

Sales by Region

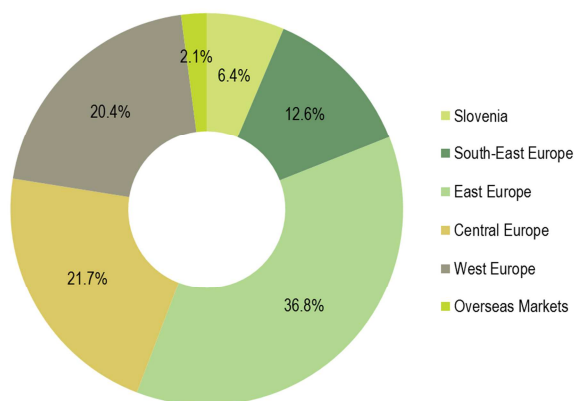
In the first six months of 2014 Krka Group sales were EUR 599.4 million, up 0.4% compared to the same period last year.

Sales were the highest in Region East Europe, where they amounted to EUR 220.8 million, which is 36.8% of total Group sales. Region Central Europe reported the second best result, sales there amounting to EUR 130.2 million and representing 21.7% of total sales.

The third largest area in terms of sales was Region West Europe, where Krka sold EUR 122.3 million worth of products in the reported period, which is 20.4% of overall sales. In Region South-East Europe product sales amounted to EUR 75.3 million, which represents 12.6% of Group sales. In the domestic market sales totalled EUR 38.4 million, which is 6.4% of total sales, while Overseas Markets sales generated EUR 12.3 million, or 2.1% of Group sales.

EUR thousand	Krka Group			Krka Company		
	1-6/2014	1-6/2013	Index	1-6/2014	1-6/2013	Index
Slovenia	38,420	43,253	89	24,752	29,579	84
South-East Europe	75,339	68,026	111	96,443	81,734	118
East Europe	220,763	211,197	105	214,128	213,091	100
Central Europe	130,214	134,932	97	130,145	134,558	97
West Europe	122,331	126,703	97	106,582	116,325	92
Overseas Markets	12,303	12,960	95	10,515	12,150	87
Total	599,370	597,071	100	582,565	587,437	99

Krka Group sales by Region, January–June 2014



Slovenia

Operations in the domestic market in the six months to June were influenced by the taking into effect of the therapeutic groups of ACE inhibitors and statins. Decreasing pharmaceuticals prices reduced the value of Krka's market share in Slovenia. The value of product and service sales amounted to EUR 38.4 million (down 11% from the same period last year), of which prescription pharmaceuticals contributed EUR 18.6 million, non-prescription products EUR 2.9 million, and animal health products EUR 1.1 million. Health resort and tourist service sales in the period were EUR 14.4 million, and other sales amounted to EUR 1.4 million.

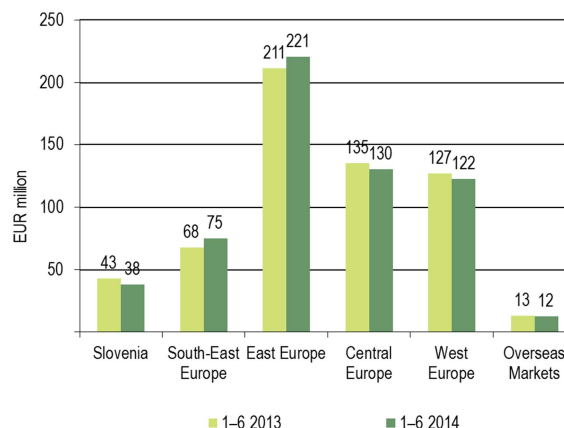
We reacted to market challenges by expanding our product offer, especially products to treat cardiovascular diseases, a group that continues to receive our main attention. We strengthened brand identity for Prenessa (perindopril), Prenewel (perindopril and indapamide), Amlessa (perindopril

South-East Europe

Product sales in the markets of South-East Europe totalled EUR 75.3 million, up 11% from the same period last year. Sales growth was recorded in the majority of markets in the Region, the highest in Romania, Serbia and Montenegro, while the largest decrease in sales witnessed in Bosnia and Herzegovina.

In **Romania**, the Region's leading market and one of Krka's key markets, product sales amounted to EUR 27.8 million, up 31% from the same period last year. The main sales drivers were prescription

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



and amlodipine), Tolura (telmisartan), Tolucombi (telmisartan and hydrochlorothiazide), and Elyrno (enalapril and lercanidipine), and launched a new beta receptor blocker on the market, Sobycor, with the active substance bisoprolol.

Our best-selling prescription pharmaceuticals in the reported period were Prenessa (perindopril), Prenewel (perindopril and indapamide), Nalpaza (pantoprazole) and Atoris (atorvastatin). The pharmaceuticals that are gaining ground the fastest are statins Sorvasta (rosuvastatin) and Atoris (atorvastatin), oncology medications Meaxin (imatinib) and Ecansya (capecitabine), and the non-prescription products Nalgesin forte (naproxen) and Nalgesin S, both analgesics. In the group of veterinary products the leader is now Fypryst (fipronil), and we also launched a new animal health product, the fixed-dose combination of fipronil and methoprene, marketed as Fypryst Combo.

pharmaceuticals, especially Atoris (atorvastatin), Roswera (rosuvastatin), Prenessa and Co-Prenessa (perindopril, and perindopril with indapamide), Tolura (telmisartan), Karbis (candesartan), Enap (enalapril) and Nalpaza (pantoprazole).

The leading non-prescription product remains Bilobil (ginkgo biloba), the sale of which was up 5% from the same period last year, and sales also increased for products of the Nalgesin/Naldorex (naproxen), Daleron (paracetamol) and Herbion brands. As to animal health products, special attention was

devoted to expanding our offer of products to treat companion animals, while the overall sales of veterinary products were slightly down compared to last year's. This was due to the difficult economic situation and liquidity problems faced by all major farms in Romania.

The second largest market in the Region is **Croatia**, also one of Krka's key markets. Product sales there amounted to EUR 15.6 million, which is on the same level as in the same period last year. We are the fourth largest provider of generic human health pharmaceuticals in the country, and the number two animal health products provider.

Sales in Croatia were mainly driven by prescription pharmaceuticals, especially Atoris (atorvastatin), Helex (alprazolam), Nalpaza (pantoprazole), Emanera (esomeprazole), Co-Perineva (perindopril and indapamide), Ciprinol (ciprofloxacin), Roswera (rosuvastatin) and Valsacor (valsartan). To our well-established products in that market we added Tolucombi (telmisartan in the fixed-dose combination with the diuretic hydrochlorothiazide), Atordapin (atorvastatin and amlodipine), an additional strength of Gliclada (gliclazide), and the oncology medications Tolnexa (docetaxel) and Cansata (capecitabine).

Sales in **Bosnia and Herzegovina** amounted to EUR 8.4 million, which is a decrease by 12% compared to the same period last year. Nevertheless, Krka remains the leading generic producer of human health pharmaceuticals in the market. The largest contributors to sales were prescription pharmaceuticals, especially Enap (enalapril), Lorista (losartan), Valsacor (valsartan), Atoris (atorvastatin), Naklofen (diclofenac), Roswera (rosuvastatin) and Nalpaza (pantoprazole). Non-prescription product sales were up 2%, mainly on account of the good sales results for B-complex, Nalgesin (naproxen) and Bilobil (ginkgo biloba). The sales of animal health products were also up.

Sales in **Macedonia** increased by 4% to EUR 7.0 million, preserving Krka's position as the market's leading foreign provider of generic

pharmaceuticals. Despite decreasing reference prices, the highest sales growth, of 6%, was recorded for prescription pharmaceuticals, which is also our leading group of products in terms of sales value there. The best sales results were recorded for Enap (enalapril), Roswera (rosuvastatin) and Tanyz (tamsulosin). Sales also increased for non-prescription products, among which the leader in terms of sales was Bilobil (ginkgo biloba).

After modest results recorded over the initial months of 2014, sales in **Serbia** had stabilised in the second quarter and were up 20% compared to the same period last year at the end of June. The EUR 5.9 million of sales there were mainly driven by prescription pharmaceuticals, especially Atoris (atorvastatin), Ampiril (ramipril), Valsacor (valsartan), Nalpaza (pantoprazole) and Roswera (rosuvastatin).

Since the second half of April 2014 domestic and foreign pharmaceutical producers in Serbia have been on an equal footing due to new regulations entering into effect in the country. We expect sales growth in the Serbian market to continue in the future.

Sales in **Bulgaria** amounted to EUR 5.9 million, up 2% compared to last year's sales. Important sales drivers were newly launched products, especially Roswera (rosuvastatin), Emanera (esomeprazole), Amlessa (perindopril and amlodipine), Tolura (telmisartan) and Tolucombi (telmisartan and hydrochlorothiazide). The highest sales growth, of 36%, was recorded for non-prescription products, and veterinary products were up 28%.

