



**Unaudited consolidated financial  
statements of the Krka Group  
and unaudited financial statements  
of the Krka Company for 2014,  
with important notes**

Novo mesto, February 2015

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Based on the provisions of Article 386 of the Markets in Financial Instruments Act, Krka, d. d., Šmarješka cesta 6, 8501 Novo mesto hereby releases

## IMPORTANT NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP AND THE UNAUDITED FINANCIAL STATEMENTS OF THE KRKA COMPANY FOR 2014

The unaudited consolidated financial statements of the Krka Group and the unaudited financial statements of the Krka Company for 2014, as well as comparative data for 2013, have been drawn up pursuant to the International Financial Reporting Standards (IFRS). Comparative statements for 2013 are audited.

The Krka Company has no authorised capital and has not made a conditional share capital increase.

### Krka Group ID card

Krka, d. d., Novo mesto (hereafter: Krka Company) is the controlling company in the Krka Group, which included the following companies as at 31 December 2014:

	Controlling company's ownership stake as at 31 Dec 2014 (%)
KRKA, d. d., Novo mesto	
TERME KRKA, d. o. o., Novo mesto	100
Farma GRS, d. o. o., Novo mesto	99.7
KRKA-FARMA d. o. o., Zagreb, Croatia	100
KRKA ROMANIA S.R.L., Bucharest, Romania	100
KRKA-FARMA DOO BEOGRAD, Belgrade, Serbia	100
KRKA-FARMA DOOEL, Skopje, Macedonia	100
KRKA Bulgaria EOOD, Sofia, Bulgaria	100
KRKA FARMA d. o. o., Sarajevo, Bosnia and Herzegovina	100
OOO KRKA-RUS, Istra, Russian Federation	100
OOO KRKA FARMA, Sergiev Posad, Russian Federation	100
TOV KRKA UKRAJINA, Kiev, Ukraine	100
TOO KRKA Kazakhstan, Almaty, Kazakhstan	100
KRKA - POLSKA, Sp. z o.o., Warsaw, Poland	100
KRKA ČR, s. r. o., Prague, Czech Republic	100
KRKA Magyarország Kft., Budapest, Hungary	100
KRKA Slovensko, s. r. o., Bratislava, Slovakia	100
UAB KRKA Lietuva, Vilnius, Lithuania	100
SIA KRKA Latvia, Riga, Latvia	100
TAD Pharma GmbH, Cuxhaven, Germany	100
Krka Sverige AB, Stockholm, Sweden	100
KRKA Pharma GmbH, Vienna, Austria	100
KRKA Farmacêutica, Unipessoal Lda., Estoril, Portugal	100
Krka FARMACÉUTICA, S.L., Madrid, Spain	100
KRKA FARMACEUTICI MILANO S.R.L., Milan, Italy	100
Krka France Eurl, Paris, France	100
KRKA PHARMA DUBLIN LIMITED, Dublin, Ireland	100
KRKA Belgium, SA, Brussels, Belgium	95
KRKA Finland Oy, Espoo, Finland	100
KRKA UK Ltd, London, UK*	/
KRKA USA LLC, Wilmington, USA	100

\*As at 31 December 2014 share capital was not yet paid-in.

As at 31 December 2014 the subsidiary Terme Krka, d. o. o., held a 63.10% ownership stake in the company Golf Grad Otočec, d. o. o., the subsidiary Farma GRS was the 100% owner of companies GRS TEHFARMA, d. o. o., GRS VIZFARMA, d. o. o., GRS PREK FARMA, d. o. o., GRS EKO FARMA, d. o. o., GRS TREN FARMA d. o. o., and GRS VRED FARMA d. o. o., while the subsidiary Krka France Eurl held a 5% ownership stake in KRKA Belgium, SA.

## Financial highlights of the Krka Group's and Krka Company's performance

	Krka Group		Krka Company	
EUR thousand	2014	2013	2014	2013
Revenues	1,191,614	1,200,827	1,134,169	1,116,339
EBIT <sup>1</sup>	276,953	227,588	257,167	211,527
EBITDA	374,535	321,732	329,217	282,993
Profit for the year	166,161	172,766	144,385	164,673
R&D costs	108,370	97,235	112,646	100,161
Investments	173,721	157,268	137,473	116,714
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Non-current assets	1,008,830	973,954	1,015,850	945,947
Current assets	786,915	785,930	752,637	755,288
Equity	1,351,899	1,332,611	1,381,313	1,332,246
Non-current liabilities	125,421	128,833	92,462	98,778
Current liabilities	318,425	298,440	294,712	270,211
<b>RATIOS</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
EBIT margin	23.2%	19.0%	22.7%	18.9%
EBITDA margin	31.4%	26.8%	29.0%	25.4%
Profit margin (ROS)	13.9%	14.4%	12.7%	14.8%
ROE <sup>2</sup>	12.4%	13.4%	10.6%	12.8%
ROA <sup>3</sup>	9.3%	10.2%	8.3%	10.1%
Liabilities/Equity	0.328	0.321	0.280	0.277
R&D costs/Revenues	9.1%	8.1%	9.9%	9.0%
<b>NUMBER OF EMPLOYEES</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Year-end	10,499	10,048	4,738	4,628
Average	10,284	9,783	4,680	4,607

<b>SHARE INFORMATION</b>	<b>2014</b>	<b>2013</b>
Total number of shares issued	32,793,448	35,426,120
Earnings per share in EUR <sup>4</sup>	5.07	5.24
Dividend per share in EUR	2.10	1.61
Share price at end of year in EUR <sup>5</sup>	59.60	60.00
Price/Earnings ratio (P/E)	11.75	11.46
Book value in EUR <sup>6</sup>	41.22	37.62
Price/Book value (P/B)	1.45	1.60
Market capitalisation in EUR thousand (31 December)	1,954,490	2,125,567

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

<sup>2</sup> Profit for the year/Average shareholders' equity in the year

<sup>3</sup> Profit for the year/Average total assets in the year

<sup>4</sup> Profit for the year attributable to equity holders of the Krka Group/Average number of shares issued in the year, exclusive of treasury shares

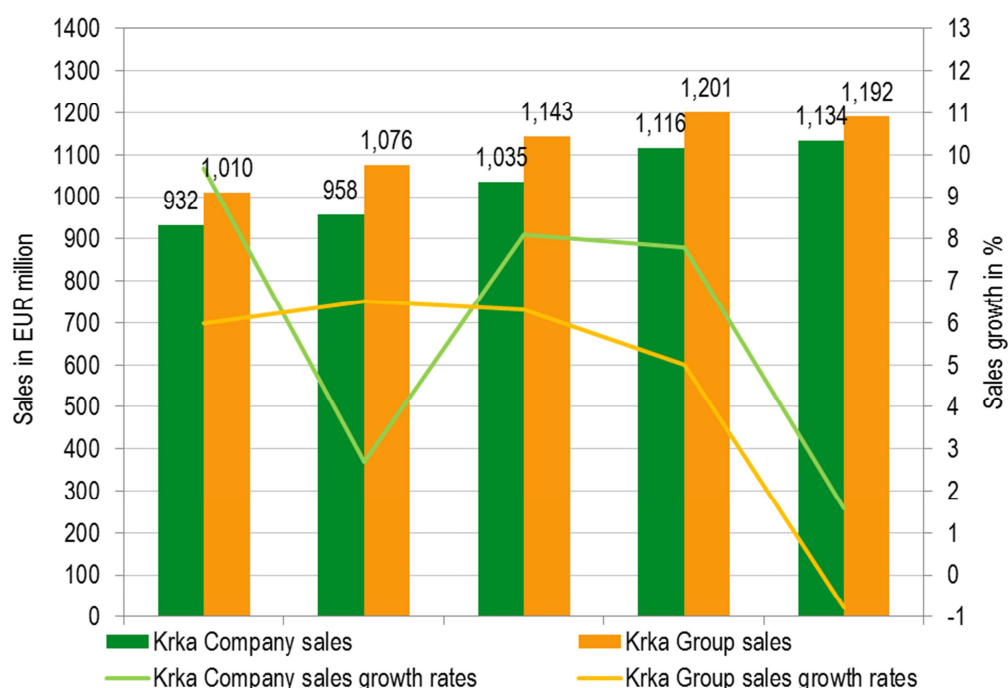
<sup>5</sup> Share price on the Ljubljana Stock Exchange

<sup>6</sup> Equity at the year-end/Total shares issued

## Business operations analysis

### Operating income

Group product and service sales totalled EUR 1,191.6 million in 2014, down 0.8%, compared to 2013. Sales growth in terms of the quantity of products was 10%. Over the past five years, the average annual sales growth rate has been 4.6%.



