



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

**Novo mesto, May 2015**

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## INTRODUCTION

The condensed financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (Krka Company) for the periods January–March 2015 and 2014 are unaudited, while the financial statements for the full 2014 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](http://www.krka.si).

The Krka Company Supervisory Board discussed the January–March 2015 Report for the Krka Group and the Krka Company at its regular meeting on 13 May 2015.

## Highlights January to March 2015

- The Krka Group sold EUR 289.3 million worth of products and services, and Krka Company sales amounted to EUR 260.8 million.
- Group sales were down 3% compared to the same period last year, with Company sales down 10%.
- The highest absolute as well as relative sales growth compared to the same period last year (up EUR 22.3 million, or 37%) was recorded in Region West Europe, where Krka recorded 28% of its total sales, making this the Group's largest sales region.
- The Group generated 93%, and the Company 95% of its sales revenues in markets outside Slovenia.
- The Krka Group generated EUR 43.1 million of operating profit, a decrease by 32% compared to the same period last year. The Krka Company reported EUR 34.0 million of operating profit, down 45% from last year.
- The Krka Group recorded EUR 55.1 million of profit for the period, an increase by 30% compared to the same period last year, and the Krka Company generated EUR 49.6 million of profit for the period, up 19%.
- The Group's results for the first quarter were again largely influenced by the Russian rouble exchange rate movements. After having depreciated at the end of last year, the rouble rose over the initial months of 2015 relative to the euro, most significantly at the end of the quarter. However, it nevertheless averaged more than 30% below its last year's first quarter average level. This is why euro-denominated first quarter sales in the Russian market decreased compared to the year before – even though rouble-denominated sales. At the same time, the rouble's appreciation relative to its 2014 year-end value resulted in net foreign exchange gains which increased financial income and thus upped the Group's profit for the period.
- As at 31 March 2015 Krka's share traded at EUR 61.40 on the Ljubljana Stock Exchange (up 3% from the year-end of 2014), with Krka Company's market capitalisation amounting to EUR 2.0 billion.
- The Group allocated EUR 20.3 million to investments in the first quarter of 2015, of which the Krka Company invested EUR 17.5 million and subsidiaries EUR 2.8 million.
- At the end of March 2015 the Krka Group had 10,505 employees, six more than at the beginning of the year.

## Krka Group and Krka Company financial highlights

EUR thousand	Krka Group		Krka Company	
	1–3/2015	1–3/2014	1–3/2015	1–3/2014
Revenues	289,304	298,017	260,756	288,557
EBIT <sup>1</sup>	43,068	62,984	34,034	61,585
EBITDA	69,327	86,675	54,387	79,075
Profit for the period	55,114	42,540	49,551	41,794
R&D expenses	27,722	25,221	28,853	26,386
Investments	20,289	46,161	17,458	42,053
	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>
Non-current assets	1,017,904	1,008,830	1,022,465	1,015,850
Current assets	844,082	786,915	771,806	752,637
Equity	1,421,737	1,351,899	1,429,392	1,381,313
Non-current liabilities	125,478	125,421	92,697	92,462
Current liabilities	314,771	318,425	272,182	294,712
<b>RATIOS</b>	<b>1–3/2015</b>	<b>1–3/2014</b>	<b>1–3/2015</b>	<b>1–3/2014</b>
EBIT margin	14.9%	21.1%	13.1%	21.3%
EBITDA margin	24.0%	29.1%	20.9%	27.4%
Profit margin (ROS)	19.1%	14.3%	19.0%	14.5%
ROE <sup>2</sup>	15.9%	12.6%	14.1%	12.4%
ROA <sup>3</sup>	12.1%	9.6%	11.1%	9.7%
Liabilities/Equity	0.310	0.312	0.255	0.268
R&D expenses/Revenues	9.6%	8.5%	11.1%	9.1%
<b>NUMBER OF EMPLOYEES</b>	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>
As at	10,505	10,499	4,744	4,738

<b>SHARE INFORMATION</b>	<b>1–3/2015</b>	<b>1–3/2014</b>
Total number of shares issued	32,793,448	35,426,120
Earnings per share in EUR <sup>4</sup>	6.72	5.18
Closing price at end of period in EUR <sup>5</sup>	61.40	60.39
Price/Earnings ratio (P/E)	9.13	11.65
Book value in EUR <sup>6</sup>	43.35	38.48
Price/Book value (P/B)	1.42	1.57
Market capitalisation in EUR thousand (end of period)	2,013,518	2,139,383

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

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

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

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

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

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

## Krka Group ID card

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

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

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

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

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

**Website** www.krka.si

**Core business** Production of pharmaceutical preparations

**Business clarification code** 21.200

**Year established** 1954

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

**Tax number** 82646716

**VAT number** SI82646716

**Company ID number** 5043611

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

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

## Krka Group business model

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

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

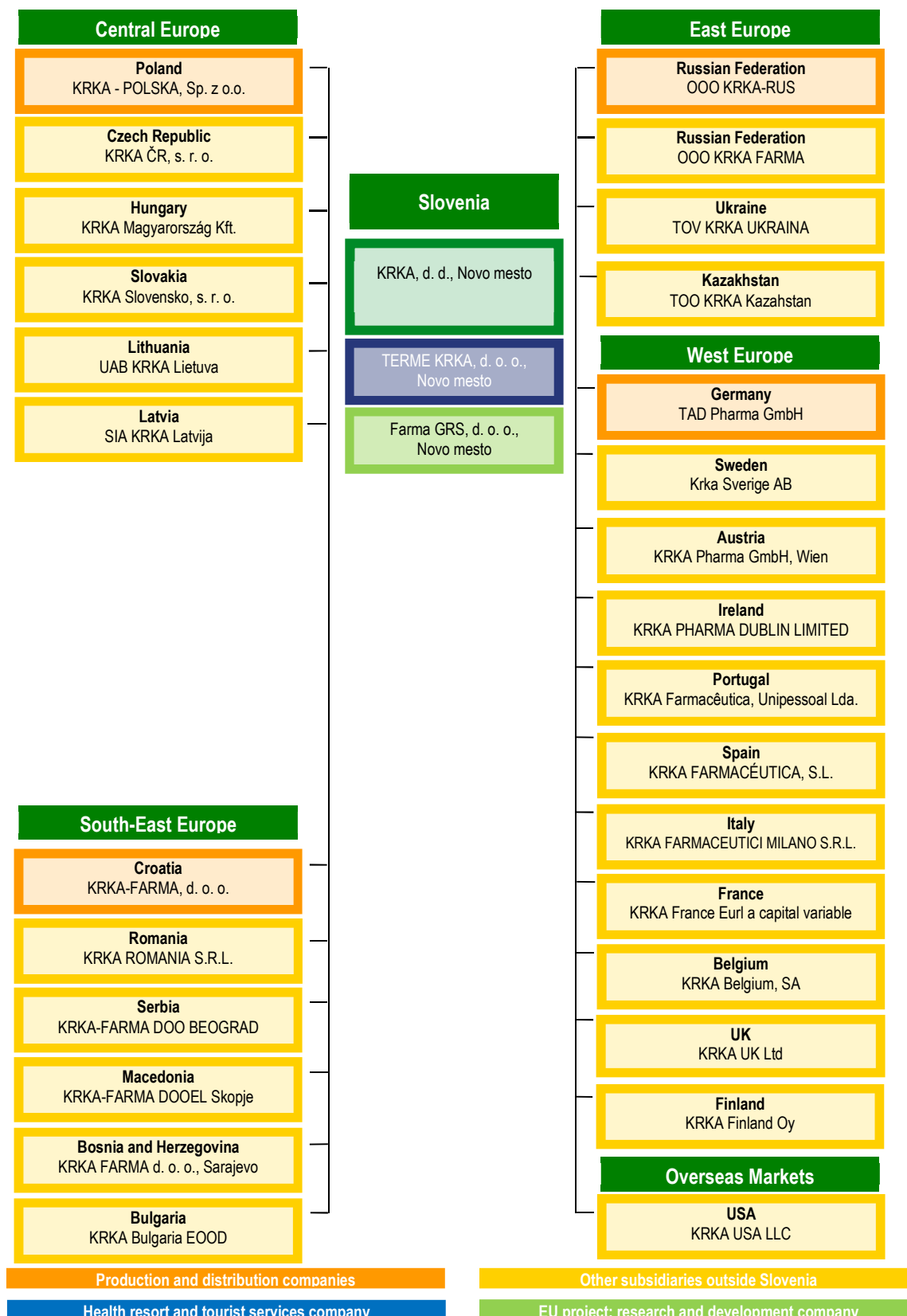
Our modern pharmaceutical production and vertically integrated business model allow us to provide patients in over 70 countries with a wide range of safe, high quality and effective prescription pharmaceuticals, non-prescription products and animal health products. Most Krka products are in solid dosage pharmaceutical forms. The Company's product 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. We offer numerous medicinal products

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

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

In order to increase the competitive advantage of our product portfolio, 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 sales revenues are generated in new products, i.e. those 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. In 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 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 on key markets (Slovenia, Croatia, Romania, Ukraine, the Russian Federation, Poland, Hungary, the Czech Republic, West 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 with our own brands.
- To intensify pharmaceutical and chemical activities and increase the range of prescription products in three key therapeutic fields (the treatment of cardiovascular diseases, the alimentary tract and metabolism, and the central nervous system), while also entering new therapeutic fields and expanding the range of non-prescription products in selected therapeutic fields.
- To strengthen vertical integration from development through to product manufacture.
- To ensure a permanent supply of incoming materials and optimise supply by aiming to continuously reduce purchasing 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 synergies 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 2015

- The product and service sales target is EUR 1,260 million.
- Sales outside Slovenia are expected to account for 94% of total sales.
- Prescription pharmaceuticals will remain the most important product group, accounting for 81% of total sales.
- Profit is planned at the level of the profit reported for 2014.

- The number of employees is planned to increase in Slovenia and abroad, by a total of 4%.
- EUR 165 million has been allocated to investments, primarily for expanding and modernising production capacities, and 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, especially 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.

Favourable currency movements in the first quarter contributed to net foreign exchange gains, the

majority resulting from the 16% appreciation of the rouble.

The European Central Bank's expansionary monetary policy caused the euro to depreciate relative to certain other currencies of Krka's key sales markets as well, which had a positive impact on the financial result for the first quarter.

Currency exposures in the first quarter were not hedged. The Russian central bank's restrictive monetary policy in the first quarter extended the highly unfavourable conditions for hedging rouble positions. The Krka Group uses natural hedges for protection against foreign exchange risk.

#### Interest rate risk

The Krka Group was not exposed to reference interest rate risk in the first quarter as we had paid back all our non-current borrowings in previous

years and have not agreed on new non-current borrowings.

#### 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.

More than 95% of the Group's trade receivables were included in the credit control process at the end of the first quarter.

Total trade receivables increased at the end of the first quarter compared to the beginning of the year; the positive restatement largely due to the appreciation of individual currencies.

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

The amount of past due and outstanding receivables at the end of the first quarter was at a level that Krka considers normal and acceptable. Customer payment discipline is estimated to have remained unchanged, and we did not write off any major trade receivables in the first quarter.