Six-month sales in **Kosovo** totalled EUR 2.7 million, up 9% compared to the same period last year. Krka remains one of the leading providers of pharmaceutical products in this market. In **Albania** sales to June totalled EUR 1.5 million, up 9% compared to the same period last year, and in **Montenegro**, where sales results depend directly on our success rate at public tenders and on our continually releasing new products, sales amounted to EUR 0.6 million, which is an increase by 28% compared to the first six months last year.

East Europe

Product sales in Region East Europe amounted to EUR 220.8 million in the six months of 2014, up 5% compared to the same period last year. Sales

increased in all markets of the Region, apart from Ukraine.

In the key market the **Russian Federation**, which remains Krka's largest individual market, sales amounted to EUR 156.8 million, exceeding the comparable sales from last year by 5%. The most sales were generated in prescription pharmaceuticals, which is also the group that recorded the highest absolute sales growth, while in relative terms sales increased the most for animal health products. Due to the poor winter-spring season, non-prescription product sales were down compared to last year.

The leading products in terms of sales were Lorista (losartan), Enap (enalapril), Atoris (atorvastatin) – which recorded the highest absolute sales growth overall –, Zyllt (clopidogrel), Nolpaza (pantoprazole), Perineva (perindopril), Herbion, Orsoten (orlistat), Bilobil (ginkgo biloba) and Nolicin (norfloxacin). The leading animal health products in terms of sales were Enroxil (enrofloxacin) and Floron (florfenicol). An important contribution to sales, and especially to sales growth, came from products launched on the market in the last five years. The ones that recorded high sales growth are Nolpaza (pantoprazole), Roxera (rosuvastatin), Emanera (esomeprazole), which was launched in the autumn of 2013, and the veterinary product Fypryst (fipronil).

Krka is one of the Russian Federation's leading suppliers of ACE inhibitors, statins, sartans, proton pump inhibitors, weight care pharmaceutical products, multivitamin products for children and cough syrups. Good sales results were also recorded for products treating diseases of the central nervous system, for which we recorded high sales growth in the six months to June and of which we are among the most important providers in the Russian market.

The new production and distribution centre Krka Rus 2 has been operating according to plans. In the first half of 2014, Krka manufactured 12% more tablets and capsules in the Russian Federation than in the same period last year.

Despite the shrinking of the pharmaceuticals market by 10% and the depreciation of the local currency by over 40%, six-month sales in **Ukraine** reached EUR 26.0 million. This is down 13% compared to the same period last year. Sales decreased the most in the market for non-prescription products and therefore our non-prescription product sales were lower than last year, with Krka's sale of prescription pharmaceuticals totalling 94% of last year's sales in the same period. Animal health product sales, on

the other hand, rose by 1%. We nevertheless exceeded market growth in the first six months of the year, managing to increase our market share. The leading products in terms of sales were prescription pharmaceuticals, especially Enap (enalapril), Atoris (atorvastatin), Coryol (carvedilol) and Naklofen (diclofenac). Our market share also increased for non-prescription products, of which our best-selling product was Herbion, with our leading veterinary product in terms of sales being Enroxil (enrofloxacin). We devoted particular attention in the reported period to the management of receivables, having noted nothing out of the ordinary.

Sales in **Kazakhstan** were up 14% compared to the same period last year, to EUR 9.4 million. The main sales drivers were prescription pharmaceuticals, especially Enap (enalapril), Zyllt (clopidogrel), Prenessa (perindopril) and Gliklada (gliclazide), while the best-selling non-prescription product was Herbion. We successfully launched Kventiax (quetiapine), Asentra (sertraline), Elicea (escitalopram), Alventa (venlafaxine), Helex SR (alprazolam) and Naklofen (diclofenac) gel. The country's pharmaceuticals market had stabilised in the second quarter, therefore the February depreciation of the national currency did not have a major impact on the expected sales growth.

The sales growth trend has also continued in **Uzbekistan**, where we sold EUR 8.6 million worth of products, up 19% compared to the same period last year. The leading prescription pharmaceuticals in terms of sales were Enap (enalapril), Lorista (losartan) and Atoris (atorvastatin). Non-prescription product sales were up more than 24%, the main sales drivers being Pikovit, Septotele and Herbion. Sales results were also good for the newly launched medicine Amlessa (perindopril and amlodipine). Due to the specifics in payment transactions in this market, we have continued devoting special attention to shortening payment periods and decreasing receivables.

Sales in **Belarus** totalled EUR 5.0 million in the six months to June, up 16% compared to the same period last year. The highest sales growth rate was recorded for prescription pharmaceuticals, of which the most important products are Lorista (losartan), Nolpaza (pantoprazole) and Prenessa (perindopril). The sale of animal health products also continues to rise, with sales in the reported period increasing by 15%, while non-prescription product sales were slightly down compared to the same period last

year. The pharmaceuticals market continues to operate in line with strong protectionism.

Six-month product sales in **Moldova** amounted to EUR 3.1 million, up 8% compared to the same period last year. Prescription pharmaceuticals contributed the largest share to overall sales, especially Rawel (indapamide), Ampril (ramipril) and Enap (enalapril), and the leading non-prescription products were Septotele, Herbion and Nalgesin (naproxen). Krka remains the third largest pharmaceuticals provider in the country.

Despite the poor economic situation resulting from the depreciation of the local currency, high inflation, and deteriorated purchasing power, we managed to increase sales in **Mongolia** by 2% to EUR 2.8 million, and remain one of the leading pharmaceutical suppliers in the market.

Krka's six-month sales in **Azerbaijan** totalled EUR 2.1 million, which is an increase by 80%

compared to the same period last year. Sales growth was recorded for all three product groups, the highest for prescription pharmaceuticals, and the best-selling product remains Enap (enalapril).

In **Armenia** sales increased by 11% to EUR 1.0 million. Sales in **Georgia** amounted to EUR 1.6 million (up 21%), with the leading product in terms of sales remaining Enap (enalapril), followed by Lorista (losartan), Amlessa (perindopril and amlodipine) and Roswera (rosuvastatin), all three launched in the past two years. Six-month sales in **Turkmenistan** were up 55% compared to the same period last year, to EUR 1.9 million, and in **Kyrgyzstan** we upped sales by 4% to EUR 1.6 million despite the depreciation of the local currency and the consequent price increases of all imported products. In Krka's smallest market in the Region, **Tajikistan**, the dedicated fieldwork of our enlarged team of representatives in the areas outside the capital city increased sales by 33% to EUR 0.9 million.

Central Europe

Sales in the markets of Central Europe totalled EUR 130.2 million in the six months to June 2014, which is down 3% compared to the same period last year.

The Region's leading market remains **Poland**, where Krka grew faster than the industry average in the reported period. Compared to the results reported for the same period last year, sales were up 4% to EUR 63.3 million, making Krka the fourth largest foreign provider of generic pharmaceuticals in the market.

The most sales were generated in prescription pharmaceuticals, especially Roswera (rosuvastatin), Tolura (telmisartan) and its fixed-dose combination with a diuretic, Tolucombi (telmisartan and hydrochlorothiazide), Valsacor (valsartan), Emanera (esomeprazole), Karbis (candesartan), Doreta (paracetamol and tramadol), and Amlessa (perindopril and amlodipine). Also worth singling out because they hold large market shares are Atoris (atorvastatin), Lorista (losartan), Nolpaza (pantoprazole) and Prenessa (perindopril). 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).

Half-year sales in **Hungary**, one of Krka's key markets, totalled EUR 19.9 million, down 2% compared to the same period last year. The critical sales impact factor in the reported period was the country's reform of the healthcare system, which caused changes in the reimbursement of medicines to affect the formation of the prices of medicinal products.

Our most important products in terms of sales were Prenessa (perindopril), Roxera (rosuvastatin), Atoris (atorvastatin), Fromilid (clarithromycin), Nolpaza (pantoprazole), Zyllt (clopidogrel) and Lavestra (losartan).

Sales in another key market, the **Czech Republic**, remained under the strong influence of changes to the country's healthcare system, which resulted in the lowering of the prices of pharmaceuticals and therefore caused a 28% decrease in our sales there compared to the same period last year. Krka nevertheless preserved its market share and remains one of the most successful generic pharmaceutical companies in the market. Sales in the total amount of EUR 18.0 million were mainly driven by prescription pharmaceuticals, among which the leading product became Nolpaza (pantoprazole), followed by Prenessa (perindopril), Lexaurin (bromazepam), Atoris (atorvastatin),

Asentra (sertraline), and Tolura (telmisartan) together with its fixed-dose combination with a diuretic, Tolucombi (telmisartan and hydrochlorothiazide). In the group of products available without prescription, Nalgesin (naproxen) and Septotele were the ones that contributed the most to the overall sales result.

The **Slovakian market** witnessed the highest sales growth in the Region. Product sales in the six months totalled EUR 14.5 million, up 6% compared to the same period last year. Our best-selling products in the reported period were prescription pharmaceuticals, especially Prenessa (perindopril), Valsacor (valsartan), Atoris (atorvastatin), Nolpaza (pantoprazole) and Amlessa (perindopril and amlodipine), while the leading non-prescription products were Nalgesin (naproxen) and Septotele.