Other operating income totalled EUR 70.7 million, up EUR 64.9 million from 2013. The increase is attributable mainly to reversed provisions and received damages.

As at 31 December 2013 the Group had reported EUR 47.5 million of provisions for potential payables associated with the European Commission procedure investigating Krka's alleged infringement of competition law in its sale of perindopril in the EU markets. In July 2014 Krka received the European Commission decision in the perindopril case, imposing it with a fine of EUR 10.0 million. The remaining EUR 37.5 million of the related provisions were reversed, and in September 2014 Krka filed an action against the Commission in the Court of Justice of the European Union in Luxembourg.

The action filed against Krka by Sanofi Aventis of France, claiming an alleged clopidogrel patent infringement, ended with a settlement. The unspent EUR 1.4 million of the related provisions, which is the difference between the originally formed provisions of EUR 1.5 million and the compensation paid to the plaintiff, were reversed. The Group reversed a total of EUR 38.9 million of provisions.

In 2014 Krka received EUR 20.8 million of damages and reimbursed court fees in the dispute with AstraZeneca over the unjust preliminary injunction that had prevented Krka from marketing its esomeprazole in the UK from mid-2010 to mid-2011.

### Operating expenses

The Krka Group incurred EUR 985.4 million of operating expenses in 2014, an increase by EUR 6.3 million, or 0.6%, compared to 2013.

The Group's operating expenses included EUR 470.1 million of the cost of sales, EUR 334.8 million of distribution expenses, EUR 108.4 million of R&D costs, and EUR 72.1 million of administrative expenses. The operating expenses to sales ratio was 83%.

The largest operating expense item is the cost of sales, which was down 4% compared to 2013 and represented 39% of sales. The cost of sales is partly influenced by changes in the inventories of finished products. Distribution expenses include EUR 20.0 million of newly formed provisions for lawsuits, and represented 28% of sales in 2014, up 4% compared to the year before. The new provisions were due to the dispute between Krka and AstraZeneca, in which AstraZeneca had appealed the court's decision (more in the chapter Operating Income). Disregarding provisions, distribution expenses were down almost 3%, on a costs to sales ratio of 26%. R&D costs represented 9% of sales, up 11% from 2013, and administrative expenses represented 6% of sales, up 4% from 2013.

### Financial income and expenses

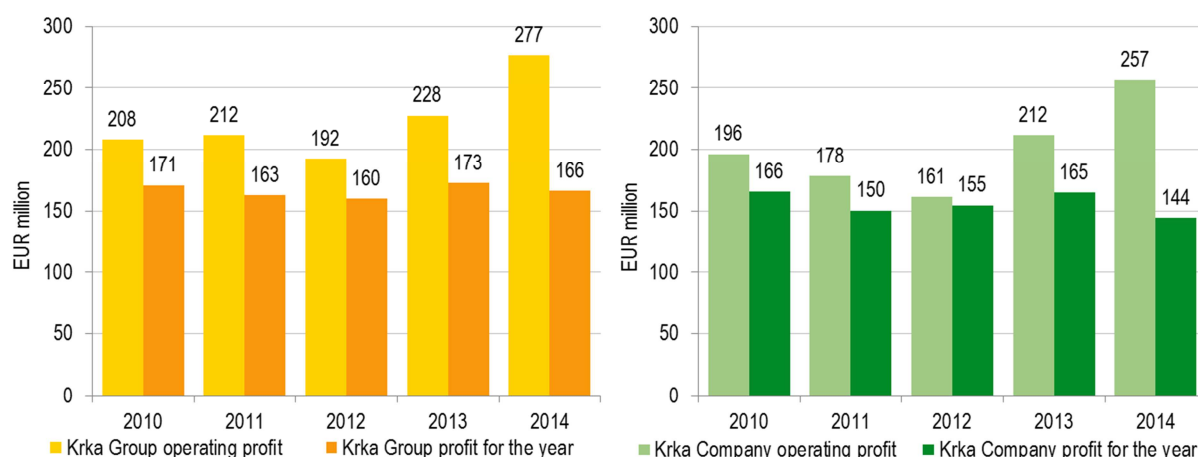
	Krka Group					Krka Company				
EUR thousand	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
Financial income	1,486	2,114	5,418	493	7,150	9,178	5,316	22,431	14,046	10,637
Financial expenses	-103,126	-28,361	-7,227	-12,079	-3,912	-112,313	-28,967	-7,690	-11,822	-3,637
<b>Net financial result</b>	<b>-101,640</b>	<b>-26,247</b>	<b>-1,809</b>	<b>-11,586</b>	<b>3,238</b>	<b>-103,135</b>	<b>-23,651</b>	<b>14,741</b>	<b>2,224</b>	<b>7,000</b>

In 2014 the Group's net financial result deteriorated compared to 2013, attributable to EUR 100.1 million of negative net exchange rate differences. This is an increase by EUR 72.5 million from 2013 when the Group had recorded EUR 27.6 million of negative net. One third of exchange rate differences arose from payments, and two thirds from the revaluation of receivables and loan. A major proportion of negative exchange rate differences resulted from the depreciation of the Russian rouble and mostly occurred at the end of the year.

Financial income includes EUR 1.4 million of interest income, and EUR 0.1 million of the change in the fair value of investments through profit or loss.

Financial expenses include EUR 0.1 million of interest expenses for non-current and current borrowings, and EUR 2.9 million of other financial expenses.

### Operating result



The Group recorded EUR 277.0 million of operating profit, up EUR 49.4 million, or 22%, compared to 2013. Group EBITDA totalled EUR 374.5 million, up EUR 52.8 million, or 16%.

Profit before tax was down EUR 26.0 million in 2014, or 13%, and amounted to EUR 175.3 million. The Group effective tax rate was 5.2%, down 9.0 of a percentage point compared to the year before. It was largely influenced by the reversal of past provisions for lawsuits – they increase profit before tax through revenues without lowering the tax base, as the tax on provisions had already been charged in the year in which they were formed. Given the investment dynamics in 2014, the Group also witnessed a substantial increase in the tax reliefs for investments, and for research and development.

The Group recorded EUR 166.2 million of profit for the year, down EUR 6.6 million, or 4%, compared to the year before.