## 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 regular cash flow, agreed short-term revolving and fixed borrowings, and the daily, rolling weekly, monthly and longer-term planning and monitoring of cash

inflows and outflows. We also optimised the bank balances of Krka's subsidiaries.

With the volume of our current borrowings in the reported period small, liquidity risk is estimated as low. All our liabilities were settled regularly and on time.

## Property, business interruption and liability insurance

In the reported period Krka took out local insurance policies for its subsidiaries outside Slovenia, and completed negotiations for car insurance in the Russian Federation. The cost optimisation of car insurance related to economies of scale drove the insurance premium considerably down. The

controlling company took out liability insurance for our management staff and provided insurance coverage for the Group's investment projects Sinteza 1 in Krško, Slovenia and Notol 2 in Novo mesto, Slovenia.

## Investor and share information

At the end of March 2015 Krka had 60,605 shareholders, 1.4% less than at the end of 2014. The decrease was mainly due to fewer Slovenian

individual investors, legal entities and funds, with the proportion of international investors slightly up in the first quarter.

### Shareholder structure (%)

	31 Mar 2015	31 Dec 2014
Individual Slovenian investors	40.8	41.1
Slovenian Sovereign Holding	16.2	16.2
KAD fund and PPS	11.0	11.0
Slovenian legal entities and funds	8.6	8.9
International investors	22.7	22.3
Treasury shares	0.7	0.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

At the end of March 2015 Krka held 214,344 treasury shares, which is 0.7% of its share capital.

The Company repurchased 41,065 treasury shares on the Ljubljana Stock Exchange in the first quarter of 2015, totalling EUR 2,378,981.

### Krka's 10 largest shareholders as at 31 March 2015

	Country	No. of shares	Share in equity (%)	Share of voting rights (%)
SLOVENSKI DRŽAVNI HOLDING, D. D.	Slovenia	5,312,070	16.20	16.31
KAPITALSKA DRUŽBA, D. D.	Slovenia	3,493,030	10.65	10.72
SOCIETE GENERALE-SPLITSKA BANKA D. D.	Croatia	1,603,797	4.89	4.92
HYPO ALPE-ADRIA-BANK D. D.	Croatia	1,120,378	3.42	3.44
KDPW	Poland	516,736	1.58	1.59
LUKA KOPER, D. D.	Slovenia	433,970	1.32	1.33
NEW WORLD FUND INC	USA	400,000	1.22	1.23
ZAVAROVALNICA TRIGLAV, D. D.	Slovenia	388,300	1.18	1.19
THE BANK OF NEW YORK MELLON	USA	334,239	1.02	1.03
UNICREDIT BANK HUNGARY ZRT	Hungary	251,668	0.77	0.77
<b>Total</b>		<b>13,854,188</b>	<b>42.25</b>	<b>42.52</b>

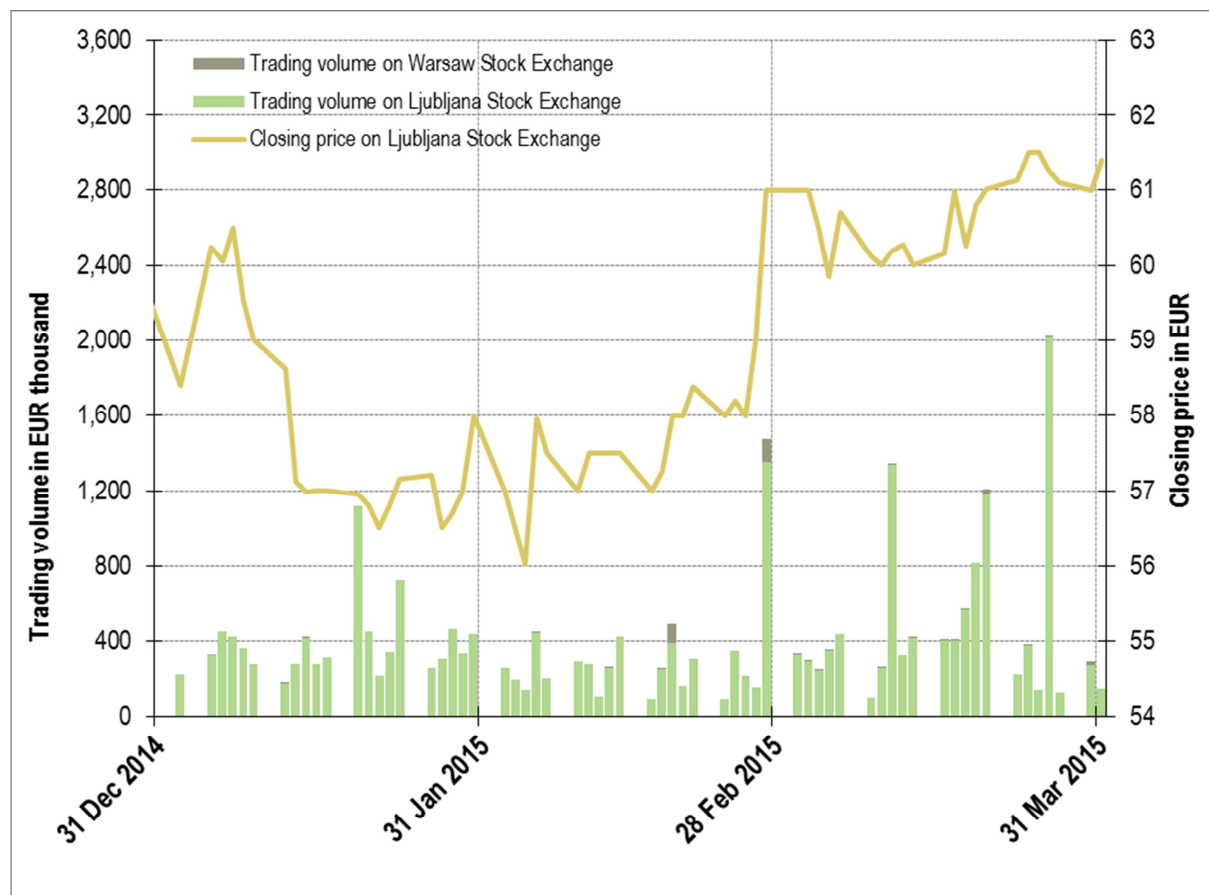
Krka's ten largest shareholders held a total of 13,854,188 shares at the end of March 2015, which is just over 42% of all issued shares.

On 31 March 2015 members of the Krka Management and Supervisory Boards held a total of 50,755 shares, which is 0.155% of all issued shares.

### Shares in equity and shares of voting rights held by members of the Krka Management and Supervisory Boards as at 31 March 2015

	No. of shares	Share in equity (%)	Share of voting rights (%)
<b>Management Board members</b>			
Jože Colarič	22,500	0.06861	0.06906
Aleš Rotar	12,770	0.03894	0.03920
Zvezdana Bajc	1,660	0.00506	0.00510
Vinko Zupančič	120	0.00037	0.00037
Danica Novak Malnar	0	0	0
<b>Total Management Board</b>	<b>37,050</b>	<b>0.11298</b>	<b>0.11300</b>
<b>Supervisory Board members</b>			
Jože Lenič	180	0.00055	0.00055
Matjaž Rakovec	0	0	0
Julijana Kristl	230	0.00070	0.00071
Vincenc Manček	11,543	0.03520	0.03543
Mojca Osolnik Videmšek	452	0.00138	0.00139
Tomaž Sever	500	0.00152	0.00153
Sergeja Slapničar	0	0	0
Franc Šašek	800	0.00244	0.00246
Mateja Vrečer	0	0	0
<b>Total Supervisory Board</b>	<b>13,705</b>	<b>0.04179</b>	<b>0.04207</b>

## Share trading January–March 2015



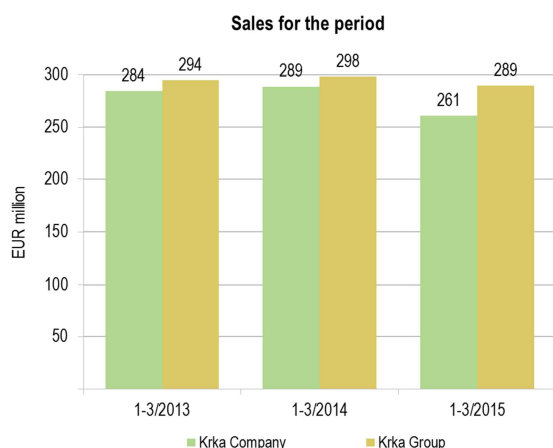
Krka's share price on the Ljubljana Stock Exchange rose by 3% in the first quarter, and stood at EUR 61.40 at the end of March. In the same period, the Slovenian blue-chip index SBI TOP rose by 1.5%. Krka's market capitalisation as at 31 March 2015 totalled EUR 2.0 billion.

Krka was the most traded share on the Ljubljana Stock Exchange in the first quarter of 2015 with its daily trading volume averaging EUR 0.4 million.

## Business operations analysis

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

### Revenues



Compared to the first quarter last year, Krka's sales revenues at Group level decreased by 3% and by 10% at Company level. The Company sold EUR 260.8 million worth of prescription pharmaceuticals,

non-prescription products and animal health products, while the Group generated EUR 289.3 million of sales revenues from these products plus the health resort and tourist services. Over 93% of its sales revenues was generated in markets outside Slovenia.

Taking into account other operating and financial income, the Group generated a total of EUR 312.4 million of revenues, and the Company EUR 284.4 million.

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

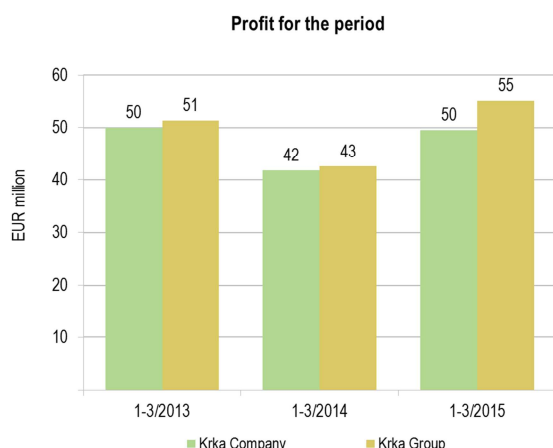
### Expenses

Total Group expenses incurred in the first quarter of 2015 amounted to EUR 248.2 million, down 2% from the same period last year.

The Group incurred EUR 247.8 million of operating expenses, of which the cost of sales was EUR 121.6 million, distribution expenses were EUR 79.4 million, R&D expenses were EUR 27.7 million, and administrative expenses were EUR 19.1 million.

The Group cost of sales increased by 1%, on a costs to sales ratio of 42.0%, and distribution expenses increased by 8%, on a costs to sales ratio of 27.4%. Group R&D expenses increased by 10%, on a costs to sales ratio of 9.6%. The Group does not capitalise R&D expenses, therefore they are recognised as expenses for the period in full. Administrative expenses remained on last year's level, their costs to sales ratio being 6.6%.

## Operating result



The Krka Group recorded EUR 43.1 million of operating profit, down 32% compared to the same period last year.

Profit before tax amounted to EUR 64.2 million, up 31% from the same period last year. Income tax totalled EUR 9.1 million, and the effective tax rate was 14.2%.