Sales in **Lithuania** were down 2% compared to the same period last year. Sales in the total amount of EUR 8.6 million were mainly driven by prescription pharmaceuticals, of which the best-selling ones were Valsacor (valsartan), Prenessa (perindopril), Tolura (telmisartan) and its fixed-dose combination

with a diuretic, Tolucombi (telmisartan and hydrochlorothiazide), and Atoris (atorvastatin). The best sales results in the group of non-prescription products were recorded for Nalgesin (naproxen) and Daleron COLD3 (paracetamol and pseudoephedrine), and the key animal health products remain Enroxil (enrofloxacin) and Fypryst (fipronil).

Sales in **Latvia** were EUR 3.6 million, down 8% compared to the same period last year. The most important product became Prenessa (perindopril), followed by Atoris (atorvastatin), Enap (enalapril) and Nolpaza (pantoprazole), while the leading non-prescription products in terms of sales are Nalgesin (naproxen) and Herbion.

In **Estonia** sales increased by 5% to EUR 2.3 million. Prescription pharmaceuticals remained the leaders in term of sales, with the best-selling ones being Valsacor (valsartan), Enap (enalapril), Roswera (rosuvastatin) and Atoris (atorvastatin). The leading non-prescription products were Septotele and Nalgesin (naproxen).

West Europe

Product sales in Region West Europe amounted to EUR 122.3 million in the six months of 2014. This is a decrease by 3% compared to the same period last year, attributable to the decrease in sales via unaffiliated companies by a quarter, mainly in France, Italy, the UK and Spain. At the same time we have been strengthening Krka's presence via subsidiaries, which generated over a half of the Region's total sales and recorded a sales growth of over 30%.

The leading market in Western Europe remains Germany, which contributes more than a quarter of the Region's sales. Krka's subsidiary TAD Pharma reported a sales increase of 30% compared to the same period last year. The most successful products in terms of sales were the generic candesartan and its fixed-dose combinations with the diuretics pantoprazole and esomeprazole. On account of our product launches planned by the end of the year and sales via tenders, sales growth is bound to continue.

The Region's second most important market is Spain, where we have also continued sales via a public tender.

The majority of sales in France is generated via unaffiliated companies, while the subsidiary Krka France has been reporting increasingly good results as well. High sales growth rates continue to be reported by the subsidiary Krka Farmaceutica, which remains one of the fastest growing pharmaceutical companies in Portugal. Our subsidiaries in Ireland and Italy also recorded above average sales growth rates in the first half of the year, and the sales by Krka's Austrian subsidiary were up more than 10%. A slight decrease in sales compared to the same period last year was reported only by our Nordic subsidiary.

The majority of sales again came from prescription pharmaceuticals. Our subsidiaries released the fixed-dose combination of telmisartan and hydrochlorothiazide, which we had first launched in Germany, in the other Western European countries as well, Krka being in the majority of cases the first generic producer to do so. In Portugal, good sales results continued for our generic enalapril in the fixed-dose combination with lercanidipine; in Austria we are the only generic provider of this product. Krka also remains the only provider of generic 60 mg prolonged-release tablets of gliclazide in

Western Europe, a product that generates the best sales results in France. In several Western European countries we market prolonged-release medicinal products with pramipexole. At the end of June we launched the contemporary antibiotic moxifloxacin in the form of tablets on the German market, and on the day its product patent expired we released escitalopram tablets in the majority of Western European countries. The best-selling products in the Region are generic pharmaceuticals with esomeprazole, clopidogrel, gliclazide, pantoprazole and candesartan.

Animal health product sales were down 12% compared to the same period last year, mainly due to the restricted use of antibiotics, which has therefore caused a change in the structure of sales: out best-selling products in the reported period were those with the generic fipronil, florfenicol and

toltrazuril, and the sales leader in the group for companion animals was the fipronil spot-on spray. The launch of the generic flubendazole continued well in the second quarter, its sales more than doubling compared to the same period last year. The sale of florfenicol continues to rise as we are releasing new pharmaceutical forms of the product. The most important individual market remains France. In Germany, where sales were launched via Krka's own network, we were the first generic provider to release the new formulations of florfenicol (45% solution) and enrofloxacin (enrofloxacin max).

Non-prescription product sales increased by 4% and represents almost 2% of total sales in the Region, with the most important markets remaining Germany and Portugal.

Overseas Markets

Six-month sales in the Overseas Markets totalled EUR 12.3 million, down 5% compared to the same period last year. The main contributors to overall sales value were prescription pharmaceuticals.

Our sales office the **Far East and Africa** reported a 20% sales increase. The most important market was the **Republic of South Africa**, where sales were up 12%, and the best-selling products were lansoprazole, amlodipine, enalapril and carvedilol. The market that reported the second best result was **Malaysia**, where sales increased by 71% compared to the same period last year. The leading product in terms of sales there was Kamiren (doxazosin), which was due to Krka winning a public tender.

Krka's sales office the **Middle East** recorded an 18% decrease in sales, mainly the result of lower sales in **Iran**, our largest market in the area. This is chiefly attributable to restrictions imposed on imports of pharmaceuticals resulting from international economic sanctions against Iran. Sales increased the most in **Yemen**, where intense promotion activities more than doubled our result from last year. The best-selling products were Nolpaza (pantoprazole), Asentra (sertraline) and Zyllt (clopidogrel).

15% of the Region's sales were generated by the subsidiary TAD Pharma, the most in **Iraq**, **China** and **Lebanon**.

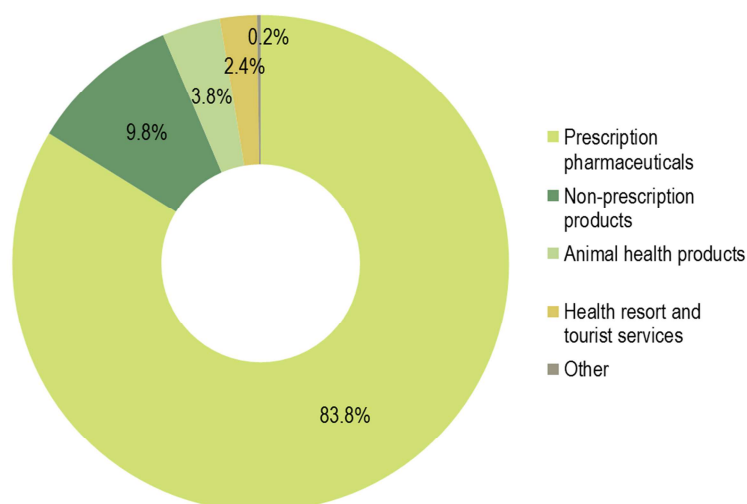
Krka Group and Krka Company sales by product and service group

The Group generated 93.6% of overall sales during the six months to June 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 83.8% of overall sales and were up 1%

compared to the same period last year. Non-prescription product sales represented 9.8% of total sales, and animal health products 3.8%, while health resort and tourist services accounted for 2.4% of overall Krka Group sales.

EUR thousand	Krka Group			Krka Company		
	1-6/2014	1-6/2013	Index	1-6/2014	1-6/2013	Index
Human health products	560,867	560,374	100	556,490	563,526	99
– Prescription pharmaceuticals	502,056	495,694	101	502,462	506,445	99
– Non-prescription products	58,811	64,680	91	54,028	57,081	95
Animal health products	22,686	22,028	103	23,926	22,918	104
Health resort and tourist services	14,410	14,247	101			
Other	1,407	422	333	2,150	993	217
Total	599,370	597,071	100	582,566	587,437	99

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



Prescription pharmaceuticals

The Group sold EUR 502.1 million worth of prescription pharmaceuticals in the first half of 2014, up 1% compared to the same period last year. Sales increased in Region South-East Europe (up 13%) and Region East Europe (up 8%).

With respect to large markets, the sale of prescription pharmaceuticals was up the most compared to the same period last year in Romania

(up 37%), Germany (up 26%), the Russian Federation (up 9%) and Poland (up 4%).

As to mid-size markets, substantial sales growth was recorded in Spain (up 61%) and Slovakia (up 8%).

Among smaller markets for Krka's prescription pharmaceuticals, the highest sales growths were

recorded in Azerbaijan, where sales more than doubled, and in Turkmenistan (up 90%), Georgia (up 32%), Serbia (up 28%), Belarus (up 27%) and Kyrgyzstan (up 26%).

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

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

In the first six months of 2014 we launched three new products:

- Co-Amlessa* (fixed-dose combination of perindopril, amlodipine and indapamide) as the first producer in Poland, Slovakia, Lithuania, Latvia, Estonia and Bulgaria;
- Vamloset* (fixed-dose combination of valsartan and amlodipine) in the Russian Federation; and
- Aclixa* (celecoxib) in Lithuania, Estonia, Slovakia and Bulgaria.