### Assets

EUR thousand	Krka Group					Krka Company				
	2014	Share (%)	2013	Share (%)	Index 2014/13	2014	Share (%)	2013	Share (%)	Index 2014/13
<b>Non-current assets</b>	<b>1,008,830</b>	<b>56.2</b>	<b>973,954</b>	<b>55.3</b>	<b>104</b>	<b>1,015,850</b>	<b>57.4</b>	<b>945,947</b>	<b>55.6</b>	<b>107</b>
Property, plant and equipment	846,478	47.1	823,704	46.8	103	623,622	35.2	563,978	33.2	111
Intangible assets	120,325	6.7	115,744	6.6	104	33,120	1.9	28,303	1.7	117
Investments and loans	14,332	0.8	11,076	0.6	129	348,184	19.7	338,372	19.9	103
Other	27,695	1.6	23,430	1.3	118	10,924	0.6	15,294	0.8	71
<b>Current assets</b>	<b>786,915</b>	<b>43.8</b>	<b>785,930</b>	<b>44.7</b>	<b>100</b>	<b>752,637</b>	<b>42.6</b>	<b>755,288</b>	<b>44.4</b>	<b>100</b>
Inventories	246,260	13.7	235,820	13.4	104	201,081	11.4	190,968	11.2	105
Trade receivables	467,841	26.1	430,435	24.5	109	460,652	26.0	426,195	25.1	108
Other	72,814	4.0	119,675	6.8	61	90,904	5.2	138,125	8.1	66
<b>Total assets</b>	<b>1,795,745</b>	<b>100.0</b>	<b>1,759,884</b>	<b>100.0</b>	<b>102</b>	<b>1,768,487</b>	<b>100.0</b>	<b>1,701,235</b>	<b>100.0</b>	<b>104</b>

At the year-end of 2014, Krka Group assets were worth EUR 1,795.7 million, up EUR 35.9 million, or 2%, compared to the end of 2013. Non-current assets grew primarily due to the increase in the value of property, plant and equipment, which was up EUR 22.8 million, or 3%. Among current assets, inventories were up 4%, with trade receivables up 9%. The proportion of non-current and current assets was slightly different compared to the year-end of 2013, with non-current assets up 0.9 of a percentage point to 56.2% of total assets.

Non-current assets totalled EUR 1,008.8 million, up 4% compared to 2013. The largest item under non-current asset is property, plant and equipment, worth EUR 846.5 million and representing 47% of the Group's total assets. Intangible assets represent 7% of total assets.

Current assets amounted to EUR 786.9 million, remaining on the same level as at the year-end of 2013. The largest item under current assets was trade receivables, which amounted to EUR 467.8 million, with inventories totalling EUR 246.3 million. The total value of inventories and trade receivables increased by EUR 47.8 million, or 7%, from 2013. Other current assets were down, with loans down EUR 19.0 million, and cash and cash equivalents down EUR 43.7 million.

### Equity and liabilities

EUR thousand	Krka Group					Krka Company				
	2014	Share (%)	2013	Share (%)	Index 2014/13	2014	Share (%)	2013	Share (%)	Index 2014/13
<b>Equity</b>	<b>1,351,899</b>	<b>75.3</b>	<b>1,332,611</b>	<b>75.7</b>	<b>101</b>	<b>1,381,313</b>	<b>78.1</b>	<b>1,332,246</b>	<b>78.3</b>	<b>104</b>
Non-current liabilities	125,421	7.0	128,833	7.3	97	92,462	5.2	98,778	5.8	94
Current liabilities	318,425	17.7	298,440	17.0	107	294,712	16.7	270,211	15.9	109
<b>Total equity and liabilities</b>	<b>1,795,745</b>	<b>100.0</b>	<b>1,759,884</b>	<b>100.0</b>	<b>102</b>	<b>1,768,487</b>	<b>100.0</b>	<b>1,701,235</b>	<b>100.0</b>	<b>104</b>

The Group's equity increased by EUR 19.3 million compared to the end of 2013. It was up due to Group profit for the year in the amount of EUR 166.2 million, while, on the other hand, it decreased by EUR 68.9 million spent on dividend payments, by EUR 15.1 million spent on additional repurchases of treasury shares, and by EUR 62.9 million of other comprehensive income net of tax. The largest item under the latter is translation reserves on EUR 50.0 million.



At the end of 2014 the Krka Group had no non-current borrowings. Provisions totalled EUR 97.5 million, a decrease by 5% compared to the end of 2013, attributable mainly to EUR 49.1 million of outflows from and reversals of the provisions for lawsuits, while new provisions were also formed, totalling EUR 20.0 million (more in the chapters Operating Income and Operating Expenses).

Among current liabilities, trade payables decreased by EUR 16.2 million, with income tax liabilities down EUR 5.7 million. Current borrowings were up EUR 38.0 million, and other current liabilities increased by EUR 3.8 million.

### Statement of cash flows

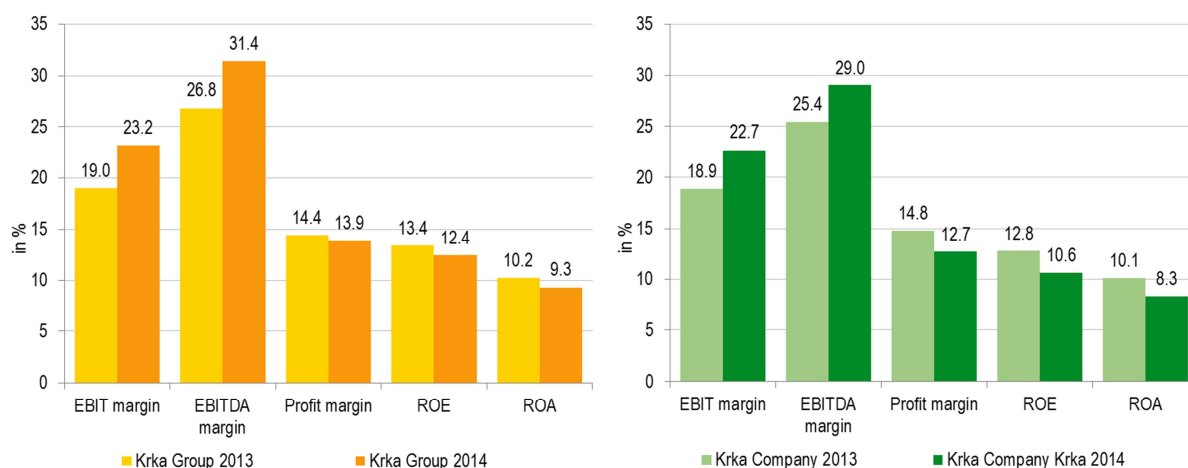
EUR thousand	Krka Group		Krka Company	
	2014	2013	2014	2013
Net cash from operating activities	157,403	302,751	143,185	251,954
Net cash used in investing activities	-152,791	-164,065	-128,845	-146,522
Net cash used in financing activities	-46,180	-93,683	-53,417	-68,821
<b>Net decrease/increase in cash and cash equivalents</b>	<b>-41,568</b>	<b>45,003</b>	<b>-39,077</b>	<b>36,611</b>

Krka Group cash and cash equivalents decreased by EUR 41.6 million in 2014 due to the negative cash flows from investing and financing activities exceeding the positive cash flow from operating activities.

The Group's operating profit before changes in net operating current assets totalled EUR 275.4 million. The changes in current assets that increased profit were changes in deferred revenue and other current liabilities, while trade receivables, inventories, trade payables, and provisions had a negative effect.

The negative cash flow from investing activities was mainly the result of the purchase of property, plant and equipment, amounting to EUR 160.8 million, the purchase of intangible assets, amounting to EUR 12.9 million, and non-current loans, amounting to EUR 2.1 million. The main causes of the negative cash flow from financing activities were dividend payments, which totalled EUR 68.7 million, and the repurchase of treasury shares, which totalled EUR 15.1 million.

### Performance ratios



Performance ratio values were in compliance with strategic guidelines.