## Assets

At the end of March 2015 Krka Group assets totalled EUR 1,862.0 million, an increase by 4% compared to the year-end of 2014.

Non-current assets represent 54.7% of total assets, the proportion down 1.5 of a percentage point from the beginning of the year. The largest item under non-current assets, which totalled EUR 1,017.9 million, was property, plant and equipment on EUR 852.1 million, which represents 45.8% of the Group's total assets and is a 1% increase from the

## Equity and liabilities

From the end of 2014 the Group's equity increased by 5% to EUR 1,421.7 million, and represents 76.4% of total equity and liabilities.

Amounting to EUR 125.5 million, non-current liabilities represent 6.7% of the Group's total assets. Provisions, which amounted to EUR 98.4 million at the end of the period, were up 1% from the year-

Krka Group profit for the period amounts to EUR 55.1 million, up 30% from the year before, with the Krka Company profit for the period totalling EUR 49.6 million, up 19%.

The Group's results for the first quarter were again largely influenced by the Russian rouble's exchange rate movements. After having depreciated at the end of last year, the rouble rose over the initial months of 2015 relative to the euro, most significantly at the end of the quarter. However, it nevertheless averaged more than 30% below its last year's first quarter average level. This is why euro-denominated first quarter sales in the Russian market decreased compared to the year before – even though rouble-denominated sales increased – and drove Krka Group's operating profit down. At the same time, the rouble's appreciation relative to its 2014 year-end value resulted in net foreign exchange gains which increased financial income and thus upped the Group's profit for the period.

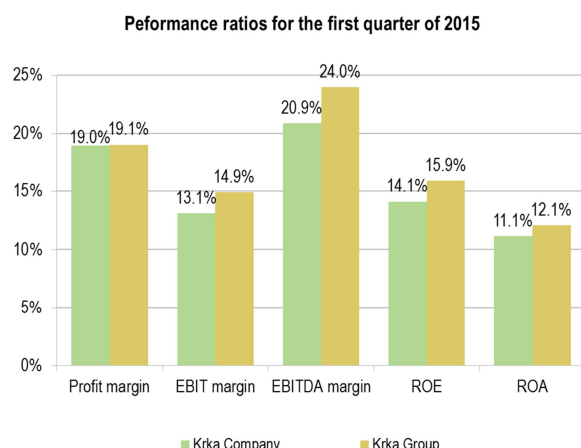
end of 2014. Intangible assets amounted to EUR 119.8 million, slightly down from the end of 2014.

Current assets were up 7% in the three months of 2015, to EUR 844.1 million. Inventories were up 8% to EUR 265.8 million, and receivables also increased by 8% to EUR 556.2 million (of which trade receivables amounted to EUR 512.2 million, which is a 9% increase from the beginning of the year).

end of 2014.

Current liabilities were down 1% from the end of 2014 and totalled EUR 314.8 million, which is 16.9% of total assets. Among current liabilities, trade payables amounted to EUR 106.9 million, down 7% compared to the year-end of 2014, with other current liabilities up 7% to EUR 176.0 million.

## Performance ratios



The Krka Group profit margin for the three months to March 2015 was 19.1% (Krka Company 19.0%), its EBIT margin 14.9% (Krka Company 13.1%) and its EBITDA margin 24.0% (Krka Company 20.9%).

ROE at the level of the Group was 15.9% (Krka Company 14.1%), with ROA at 12.1% (Krka Company 11.1%).

## Marketing and sales

Group sales in the three months to March were EUR 289.3 million and Krka Company sales amounted to EUR 260.8 million. Sales volume at

Group level increased by 2.6% compared to the same period last year.

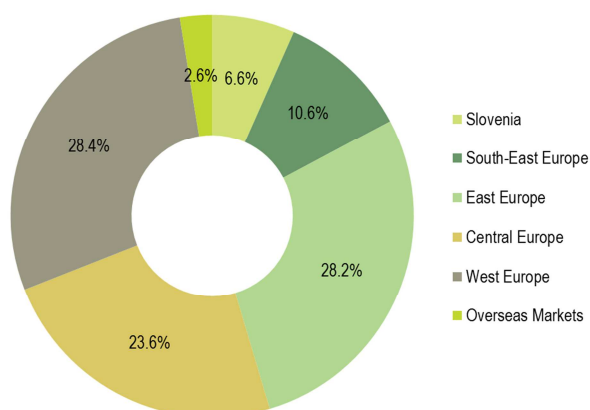
## Sales by Region

Sales were the highest in Region West Europe, where they amounted to EUR 82.1 million, which is 28.4% of total Group sales. Region East Europe reported the second best result, sales there amounting to EUR 81.5 million and representing 28.2% of total sales. The third largest area in terms of sales was Region Central Europe, where Krka sold EUR 68.4 million worth of products in the

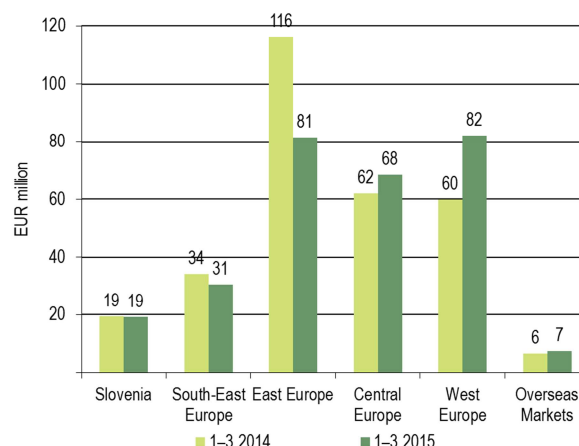
reported period, which is 23.6% of overall sales. In Region South-East Europe sales amounted to EUR 30.6 million, which represents 10.6% of Group sales. In the domestic market sales totalled EUR 19.2 million, which is 6.6% of total sales, while Overseas Markets sales generated EUR 7.5 million, or 2.6% of Group sales.

EUR thousand	Krka Group			Krka Company		
	1-3/2015	1-3/2014	Index	1-3/2015	1-3/2014	Index
Slovenia	19,204	19,286	100	13,187	12,880	102
South-East Europe	30,610	34,158	90	34,179	55,282	62
East Europe	81,484	116,206	70	78,749	104,652	75
Central Europe	68,421	62,093	110	70,701	63,423	111
West Europe	82,134	59,790	137	57,035	46,455	123
Overseas Markets	7,451	6,484	115	6,905	5,865	118
<b>Total</b>	<b>289,304</b>	<b>298,017</b>	<b>97</b>	<b>260,756</b>	<b>288,557</b>	<b>90</b>

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



## Krka Group sales by Region, January–March 2014 and 2015



### Slovenia

First quarter sales in the domestic market amounted to EUR 19.2 million, with product sales contributing EUR 12.0 million, the Terme Krka health resort and tourist services generating EUR 6.5 million, and other sales totalling EUR 0.7 million. Products sales were up 5% from the same period last year, with Krka holding a 10% market share and thus remaining the leading supplier of medicines in its domestic market.

Prescription pharmaceutical sales totalled EUR 9.4 million, with the best-selling products being Prenessa (perindopril), Nalpaza (pantoprazole), Sorvasta (rosuvastatin) and Atoris (atorvastatin). Our promotional and marketing activities focused on medicines for the treatment of cardiovascular diseases, including antihypertensives Prenessa (perindopril), Prenewel (perindopril and

indapamide), Amlessa (perindopril and amlodipine), Tolura (telmisartan) and Tolucombi (telmisartan and hydrochlorothiazide), and statins Sorvasta (rosuvastatin) and Atoris (atorvastatin). In the group of analgesics, brand recognition was consolidated for Nalgesin (naproxen), Doreta (tramadol and paracetamol) and Naklofen duo (diclofenac).

Non-prescription product sales totalled EUR 2.1 million, with the main sales drivers being Nalgesin S (naproxen), the Daleron (paracetamol) products, and Panatus (butamirate). Promotional and marketing activities were also directed into strengthening the visibility of the Septanazal brand.

Animal health product sales amounted to EUR 0.6 million, with the leading products in this group being Fypryst (fipronil), Grovit and Enroxil (enrofloxacin).

### South-East Europe

In the two largest markets in the Region, Romania and Croatia, and in Serbia sales were down in the first quarter compared to the same period last year, mainly due to the implemented price cuts for pharmaceuticals, with additional price decreases announced for 2015. In the remaining six mid-size and small markets sales increased, however their contribution to overall sales in the Region is smaller. Total sales in the markets of south-eastern Europe amounted to EUR 30.6 million in the three months, down one tenth compared to the first quarter last

year.

In **Romania**, the Region's most important market and one of Krka's key markets, sales were influenced by the announced price cuts. Despite remaining the third largest generic supplier of medicines in this market, our sales of EUR 9.6 million were down 23% from last year's.

The main sales drivers were prescription pharmaceuticals, especially Atoris (atorvastatin),

Roswera (rosuvastatin), Prenessa/Co-Prenessa (perindopril and its combination with indapamide), Karbis (candesartan), Teotard (theophylline) and Nalpaza (pantoprazole). The leading non-prescription product remained Bilobil (ginkgo biloba), the sale of which was slightly down from the same period last year, but sales were up for the other brands in this group, especially for Nalgesin/Naldorex (naproxen), Daleron (paracetamol), Herbion, Septolete, Septanazal and Septoaqua. Animal health product sales were up 32%.

The second best sales result in the Region was recorded in the key market **Croatia**, where Krka sold EUR 6.5 worth of products (down 12%) and thus ranked the number four provider of generic human health pharmaceuticals. The leading products were prescription pharmaceuticals, especially Atoris (atorvastatin), Dalneva (perindopril and amlodipine), CoPerineva (perindopril and indapamide), Helex (alprazolam), Valsacor (valsartan), Roswera (rosuvastatin), Emanera (esomeprazole) and Doreta (tramadol and paracetamol). New product launches on the market in the reported period included Moloxin (moxifloxacin), Aclixa (celecoxib) and Memando (memantine).

Sales in **Bosnia and Herzegovina** totalled EUR 4.6 million, up 4% compared to last year's first quarter. This preserved our leading market share in human health pharmaceuticals. The largest contributors to sales were prescription pharmaceuticals, with the leader remaining Enap (enalapril), followed by Lorista (losartan), Roswera (rosuvastatin), Valsacor (valsartan), Ampril (ramipril), Atoris (atorvastatin) and Naklofen (diclofenac). Non-prescription product sales were up 15%, mainly due to the best-selling brands Septolete, Panatus (butamirate) and Nalgesin (naproxen), and there was also a new product launched in this group in the first quarter, Septanazal.

In **Macedonia** sales totalled EUR 3.3 million, up 16% compared to the same period last year, preserving Krka's position as the leading foreign producer of generic pharmaceuticals. Despite decreasing reference prices, the highest sales growth rate – of 19% – was recorded for prescription pharmaceuticals, our most important

group of products. The best-selling medicines were Enap (enalapril), Tanyz (tamsulosin), Roswera (rosuvastatin), Lorista (losartan) and Atoris (atorvastatin). Good results were also reported for the oncology medication Lortanda (letrozole). The sales of non-prescription products were up 4%, with the leading products in terms of sales being Herbion, Daleron (paracetamol) and Bilobil (ginkgo biloba).