We also released several existing products on new markets:

- Atordapin* (atorvastatin and amlodipine) in Croatia and Spain;
- Elernap* (enalapril and lercanidipine) in the Czech Republic, Ireland, Spain and Slovenia;
- Candecor (candesartan) in Kazakhstan;
- Ifirmacombi (irbesartan and hydrochlorothiazide) in Ireland and Albania;
- Tolura (telmisartan) in Portugal and Ireland, and Tolucombi (telmisartan and hydrochlorothiazide)

in Germany, Spain, Slovenia, the Czech Republic, Portugal, Ireland and Croatia;

- Prenessa* (perindopril) in Spain, Kosovo, Albania and Tajikistan, and Co-Prenessa* (perindopril and indapamide) in Italy, Kosovo, Albania and Tajikistan;
- Amlessa* (amlodipine and perindopril) in Kazakhstan, Uzbekistan, Armenia and Tajikistan;
- Ramipril in Italy;
- Sobyacor* (bisoprolol) in Poland, Hungary, the Czech Republic, Slovenia, Germany, Portugal, Ireland, Estonia and Bulgaria;
- Glyclada* (gliclazide) in Moldova and Spain;
- Emanera* (esomeprazole) in Estonia and Georgia;
- Elicea* (escitalopram) in Germany, France, Ireland, Denmark, Romania and Kazakhstan;
- Marixino* (memantine) in Latvia and Italy;
- Oprymea (pramipexole) prolonged release tablets in Romania, Lithuania, Spain, France, Hungary, the Czech Republic, Slovakia and Ireland;
- Ypsila (ziprasidone) in Estonia;
- Dasselta (desloratadine) in Kosovo, Macedonia and Albania;
- Montelukast in Portugal; and
- Sildenafil in Portugal.

In the area of oncology medications we launched:

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

We continue to invest significantly into our marketing and sales network in Central, Eastern and South-Eastern Europe, both by providing our staff with training and state-of-the-art work equipment, and in the area of promotional activities. The size, importance and sales contributions of our new teams in Italy, Spain, France and Ireland are growing accordingly.

Non-prescription products

We sold EUR 58.8 million worth of non-prescription products, a decrease by 9% compared to the same period last year. Sales increased in Region West Europe (up 4%) and in Region Overseas Markets, where they doubled.

The highest sales growth rates were recorded in Kazakhstan (up 35%), Uzbekistan (up 24%), Mongolia (up 4%), Serbia and Latvia (up 3% in both), and in several smaller Eastern European markets. The sale of non-seasonal products, such as Bilobil, Nalgesin* (naproxen) and B-complex

increased (they were up 6%, 4% and 11%, respectively), while the sale of seasonal cough and cold products was down.

Animal health products

Animal health product sales increased in the second quarter, totalling EUR 22.7 million for the six months, which is up 3% compared to the same period in 2013. Sales growth was driven mainly by Region East Europe (up 21%), and Region Central Europe (up 15%). Among the largest individual markets, the highest sales growth rates were recorded in the Russian Federation (up 27%) and Poland (up 6%). The other large markets where sales were up the most were the Czech Republic (up 74%), Hungary (up 13%) and the UK (up 5%).

Health resort and tourist services

In the first half of 2014 the Terme Krka Group generated EUR 14.4 million of sales, up 1% compared to the same period last year. Overnight stays were up 2% compared to the same period last year: 4% for foreign guests and 1% for domestic guests. The proportion of overnight stays by foreign guests increased by one percentage point, to 29%. Most overnight stays by foreign guests were by Italians (28%), followed by the Russians (17%). These are also the markets in which we recorded the highest sales growth; sales increased by 40% for Russian and by 23% for Italian guests.

We introduced the new product Septanazal, and launched Septoaqua, Herbion ivy syrup, Herbion Iceland moss syrup and additional strengths of the analgesic Nalgesin* (naproxen) on new markets.

We expanded Krka's own sales network to Germany, where we market Floron Minidose (florfenicol), Enroxal* (enrofloxacin), Flimabend* (flubendazole) and Quiflor* (marbofloxacin).

The highest sales growth rates were reported for the leading products Fypryst* (fipronil) and Floron (florfenicol), and for the recently launched Flimabend (flubendazole). We introduced a new fixed-dose combination medicine Fypryst Combo (fipronil and methoprene).

One third of the total Terme Krka Group sales are revenues from overnight stays, which were up 1% from the same period last year. Medical service sales are the second largest revenue source; they were up 2% and now represent 30% of overall sales. Catering services were up 3% and represent 23% of overall Terme Krka sales.

In the "Top Wellness Centre 2014" contest, our Vitarium Spa & Clinique of the Šmarješke Toplice resort was again declared the best small relaxation centre, and our Balnea Centre of the Dolenjske Toplice resort was declared the second best among the competition of large relaxation centres.

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

Research and development

In the six months of 2014 we obtained marketing authorisations for **nine new products in 20 dosage forms and strengths**, and acquired 219 new

marketing authorisations for 83 products in different markets.

Prescription pharmaceuticals

In the first half of 2014 we obtained marketing authorisations for eight new prescription pharmaceuticals in 15 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 complementary effect of the product's two active substances reduces the likelihood of adverse effects and improves treatment tolerability in patients, by enabling them to take one tablet with a fixed-dose combination of both active substances instead of them having to take two tablets with one substance each.

Applying the DCP we acquired the marketing authorisation for **Sobycombi** (bisoprolol and amlodipine) tablets in four strengths. The combination of the two active substances efficiently controls blood pressure and is also used to treat stable ischemic heart disease.

Krka's offer of products for the treatment of high blood pressure was additionally supplemented with **Riksila** (aliskiren) tablets in two strengths, approved in the Russian Federation. It is a renin inhibitor, used either independently or in combination treatment to lower blood pressure.

In the field of cholesterol-lowering medicinal products, we obtained for the first time marketing authorisations for the fixed-dose combination **Vasitimb** (ezetimibe and simvastatin) in the form of tablets. The combination of these two active substances increases responsiveness in reaching and maintaining target cholesterol levels.

European approvals were obtained for a new strength of the medicine **Amaloris** (amlodipine and atorvastatin) in the form of film-coated tablets, thereby supplementing Krka's range of products for the treatment of cardiovascular diseases. The new

strength contains 5 mg of amlodipine and 10 mg of atorvastatin, and represents an initial starting dose in the treatment with the fixed-dose combination of these two active substances from different indication areas, allowing for a full treatment of cardiac patients, and reducing risks.

In the group of antidepressants, we obtained marketing authorisations for a new strength of **Elicea/Escitalex** (escitalopram), which was approved in the form of 15 mg film-coated tablets under the DCP. 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 have the adequate effect. We also expanded marketing opportunities for the other strengths of escitalopram in Western European markets.

New products were added to our offer of antibiotics. Applying the DCP we acquired marketing authorisations for **Moloxin** (moxifloxacin) 400 mg film-coated tablets. The medicine is used to treat paranasal sinus infections, inflammation of the respiratory tract, pneumonia, and the pelvic inflammatory disease.

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

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

In the Russian Federation we obtained new approvals for **Galnora SR** (galantamine) prolonged-

release capsules, for **Vizarsin Q-Tab** (sildenafil) orodispersible tablets, for **Rolpryna SR** (ropinirole) prolonged-release tablets, and for **Maruxa** (memantine) film-coated tablets. In different markets of Eastern Europe we obtained additional marketing authorisations for Krka's key products **Roxera** (rosuvastatin) in the form of film-coated tablets, for **Candecor** (candesartan) and **Candecor H/Candecor HD** (candesartan and hydrochlorothiazide) tablets, for **Lorista** (losartan) film-coated tablets in the new strength of 100 mg, and for **Repodiab** (repaglinide) tablets. **Desradin/Dasselta** (desloratadine) film-coated tablets were approved in Kazakhstan, Moldova and Georgia, **Telmista** (telmisartan and hydrochlorothiazide) in Kazakhstan, and **Emanera** (esomeprazole) gastro-resistant capsules in Belarus. In Georgia we were also granted approvals for **Memaxa** (memantine) film-coated tablets, for **Valsacor H80, Valsacor H160** and **Valsacor HD160** (valsartan and hydrochlorothiazide), and for **Yasnal** (donepezil) film-coated tablets. For **Vizarsin** (sildenafil) film-coated tablets and orodispersible tablets marketing authorisation were issued in Ukraine, Moldova and Georgia. Our well-established products **Atoris** (atorvastatin), in the form of 30, 60 and 80 mg tablets, and **Nolpaza** (pantoprazole), in the form of powder for solution for injection, were approved in Kyrgyzstan, and **Amlessa** (perindopril and amlodipine) tablets in four strengths were granted marketing authorisations in Armenia. In Ukraine we received approvals for **Olimestra** (olmesartan and hydrochlorothiazide) and **Atoris** (atorvastatin), and in the markets of Western

Europe we expanded marketing opportunities for our oncology medications **Neopax** (imatinib) and **Ecansya** (capecitabine).