## Operating figures for the Krka Group and the Krka Company for the past five years

	Krka Group					Krka Company				
EUR thousand	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
Revenues	1,191,614	1,200,827	1,143,301	1,075,627	1,010,021	1,134,169	1,116,339	1,035,280	957,653	932,366
EBIT	276,953	227,588	192,308	211,561	208,134	257,167	211,527	161,382	178,150	196,397
– EBIT margin	23.2%	19.0%	16.8%	19.7%	20.6%	22.7%	18.9%	15.6%	18.6%	21.1%
EBITDA	374,535	321,732	282,276	298,747	289,855	329,217	282,993	230,994	244,564	257,132
– EBITDA margin	31.4%	26.8%	24.7%	27.8%	28.7%	29.0%	25.4%	22.3%	25.5%	27.6%
Profit for the year	166,161	172,766	159,839	162,735	170,918	144,385	164,673	154,615	150,392	165,920
– Profit margin	13.9%	14.4%	14.0%	15.1%	16.9%	12.7%	14.8%	14.9%	15.7%	17.8%
Assets	1,795,745	1,759,884	1,626,748	1,534,027	1,488,204	1,768,487	1,701,235	1,565,918	1,463,062	1,445,869
ROA	9.3%	10.2%	10.1%	10.8%	12.1%	8.3%	10.1%	10.2%	10.3%	12.0%
Equity	1,351,899	1,332,611	1,240,521	1,139,754	1,053,327	1,381,313	1,332,246	1,232,215	1,140,485	1,058,154
ROE	12.4%	13.4%	13.4%	14.8%	17.3%	10.6%	12.8%	13.0%	13.7%	16.7%

## Sales

## Krka Group sales by Region

	Krka Group			Krka Company		
EUR thousand	2014	2013	Index 2014/13	2014	2013	Index 2014/13
Slovenia	78,029	86,596	90	49,605	57,476	86
South-East Europe	155,328	145,808	107	177,954	164,139	108
East Europe	408,650	427,803	96	379,308	388,885	98
Central Europe	272,981	282,940	96	272,230	279,649	97
West Europe	251,124	226,399	111	232,648	198,673	117
Overseas Markets	25,502	31,281	82	22,424	27,517	81
Total	1,191,614	1,200,827	99	1,134,169	1,116,339	102

In 2014 the Krka Group sold EUR 1,191.6 million worth of products and services, almost matching the full-year sales level of 2013. More than 93% of total sales, which is EUR 1,113.6 million, came from markets outside Slovenia.

Krka's leading sales region was Region East Europe, sales value there amounting to EUR 408.7 million, which is 34.3% of overall sales. While sales growth was recorded in many markets of the Region, it was not present in the key markets the Russian Federation and Ukraine. Sales were also down from 2013 in Kazakhstan. In the Russian Federation, one of Krka's key markets as well as our largest single market, we sold EUR 282.1 million worth of products, a 5% decrease from the year before. The lower euro sales value resulted from the depreciation of the local currency in the third and especially fourth quarter, with sales value growth in Russian roubles having continued in 2014, as did sales volume growth. The Ukrainian pharmaceuticals market was increasingly dynamic in 2014, sales dropping each month. Despite the 18% annual decline there, our strengthened marketing and sales activities increased Krka's market share, consolidated our position among the leading foreign providers of generic pharmaceuticals, and resulted in EUR 53.7 million of sales. In Uzbekistan we managed to preserve sales growth and thus consolidate our position as one of the leading generic producers in that country. Sales there totalled EUR 17.2 million, up 23% from 2013. In Kazakhstan sales were down 4% to EUR 16.4 million.

The negative sales dynamics of the entire market was chiefly the result of the almost 20% depreciation of the national currency in February, which caused a decrease in purchasing power and a decline in the value of the pharmaceuticals market. As to large markets in the Region, double-digit sales growth was also recorded in Belarus (up 23%).

Krka's second largest sales region was Region Central Europe, where sales were EUR 273.0 million, representing 22.9% of overall Group sales. In Poland, a key market and the largest market in the Region, sales were worth EUR 125.9 million, up 4% compared to 2013 and representing 46% of the Region's sales for the year. In the Czech Republic, the second largest market in the Region as well as one of Krka's key markets, 2014 was marked by legislative changes that drove down the prices of pharmaceuticals. With EUR 48.4 million of sales there, which is down 23% from 2013, Krka ranked the third among all generic pharmaceuticals providers in the market. Key market Hungary is the third most important market in the Region in terms of sales. Sales were down 6% compared to the same period last year, to EUR 40.3 million. A decrease in sales came as the result of price erosion caused by austerity measures which abated somewhat in 2014. Nevertheless Krka remains the number two provider among mainly foreign generic pharmaceutical companies. Sales growth in the Region was also recorded in Slovakia (up 6%), Lithuania (up 1%), Latvia (up 5%) and Estonia (up 9%).

Region West Europe was third in terms of sales last year, contributing EUR 251.1 million, which is 21.1% of total Krka Group sales. Decreasing sales of prescription pharmaceuticals via third-party partners were successfully offset with growing sales via subsidiaries. With the sales of Krka's brand products up more than 35%, their share in the Region's overall sales increased to more than one half, with all subsidiaries exceeding their sales results for 2013. In Germany, our most important West European market, sales totalled EUR 67.4 million, up almost 27% from 2013.

In Region South-East Europe Krka sold EUR 155.3 million of products, which represents 13.0% of Group sales. The Region's largest market was Romania, where sales amounted to EUR 61.2 million, up 21% from the year before. The markets that followed in terms of sales growth were the mid-size markets of Macedonia, Serbia and Bulgaria, and the small markets of Kosovo, Albania and Montenegro. In Croatia and Bosnia and Herzegovina sales were down from the year before, mainly the result of the impacts of lower prices.

In the new sales region Overseas Markets Krka sold EUR 25.5 million of products in 2014, which represents 2.1% of Group sales. The majority, 89% of sales came from prescription pharmaceuticals.

Product and service sales in Slovenia totalled EUR 78.0 million (EUR 30,0 million of that were sales of health resort and tourist services), which is 6.6% of Group sales. We faced negative impacts of the introduction of therapeutic groups and the related pressures to reduce the prices and consumption of pharmaceuticals. The value of sales did not match last year's, but our almost 10% market share preserved Krka's status of the leading pharmaceuticals manufacturer in the country.

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

	Krka Group			Krka Company		
	2014	2013	Index 2014/13	2014	2013	Index 2014/13
EUR thousand						
Human health products	1,112,588	1,126,161	99	1,083,211	1,070,561	101
– Prescription pharmaceuticals	990,627	980,903	101	977,518	943,981	104
– Non-prescription products	121,961	145,258	84	105,693	126,580	83
Animal health products	46,514	42,592	109	46,870	42,824	109
Health resort and tourist services	30,038	30,466	99			
Other	2,474	1,608	154	4,088	2,954	138
<b>Total</b>	<b>1,191,614</b>	<b>1,200,827</b>	<b>99</b>	<b>1,134,169</b>	<b>1,116,339</b>	<b>102</b>

Krka's most important group of products in terms of sales remain prescription pharmaceuticals, which contributed EUR 990.6 million and represented 83.1% of Group sales. The best-selling therapeutic group of prescription

pharmaceuticals in 2014 was again products treating cardiovascular diseases, followed by medicines treating gastrointestinal and metabolic disorders, and by medicines for diseases of the central nervous system.

Atoris (atorvastatin) remained the leading prescription pharmaceutical in terms of sales in 2014, with the other top ten best-selling prescription pharmaceuticals being Lorista (losartan), Enap (enalapril), Prenessa (perindopril), Nolpaza (pantoprazole), Emanera (esomeprazole), Zyllt (clopidogrel), Roswera (rosuvastatin), Valsacor (valsartan) and Karbis (candesartan). Products are marketed under different brand names in individual markets.

Non-prescription product sales amounted to EUR 122.0 million, which represents 10.3% of Group sales. The decrease was mainly the result of less frequent cold and flu conditions, and of the depreciation of the local currencies in the Russian Federation and Ukraine, our largest individual markets for products available without prescription. Animal health product sales amounted to EUR 46.5 million, representing a 3.9% share in overall sales, with health resort and tourist services contributing EUR 30.0 million in sales, which is 2.5% of Krka Group sales. Other Group sales revenues amounted to EUR 2.5 million, or 0.2% of overall sales.

## Research and development

In 2014 Krka obtained marketing authorisations for 19 new products (13 prescription pharmaceuticals and six animal health products) in 47 different pharmaceutical dosage forms and strengths. Applying different European and national marketing authorisation procedures we obtained 460 new approvals in the reported period for prescription pharmaceuticals, non-prescription products and animal health products.

Patent applications were submitted for four new inventions, and ten international patent applications on the basis of prioritised applications from 2013. We registered 70 trademarks in Slovenia, and submitted 33 international and 68 national trademark applications.