In **Serbia** the sales value of EUR 1.5 million was down compared to the same period last year, attributable to the significant reduction in prices caused by legislative changes. The volume of sales increased the most for prescription pharmaceuticals, among which the best-selling ones were Atoris (atorvastatin), Nalpaza (pantoprazole), Valsacor (valsartan) and Ampril (ramipril). The leading non-prescription product in terms of sales was Bilobil (ginkgo biloba), and the best-selling veterinary health product Floron (florfenicol).

In **Bulgaria** sales totalled EUR 2.3 million, an increase by 13% from the same period last year. The main contributors to overall sales value were prescription pharmaceuticals, the sales of which were up 19%, mainly due to newly launched products. The best-selling products were Lorista (losartan), Valsacor (valsartan) and Co-Valsacor (valsartan and hydrochlorothiazide), Prenessa (perindopril) and Co-Prenessa (perindopril and hydrochlorothiazide), Roswera (rosuvastatin), Atoris (atorvastatin), Rawel (indapamide), Amlessa (perindopril and amlodipine), and the newly launched Doreta (tramadol and paracetamol) and Moloxin (moxifloxacin). Animal health product sales were up 12%, while the sales of non-prescription products were down.

First quarter sales in **Kosovo**, where Krka is one of the leading suppliers of pharmaceuticals, totalled EUR 1.6 million, up 17% compared to the first quarter last year. Sales in **Albania** were up 11% to EUR 966 million. The main sales drivers were Lorista (losartan), Enap (enalapril), Valsacor (valsartan) and Atoris (atorvastatin). In **Montenegro** – where sales results depend on our success rate at public tenders and on our launching new products by obtaining marketing authorisation decisions – sales amounted to EUR 213 thousand, up 8% compared to the first three months last year.

## East Europe

Region East Europe comprises several markets, including Krka's key markets the Russian Federation and Ukraine. The complex turn of events there has spilled over into the economic instability of the Region's leading markets, which is the main reason behind the 30% decline in our sales there as compared to last year's in the same period. First quarter product sales in Region East Europe totalled EUR 81.5 million.

The rouble's depreciation at the end of last year continued to exert considerable influence on our operations in the key market the **Russian Federation**, which remains Krka's largest individual market. The rouble was up in the three months to March, the most at the end of the quarter, but nevertheless averaged more than 30% below its last year's first quarter average level. As a result of exchange rate fluctuations, the euro-denominated sales value in this market was down 27% compared to the same period last year, amounting to EUR 61.5 million, with rouble-denominated sales up 1%.

The main sales drivers were human health products, especially the leading brands Lorista (losartan), Enap (enalapril), Atoris (atorvastatin), Herbion, Perineva (perindopril), Zyllt (clopidogrel), Nolpaza (pantoprazole), Roxera (rosuvastatin), Orsoten (orlistat) and Pikovit. Although representing a smaller proportion of sales value, the group of animal health products recorded the highest sales growth rate, with the leading product being Floron (florfenicol). An important contribution to sales came from pharmaceuticals launched on the market in the last five years, especially Roxera (rosuvastatin), Emanera (esomeprazole) and Dalneva (perindopril and amlodipine), and the recently launched Vizarsin (sildenafil), Vamloset (valsartan and amlodipine) and Bravadin (ivabradine).

A substantial proportion of products sold in that market is manufactured in our Krka-Rus factory. More products are continuously being added to the production line there.

Operations in **Ukraine**, where first quarter product sales totalled EUR 2.8 million, were marked by continuing uncertainty and instability of the domestic currency. The pharmaceuticals market continued to decline, with its February euro-denominated value at only 55% its February 2014 size. Both pharmacies and distributors are striving to reduce their inventories and optimise their product offer,

and are therefore considerably reducing the number of products held in supply. An additional problem faced by the country's distributors is the new foreign exchange legislation, which restricts access to foreign exchange by disallowing loans for the purchase of foreign currency. Pharmaceutical wholesalers are thus focusing on selling products in high demand, and only to pharmacies that can settle their liabilities in short payment periods. Despite all this we managed to record a secondary sales index of 70 in the first quarter of 2015 compared to that of 2014, which is the smallest decline among all market participants, with our market share increasing considerably. Our best-selling product group was prescription pharmaceuticals, among which the leaders in terms of sales were Dexamethason (dexamethasone), Nolpaza (pantoprazole), Prenessa (perindopril), Lorista (losartan), Valsacor (valsartan), Ciprinol (ciprofloxacin) and Atoris (atorvastatin).

In **Uzbekistan** sales were up 11% to EUR 5.1 million, making this the second most successful market in the Region in terms of sales. Krka consolidated its position as one of the leading generic producers in this Central Asian country. The sales of our best-selling product group, prescription pharmaceuticals, were up 23% with the main sales drivers being Lorista (losartan), Enap (enalapril), Amprilan (ramipril) and Amlessa (perindopril and amlodipine). The latter was launched last year, and good sales results are also reported for Dezzradin (desloratadine) and Co-Amlessa (perindopril, amlodipine and indapamide), both launched this year. The sales leaders among products available without prescription were Pikovit, Herbion in Septotele.

Sales in **Kazakhstan** were EUR 3.7 million, down 14% compared to the same period last year. This country, an important member of the Eurasian Economic Community, is also feeling the effects of the economic crisis in the Russian Federation. Despite this Krka increased its market share in the reported period, mainly due to the sales of prescription pharmaceuticals, especially Gliklada (gliclazide), Zyllt (clopidogrel) and Prenessa (perindopril). We successfully launched products of the Valodip (amlodipine and valsartan) and Telmista (telmisartan) brands. The subsidiary Krka Kazakhstan started operating as a distributor in January, and we expect this to further strengthen our market position.

Despite the depreciation of the local currency in **Belarus** sales to March totalled EUR 3.1 million, up 6% compared to the same period last year. The main sales drivers were prescription pharmaceuticals, especially Lorista (losartan), Enap (enalapril) and Nolpaza (pantoprazole). We successfully launched a new product, Emanera (esomeprazole).

In **Moldova** we sold EUR 678 thousand worth of products, more than halving last year's first quarter result. This was due to the delaying the registration of the 2015 prices for as many as one half of all our products, which prevented the imports of some of our very important products in terms of sales, including Ampril (ramipril), Rawel SR (indapamide), Enap (enalapril), Tenox (amlodipine) and Lorista (losartan). First quarter lower sales will be compensated for as early as in April. Two new products were launched in the reported period, Vizarsin (sildenafil) and Roswera (rosuvastatin), thus consolidating our product offer in the Moldova market.

## Central Europe

Product sales in Region Central Europe amounted to EUR 68.4 million in the three months of 2015, up one tenth relative to the same period last year. Sales growth was recorded in all markets of the region, apart from Lithuania.

In **Poland** sales were up 8% to EUR 34.1 million, which is almost one half of the Region's overall sales, preserving the country's status of the number one key market in Central Europe. The main sales drivers were prescription pharmaceuticals, mainly Atoris (atorvastatin), Roswera (rosuvastatin), Valsacor (valsartan), Nolpaza (pantoprazole), Lorista (losartan), Doreta (tramadol and paracetamol), Fromilid (clarithromycin) and Tolura (telmisartan), while good initial results were also recorded for the newly launched Aclera (celecoxib). The leading non-prescription products in terms of sales remain Bilobil (ginkgo biloba) and Septotele, while in the group of animal health products the best-sellers are Fypryst (fipronil) and Floron (florfenicol).

In another key market, **Hungary**, sales were up 1% to EUR 11.1 million. The main sales drivers were prescription pharmaceuticals, especially Prenessa (perindopril), Atoris (atorvastatin), Fromilid

Operations in **Mongolia** were largely influenced by the unfavourable economic conditions in the country. We nevertheless managed to sell EUR 1.2 million worth of products there, which is 93% of last year's first quarter sales. Krka remains one of the leading suppliers of pharmaceuticals in this country in which we launched the Septotele spray in the reported period and continued spreading our sales team network.

Despite the uncertain start of the year in **Georgia** sales there amounted to EUR 815 thousand in the three months, which is on the same level as last year. In **Turkmenistan** sales increased by 6%, mainly driven by the 11% sales growth for non-prescription products. The 34% depreciation of the local currency in February was the main reason for sales in **Azerbaijan** decreasing by 20%. Uncertainty and changes related to the country's entry into the Eurasian Economic Community drove sales in **Kyrgyzstan** down 4% from last year's. Sales were likewise down 22% compared to last year's first quarter in **Armenia**. Our sales in **Tajikistan** remained on the same level as in the first quarter last year.

(clarithromycin), Roxera (rosuvastatin), Nolpaza (pantoprazole), and Dalnessa (perindopril and amlodipine) together with its fixed-dose combination with a diuretic. The second product group in terms of sales was non-prescription products, among which the leading one was Bilobil (ginkgo biloba), followed by animal health products, among which the best-sellers were Fypryst (fipronil), Enroxil (enrofloxacin) and Entemulin (tiamulin), the latter becoming more and more established.

Product sales in **Slovakia** totalled EUR 10.0 million, up 13% compared to the same period last year. The main sales drivers were prescription pharmaceuticals, especially Prenessa (perindopril), Valsacor (valsartan), Atoris (atorvastatin), Fromilid (clarithromycin), Nolpaza (pantoprazole), and Amlessa (perindopril and amlodipine) together with its fixed-dose combination with a diuretic. The best sales results in the group of non-prescription products were recorded for Nalgesin (naproxen) and Septotele, while in the group of animal health products the best-sellers were Enroxil (enrofloxacin) and Floron (florfenicol).

Operations in the **Czech Republic** – Krka's third key market in terms of sales value in the Region –

are still largely under the influence of changes in the country's healthcare system which resulted in a drastic lowering of the prices of pharmaceuticals and caused competition to tighten. Three-month sales nevertheless increased by 57% compared to the same period last year, totalling EUR 5.0 million. The leading product group in terms of sales was prescription pharmaceuticals, of which the most important products were Fromilid (clarithromycin), the newly launched Aryzalera (aripiprazole), Amlessa (perindopril and amlodipine), Prenessa (perindopril), Atoris (atorvastatin) and Lanzul (lansoprazole). The best-selling non-prescription product brands were Nalgesin (naproxen) and Bisacodyl (bisacodyl). The high sales growth rate in the veterinary product group was mainly driven by Fypryst (fipronil) and Dehinell (febantel, pyrantel embonate and praziquantel).

Product sales in **Lithuania** totalled EUR 4.5 million, down 4% compared to the same period last year.

## West Europe

Product sales in Region West Europe amounted to EUR 82.1 million in the three months of 2015, up 37% compared to the same period last year. Overall sales growth was mainly due to the 70% increase in sales via Krka subsidiaries, their proportion of sales having risen to 64% of the Region's. At the same time, sales via unaffiliated companies ceased to decline. High growth rates are attributable to the successful launches of three modern generic central nervous system pharmaceuticals, i.e. pregabalin, aripiprazole and duloxetine, and to the growing visibility of Krka's products marketed under our own brands.