In the markets of South-Eastern Europe we received new marketing authorisations for **Dasselta** (desloratadine) in Macedonia and Albania, and for our oncology medications **Escepran** (exemestane) in Bosnia and Herzegovina, **Tolnexa** (docetaxel) in Macedonia and Serbia, and **Ecansya** (capecitabine) and **Meaxin** (imatinib) in Serbia. In Serbia we also obtained marketing authorisations for **Tolucombi** (telmisartan and hydrochlorothiazide), for **Nalgesin Forte** film-coated tablets, for **Prenessa Q Tab** (perindopril) and **Yasnal Q-Tab** (donepezil) orodispersible tablets, and for **Aclexa** (celecoxib) capsules. In Macedonia we expanded marketing opportunities for **Opryme** (pramipexole) in the form of prolonged-release tablets, and for **Doreta** (tramadol and paracetamol). In Montenegro we received approvals for **Valsacombi** (valsartan and hydrochlorothiazide) film-coated tablets in three strengths, and for **Valsacor** (valsartan) film-coated tablets in two strengths.

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

Non-prescription products

We supplemented our well-established Septotele brand by obtaining approvals for the **Septotele plus spray** in Portugal and Armenia, and for the **Septanazal nasal spray for adults** and the **Septanazal nasal spray for children** in Serbia, Bosnia and Herzegovina, and Moldova, whereby the two nasal sprays were also approved as medical devices in Macedonia.

Nolpaza control (pantoprazole) 20 mg gastro-resistant tablets were approved in Moldova.

As to herbal products, marketing opportunities were expanded for the key brand **Herbion**, with **Herbion ivy syrup** approved in Serbia, Kosovo and

Armenia, and **Herbion Iceland moss syrup** additionally approved in Kosovo, Ukraine, Belarus and Estonia. The **Bilobil intense** capsules were approved in Montenegro.

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

Animal health products

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

In Ireland, Slovenia, Poland, Romania and Bulgaria we were granted marketing authorisations under the European DCP 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 and the **Enroxil Max** (enrofloxacin) solution for injection were additionally approved as suitable for bovine animals. **Ecocid Advanced**, a disinfectant based on peracetic acid, was authorised in Estonia, Romania, Serbia, Hungary and Croatia.

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

Investments

In the first half of 2014 the Krka Group allocated EUR 88.7 million to investments, of which the controlling company invested EUR 80.3 million and subsidiaries EUR 8.4 million. We have started several investment projects that are upgrading our production of raw materials and finished products, and infrastructure, which will provide quality support to the business functions of the entire Group.

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

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

The construction of the 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.

In Ločna, Novo mesto, Slovenia we are constructing a water preparation plant to ensure sufficient capacity for the preparation of purified waters and tower feedwater, and to provide for a secure supply after Notal 2 is constructed. The project's estimated investment value is EUR 13.7 million, and the facility should be completed by the end of 2014.

In Ločna we are also constructing a new headquarters building, which will form a functional and aesthetic whole with Krka's existing headquarters. Krka's staff will presumably move in 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 Krka's logistics centre and construction of a new plant in the Russian Federation, which will consolidate Krka's status as a

domestic pharmaceuticals producer in that country. The target annual production capacity of the plant, which will have a total surface area of 34,500 m², is 1.8 billion tablets and capsules. The entire investment is estimated at EUR 135 million, of which EUR 95 million had been invested in the first stage of the project, completed in 2013. In July 2013 we had started using the new logistics centre

with the high-bay warehouse, and production was launched at the end of last year.

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

Employees

In the six months to June 2014 the number of Krka Group employees increased by 250. At the end of June the Group had 10,298 employees, of which

almost 53% worked outside Slovenia and 54% had at least a university level education.

Educational structure

	30 Jun 2014		31 Dec 2013	
	No. of employees	Share (%)	No. of employees	Share (%)
Doctorate	117	1.1	111	1.1
Master of science	332	3.2	323	3.2
University education	5,143	50.0	4,927	49.0
Higher professional education	1,228	11.9	1,200	11.9
Vocational college education	269	2.6	272	2.7
Secondary school education	1,897	18.4	1,889	18.8
Other	1,312	12.8	1,326	13.3
Total	10,298	100.0	10,048	100.0

We ensure a continuous inflow of new talented employees by offering study grants to students. Currently there are 60 students that receive Krka study grants. They are primarily pharmacy and chemistry students, while scholarships are also granted to promising students from other fields of interest to Krka. In the 2013/14 school year, Krka awarded ten new scholarships while seven scholarship holders completed their studies.

Currently there are 46 employees enrolled into postgraduate studies towards obtaining a specialisation, master's degree or doctoral degree with Krka's support, with a total of 307 Krka employees engaged in part time studies. In the first half of the year six employees completed their studies.

Krka is the only certificate-awarding body in Slovenia with the power to examine and approve candidates taking six National Vocational

Qualification (NVQ) exams in the area of pharmacy. By examining and approving candidates under the NVQ system between 2002 and June 2014, we awarded 1,019 NVQ certificates to Krka employees and 142 to participants from other organisations in the pharmaceutical industry, a total of 1,161 certificates for four vocational qualifications. Currently there are 143 Krka employees in the process towards obtaining two national vocational qualifications: Pharmaceutical Process Operator and API Production Operator.

At the traditional Krka Awards Day, recognition awards were presented to 530 long-standing employees that have been with Krka for 10, 20, 30, 35 or 40 years, to 17 best managers, and to 50 best employees. We also handed out awards and recognitions for innovations: in the first half of 2014, 261 Krka employees had put forward 307 useful proposals.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP, WITH NOTES

Consolidated statement of financial position of the Krka Group

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Assets			
Property, plant and equipment	861,908	823,704	105
Intangible assets	115,140	115,744	99
Loans	7,031	5,845	120
Investments	5,625	5,231	108
Deferred tax assets	31,870	23,236	137
Other non-current assets	195	194	101
Total non-current assets	1,021,769	973,954	105
Inventories	239,580	235,820	102
Trade receivables	491,906	430,435	114
Other receivables	29,384	31,393	94
Loans	943	20,215	5
Investments	541	792	68
Cash and cash equivalents	113,720	67,275	169
Total current assets	876,074	785,930	111
Total assets	1,897,843	1,759,884	108
Equity			
Share capital	59,126	59,126	100
Treasury shares	-73,835	-69,372	106
Reserves	197,030	194,459	101
Retained earnings	1,249,178	1,147,030	109
Equity holders of the parent	1,431,499	1,331,243	108
Non-controlling interests within equity	1,352	1,368	99
Total equity	1,432,851	1,332,611	108
Liabilities			
Provisions	123,608	103,103	120
Deferred revenue	12,568	12,805	98
Deferred tax liabilities	13,541	12,925	105
Total non-current liabilities	149,717	128,833	116
Trade payables	152,198	131,227	116
Income tax liabilities	5,760	7,030	82
Other current liabilities	157,317	160,183	98
Total current liabilities	315,275	298,440	106
Total liabilities	464,992	427,273	109
Total equity and liabilities	1,897,843	1,759,884	108

Consolidated income statement of the Krka Group

EUR thousand	1-6/2014	1-6/2013	Index
Revenues	599,370	597,071	100
Cost of sales	-235,348	-221,542	106
Gross profit	364,022	375,529	97
Other income	28,680	3,392	846
Distribution expenses	-176,956	-156,235	113
R&D costs	-53,422	-51,224	104
Administrative expenses	-36,577	-38,690	95
Operating profit	125,747	132,772	95
Financial income	790	716	110
Financial expenses	-2,201	-15,847	14
Net financial result	-1,411	-15,131	9
Profit before tax	124,336	117,641	106
Income tax expense	-17,741	-17,326	102
Profit for the period	106,595	100,315	106
Attributable to:			
– equity holders of the parent	106,611	100,337	106
– non-controlling interest	-16	-22	73
Basic earnings per share (in EUR)*	3.25	3.03	107
Diluted earnings per share (in EUR)**	3.25	3.03	107

* 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	1-6/2014	1-6/2013	Index
Profit for the period	106,595	100,315	106
Other comprehensive income for the period			
<i>Other comprehensive income to be reclassified to profit or loss in future periods</i>			
Translation reserve	-2,220	-8,367	27
Change in fair value of available-for-sale financial assets	395	-18	
Deferred tax effect	-67	23	
Other	0	3	
Other comprehensive income to be reclassified to profit or loss in future periods (net)	-1,892	-8,359	23
Total other comprehensive income for the period (after tax)	-1,892	-8,359	23
Total comprehensive income for the period (after tax)	104,703	91,956	114
Attributable to:			
– equity holders of the parent	104,719	91,978	114
– non-controlling interest	-16	-22	73

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	106,611	0	106,611	-16	106,595
Total other comprehensive income for the period (after tax)	0	0	0	0	0	0	328	-2,220	0	0	0	-1,892	0	-1,892
Total comprehensive income for the period (after tax)	0	0	0	0	0	0	328	-2,220	0	106,611	0	104,719	-16	104,703
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	4,463	0	0	0	0	0	0	-4,463	0	0	0	0
Repurchase of treasury shares	0	-4,463	0	0	0	0	0	0	0	0	0	-4,463	0	-4,463
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	-4,463	4,463	0	0	0	0	0	0	-129,582	125,119	-4,463	0	-4,463
Balance at 30 Jun 2014	59,126	-73,835	73,835	101,503	14,990	30,000	4,211	-27,509	943,393	102,148	203,637	1,431,499	1,352	1,432,851