We were the first generic manufacturer to launch the antipsychotic Aryzalera/Aripipan (aripiprazole fumarate) in the form of tablets in four dosage strengths, for which approvals were granted in selected European markets under the decentralised procedure. Aripiprazole is a third-generation antipsychotic with a unique mechanism of action, different from other antipsychotics. It is used to treat schizophrenia and bipolar disorder mania in adults and in children older than 15, with a once-daily dosage. The clinical efficacy of aripiprazole is comparable to the efficacy of modern atypical antipsychotics, but it is outstanding in terms of tolerability. It was authorised in ten European countries.

Krka's range of antipsychotics was additionally supplemented with a new form of the medicine Kventiax/Quentiax (quetiapine). Quetiapine is a wide-spectrum antipsychotic used to treat different psychiatric disorders, schizophrenia, bipolar disorder, and major depression. The active substance quetiapine was incorporated into a new form of prolonged-release tablets in three strengths, which enables a once-daily administration and thus facilitates treatment.

Applying the European decentralised procedure we acquired the marketing authorisation for the antidepressant Elicea/Escitalex (escitalopram) in the form of 15 mg film-coated tablets, thus supplementing our three-strength range of escitalopram with an additional strength.

Our range of antiepileptics was expanded with a new medicine, pregabalin, in the form of capsules in eight strengths. It was registered in ten countries under the European decentralised procedure. The wide span of dosage strengths enables the medicine to be accurately adjusted to each patient so as to prevent potential adverse effects from interfering with the treatment. One of pregabalin's advantages is that in addition to treating epilepsy it is also used to treat generalised anxiety disorder and neuropathic pain.

We were the only producer to obtain marketing authorisations for Tenloris/Alortia (losartan and amlodipine) in the form of film-coated tablets in four strengths, a new, innovative combination medicine used to lower blood pressure, for which approvals were granted under the European decentralised procedure. The complementary action of the product's two active substances reduces the likelihood of adverse effects and improves treatment tolerability. Tenloris enables patients to take a single tablet with a fixed-dose combination of both active substances instead of two tablets with a single active substance each, reducing the number of tablets patients need to take every day.

Also under the European decentralised procedure we were granted approvals for the fixed-dose combination Sobycombi (bisoprolol and amlodipine) in the form of tablets in four strengths. The combination efficiently controls blood pressure and is also used to treat stable ischemic heart disease.

A new product, Bravadin (ivabradine hydrobromide) in the form of tablets in two strengths, was added to our group of medicinal products for diseases of the heart and circulation. It is indicated in the treatment of coronary artery disease and chronic heart failure. Krka was the first generic producer to obtain marketing approvals for the medicine in the Russian Federation.

Our offer of products for the treatment of high blood pressure was supplemented with Riksila (aliskiren) tablets in two strengths, a new medicine approved in the Russian Federation. Aliskiren 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 increases responsiveness in reaching and maintaining target cholesterol levels.

New products were also added to our range of antibiotics. Applying the European decentralised procedure we acquired marketing authorisations for Moloxin/Moflaxa/Moxibiot (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.

In the Russian Federation we were granted new approvals for the Betaklav (amoxicillin and clavulanic acid) film-coated tablets in three strengths, a combination antibiotic used to treat a wide range of infections of the respiratory and urogenital tract, soft tissues, bones and joints.

Under the European decentralised procedure we acquired marketing authorisations for Azibiot (azithromycin) 250 mg film-coated tablets. The new strength enables a five-day dosage schedule in the treatment of infections of the respiratory tract, the skin and subcutaneous tissue, and genitals.

Applying the decentralised procedure we obtained marketing authorisations in European markets for a new form of the oncology medication imatinib, in the form of film-coated tablets in two strengths.

We were the first generic producer to acquire marketing authorisations for the Fypryst Combo spot-on solution for dogs and the Fypryst Combo spot-on solution for cats. The new products were approved in ten countries of the European Union under the decentralised procedure and under national procedures in Macedonia, Bosnia and Herzegovina, and Ukraine. The medicinal products contain a fixed-dose combination of fipronil and S-methoprene, which enables a modern and wholesome treatment of external parasite infestations with an expanded mode of action on all life cycle stages of fleas. They represent important new members of Krka's range of pharmaceuticals for companion animals.

The new medicinal products Milprazon/Milquantel flavoured tablets in two strengths for dogs and Milprazon/Milquantel film-coated tablets for cats were approved in 27 European countries under the decentralised procedure, and under national procedure in the Russian Federation. They contain a fixed-dose combination of milbemycin oxime and praziquantel, a modern intestinal wormer for cats and dogs protecting from intestinal worms while at the same time, due to its systemic mode of action, preventing the development of heartworms and treating eye worms.

Following the completion of the decentralised procedure for the Tolzesya/Toltranil/Tratol/Toltarox (toltrazuril) oral suspension preventing Coccidia infections, this product's use was extended to sheep in 22 countries of the European Union, and additionally to cattle in Croatia and Serbia.

By obtaining different new approvals for Krka's non-prescription products we consolidated the status of our key brands Septolete, Bilobil, Herbion, Pikovit and Duovit in various markets.

## Investments

In 2014 the Krka Group allocated EUR 173.7 million to investments, of which the controlling company invested EUR 137.5 million and subsidiaries EUR 36.2 million. Investments were primarily increasing and modernising our production, and research and development infrastructure.

The construction of a production plant for solid dosage pharmaceuticals, Noto 2, is finished 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. Systems (the logistical system, technological equipment, technological media) were qualified and validated in 2014, which was a challenging task due to the factory's complexity and high level of automation. Once it is fully fitted with all technological equipment, the plant will have the target capacity of 4.5 billion finished products per year. Production in the 55,000 m<sup>2</sup> plant started at the beginning of 2015.

The construction of the new complex for the production of active pharmaceutical ingredients in Krško, Slovenia with which we increased our production capacity, took two years to complete. In the first stage we had built the Sinteza 1 production plant and the related infrastructure, and fitted the first of the two production modules with technological equipment. At the end of July 2014 Sinteza 1 had manufactured the first active ingredient batch, with the facility also having successfully passed an inspection by the Public Agency for Medical Products and Medical Devices of the Republic of Slovenia. The investment is estimated at EUR 85 million, and production has now started on three lines. The second production module will be furnished in 2015.

In Ločna we constructed a new water preparation plant to ensure sufficient capacity for the preparation of purified waters and tower feedwaters, and to provide for a secure supply after production is launched in Noto 2. The operating permit for the EUR 12 million investment was obtained at the end of December 2014.

In November 2014 we opened a new headquarters building in Ločna, which forms a functional and aesthetic whole with the existing headquarters building.

One of the Group's more important ongoing investments is the Krka-Rus 2 project, the construction of a new plant and expansion of our logistics centre in the Russian Federation. The new facilities will cover a total surface area of 34,500 m<sup>2</sup>, with the entire investment estimated at EUR 135 million. In the first stage of the project, in which we invested EUR 96 million, the target capacity of the plant has increased to 1.2 billion tablets and capsules per year. Preparations for the implementation of the second stage are under way, including the procurement of technological and warehousing equipment to support production. We are planning to complete the second stage of the project by December 2016. The fully technologically fitted plant with which Krka is consolidating its status of a domestic pharmaceuticals producer in this country will have the total target capacity of 1.8 billion tablets and capsules per year. In mid-December 2014 – thus within one year of production – Krka-Rus reached the one billion tablets mark.

As we are launching new Septotele product, we are increasing our production facilities in Ljutomer, Slovenia. We were issued a building permit for the construction of an extension in December 2014. The project's estimated investment value is EUR 9.5 million, and the facility should be completed in August 2015.

Due to the expansion of our production programme in the Jastrebarsko centre which operates under the subsidiary Krka Farma Zagreb, the warehousing and distribution segment of the facility will be converted into production, and the production segment renovated. The project's estimated investment value is EUR 20 million.

The subsidiary spa resort group Terme Krka opened a small hotel pool next to Hotel Šport in Otočec, Slovenia at the end of December. The investment, which includes an energy overhaul of the hotel is estimated at EUR 2.8 million.