The structure of sales according to groups of products did not change considerably. The dominant share of sales, i.e. 94%, came from prescription pharmaceuticals, which also recorded the highest sales growth rate among all product groups, being up 42% year-on-year. The leading products were the generic aripiprazole, esomeprazole, pregabalin, pantoprazole and atorvastatin.

Animal health product sales remained on the same level as in the first quarter last year, and represented 5% of total sales in the Region. The declining sales of veterinary products via unaffiliated companies were offset against growing sales of Krka brand products. Non-prescription product sales were down compared to the same period last year.

The main sales drivers remained prescription pharmaceuticals, especially Valsacor (valsartan), Prenessa (perindopril) and Amlessa (perindopril and amlodipine). The remaining sales were generated in non-prescription products, including Daleron COLD3 (paracetamol, pseudoephedrine and dextromethorphan) and Nalgesin (naproxen), and in animal health products, especially Fypryst (fipronil) and Enroxil (enrofloxacin).

In the other two Baltic markets sales in the first quarter of 2015 were up. In **Latvia** they increased by 29% to EUR 2.4 million with the best-selling products being Prenessa (perindopril), including its fixed-dose combination with a diuretic, Atoris (atorvastatin), and Tolura (telmisartan), including its fixed-dose combination with a diuretic. Sales in **Estonia** increased by 22% to EUR 1.4 million. The main sales drivers in this market were likewise prescription pharmaceuticals for cardiovascular diseases.

Representing 30% of the Region's sales and having recorded a 63% growth in the past quarter, **Germany** remains our by far most important regional market. Sales there totalled EUR 24.3 million, of which more than 90% were generated by the subsidiary TAD Pharma, which recorded an 86% increase in sales compared to the first quarter last year. High sales growth was due to the good sales results for the generic aripiprazole and pregabalin, which we launched as the first generic company at the end of 2014, and due to the generic duloxetine, which we were the first and remain the only generic company in the market to have launched.

Representing 15% in the Region's sales, the second largest market is **Spain**, where total sales were EUR 12.5 million, the majority from Krka's brand products sold via a public tender in Andalusia. With a now 13% share in the Region's overall sales, the number three sales office became the **UK and Ireland**, where sales more than doubled in the past quarter compared to the same period last year. The EUR 11.0 million of sales were mainly driven by the successful sale of the generic aripiprazole in the UK and the launch of the generic pregabalin in Ireland. In the **Nordic countries** sales were up more than 60% to EUR 9.8 million, mainly driven by the generic aripiprazole and pregabalin. Sales in

**France** totalled EUR 8.7 million, the majority generated via unaffiliated companies. Sales growth has also remained high in relative as well as absolute terms in the subsidiary Krka Farmacêutica, which is still one of the fastest growing pharmaceutical companies in **Portugal**. In **Italy** we sold EUR 4.2 million worth of products, slightly

down compared to the same period last year, with sales via the subsidiary Krka Farmaceutici up 60%. Sales in **the Benelux** halved compared to the first quarter last year due to lower sales via unaffiliated companies, while in **Austria** sales were up 20%, with the subsidiary Krka Pharma Vienna reporting a sales growth of more than 50%.

## Overseas Markets

Three-month product sales in the Overseas Markets totalled EUR 7.5 million, up 15% compared to the same period last year. All three sales offices contributed to rising sales, in the largest proportion due to prescription pharmaceuticals.

The **Far East and Africa** sales office reported an 11% sales increase, sales there amounting to EUR 3.8 million. Among the numerous markets the best results were reported for the Republic of South Africa, Vietnam, Malaysia, China and Ghana. The main contribution to overall sales came from prescription pharmaceuticals, especially those containing lansoprazole, amlodipine, enalapril, simvastatin and doxazosin.

Despite the situation in that area, the highest sales growth rate, of 20%, was recorded by the **Middle East** sales office, where sales totalled EUR 3.6 million. Our most important markets there remain Iran, Iraq, Yemen and Lebanon, and our best-selling products are Asentra (sertraline), Letizen (cetirizine), Ultop (omeprazole) and Valsacor (valsartan).

The sales office **the Americas** focused on the markets of Central America and recorded a 5% sales increase. The best-selling products in those markets were Valsacor (valsartan), Emanera (esomeprazole) and Tolura (telmisartan).

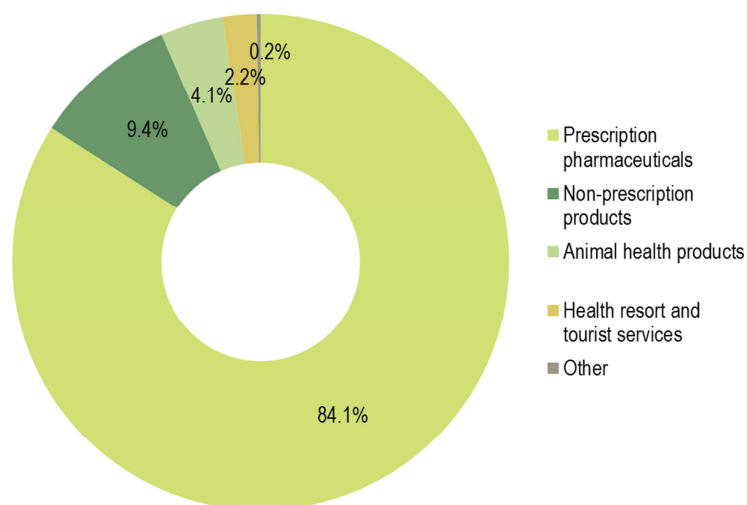
## Krka Group and Krka Company sales by product and service group

The Group generated 93.5% of overall sales during the period January to March 2015 in human health products, reaffirming them as Krka's most important product group. The most sales, i.e. 84.1%, were generated in prescription pharmaceuticals, followed

by non-prescription products on 9.4% and animal health products on 4.1% of total Group sales. Health resort and tourist services represent 2.2% of overall Krka Group sales.

EUR thousand	Krka Group			Krka Company		
	1-3/2015	1-3/2014	Index	1-3/2015	1-3/2014	Index
Human health products	270,391	279,342	97	247,818	275,411	90
– Prescription pharmaceuticals	243,217	248,294	98	223,523	249,355	90
– Non-prescription products	27,174	31,048	88	24,295	26,056	93
Animal health products	11,743	10,894	108	11,785	11,771	100
Health resort and tourist services	6,456	6,830	95			
Other	714	951	75	1,153	1,375	84
<b>Total</b>	<b>289,304</b>	<b>298,017</b>	<b>97</b>	<b>260,756</b>	<b>288,557</b>	<b>90</b>

## Krka Group sales by product and service groups, January–March 2015



### Prescription pharmaceuticals

The Group sold EUR 243.2 million worth of prescription pharmaceuticals in the first quarter, down 2% compared to the same period last year. Sales increased the most in Region West Europe (up 42%) and Region Central Europe (up 8%), and they were up 19% in Region Overseas Markets. The other sales regions reported declining sales.

With respect to large markets, prescription pharmaceutical sales were up the most compared to the same period last year in Germany (up 68%), the Czech Republic (up 58%), Spain (43%) and Poland (7%).

As to mid-size markets, sales were up considerably in Uzbekistan (up 23%), Macedonia and Bulgaria (up 19% in both), and Slovakia (11%).

Among the markets considered small in terms of the sales of Krka's prescription pharmaceuticals, sales increased the most in Finland (up 46%), Mongolia (up 37%), Latvia (up 26%), Kosovo and Azerbaijan (up 21% in both), and Austria (up 19%).

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

The highest sales growth rates in absolute terms compared to the same period last year were

recorded by the newest products Aryzalera\* (aripiprazole), Pragiola\* (pregabalin) and Dulsevia\* (duloxetine), and by Amlessa\* (perindopril with amlodipine), Valsacor\* (valsartan), Aclixa (celecoxib), Lorista (losartan), Karbis (candesartan), Moloxin\* (moxifloxacin) and Doreta (tramadol and paracetamol).

In the first quarter of 2015 we were the first generic company to launch the new antidepressant Duloxalta (duloxetine) in Germany, and we also launched it in the UK.

The other new important central nervous system medications that we launched as the first generic company to do so, were aripiprazole in Austria, Denmark and Finland, and pregabalin in Austria, Denmark, Ireland and Portugal.

We also launched existing products on new markets:

- Atordapin (atorvastatin and amlodipine) in Latvia;
- Moloxin\* (moxifloxacin) in Croatia, Finland and France;
- Canocombi (candesartan and hydrochlorothiazide) in Estonia;
- Aclixa (celecoxib) in Croatia and Kosovo;
- Tolura (telmisartan) and Tolucombi (telmisartan and hydrochlorothiazide) in Estonia;
- Co-Prenessa (perindopril and indapamide) in Azerbaijan;

- Amlessa (amlodipine and perindopril) in Turkmenistan;
- Sobykor (bisoprolol) in Bosnia and Herzegovina;
- Sobycombi (bisoprolol and amlodipine) in Hungary;
- Roswera (rosuvastatin) in Moldova;
- Emanera (esomeprazole) in Kosovo;
- Marixino\* (memantine) in Croatia and the Russian Federation.

### Non-prescription products

We sold EUR 27.2 million worth of non-prescription products, a decrease by 12% compared to the same period last year.

Sales increased in Slovenia (up 49%) and Region Central Europe (up 31%), while in all the other regions sales were down, the most in Region East Europe.

The large market in which sales increased the most was Poland (up 22%). The other markets with high sales growth rates were Latvia (up 56%), Slovakia (up 46%), Moldova (up 19%), the Czech Republic and Bosnia and Herzegovina (up 15% in both), and Turkmenistan (up 11%).

Sales increased for the seasonal products Herbion, Septolete and Daleron.

### Animal health products

First quarter animal health product sales totalled EUR 11.7 million, up 8%. Sales increased the most in Region Central Europe (up 35%) and Region South-East Europe (up 18%), and they were also up in Slovenia and Region East Europe.

Among the largest markets, sales were up the most in France (up 46%), Germany (up 29%), Poland (up 24%) and the Russian Federation (up 13%), and as to the other large markets high sales growth rates were reported in the Czech Republic (up 70%),

Romania (up 32%), Croatia (up 21%) and Hungary (up 20%).

The best-sold products were Floron (florfenicol), Fypryst\* (fipronil) and Enroxil\* (enrofloxacin), followed by Milprazon\* (milbemycin oxime and praziquantel) and Marfloxin\* (marbofloxacin). After launching it for the first time in 2014, Milprazon\* was launched on several new markets of western, central and south-eastern Europe in the first quarter this year. In addition, we launched Marfloxin\* (marbofloxacin) injections for cats and dogs on the markets of central Europe and in Germany.

### Health resort and tourist services

In the three months to March 2015 the Terme Krka Group generated EUR 6.5 million of sales, a decrease by 5% compared to the first quarter last year. Overnight stays were down 7% compared to the same period last year. Overnight stays by foreign guests were down 15% and those by domestic guests 4%. The decline in foreign visits is

primarily the result of fewer Russian guests, the number of which has halved on account of the depreciation of the rouble. Our most numerous group of foreign guests, Italians, was up 2%, however this only partly compensated for the fewer Russian guests.