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	100,337	0	100,337	-22	100,315
Total other comprehensive income for the period (after tax)	0	0	0	0	0	0	5	-8,367	0	0	3	-8,359	0	-8,359
Total comprehensive income for the period (after tax)	0	0	0	0	0	0	5	-8,367	0	100,337	3	91,978	-22	91,956
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	5,936	0	0	0	0	0	0	-5,936	0	0	0	0
Repurchase of treasury shares	0	-5,936	0	0	0	0	0	0	0	0	0	-5,936	0	-5,936
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	-5,936	5,936	0	0	0	0	0	0	-127,779	121,843	-5,936	0	-5,936
Balance at 30 Jun 2013	59,126	-61,592	61,592	101,503	14,990	30,000	1,672	-20,114	846,998	94,401	196,549	1,325,125	1,416	1,326,541

Consolidated statement of cash flows of the Krka Group

EUR thousand	1-6/2014	1-6/2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	106,595	100,315
Adjustments for:	65,898	63,230
– amortisation/depreciation	47,422	45,725
– foreign exchange differences	953	-978
– investment income	-1,064	-929
– investment expense	739	1,589
– interest expense and other financial expense	107	494
– income tax	17,741	17,326
– other	0	3
Operating profit before changes in net operating current assets	172,493	163,545
Change in trade receivables	-58,640	-23,156
Change in inventories	-3,760	-29,845
Change in trade payables	20,971	19,128
Change in provisions	20,505	-82
Change in deferred revenue	-237	797
Change in other current liabilities	-2,844	24,581
Income taxes paid	-28,022	-6,371
Net cash from operating activities	120,466	148,597
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	667	499
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	224	245
Purchase of intangible assets	-3,242	-2,727
Purchase of property, plant and equipment	-85,507	-68,056
Non-current loans	-1,281	-755
Proceeds from repayment of non-current loans	533	501
Acquisition of non-current investments	-53	-23
Proceeds from sale of non-current investments	53	26
Payments/Proceeds in connection with current investments and loans	19,282	-67,979
Net cash used in investing activities	-69,321	-138,265
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-107	-871
Repayment of non-current borrowings	0	-6,300
Repayment of current borrowings	0	2,255
Dividends paid	-23	-61
Repurchase of treasury shares	-4,463	-5,936
Net cash used in financing activities	-4,593	-10,913
Net increase in cash and cash equivalents	46,552	-581
Cash and cash equivalents at beginning of period	67,275	22,994
Effect of exchange rate fluctuations on cash held	-107	-615
Net cash and cash equivalents at end of period	113,720	21,798

Segment reporting of the Krka Group

EUR thousand	European Union		South-East Europe		East Europe		Other markets		Elimination		Total	
	1-6/2014	1-6/2013	1-6/2014	1-6/2013	1-6/2014	1-6/2013	1-6/2014	1-6/2013	1-6/2014	1-6/2013	1-6/2014	1-6/2013
Revenues to non-Group companies	336,340	340,234	25,999	25,392	220,763	211,197	16,268	20,248	0	0	599,370	597,071
Revenues to Group companies	105,051	85,938	11,464	9,872	112,756	132,450	0	0	-229,271	-228,260	0	0
Revenues from reversal of provisions and other income	24,442	3,021	11	49	4,227	322	0	0	0	0	28,680	3,392
Operating expenses	-288,537	-268,667	-18,984	-20,733	-184,534	-163,815	-10,248	-14,476	0	0	-502,303	-467,691
Operating expense to Group companies	-177,864	-163,106	-16,147	-11,532	-211,607	-234,000	-4	-6	405,622	408,644	0	0
Operating profit	72,245	74,588	7,026	4,708	40,456	47,704	6,020	5,772	0	0	125,747	132,772
Interest income	594	569	0	0	134	102	0	0	0	0	728	671
Interest revenue to Group companies	537	526	0	0	0	0	0	0	-537	-526	0	0
Interest expense	-8	-393	0	0	0	0	0	0	0	0	-8	-393
Interest expense to Group companies	-518	-620	0	0	-501	-500	0	0	1,019	1,120	0	0
Net financial result	1,659	-1,609	-178	-80	-2,855	-13,421	-37	-21	0	0	-1,411	-15,131
Income tax expense	-12,116	-9,406	-935	-445	-4,215	-6,970	-475	-505	0	0	-17,741	-17,326
Profit for the period	61,788	63,573	5,913	4,183	33,386	27,313	5,508	5,246	0	0	106,595	100,315
Investments	83,318	49,484	25	118	5,333	20,990	0	0	0	0	88,676	70,592
Depreciation	30,636	30,678	721	820	12,218	10,193	103	186	0	0	43,678	41,877
Amortisation	2,300	2,409	136	125	1,235	1,213	73	101	0	0	3,744	3,848
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Total assets	1,402,228	1,304,092	36,705	34,641	452,368	410,819	6,542	10,332	0	0	1,897,843	1,759,884
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	41,131	41,555	0	0	0	0	0	0	0	0	41,131	41,555
Total liabilities	346,870	317,839	10,389	8,321	86,654	85,200	21,079	15,913	0	0	464,992	427,273

Notes to the consolidated financial statements of the Krka Group

Costs by nature

EUR 502,303 thousand

EUR thousand	1-6/2014	1-6/2013	Index
Cost of goods and material	165,509	167,481	99
Cost of services	109,071	116,361	94
Employee benefits cost	158,123	151,982	104
Depreciation	47,422	45,725	104
Inventory write-off and allowances	8,427	4,370	193
Receivables impairment and write-offs	1,238	917	135
Formation of provisions for lawsuits	20,550	0	
Other expenses	16,866	15,252	111
Total costs	527,206	502,088	105
Change in inventories of products and work in progress	-24,903	-34,397	72
Total	502,303	467,691	107

Employee benefits cost

EUR 158,123 thousand

EUR thousand	1-6/2014	1-6/2013	Index
Gross wages and salaries and continued pay	120,161	115,442	104
Social security contributions	9,540	9,134	104
Pension insurance contributions	17,430	16,362	107
Payroll tax	489	482	101
Post-employment benefits and other non-current employee benefits	1,652	1,887	88
Other employee benefits cost	8,851	8,675	102
Total employee benefits cost	158,123	151,982	104

Other expenses

EUR 16,866 thousand

EUR thousand	1-6/2014	1-6/2013	Index
Grants and assistance for humanitarian and other purposes	1,032	884	117
Environmental levies	1,234	1,572	78
Other taxes and levies	11,427	9,419	121
Loss on sale of property, plant and equipment and intangible assets	739	1,589	47
Other costs	2,434	1,788	136
Total other expenses	16,866	15,252	111

Other taxes and levies include taxes (claw-back and similar) that have been imposed in several markets

of Krka Group operations in recent periods.

Financial income and expenses

EUR thousand	1-6/2014	1-6/2013	Index
Interest income	728	671	108
Change in fair value of investments through profit or loss	59	36	164
Proceeds from sale of securities	3	0	
Income from dividends and other shares of the profit	0	4	0
Other income	0	5	0
Total financial income	790	716	110
Net foreign exchange differences	-2,096	-15,353	14
Interest expense	-8	-393	2
Other expenses	-97	-101	96
Total financial expenses	-2,201	-15,847	14
Net financial result	-1,411	-15,131	9

Income tax expense

EUR 17,741 thousand

Current income tax amounts to EUR 25,930 thousand, which is 20.9% of pre-tax profit. Together with the deferred tax of EUR –8,189 thousand, the total income tax expense in the income statement

equals EUR 17,741 thousand. The effective tax rate is 14.3%, which is 0.4 of a percentage point less than in the same period last year.

Property, plant and equipment

EUR 861,908 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Property	32,437	32,295	100
Plant	355,765	362,654	98
Equipment	292,177	305,619	96
Property, plant and equipment being acquired	181,529	123,136	147
Total property, plant and equipment	861,908	823,704	105

The value of property, plant and equipment represents just over 45% of the Group's total

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

Intangible assets

EUR 115,140 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Goodwill	42,644	42,644	100
Trademark	41,131	41,555	99
Concessions, patents, licences and similar rights	25,307	26,489	96
Intangible assets being acquired	6,058	5,056	120
Total intangible assets	115,140	115,744	99

Loans

EUR 7,974 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Non-current loans	7,031	5,845	120
– loans to others	7,031	5,845	120
Current loans	943	20,215	5
– portion of non-current loan maturing next year	555	1,180	47
– loans to others	387	19,034	2
– current interest receivable	1	1	100
Total loans	7,974	26,060	31

Non-current loans represent 88% of total loans.