## Employees

At the end of 2014 the Krka Group had 10,499 employees, of which 4,887 (46.5%) worked in Slovenia and 5,612 (53.5%) abroad.

Compared to 2013, the number of employees at Group level increased by 451, or 4%. The number of Krka's employees outside Slovenia increased by 410, or 8%, while in Slovenia it rose by 41, or 1%.

Krka Group staff with a university level education or higher represent 55% of the entire team, which is 5,771 employees; 126 of them have a doctoral degree and 339 have master's degrees or postgraduate specialisations.



## Share and investor information

On the final trading day in 2014 Krka's share traded at EUR 59.60 on the Ljubljana Stock Exchange, down 0.7% from the year-end of 2013 when it traded at EUR 60.00. In the same period the Ljubljana Stock Exchange blue-chip index SBI TOP rose by 20%. Krka's market capitalisation totalled EUR 1.95 billion at the end of last year.

Krka's share is the most traded security on the Ljubljana Stock Exchange. Its average daily trading volume on the Ljubljana Stock Exchange in 2014 was EUR 0.7 million. The trading volume on the Warsaw Stock Exchange, where Krka has been listed since April 2012, was higher in the first half of the year although always remaining under the trading volume levels recorded on the stock exchange in Ljubljana.

Pursuant to the resolution adopted by Krka's 19<sup>th</sup> AGM as at 3 July 2014, Krka reduced its share capital by cancelling 2,632,672 treasury shares, which represented 7.431% of all issued shares. Following the cancellation, Krka's share capital is now distributed into 32,793,448 shares. The 19<sup>th</sup> AGM had authorised the Company Management Board to acquire treasury shares up to the amount of 10% of share capital in the period of 36 months. Krka thereupon repurchased 173,279 treasury shares worth a total of EUR 10,659,136. As at 31 December 2014 Krka held 173,279 treasury shares, which represents 0.528% of its share capital.

At the end of 2014 Krka had 61,449 shareholders, 4% less than at the end of 2013. Due to the 2014 cancellation of treasury shares, the ownership structure and shares in equity at the year-end of 2014 are not directly comparable to those from previous periods.

In 2014 Krka appropriated 40% of the 2013 profit for dividends, the gross dividend per share growth rate exceeding 30%. In line with the five-year strategy adopted at the end of 2013, up to 50% of the Group's profit for the previous year attributable to equity holders of the parent will be allocated to dividends in the said period, whereby the actual amount of profit allocated to dividends each year will also depend on Krka's financial requirements related to investments and major acquisitions.

## Plans for 2015

Krka Group sales in 2015 are planned to amount to EUR 1.26 billion, with sales outside Slovenia expected to represent 94% of total sales. Profit is planned at the level of the profit reported for 2014.

The estimated value of investments is EUR 165 million, to be allocated mainly to expanding and modernising production facilities, research and development facilities, and infrastructure. The number of employees is planned to increase in 2015 both in Slovenia and abroad, together by 4%.

The operating plan for 2015 has been drawn up by taking into account certain assumptions, such as price fluctuations, currency fluctuations, and conditions in individual markets. In the event of major deviations, the Company Management Board will revise the annual plan and adjust it to new circumstances.

## Events after the reporting period

On 21 January 2015 the controlling company's Management Board appointed the current Krka President of the Management Board and Chief Executive, Jože Colarič, for a new six year term-in-office. He will begin his new term on 1 January 2016 and will remain in office by the end of 2021.

Novo mesto, February 2015

Krka, d. d., Novo mesto  
Management Board

**Krka Group consolidated statement of financial position (unaudited)**

EUR thousand	31 Dec 2014	31 Dec 2013
<b>Assets</b>		
Property, plant and equipment	846,478	823,704
Intangible assets	120,325	115,744
Loans	6,944	5,845
Investments	7,388	5,231
Deferred tax assets	27,521	23,236
Other non-current assets	174	194
<b>Total non-current assets</b>	<b>1,008,830</b>	<b>973,954</b>
Assets held for sale	41	0
Inventories	246,260	235,820
Trade receivables	467,841	430,435
Other receivables	47,436	31,393
Loans	1,177	20,215
Investments	575	792
Cash and cash equivalents	23,585	67,275
<b>Total current assets</b>	<b>786,915</b>	<b>785,930</b>
<b>Total assets</b>	<b>1,795,745</b>	<b>1,759,884</b>
<b>Equity</b>		
Share capital	54,732	59,126
Treasury shares	-10,677	-69,372
Reserves	77,291	194,459
Retained earnings	1,229,245	1,147,030
<b>Equity holders of the parent</b>	<b>1,350,591</b>	<b>1,331,243</b>
Non-controlling interests within equity	1,308	1,368
<b>Total equity</b>	<b>1,351,899</b>	<b>1,332,611</b>
<b>Liabilities</b>		
Non-current borrowings	0	0
Provisions	97,466	103,103
Deferred revenue	14,905	12,805
Deferred tax liabilities	13,050	12,925
<b>Total non-current liabilities</b>	<b>125,421</b>	<b>128,833</b>
Trade payables	115,051	131,227
Current borrowings	38,019	0
Income tax liabilities	1,332	7,030
Other current liabilities	164,023	160,183
<b>Total current liabilities</b>	<b>318,425</b>	<b>298,440</b>
<b>Total liabilities</b>	<b>443,846</b>	<b>427,273</b>
<b>Total equity and liabilities</b>	<b>1,795,745</b>	<b>1,759,884</b>



**Krka Group consolidated income statement (unaudited)**

EUR thousand	2014	2013
Revenues	1,191,614	1,200,827
Cost of sales	-470,149	-489,266
<b>Gross profit</b>	<b>721,465</b>	<b>711,561</b>
Other income	70,731	5,868
Distribution expenses	-334,762	-323,361
R&D costs	-108,370	-97,235
Administrative expenses	-72,111	-69,245
<b>Operating profit</b>	<b>276,953</b>	<b>227,588</b>
Financial income	1,486	2,114
Financial expenses	-103,126	-28,361
<b>Net financial result</b>	<b>-101,640</b>	<b>-26,247</b>
<b>Profit before tax</b>	<b>175,313</b>	<b>201,341</b>
Income tax expense	-9,152	-28,575
<b>Profit for the year</b>	<b>166,161</b>	<b>172,766</b>
Attributable to:		
– equity holders of the parent	166,221	172,836
– non-controlling interest	-60	-70
<b>Basic earnings per share (in EUR)</b>	<b>5.07</b>	<b>5.24</b>
<b>Diluted earnings per share (in EUR)</b>	<b>5.07</b>	<b>5.24</b>

**Krka Group consolidated statement of comprehensive income (unaudited)**

EUR thousand	2014	2013
<b>Profit for the year</b>	<b>166,161</b>	<b>172,766</b>
<b>Other comprehensive income for the year</b>		
<i>Other comprehensive income to be reclassified to profit or loss in future periods</i>		
Translation reserve	-50,003	-13,542
Change in fair value of available-for-sale financial assets	2,368	131
Deferred tax effect	-403	-2
Other	0	-2,494
<b>Other comprehensive income to be reclassified to profit or loss in future periods (net)</b>	<b>-48,038</b>	<b>-15,907</b>
<i>Other comprehensive income not to be reclassified to profit or loss in future periods</i>		
Recalculation of post-employment benefits	-17,752	2,514
Deferred tax effect	2,923	-427
<b>Other comprehensive income not to be reclassified to profit or loss in future periods (net)</b>	<b>-14,829</b>	<b>2,087</b>
<b>Total other comprehensive income for the year (after tax)</b>	<b>-62,867</b>	<b>-13,820</b>
<b>Total comprehensive income for the year (after tax)</b>	<b>103,294</b>	<b>158,946</b>
Attributable to:		
– equity holders of the parent	103,354	159,016
– non-controlling interest	-60	-70