*\*Products in this chapter marked with an asterisk (\*) are marketed under different brand names in individual markets.*

## Research and development

In the first quarter of 2015 we obtained marketing authorisations for six new products in 15 pharmaceutical dosage forms and strengths, and

### Prescription pharmaceuticals

We obtained first marketing authorisations for six new prescription pharmaceuticals in 15 dosage forms and strengths.

Approvals were granted in 13 countries under the decentralised procedure for **duloxetine** gastro-resistant capsules in two strengths. Duloxetine is an antidepressant from the group of serotonin and noradrenaline reuptake inhibitors (SNRIs). It is used to treat depression and generalised anxiety disorder.

Applying the European decentralised procedure we obtained marketing authorisations for **Levalox** (levofloxacin) in the form of film-coated tablets in two strengths and in the form of solution for infusion. Both forms are quinolones, broad-spectrum antibiotics used to treat sinus, lung, urinary tract, kidney and bladder infections, long-term prostatitis, and infections of the skin and subcutaneous tissue.

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

A new hypertension medicinal product, **Tenliza** (amlodipine and lisinopril) tablets, was approved in the Russian Federation. It contains a fixed-dose combination of two active ingredients tested to reduce blood pressure, a calcium channel blocker and an ACE inhibitor, whose complementary mechanism of action provides for efficient blood pressure control.

New products were registered under the **Opryme** (pramipexole) brand, with prolonged-release tablets in the additional strengths of 2.62 mg and 3.15 mg registered under the centralised procedure. The medicine is used either in mono- or combination

acquired 178 new marketing authorisations for 67 products in different markets.

therapy to treat the signs and symptoms of Parkinson's disease. It can be taken once a day.

The antiepileptic **Pragiola** (pregabalin) in the form of capsules in eight strengths was launched on new European markets. We were the first to obtain authorisations to market it in all selected European countries after having passed decentralised procedures. The product is used to treat epilepsy and generalised anxiety disorder.

In different eastern European countries we obtained new marketing authorisations for Krka's key products **Emanera** (esomeprazole), **Roxera** (rosuvastatin), **Moloxin** (moxifloxacin), **Opryme** (pramipexole), the **Nolpaza** (pantoprazole) solution for injection, and **atorvastatin**. In addition, approvals were granted for a series of our fixed-dose combinations, including **Co-Amlessa** (perindopril, indapamide and amlodipine), **Atordapin** (atorvastatin and amlodipine), **Amlessa** (perindopril and amlodipine), **Valsacor H80/Valsacor H160/Valsacor HD160** (valsartan and hydrochlorothiazide), **Vamloset/Valodip** (amlodipine and valsartan), **Co-Prenessa** (perindopril and indapamide), **enalapril maleate** and its fixed-dose combinations with hydrochlorothiazide, and **Enap L Combi** (lercanidipine and enalapril).

Prescription pharmaceuticals from various indication areas were registered in the markets of south-eastern Europe. New approvals were obtained for the antibiotics **Moloxin** (moxifloxacin) in the form of film-coated tablets and in the form of solution for injection, **Fromilid** (clarithromycin) 500 mg film-coated tablets, **Azibiot** (azithromycin) 250 mg film-coated tablets, **Gliclada SR** (gliclazide) sustained-release tablets, and the cytostatic **Escepran** (exemestane). New marketing authorisations were obtained in different markets for fixed-dose combinations of two and three active ingredients for the treatment of cardiovascular conditions, including **Atordapin** (amlodipine and atorvastatin), **Tenloris** (losartan and amlodipine), and **Amlewell** (perindopril, indapamide and amlodipine).

## Non-prescription products

In different eastern European markets we obtained approvals for certain key products for the treatment of cold and flu symptoms.

The **Septoaqua nasal spray for adults** and the **Septoaqua nasal spray for children** were additionally registered in Belarus, and the **Septanazal nasal spray for adults** and the **Septanazal nasal spray for children** in Uzbekistan and Turkmenistan.

## Animal health products

Applying the decentralised procedure we obtained marketing authorisations in 27 European countries for the new medicinal product **Milprazon/Milquantel** (milbemycin oxime and praziquantel) in the form of film-coated flavoured tablets for small cats and kittens. The product is a state-of-the-art intestinal wormer for cats, used to treat intestinal parasites, lung worms and eye worms, and due to its systemic mode of action it also prevents the development of heart worms.

Additional approvals were granted under the decentralised procedure for **Dehinel Plus Flavour** and **Dehinel Plus XL** tablets, treating internal parasite infestations in dogs. In Serbia we obtained a new marketing authorisation for **Fypryst Combo**

The **Septolete plus spray** was additionally registered in Tajikistan, and the **Daleron COLD 3** film-coated tablets in Azerbaijan.

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

(fipronil and S-methoprene) in the form of spot-on solution in five strengths, a product preventing and treating tick, flea and lice infestations in cats, dogs and skunks. Also in Serbia approvals were granted for **Rycarfa** (carprofen) in the form of solution for injection for cats and dogs, and in the form of flavoured tablets in three strengths for dogs, both products used as pain relievers.

In Serbia we obtained marketing authorisations for two products for farm animals, the **Flimabend** (flubendazole) oral suspension used to treat internal parasites in poultry and pigs, and the **Marfloxin** (marbofloxacin) 100 mg/ml solution for injection used to treat respiratory infections in cattle and pigs.

## Investments

In the first quarter of 2015 the Krka Group allocated EUR 20.3 million to investments, of which the controlling company invested EUR 17.5 million and subsidiaries EUR 2.8 million. Investments are primarily increasing and modernising our production, and research and development capacities.

The construction of the new production plant for solid dosage pharmaceuticals – Notol 2, which had started back in June 2012 at Krka's pivotal location in Ločna, Novo mesto, Slovenia, is now complete. The 55,000 m<sup>2</sup> plant has been the largest investment in Krka's history, with estimated value EUR 200 million. In November 2014 Krka obtained the decision issuing an operation permit to Notol 2 for the trial period of one year. After being successfully verified by the Agency for Medicinal

Products and Medical Devices of the Republic of Slovenia, production started in February 2015.

Production lines will gradually be added to Notol 2 to increase its production capacity to the target 4.5 billion tablets and capsules per year. The transport system connecting Notol 2 and the end-products warehouse has also been completed. It was fitted with logistical equipment required to increase its capacity and fluidity after production in Notol 2 is launched, with the investment totalling EUR 2.6 million.

The construction of the new complex for the production of pharmaceutical ingredients in Krško, Slovenia with which we have been increasing 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. Production has started on three lines. In order to secure the required amount of raw material, the second production module will also be fitted in 2015. The entire project's estimated investment value is EUR 85 million.

We are building an extension next to Krka's existing plant in Ljutomer, Slovenia to increase its production capacity. Construction works started during the New Year holidays, with the 3,943 m<sup>2</sup> facility completed at the end of February 2015. Installation works are currently ongoing, and the delivery of the lozenges production line is expected in May. The project's estimated investment value is EUR 11.5 million, and it should be completed by the autumn of 2015 when we plan to start manufacturing a new product there, Septotele Total.

Krka's key new investment of 2015 to support development activities and quality assurance will be the new development and control centre RKC 4. It will connect to the existing RKC 2 and RKC 3 buildings that are also located in Ločna. The 18,000 m<sup>2</sup> complex will cost EUR 54 million. Project documentation and basic designs have been completed.

Two investments are in the design phase in the sterile product production plant. The investment into increasing the production capacity for sprays is estimated at EUR 8 million, while the purchase and preparation of a small scale lyophilisate production line will cost EUR 6 million.

In Ločna we are also increasing the capacity of the boiler room and upgrading the biological treatment plant. The two investments are estimated at EUR 1.9 million, with the related project documentation and basic designs now completed.

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

Due to the expansion of our production programme in the Jastrebarsko distribution and production centre in Croatia, the warehousing and distribution segment of the facility will be converted to accommodate production, and the existing production segment renovated. The preparation of project documentation is ongoing.

The subsidiary Terme Krka opened a small thermal-water pool next to Hotel Šport in Otočec, Slovenia at the end of December 2015. Still ongoing is the energy efficiency overhaul of the hotel with the replacement of builders' joinery elements and renovation of the façade. The total investment is estimated at EUR 2.8 million.

## Employees

At the end of March the Group had 10,505 employees. Krka's subsidiaries and representative offices outside Slovenia employ almost 54% of the

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

### Educational structure

	31 Mar 2015		31 Dec 2014	
	No. of employees	Share (%)	No. of employees	Share (%)
Doctorate	127	1.2	126	1.2
Master of science	337	3.2	339	3.2
University education	5,325	50.7	5,306	50.5
Higher professional education	1,288	12.3	1,282	12.2
Vocational college education	269	2.5	271	2.6
Secondary school education	1,891	18.0	1,891	18.0
Other	1,268	12.1	1,284	12.3
<b>Total Krka Group</b>	<b>10,505</b>	<b>100.0</b>	<b>10,499</b>	<b>100.0</b>

We ensure a continuous inflow of new talented employees by offering study grants to students. At the end of March 2015 we had a total of 54 scholarship holders.

Krka employees in Slovenia and abroad undergo additional training in various areas of expertise to acquire new knowledge on quality, leadership, personal growth and informatics, and to learn foreign languages. Training is adjusted to our employees' needs, the technological process, market conditions, and the Group's development requirements, which is why we organise the majority of staff trainings ourselves. For our marketing and sales staff we organise numerous seminars led by over 50 in-house trainers. We have a job coaching system in place for new employees at all posts.

Our employees learn about the most demanding topics and most recent discoveries at faculties, institutes and other institutions, both at home and abroad. At the end of March 2015, 298 employees were enrolled into part-time studies, 45 of them postgraduate students obtaining a specialisation, master's degree or doctoral degree. We support them by partly funding their tuitions and by granting study time leaves.

Krka is the only certificate-awarding body with the power to examine and approve six national vocational qualification programmes (NVQ) in the area of the pharmaceutical industry. By examining and approving candidates under the NVQ system between 2002 and the beginning of April 2015, we

have awarded a total of 1,239 NVQ certificates – 1,097 to Krka employees and 142 to the employees of other companies and pharmacies.

In 2015 our employees can again enjoy a wide range of activities with which we provide for a wholesome quality of work and life so that Krka's mission of *Living a Healthy Life* is applied to our employees too.

In the finals of the Zlata nit (Golden Thread) media research project and employer-of-the-year campaign organised by the publishing house Dnevnik, Krka was declared the winner in the category of large companies at the March ceremony.

Krka displays social corporate responsibility and responsibility toward our environment. In April we again organised Krka's annual Week of Charity and Volunteering. It brought together 1,179 of our employees, which is 24% of the entire Krka team in Slovenia; 192 of them participated for the first time. At 14 Krka locations around Slovenia and in large numbers we donated clothes, toys, footwear, food, books and other consumables for adults and children, and pet food, collecting a total of 4,100 kg of consumable commodities and 400 kg of pet food. Among the 331 blood donors 69 donated blood for the first time. At the Red Cross and Karitas charities we helped prepare food packages, grouped clothing items and distributed relief, and we also helped out at two animal shelters. We took part in creative workshops and kept company with tenants of seven

occupational activity centres and other institutions, and with the elderly in 31 retirement homes. In four retirement homes we also prepared performances.