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

Non-current loans to others include loans that the

Investments

EUR 6,166 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Non-current investments	5,625	5,231	108
– available-for-sale financial assets	5,625	5,231	108
Current investments including derivatives	541	792	68
– shares and interests held for trading	161	131	123
– other current investments	380	661	57
Total investments	6,166	6,023	102

Available-for-sale financial assets include EUR 916 thousand of investments in shares and interests in Slovenia, and EUR 4,709 thousand of investments in shares and interests abroad.

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

Inventories

EUR 239,580 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Material	92,530	96,785	96
Work in progress	52,660	57,903	91
Products	83,963	77,069	109
Merchandise	7,529	3,923	192
Inventory advances	2,898	140	2,070
Total inventories	239,580	235,820	102

Trade and other receivables

EUR 521,290 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Current trade receivables	491,906	430,435	114
Other current receivables	29,384	31,393	94
Total receivables	521,290	461,828	113

Cash and cash equivalents

EUR 113,720 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Cash in hand and cheques	30	39	77
Bank balances	113,690	67,236	169
Total cash and cash equivalents	113,720	67,275	169

Bank balances include EUR 28,002 thousand of deposits with maturities of up to 30 days, and EUR

52,000 thousand of deposits with maturities of between 31 and 90 days.

Equity

EUR 1,432,851 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Share capital	59,126	59,126	100
Treasury shares	-73,835	-69,372	106
Reserves	197,030	194,459	101
– reserves for treasury shares	73,835	69,372	106
– share premium	101,503	101,503	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserve	4,211	3,883	108
– translation reserves	-27,509	-25,289	109
Retained earnings	1,249,178	1,147,030	109
Total equity holders of the parent	1,431,499	1,331,243	108
Non-controlling interests within equity	1,352	1,368	99
Total equity	1,432,851	1,332,611	108

Provisions

EUR 123,608 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Obligation for post-employment and other non-current employee benefits	53,624	53,624	100
Other provisions:	69,984	49,479	141
– provisions for lawsuits	69,620	49,142	142
– other provisions	364	337	108
Total provisions	123,608	103,103	120

Deferred revenue

EUR 12,568 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Grants received for the Dolenjske and Šmarješke Toplice health resorts and for Golf Grad Otočec	4,406	4,515	98
Grants by the European Regional Development Fund	11	13	85
Grants by a European Fund – Development of New Technologies (FBD project)	584	633	92
Grants by a European Fund – Development Centres of the Slovene Economy	7,021	7,091	99
Property, plant and equipment received for free	546	553	99
Total deferred revenue	12,568	12,805	98

Project Development Centres of the Slovene Economy 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. FBD project, which is already completed, was partly funded from the same fund.

Trade payables

EUR 152,198 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Payables to domestic suppliers	57,716	51,905	111
Payables to foreign suppliers	88,938	70,859	126
Payables from advances	5,544	8,463	66
Total trade payables	152,198	131,227	116

Other current liabilities

EUR 157,317 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Accrued contractual discounts on products sold	105,084	102,952	102
Payables to employees – gross wages, other receipts and charges	32,994	32,028	103
Other	19,239	25,203	76
Total other current liabilities	157,317	160,183	98

Contingent liabilities

EUR 19,482 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Guarantees issued	18,862	19,710	96
Other	620	620	100
Total contingent liabilities	19,482	20,330	96

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

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

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Assets			
Property, plant and equipment	608,915	563,978	108
Intangible assets	28,301	28,303	100
Investments in subsidiaries	292,373	288,323	101
Trade receivables from subsidiaries	27,367	14,018	195
Loans	32,025	31,009	103
Investments	5,417	5,022	108
Deferred tax assets	14,968	15,167	99
Other non-current assets	109	127	86
Total non-current assets	1,009,475	945,947	107
Inventories	185,887	190,968	97
Trade receivables	472,387	426,195	111
Other receivables	13,372	15,424	87
Loans	50,562	72,492	70
Investments	541	792	68
Cash and cash equivalents	100,731	49,417	204
Total current assets	823,480	755,288	109
Total assets	1,832,955	1,701,235	108
Equity			
Share capital	59,126	59,126	100
Treasury shares	-73,835	-69,372	106
Reserves	224,537	219,746	102
Retained earnings	1,217,085	1,122,746	108
Total equity	1,426,913	1,332,246	107
Liabilities			
Non-current borrowings	2,000	2,000	100
Provisions	115,013	94,464	122
Deferred revenue	1,979	2,314	86
Total non-current liabilities	118,992	98,778	120
Trade payables	165,167	145,921	113
Current borrowings	71,983	70,190	103
Income tax liabilities	4,672	4,823	97
Other current liabilities	45,228	49,277	92
Total current liabilities	287,050	270,211	106
Total liabilities	406,042	368,989	110
Total equity and liabilities	1,832,955	1,701,235	108

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

EUR thousand	1-6/2014	1-6/2013	Index
Revenues	582,565	587,437	99
Cost of sales	-237,962	-237,346	100
Gross profit	344,603	350,091	98
Other income	23,195	1,781	1,302
Distribution expenses	-168,449	-147,772	114
R&D costs	-55,542	-53,103	105
Administrative expenses	-29,618	-29,612	100
Operating profit	114,189	121,385	94
Financial income	1,642	1,701	97
Financial expenses	-2,914	-16,552	18
Net financial result	-1,272	-14,851	9
Profit before tax	112,917	106,534	106
Income tax expense	-14,115	-13,317	106
Profit for the period	98,802	93,217	106
Basic earnings per share (in EUR)*	3.01	2.82	107
Diluted earnings per share (in EUR)**	3.01	2.82	107

* 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	1-6/2014	1-6/2013	Index
Profit for the period	98,802	93,217	106
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	395	-18	
Deferred tax effect	-67	23	
<i>Other comprehensive income to be reclassified to profit or loss in future periods (net)</i>	328	5	6,560
Total other comprehensive income for the period (after tax)	328	5	6,560
Total comprehensive income for the period (after tax)	99,130	93,222	106

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	98,802	0	98,802
Total other comprehensive income for the period (after tax)	0	0	0	0	0	0	328	0	0	0	328
Total comprehensive income for the period (after tax)	0	0	0	0	0	0	328	0	98,802	0	99,130
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	4,463	0	0	0	0	0	-4,463	0	0
Repurchase of treasury shares	0	-4,463	0	0	0	0	0	0	0	0	-4,463
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners, recognised directly in equity	0	-4,463	4,463	0	0	0	0	0	-121,420	116,957	-4,463
Balance at 30 Jun 2014	59,126	-73,835	73,835	101,503	14,990	30,000	4,209	943,393	94,339	179,353	1,426,913

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	93,217	0	93,217
Total other comprehensive income for the period (after tax)	0	0	0	0	0	0	5	0	0	0	5
Total comprehensive income for the period (after tax)	0	0	0	0	0	0	5	0	93,217	0	93,222
Transactions with owners, recognised directly in equity			0								
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	5,936		0	0	0	0	-5,936	0	0
Repurchase of treasury shares	0	-5,936	0	0	0	0	0	0	0	0	-5,936
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners, recognised directly in equity	0	-5,936	5,936	0	0	0	0	0	-122,479	116,543	-5,936
Balance at 30 Jun 2013	59,126	-61,592	61,592	101,503	14,990	30,000	1,672	846,998	87,281	177,931	1,319,501

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

EUR thousand	1-6/2014	1-6/2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	98,802	93,217
Adjustments for:	49,126	51,466
– amortisation/depreciation	34,869	35,756
– foreign exchange differences	683	1,860
– investment income	-1,775	-1,720
– investment expense	616	1,267
– interest expense and other financial expense	618	986
– income tax	14,115	13,317
Operating profit before changes in net operating current assets	147,928	144,683
Change in trade receivables	-57,489	-26,927
Change in inventories	5,080	-6,293
Change in trade payables	19,246	24,928
Change in provisions	20,549	0
Change in deferred revenue	-335	-371
Change in other current liabilities	-4,026	-2,970
Income taxes paid	-14,134	-802
Net cash from operating activities	116,819	132,248
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,459	1,333
Proceeds from sale of current investments and repayment of current loans	3	0
Dividends received	0	4
Proportionate profit of subsidiaries	0	1,008
Proceeds from sale of property, plant and equipment	160	200
Purchase of intangible assets	-2,997	-2,311
Purchase of property, plant and equipment	-77,451	-42,619
Acquisition of subsidiaries and a share of minority interest without obtained assets	-4,050	-22,824
Refund of subsequent payments in subsidiaries	0	185
Non-current loans	-2,044	-1,132
Proceeds from repayment of non-current loans	1,734	484
Acquisition of non-current investments	-35	-19
Proceeds from sale of non-current investments	53	21
Payments/Proceeds in connection with current investments and loans	21,159	-71,576
Net cash used in investing activities	-62,009	-137,246
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-607	-1,159
Repayment of non-current borrowings	0	-6,300
Non-current borrowings	0	750
Acquisition of current borrowings	1,783	15,126
Dividends paid	-23	-61
Repurchase of treasury shares	-4,463	-5,936
Net cash used in financing activities	-3,310	2,420
Net increase in cash and cash equivalents	51,500	-2,578
Cash and cash equivalents at beginning of period	49,417	13,369
Effect of exchange rate fluctuations on cash held	-186	-545
Net cash and cash equivalents at end of period	100,731	10,246