## Krka Group consolidated statement of changes in equity for 2014 (unaudited)

EUR thousand	Reserves								Retained earnings			Total equity holders of the parent	Non-controlling interests within equity	Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserve	Other revenue reserves	Profit for the year	Retained earnings			
<b>Balance at 1 Jan 2014</b>	59,126	-69,372	69,372	101,503	14,990	30,000	3,883	-25,289	933,385	131,812	81,833	1,331,243	1,368	1,332,611
<b>Profit for the year</b>	0	0	0	0	0	0	0	0	0	166,221	0	166,221	-60	166,161
<b>Total other comprehensive income for the year (after tax)</b>	0	0	0	0	0	0	-12,864	-50,003	0	0	0	-62,867	0	-62,867
<b>Total comprehensive income for the year (after tax)</b>	0	0	0	0	0	0	-12,864	-50,003	0	166,221	0	103,354	-60	103,294
<b>Transactions with owners, recognised directly in equity</b>														
Formation of legal reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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	55,243	0	-55,243	0	0	0
Transfer of previous year's profit to retained earnings	0	0	0	0	0	0	0	0	0	-125,119	125,119	0	0	0
Cancellation of treasury shares – reduction of share capital	-4,394	0	0	4,394	0	0	0	0	0	0	0	0	0	0
Cancellation of treasury shares chargeable to other reserves, and reversal of reserves for treasury shares	0	73,835	-73,835	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	15,140	0	0	0	0	0	0	-15,140	0	0	0	0
Repurchase of treasury shares	0	-15,140	0	0	0	0	0	0	0	0	0	-15,140	0	-15,140
Dividends paid	0	0	0	0	0	0	0	0	0	0	-68,866	-68,866	0	-68,866
<b>Total transactions with owners, recognised directly in equity</b>	<b>-4,394</b>	<b>58,695</b>	<b>-58,695</b>	<b>4,394</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>55,243</b>	<b>-140,259</b>	<b>1,010</b>	<b>-84,006</b>	<b>0</b>	<b>-84,006</b>
<b>Balance at 31 Dec 2014</b>	<b>54,732</b>	<b>-10,677</b>	<b>10,677</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-8,981</b>	<b>-75,292</b>	<b>988,628</b>	<b>157,774</b>	<b>82,843</b>	<b>1,350,591</b>	<b>1,308</b>	<b>1,351,899</b>

## Krka Group consolidated statement of changes in equity for 2013 (unaudited)

EUR thousand	Reserves								Retained earnings			Total equity holders of the parent	Non-controlling interests within equity	Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserve	Other revenue reserves	Profit for the year	Retained earnings			
<b>Balance at 1 Jan 2013</b>	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
<b>Profit for the year</b>	0	0	0	0	0	0	0	0	0	172,836	0	172,836	-70	172,766
<b>Total other comprehensive income for the year (after tax)</b>	0	0	0	0	0	0	2,216	-13,542	0	-1	-2,493	-13,820	0	-13,820
<b>Total comprehensive income for the year (after tax)</b>	0	0	0	0	0	0	2,216	-13,542	0	172,835	-2,493	159,016	-70	158,946
<b>Transactions with owners, recognised directly in equity</b>														
Formation of legal reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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	34,000	-34,000	0	0	0	0
Transfer of previous year'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	62,395	0	-62,395	0	0	0
Formation of reserves for treasury shares	0	0	13,716	0	0	0	0	0	0	-13,716	0	0	0	0
Repurchase of treasury shares	0	-13,716	0	0	0	0	0	0	0	0	0	-13,716	0	-13,716
Dividends paid	0	0	0	0	0	0	0	0	0	0	-53,140	-53,140	0	-53,140
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total transactions with owners, recognised directly in equity</b>	0	-13,716	13,716	0	0	0	0	0	96,395	-169,559	6,308	-66,856	0	-66,856
<b>Balance at 31 Dec 2013</b>	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

**Krka Group consolidated statement of cash flows (unaudited)**

EUR thousand	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	166,161	172,766
Adjustments for:	109,208	121,983
– amortisation/depreciation	97,582	94,144
– foreign exchange differences	187	–770
– investment income	–2,236	–2,253
– investment expense	1,468	2,063
– interest expense and other financial expense	3,055	718
– financial income	0	–494
– income tax	9,152	28,575
<b>Operating profit before changes in net operating current assets</b>	<b>275,369</b>	<b>294,749</b>
Change in trade receivables	–35,939	–54,132
Change in inventories	–10,440	14,931
Change in trade payables	–16,176	25,812
Change in provisions	–26,103	871
Change in deferred revenue	2,100	381
Change in other current liabilities	3,692	40,938
Income taxes paid	–35,100	–20,799
<b>Net cash from operating activities</b>	<b>157,403</b>	<b>302,751</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,585	1,628
Proceeds from sale of current investments	3	0
Dividends received	22	24
Proceeds from sale of property, plant and equipment	876	868
Purchase of intangible assets	–12,911	–5,592
Purchase of property, plant and equipment	–160,810	–151,676
Non-current loans	–2,093	–1,818
Proceeds from repayment of non-current loans	1,087	1,281
Acquisition of non-current investments	–103	–50
Proceeds from sale of non-current investments	316	59
Proceeds/Payments in connection with current investments and loans	19,237	–8,789
Payments in connection with derivative financial instruments	0	0
Proceeds from derivative financial instruments	0	0
<b>Net cash used in investing activities</b>	<b>–152,791</b>	<b>–164,065</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	–322	–1,098
Repayment of non-current borrowings	0	–25,500
Non-current borrowings	38,000	0
Repayment of current borrowings	0	–375
Dividends paid	–68,718	–52,994
Repurchase of treasury shares	–15,140	–13,716
<b>Net cash used in financing activities</b>	<b>–46,180</b>	<b>–93,683</b>
<b>Net decrease/increase in cash and cash equivalents</b>	<b>–41,568</b>	<b>45,003</b>
Cash and cash equivalents at beginning of year	67,275	22,994
Effect of exchange rate fluctuations on cash held	–2,122	–722
<b>Net cash and cash equivalents at end of year</b>	<b>23,585</b>	<b>67,275</b>

**Krka Company statement of financial position (unaudited)**

EUR thousand	31 Dec 2014	31 Dec 2013
<b>Assets</b>		
Property, plant and equipment	623,622	563,978
Intangible assets	33,120	28,303
Investments in subsidiaries	299,119	288,323
Trade receivables from subsidiaries	14,091	14,018
Loans	27,588	31,009
Investments	7,386	5,022
Deferred tax assets	10,833	15,167
Other non-current assets	91	127
<b>Total non-current assets</b>	<b>1,015,850</b>	<b>945,947</b>
Assets held for sale	41	0
Inventories	201,081	190,968
Trade receivables	460,652	426,195
Other receivables	34,333	15,424
Loans	47,752	72,492
Investments	575	792
Cash and cash equivalents	8,203	49,417
<b>Total current assets</b>	<b>752,637</b>	<b>755,288</b>
<b>Total assets</b>	<b>1,768,487</b>	<b>1,701,235</b>
<b>Equity</b>		
Share capital	54,732	59,126
Treasury shares	-10,677	-69,372
Reserves	154,133	219,746
Retained earnings	1,183,125	1,122,746
<b>Total equity</b>	<b>1,381,313</b>	<b>1,332,246</b>
<b>Liabilities</b>		
Non-current borrowings	2,000	2,000
Provisions	86,628	94,464
Deferred revenue	3,834	2,314
<b>Total non-current liabilities</b>	<b>92,462</b>	<b>98,778</b>
Trade payables	139,960	145,921
Current borrowings	102,020	70,190
Income tax liabilities	0	4,823
Other current liabilities	52,732	49,277
<b>Total current liabilities</b>	<b>294,712</b>	<b>270,211</b>
<b>Total liabilities</b>	<b>387,174</b>	<b>368,989</b>
<b>Total equity and liabilities</b>	<b>1,768,487</b>	<b>1,701,235</b>