Also in the context of the charity campaign we donated a device to the Otorhinolaryngology Department of the Novo mesto General Hospital to

help in nose and sinus surgery. We concluded the charity week with an open door day for members of 56 societies (40 firefighters' and 16 patients' associations) which bring together numerous volunteers that set an example with their actions. They were taken on a tour of Notol 2.

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

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

EUR thousand	31 Mar 2015	31 Dec 2014	Index
<b>Assets</b>			
Property, plant and equipment	852,054	846,478	101
Intangible assets	119,828	120,325	100
Loans	7,275	6,944	105
Investments	8,485	7,388	115
Deferred tax assets	30,033	27,521	109
Other non-current assets	229	174	132
<b>Total non-current assets</b>	<b>1,017,904</b>	<b>1,008,830</b>	<b>101</b>
Assets held for sale	41	41	100
Inventories	265,803	246,260	108
Trade receivables	512,237	467,841	109
Other receivables	44,010	47,436	93
Loans	935	1,177	79
Investments	144	575	25
Cash and cash equivalents	20,912	23,585	89
<b>Total current assets</b>	<b>844,082</b>	<b>786,915</b>	<b>107</b>
<b>Total assets</b>	<b>1,861,986</b>	<b>1,795,745</b>	<b>104</b>
<b>Equity</b>			
Share capital	54,732	54,732	100
Treasury shares	-13,060	-10,677	122
Reserves	96,781	77,291	125
Retained earnings	1,281,979	1,229,245	104
<b>Total equity holders of the parent</b>	<b>1,420,432</b>	<b>1,350,591</b>	<b>105</b>
Non-controlling interests within equity	1,305	1,308	100
<b>Total equity</b>	<b>1,421,737</b>	<b>1,351,899</b>	<b>105</b>
<b>Liabilities</b>			
Provisions	98,351	97,466	101
Deferred revenue	14,096	14,905	95
Deferred tax liabilities	13,031	13,050	100
<b>Total non-current liabilities</b>	<b>125,478</b>	<b>125,421</b>	<b>100</b>
Trade payables	106,925	115,051	93
Borrowings	28,063	38,019	74
Income tax payable	3,784	1,332	284
Other current liabilities	175,999	164,023	107
<b>Total current liabilities</b>	<b>314,771</b>	<b>318,425</b>	<b>99</b>
<b>Total liabilities</b>	<b>440,249</b>	<b>443,846</b>	<b>99</b>
<b>Total equity and liabilities</b>	<b>1,861,986</b>	<b>1,795,745</b>	<b>104</b>

## Consolidated income statement of the Krka Group

EUR thousand	1–3/2015	1–3/2014	Index
Revenues	289,304	298,017	97
Cost of sales	-121,619	-120,085	101
<b>Gross profit</b>	<b>167,685</b>	<b>177,932</b>	<b>94</b>
Other operating income	1,657	3,119	53
Distribution expenses	-79,409	-73,792	108
R&D expenses	-27,722	-25,221	110
Administrative expenses	-19,143	-19,054	100
<b>Operating profit</b>	<b>43,068</b>	<b>62,984</b>	<b>68</b>
Financial income	21,416	313	6,842
Financial expenses	-260	-14,354	2
<b>Net financial result</b>	<b>21,156</b>	<b>-14,041</b>	
<b>Profit before tax</b>	<b>64,224</b>	<b>48,943</b>	<b>131</b>
Income tax payable	-9,110	-6,403	142
<b>Profit for the period</b>	<b>55,114</b>	<b>42,540</b>	<b>130</b>
<b>Attributable to:</b>			
– equity holders of the parent	55,117	42,542	130
– non-controlling interest	-3	-2	150
<b>Basic earnings per share (in EUR)</b>	<b>1.69</b>	<b>1.30</b>	<b>131</b>
<b>Diluted earnings per share (in EUR)</b>	<b>1.69</b>	<b>1.30</b>	<b>131</b>

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

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

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

EUR thousand	1–3/2015	1–3/2014	Index
<b>Profit for the period</b>	<b>55,114</b>	<b>42,540</b>	<b>130</b>
<b>Other comprehensive income for the period</b>			
<i>Other comprehensive income reclassified to profit or loss in future periods</i>			
Translation reserve	16,196	-8,944	
Change in fair value of available-for-sale financial assets	1,097	210	522
Deferred tax effect	-186	-36	517
<b>Other comprehensive income reclassified to profit or loss in future periods (net)</b>	<b>17,107</b>	<b>-8,770</b>	
<b>Total other comprehensive income for the period (net of tax)</b>	<b>17,107</b>	<b>-8,770</b>	
<b>Total comprehensive income for the period</b>	<b>72,221</b>	<b>33,770</b>	<b>214</b>
Attributable to:			
– equity holders of the parent	72,224	33,772	214
– non-controlling interest	-3	-2	127

## 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 reserves	Translation reserve	Other profit reserves	Retained earnings	Profit for the period			
Balance at 1 Jan 2015	54,732	-10,677	10,677	105,897	14,990	30,000	-8,981	-75,292	991,628	82,843	154,774	1,350,591	1,308	1,351,899
Profit for the period	0	0	0	0	0	0	0	0	0	55,117	0	55,117	-3	55,114
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	911	16,196	0	0	0	17,107	0	17,107
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	911	16,196	0	55,117	0	72,224	-3	72,221
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 profit reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	131,813	-131,813	0	0	0
Transfer to other profit reserves under the resolution of the Annual Shareholders Meeting	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Repurchase of treasury shares	0	0	2,383	0	0	0	0	0	0	0	-2,383	0	0	0
Formation of reserves for treasury shares	0	-2,383	0	0	0	0	0	0	0	0	0	-2,383	0	-2,383
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners, recognised directly in equity	0	-2,383	2,383	0	0	0	0	0	0	131,813	-134,196	-2,383	0	-2,383
Balance at 31 Mar 2015	54,732	-13,060	13,060	105,897	14,990	30,000	-8,070	-59,096	991,628	269,773	20,578	1,420,432	1,305	1,421,737

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

## Consolidated statement of cash flows of the Krka Group

EUR thousand	1-3/2015	1-3/2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	55,114	42,540
Adjustments for:	38,634	29,872
– amortisation/depreciation	26,259	23,691
– foreign exchange differences	2,971	-4
– investment income	-294	-455
– investment expenses	340	162
– interest expenses and other financial expense	248	75
– income tax	9,110	6,403
<b>Operating profit before changes in net operating current assets</b>	<b>93,748</b>	<b>72,412</b>
Change in trade receivables	-44,003	-27,589
Change in inventories	-19,543	7,664
Change in trade payables	-5,368	-7,179
Change in provisions	885	309
Change in deferred revenue	-809	-11
Change in other current liabilities	11,998	-7,648
Income taxes paid	-7,357	-7,328
<b>Net cash from operating activities</b>	<b>29,551</b>	<b>30,630</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	210	217
Proceeds from sale of current investments and repayment of current loans	27	3
Proceeds from sale of property, plant and equipment	1,445	166
Purchase of intangible assets	-1,227	-821
Purchase of property, plant and equipment	-20,770	-36,724
Non-current loans	-366	-448
Proceeds from repayment of non-current loans	241	334
Acquisition of non-current investments	-50	-40
Proceeds from sale of non-current investments	5	27
Proceeds in connection with current investments and loans	380	6,245
<b>Net cash from investing activities</b>	<b>-20,105</b>	<b>-31,041</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-246	-75
Acquisition/repayments of current borrowings	-9,958	1,341
Dividends paid	-23	-16
Repurchase of treasury shares	-2,383	-3,185
<b>Net cash used in financing activities</b>	<b>-12,610</b>	<b>-1,935</b>
<b>Net increase in cash and cash equivalents</b>	<b>-3,164</b>	<b>-2,346</b>
Cash and cash equivalents at beginning of period	23,585	67,275
Effect of exchange rate fluctuations on cash held	491	-156
<b>Net cash and cash equivalents at end of period</b>	<b>20,912</b>	<b>64,773</b>

## Segment reporting of the Krka Group

EUR thousand	European Union		South-East Europe		East Europe		Other		Elimination		Total	
	1-3/2015	1-3/2014	1-3/2015	1-3/2014	1-3/2015	1-3/2014	1-3/2015	1-3/2014	1-3/2015	1-3/2014	1-3/2015	1-3/2014
<b>Revenues from non-Group companies</b>	<b>185,865</b>	<b>161,029</b>	<b>12,218</b>	<b>12,298</b>	<b>81,484</b>	<b>116,206</b>	<b>9,737</b>	<b>8,484</b>	<b>0</b>	<b>0</b>	<b>289,304</b>	<b>298,017</b>
<b>Revenues from Group companies</b>	<b>49,275</b>	<b>55,596</b>	<b>5,339</b>	<b>5,780</b>	<b>47,284</b>	<b>52,697</b>	<b>0</b>	<b>0</b>	<b>-101,898</b>	<b>-114,073</b>		
Revenues from reversal of provisions and other income	717	1,654	39	13	901	1,452	0	0	0	0	1,657	3,119
Operating expenses	-148,376	-132,095	-10,282	-8,649	-82,958	-92,329	-6,277	-5,079	0	0	-247,893	-238,152
Operating expenses to Group companies	-99,328	-83,739	-5,631	-5,757	-77,462	-109,249	-2	-2	182,423	198,747		
<b>Operating profit</b>	<b>38,206</b>	<b>30,588</b>	<b>1,975</b>	<b>3,662</b>	<b>-573</b>	<b>25,329</b>	<b>3,460</b>	<b>3,405</b>			<b>43,068</b>	<b>62,984</b>
Interest income	106	251	0	0	103	38	0	0	0	0	209	289
Interest income from Group companies	283	251	0	0	0	0	0	0	-283	-251		
Interest expenses	-194	-7	0	0	-2	0	0	0	0	0	-196	-7
Interest expenses to Group companies	-167	-263	0	0	-180	-249	0	0	347	512		
<b>Net financial result</b>	<b>2,096</b>	<b>231</b>	<b>-6</b>	<b>-220</b>	<b>20,029</b>	<b>-14,086</b>	<b>-963</b>	<b>34</b>	<b>0</b>	<b>0</b>	<b>21,156</b>	<b>-14,041</b>
Income tax payable	-8,106	-2,436	-653	-335	223	-3,370	-574	-262	0	0	-9,110	-6,403
<b>Profit for the period</b>	<b>32,196</b>	<b>28,383</b>	<b>1,316</b>	<b>3,107</b>	<b>19,679</b>	<b>7,873</b>	<b>1,923</b>	<b>3,177</b>	<b>0</b>	<b>0</b>	<b>55,114</b>	<b>42,540</b>
Investments	18,693	43,510	15	7	1,581	2,644	0	0	0	0	20,289	46,161
Depreciation of property, plant and equipment	17,338	15,355	468	365	6,472	6,042	90	78	0	0	24,368	21,840
Amortisation of intangible assets	1,250	1,138	74	69	519	604	48	40	0	0	1,891	1,851
	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>
<b>Total assets</b>	<b>1,374,971</b>	<b>1,366,998</b>	<b>38,115</b>	<b>40,709</b>	<b>439,378</b>	<b>380,187</b>	<b>9,522</b>	<b>7,851</b>	<b>0</b>	<b>0</b>	<b>1,861,986</b>	<b>1,795,745</b>
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	40,495	41,555	0	0	0	0	0	0	0	0	40,495	41,555
<b>Total liabilities</b>	<b>326,631</b>	<b>324,486</b>	<b>10,729</b>	<b>11,616</b>	<b>78,544</b>	<b>82,061</b>	<b>24,345</b>	<b>25,683</b>	<b>0</b>	<b>0</b>	<b>440,249</b>	<b>443,846</b>