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

	European Union		South-East Europe		East Europe		Other markets		Total	
EUR thousand	1-6/2014	1-6/2013	1-6/2014	1-6/2013	1-6/2014	1-6/2013	1-6/2014	1-6/2013	1-6/2014	1-6/2013
Revenues	329,654	332,008	24,689	23,256	214,128	213,091	14,094	19,082	582,565	587,437
Revenues from reversal of provisions and other income	22,816	1,611	13	13	366	157	0	0	23,195	1,781
Operating expenses	-290,903	-264,444	-18,201	-18,678	-172,219	-170,235	-10,248	-14,476	-491,571	-467,833
Operating profit	61,567	69,175	6,501	4,591	42,275	43,013	3,846	4,606	114,189	121,385
Interest income	1,079	1,161	0	0	501	500	0	0	1,580	1,661
Interest expense	-542	-907	0	0	0	0	0	0	-542	-907
Net financial result	1,545	-1,754	23	5	-2,803	-13,081	-37	-21	-1,272	-14,851
Income tax expense	-7,610	-7,589	-804	-504	-5,225	-4,719	-476	-505	-14,115	-13,317
Profit for the period	55,502	59,832	5,720	4,092	34,247	25,213	3,333	4,080	98,802	93,217
Investments	80,284	44,900	0	0	0	0	0	0	80,284	44,900
Depreciation	23,431	23,893	613	711	7,723	7,855	103	186	31,870	32,645
Amortisation	1,697	1,758	127	123	1,102	1,129	73	101	2,999	3,111
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Total assets	1,342,830	1,242,625	35,890	35,407	447,696	412,873	6,539	10,330	1,832,955	1,701,235
Total liabilities	302,095	270,622	7,910	7,368	74,959	75,086	21,078	15,913	406,042	368,989

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

Costs by nature

EUR 491,571 thousand

EUR thousand	1-6/2014	1-6/2013	Index
Cost of goods and material	166,186	178,966	93
Cost of services	159,084	162,357	98
Employee benefits cost	95,416	90,524	105
Depreciation	34,869	35,756	98
Formation of provisions for lawsuits	20,550	0	
Inventory write-off and allowances	4,999	2,670	187
Receivables impairment and write-offs	805	332	242
Other expenses	13,442	10,704	126
Total costs	495,351	481,309	103
Change in inventories of products and work in progress	-3,780	-13,476	28
Total	491,571	467,833	105

Employee benefits cost

EUR 95,416 thousand

EUR thousand	1-6/2014	1-6/2013	Index
Gross wages and salaries and continued pay	74,192	70,443	105
Social security contributions	4,513	4,295	105
Pension insurance contributions	8,502	7,584	112
Post-employment benefits and other non-current employee benefits	1,551	1,534	101
Other employee benefits cost	6,658	6,668	100
Total employee benefits cost	95,416	90,524	105

Other expenses

EUR 13,442 thousand

EUR thousand	1-6/2014	1-6/2013	Index
Grants and assistance for humanitarian and other purposes	879	596	147
Environmental levies	952	1,181	81
Other taxes and levies	7,658	6,639	115
Loss on the sale of property, plant and equipment and intangible assets and write-offs	616	1,267	49
Other costs	3,337	1,021	327
Total other expenses	13,442	10,704	126

Other taxes and levies include taxes (claw-back and similar) that have been imposed in several markets

of Krka Group operations in recent periods.

Financial income and expenses

EUR thousand	1-6/2014	1-6/2013	Index
Interest income	1,580	1,661	95
Change in fair value of investments through profit or loss	59	36	164
Proceeds from sale of securities	3	0	
Income from dividends and other shares of the profit	0	4	0
Total financial income	1,642	1,701	97
Net foreign exchange differences	-2,297	-15,566	15
Interest expense	-542	-907	60
Other expenses	-75	-79	95
Total financial expenses	-2,914	-16,552	18
Net financial result	-1,272	-14,851	9

Income tax expense

EUR 14,115 thousand

Current income tax amounts to EUR 13,983 thousand, which is 12.4% of pre-tax profit. Together with the deferred tax of EUR 132 thousand, the total income tax expense in the income statement equals

EUR 14,115 thousand. The effective tax rate is 12.5%, which is on the level of the same period last year.

Property, plant and equipment

EUR 608,915 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Property	19,512	19,348	101
Plant	198,233	206,786	96
Equipment	213,456	222,865	96
Property, plant and equipment being acquired	177,714	114,979	155
Total property, plant and equipment	608,915	563,978	108

The value of property, plant and equipment represents 33% of the Company's total assets.

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

Intangible assets

EUR 28,301 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Concessions, patents, licences and similar rights	22,310	23,334	96
Intangible assets being acquired	5,991	4,969	121
Total intangible assets	28,301	28,303	100

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

Loans

EUR 82,587 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Non-current loans	32,025	31,009	103
– loans to subsidiaries	25,285	25,533	99
– loans to others	6,740	5,476	123
Current loans	50,562	72,492	70
– portion of non-current loan maturing next year	1,087	2,290	47
– loans to subsidiaries	48,766	50,744	96
– loans to others	140	19,011	1
– current interest receivable	569	447	127
Total loans	82,587	103,501	80

Non-current loans represent 39% of total loans.

acts to its employees and that are primarily housing loans.

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

Investments

EUR 5,958 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Non-current investments	5,417	5,022	108
– available-for-sale financial assets	5,417	5,022	108
Current investments including derivatives	541	792	68
– shares and interests held for trading	161	131	123
– other current investments	380	661	57
Total investments	5,958	5,814	102

Available-for-sale financial assets include EUR 709 thousand of investments in shares and interests in Slovenia, and EUR 4,708 thousand of investments in shares and interests abroad.

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

Inventories

EUR 185,887 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Material	78,516	85,272	92
Work in progress	50,123	55,192	91
Products	50,279	45,450	111
Merchandise	6,928	5,021	138
Inventory advances	41	33	124
Total inventories	185,887	190,968	97

Trade and other receivables

EUR 485,759 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Current receivables due from subsidiaries	249,917	225,363	111
Current receivables due from customers other than Group companies	222,470	200,832	111
Other current receivables	13,372	15,424	87
Total receivables	485,759	441,619	110

Cash and cash equivalents

EUR 100,731 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Cash in hand and cheques	3	4	75
Bank balances	100,728	49,413	204
Total cash and cash equivalents	100,731	49,417	204

Bank balances include EUR 28,002 thousand of deposits with maturities of up to 30 days, and EUR

52,000 thousand of deposits with maturities of between 31 and 90 days.

Equity

EUR 1,426,913 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Share capital	59,126	59,126	100
Treasury shares	-73,835	-69,372	106
Reserves:	224,537	219,746	102
– share premium	101,503	101,503	100
– reserves for treasury shares	73,835	69,372	106
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserve	4,209	3,881	108
Retained earnings	1,217,085	1,122,746	108
Total equity	1,426,913	1,332,246	107

Borrowings

EUR 73,983 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Non-current borrowings	2,000	2,000	100
– borrowings from subsidiaries	2,000	2,000	100
Current borrowings	71,983	70,190	103
– borrowings from subsidiaries	71,880	70,097	103
– current interest payable	103	93	111
Total borrowings	73,983	72,190	102

Provisions

EUR 115,013 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Obligation for post-employment and other non-current employee benefits	45,463	45,464	100
Provisions for lawsuits	69,550	49,000	142
Total provisions	115,013	94,464	122

Deferred revenue

EUR 1,979 thousand

EUR thousand	30 Jun 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)	584	633	92
Property, plant and equipment received for free	546	553	99
Other deferred revenue	838	1,115	75
Total deferred revenue	1,979	2,314	86

The FBD project was partly funded by the European Union (European Regional Development Fund). The project was 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 165,167 thousand

EUR thousand	30 Jun 2014	31 Dec 2013	Index
Total payables to subsidiaries	47,492	58,218	82
Payables to domestic suppliers	54,842	48,313	114
Payables to foreign suppliers	60,668	35,613	170
Payables from advances	2,165	3,777	57
Total trade payables	165,167	145,921	113

Other current liabilities

EUR 45,228 thousand

EUR thousand	30 Jun 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	24,821	24,660	101
Other	5,512	7,167	77
Total other current liabilities	45,228	49,277	92

Contingent liabilities

EUR 27,408 thousand

EUR thousand	30 Jun 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 six months ended 30 June 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–June 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 six months ended 30 June 2014 were drawn up

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

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

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

Novo mesto, 16 July 2014



Jože Colarič
President of the Management Board and Chief Executive



Dr Aleš Rotar
Member of the Management Board



Zvezdana Bajc
Member of the Management Board



Dr Vinko Zupančič
Member of the Management Board



Danica Novak Malnar
Worker Director – Member of the Management Board