**Krka Company income statement (unaudited)**

EUR thousand	2014	2013
Revenues	1,134,169	1,116,339
Cost of sales	-462,674	-457,925
<b>Gross profit</b>	<b>671,495</b>	<b>658,414</b>
Other income	64,605	3,007
Distribution expenses	-308,425	-295,791
R&D costs	-112,646	-100,161
Administrative expenses	-57,862	-53,942
<b>Operating profit</b>	<b>257,167</b>	<b>211,527</b>
Financial income	9,178	5,316
Financial expenses	-112,313	-28,967
<b>Net financial result</b>	<b>-103,135</b>	<b>-23,651</b>
<b>Profit before tax</b>	<b>154,032</b>	<b>187,876</b>
Income tax expense	-9,647	-23,203
<b>Profit for the year</b>	<b>144,385</b>	<b>164,673</b>
<b>Basic earnings per share (in EUR)</b>	<b>4.41</b>	<b>4.99</b>
<b>Diluted earnings per share (in EUR)</b>	<b>4.41</b>	<b>4.99</b>

**Krka Company statement of comprehensive income (unaudited)**

EUR thousand	2014	2013
<b>Profit for the year</b>	<b>144,385</b>	<b>164,673</b>
<b>Other comprehensive income for the year</b>		
<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	2,368	131
Deferred tax effect	-402	-2
<b>Other comprehensive income to be reclassified to profit or loss in future periods (net)</b>	<b>1,966</b>	<b>129</b>
<i>Other comprehensive income not to be reclassified to profit or loss in future periods</i>		
Recalculation of post-employment benefits	-15,997	2,512
Deferred tax effect	2,719	-427
<b>Other comprehensive income not to be reclassified to profit or loss in future periods (net)</b>	<b>-13,278</b>	<b>2,085</b>
<b>Total other comprehensive income for the year (after tax)</b>	<b>-11,312</b>	<b>2,214</b>
<b>Total comprehensive income for the year (after tax)</b>	<b>133,073</b>	<b>166,887</b>

## Krka Company statement of changes in equity for 2014 (unaudited)

EUR thousand	Reserves							Retained earnings			Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Profit for the year	Retained earnings	
<b>Balance at 1 Jan 2014</b>	<b>59,126</b>	<b>-69,372</b>	<b>69,372</b>	<b>101,503</b>	<b>14,990</b>	<b>30,000</b>	<b>3,881</b>	<b>943,393</b>	<b>116,957</b>	<b>62,396</b>	<b>1,332,246</b>
<b>Profit for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>144,385</b>	<b>0</b>	<b>144,385</b>
<b>Total other comprehensive income for the year (after tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-11,312</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-11,312</b>
<b>Total comprehensive income for the year (after tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-11,312</b>	<b>0</b>	<b>144,385</b>	<b>0</b>	<b>133,073</b>
<b>Transactions with owners, recognised directly in equity</b>											
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	55,243	0	-55,243	0
Transfer of previous year'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
Cancellation of treasury shares – reduction of share capital	-4,394	0	0	4,394	0	0	0	0	0	0	0
Cancellation of treasury shares chargeable to other reserves, and reversal of reserves for treasury shares	0	73,835	-73,835	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	15,140	0	0	0	0	0	-15,140	0	0
Repurchase of treasury shares	0	-15,140	0	0	0	0	0	0	0	0	-15,140
Dividends paid	0	0	0	0	0	0	0	0	0	-68,866	-68,866
<b>Total transactions with owners, recognised directly in equity</b>	<b>-4,394</b>	<b>58,695</b>	<b>-58,695</b>	<b>4,394</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>96,395</b>	<b>-166,097</b>	<b>-14,304</b>	<b>-84,006</b>
<b>Balance at 31 Dec 2014</b>	<b>54,732</b>	<b>-10,677</b>	<b>10,677</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-7,431</b>	<b>1,039,788</b>	<b>95,245</b>	<b>48,092</b>	<b>1,381,313</b>



**Krka Company statement of changes in equity for 2013 (unaudited)**

EUR thousand	Reserves							Retained earnings			Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Profit for the year	Retained earnings	
<b>Balance at 1 Jan 2013</b>	<b>59,126</b>	<b>-55,656</b>	<b>55,656</b>	<b>101,503</b>	<b>14,990</b>	<b>30,000</b>	<b>1,667</b>	<b>846,998</b>	<b>116,543</b>	<b>61,388</b>	<b>1,232,215</b>
<b>Profit for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>164,673</b>	<b>0</b>	<b>164,673</b>
<b>Total other comprehensive income for the year (after tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,214</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,214</b>
<b>Total comprehensive income for the year (after tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,214</b>	<b>0</b>	<b>164,673</b>	<b>0</b>	<b>166,887</b>
<b>Transactions with owners, recognised directly in equity</b>											
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	34,000	-34,000	0	0
Transfer of previous year'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	62,395	0	-62,395	0
Formation of reserves for treasury shares	0	0	13,716	0	0	0	0	0	-13,716	0	0
Repurchase of treasury shares	0	-13,716	0	0	0	0	0	0	0	0	-13,716
Dividends paid	0	0	0	0	0	0	0	0	0	-53,140	-53,140
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>-13,716</b>	<b>13,716</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>96,395</b>	<b>-164,259</b>	<b>1,008</b>	<b>-66,856</b>
<b>Balance at 31 Dec 2013</b>	<b>59,126</b>	<b>-69,372</b>	<b>69,372</b>	<b>101,503</b>	<b>14,990</b>	<b>30,000</b>	<b>3,881</b>	<b>943,393</b>	<b>116,957</b>	<b>62,396</b>	<b>1,332,246</b>

**Krka Company statement of cash flows (unaudited)**

EUR thousand	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit for the year</b>	<b>144,385</b>	<b>164,673</b>
<b>Adjustments for:</b>	<b>97,456</b>	<b>95,503</b>
– amortisation/depreciation	72,050	71,466
– foreign exchange differences	11,821	2,904
– investment income	–9,519	–5,493
– investment expense	9,751	1,741
– interest expense and other financial expense	3,706	1,682
– income tax	9,647	23,203
<b>Operating profit before changes in net operating current assets</b>	<b>241,841</b>	<b>260,176</b>
Change in trade receivables	–35,928	–30,814
Change in inventories	–10,113	–413
Change in trade payables	–5,961	27,425
Change in provisions	<b>–26,150</b>	484
Change in deferred revenue	1,520	–438
Change in other current liabilities	3,305	5,786
Income taxes paid	–25,329	–10,252
<b>Net cash from operating activities</b>	<b>143,185</b>	<b>251,954</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	3,237	3,457
Proceeds from sale of current investments	3	0
Dividends received	22	23
Proportionate profit of subsidiaries	5,993	2,519
Proceeds from sale of property, plant and equipment	509	699
Purchase of intangible assets	–10,927	–4,661
Purchase of property, plant and equipment	–126,546	–112,053
Acquisition of subsidiaries and a share of minority interest without obtained assets	–19,973	–30,952
Refund of subsequent payments in subsidiaries	185	2,267
Non-current loans	–10,015	–3,090
Proceeds from repayment of non-current loans	3,014	1,413
Acquisition of non-current investments	–79	–41
Proceeds from sale of non-current investments	101	59
Proceeds/Payments in connection with current investments and loans	25,631	–6,162
<b>Net cash used in investing activities</b>	<b>–128,845</b>	<b>–146,522</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	–1,360	–2,069
Repayment of non-current borrowings	0	–25,500
Non-current borrowings	0	1,200
Acquisition of current borrowings	31,801	24,259
Dividends paid	–68,718	–52,995
Repurchase of treasury shares	–15,140	–13,716
<b>Net cash used in financing activities</b>	<b>–53,417</b>	<b>–68,821</b>
<b>Net decrease/increase in cash and cash equivalents</b>	<b>–39,077</b>	<b>36,611</b>
Cash and cash equivalents at beginning of year	49,417	13,369
Effect of exchange rate fluctuations on cash held	–2,137	–563
<b>Net cash and cash equivalents at end of year</b>	<b>8,203</b>	<b>49,417</b>