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

### Costs by nature

EUR 247,893 thousand

EUR thousand	1–3/2015	1–3/2014	Index
Cost of goods and material	96,148	90,590	106
Cost of services	50,188	49,297	102
Employee benefits costs	79,156	75,138	105
Amortisation and depreciation expenses	26,259	23,691	111
Inventory write-offs and allowances	2,590	4,334	60
Receivables impairment and write-offs	6,035	585	1,032
Other operating expenses	9,530	8,051	118
<b>Total costs</b>	<b>269,906</b>	<b>251,686</b>	<b>107</b>
Change in the value of inventories of products and work in progress	-22,013	-13,534	163
<b>Total</b>	<b>247,893</b>	<b>238,152</b>	<b>104</b>

### Employee benefits cost

EUR 79,156 thousand

EUR thousand	1–3/2015	1–3/2014	Index
Gross wages and salaries and continued pay	62,435	58,885	106
Social security contributions	4,807	4,718	102
Pension insurance contributions	8,261	8,430	98
Payroll tax	248	238	104
Post-employment benefits and other non-current employee benefits	890	691	129
Other costs of labour	2,515	2,176	116
<b>Total employee benefits costs</b>	<b>79,156</b>	<b>75,138</b>	<b>105</b>

### Other operating expenses

EUR 9,530 thousand

EUR thousand	1–3/2015	1–3/2014	Index
Grants and assistance for humanitarian and other purposes	415	491	85
Environmental levies	785	725	108
Other taxes and levies	6,848	5,318	129
Loss on sale of property, plant and equipment and intangible assets	328	162	202
Other expenses	1,154	1,355	85
<b>Total other operating expenses</b>	<b>9,530</b>	<b>8,051</b>	<b>118</b>

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

of Krka Group operations in recent periods.

## Financial income and expenses

EUR thousand	1–3/2015	1–3/2014	Index
Net foreign exchange differences	21,183	0	
Interest income	209	289	72
Change in fair value of investments through profit or loss	0	21	0
Proceeds from sale of securities	24	0	
Other income	0	3	0
<b>Total financial income</b>	<b>21,416</b>	<b>313</b>	<b>6,842</b>
Net foreign exchange differences	0	-14,282	0
Interest expenses	-196	-7	2,800
Change in fair value of investments through profit or loss	-12	0	
Other expenses	-52	-65	80
<b>Total financial expenses</b>	<b>-260</b>	<b>-14,354</b>	<b>2</b>
<b>Net financial result</b>	<b>21,156</b>	<b>-14,041</b>	

## Income tax payable

EUR 9,110 thousand

Current income tax amounts to EUR 11,560 thousand, which is 18.0% of pre-tax profit. Together with the deferred tax of EUR –2,450 thousand, the total income tax expense in the income statement

equals EUR 9,110 thousand. The effective tax rate is 14.2%, up 1.1 of a percentage point from the same period last year.

## Property, plant and equipment

EUR 852,054 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Land	34,886	34,760	100
Buildings	418,565	415,976	101
Equipment	357,454	365,880	98
Property, plant and equipment being acquired	41,149	29,862	138
<b>Total property, plant and equipment</b>	<b>852,054</b>	<b>846,478</b>	<b>101</b>

The value of property, plant and equipment represents 46% of the Group's total assets. Krka's

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

## Intangible assets

EUR 119,828 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Goodwill	42,644	42,644	100
Trademark	40,495	40,707	99
Concessions, patents, licences and similar rights	31,755	31,511	101
Intangible assets being acquired	4,934	5,463	90
<b>Total intangible assets</b>	<b>119,828</b>	<b>120,325</b>	<b>100</b>

## Loans

EUR 8,210 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
<b>Non-current loans</b>	<b>7,275</b>	<b>6,944</b>	<b>105</b>
– loans to others	7,275	6,944	105
<b>Current loans</b>	<b>935</b>	<b>1,177</b>	<b>79</b>
– portion of non-current loan maturing next year	649	1,008	64
– loans to others	285	168	170
– current interest receivable	1	1	100
<b>Total loans</b>	<b>8,210</b>	<b>8,121</b>	<b>101</b>

Non-current loans represent 89% of total loans.

Non-current loans to others include loans that the

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

## Investments

EUR 8,629 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
<b>Non-current investments</b>	<b>8,485</b>	<b>7,388</b>	<b>115</b>
– available-for-sale financial assets	8,485	7,388	115
<b>Current investments including derivatives</b>	<b>144</b>	<b>575</b>	<b>25</b>
– shares and interests held for trading	144	157	92
<b>Total investments</b>	<b>8,629</b>	<b>7,963</b>	<b>108</b>

Available-for-sale financial assets include EUR 714 thousand of investments in shares and interests in

Slovenia, and EUR 7,771 thousand of investments in shares and interests abroad.

## Inventories

EUR 265,803 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Material	107,080	106,098	101
Work in progress	63,978	56,984	112
Products	88,021	75,633	116
Merchandise	6,653	7,429	90
Inventory advances	71	116	61
<b>Total inventories</b>	<b>265,803</b>	<b>246,260</b>	<b>108</b>

## Trade and other receivables

EUR 556,247 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Current trade receivables	512,237	467,841	109
Other current receivables	44,010	47,436	93
<b>Total receivables</b>	<b>556,247</b>	<b>515,277</b>	<b>108</b>

## Cash and cash equivalents

EUR 20,912 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Cash in hand and cheques	36	23	157
Bank balances	20,876	23,562	89
<b>Total cash and cash equivalents</b>	<b>20,912</b>	<b>23,585</b>	<b>89</b>

## Equity

EUR 1,421,737 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Share capital	54,732	54,732	100
Treasury shares	-13,060	-10,677	122
Reserves	96,781	77,291	125
– reserves for treasury shares	13,060	10,677	122
– share premium	105,897	105,897	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserves	-8,070	-8,981	90
– translation reserves	-59,096	-75,292	78
Retained earnings	1,281,979	1,229,245	104
<b>Total equity holders of the parent</b>	<b>1,420,432</b>	<b>1,350,591</b>	<b>105</b>
Non-controlling interests within equity	1,305	1,308	100
<b>Total equity</b>	<b>1,421,737</b>	<b>1,351,899</b>	<b>105</b>

## Borrowings

EUR 28,063 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
<b>Current borrowings</b>	<b>28,063</b>	<b>38,019</b>	<b>74</b>
– borrowings from domestic banks	28,000	38,000	74
– borrowings from foreign banks	35	0	
– current interest payable	28	19	147
<b>Total borrowings</b>	<b>28,063</b>	<b>38,019</b>	<b>74</b>

## Provisions

EUR 98,351 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Obligation for post-employment and other non-current employee benefits	77,815	76,938	101
Other provisions:	20,536	20,528	100
– provisions for lawsuits	20,103	20,100	100
– other provisions	433	428	101
<b>Total provisions</b>	<b>98,351</b>	<b>97,466</b>	<b>101</b>

## Deferred revenue

EUR 14,096 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Grants received from the European Regional Development Fund and Republic of Slovenia budget for the project Pharmaceuticals Production in the new Notol 2 Plant	2,668	2,730	98
Grants received for the Dolenjske and Šmarješke Toplice health resorts and for Golf Grad Otočec	4,247	4,296	99
Grants by the European Regional Development Fund	7	8	88
Grants by a European fund – development of new technologies (FBD project)	511	535	96
Grants by a European fund – Development Centres of the Slovene Economy	6,600	6,770	97
Property, plant and equipment received for free	42	545	8
Emission coupons	21	21	100
<b>Total deferred revenue</b>	<b>14,096</b>	<b>14,905</b>	<b>95</b>

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

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

## Trade payables

EUR 106,925 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Payables to domestic suppliers	40,160	46,252	87
Payables to foreign suppliers	63,708	64,442	99
Payables from advances	3,057	4,357	70
<b>Total trade payables</b>	<b>106,925</b>	<b>115,051</b>	<b>93</b>

## Other current liabilities

EUR 175,999 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Accrued contractual discounts on products sold	118,559	106,603	111
Payables to employees – gross wages, other receipts and charges	36,196	35,091	103
Other	21,244	22,329	95
<b>Total other current liabilities</b>	<b>175,999</b>	<b>164,023</b>	<b>107</b>

## Contingent liabilities

EUR 25,431 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Guarantees issued	19,458	18,822	103
Other	620	620	100
<b>Total contingent liabilities</b>	<b>20,078</b>	<b>19,442</b>	<b>103</b>

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

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

EUR thousand	31 Mar 2015	31 Dec 2014	Index
<b>Assets</b>			
Property, plant and equipment	619,757	623,622	99
Intangible assets	32,684	33,120	99
Investments in subsidiaries	301,516	299,119	101
Trade receivables from subsidiaries	26,378	14,091	187
Loans	22,868	27,588	83
Investments	8,483	7,386	115
Deferred tax assets	10,677	10,833	99
Other non-current assets	102	91	112
<b>Total non-current assets</b>	<b>1,022,465</b>	<b>1,015,850</b>	<b>101</b>
Assets held for sale	41	41	100
Inventories	217,811	201,081	108
Trade receivables	468,361	460,652	102
Other receivables	28,896	34,333	84
Loans	46,733	47,752	98
Investments	144	575	25
Cash and cash equivalents	9,820	8,203	120
<b>Total current assets</b>	<b>771,806</b>	<b>752,637</b>	<b>103</b>
<b>Total assets</b>	<b>1,794,271</b>	<b>1,768,487</b>	<b>101</b>
<b>Equity</b>			
Share capital	54,732	54,732	100
Treasury shares	-13,060	-10,677	122
Reserves	157,427	154,133	102
Retained earnings	1,230,293	1,183,125	104
<b>Total equity</b>	<b>1,429,392</b>	<b>1,381,313</b>	<b>103</b>
<b>Liabilities</b>			
Borrowings	2,000	2,000	100
Provisions	87,470	86,628	101
Deferred revenue	3,227	3,834	84
<b>Total non-current liabilities</b>	<b>92,697</b>	<b>92,462</b>	<b>100</b>
Trade payables	126,578	139,960	90
Borrowings	93,960	102,020	92
Other current liabilities	51,644	52,732	98
<b>Total current liabilities</b>	<b>272,182</b>	<b>294,712</b>	<b>92</b>
<b>Total liabilities</b>	<b>364,879</b>	<b>387,174</b>	<b>94</b>
<b>Total equity and liabilities</b>	<b>1,794,271</b>	<b>1,768,487</b>	<b>101</b>

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

EUR thousand	1–3/2015	1–3/2014	Index
Revenues	260,756	288,557	90
Cost of sales	-112,873	-114,989	98
<b>Gross profit</b>	<b>147,883</b>	<b>173,568</b>	<b>85</b>
Other operating income	526	639	82
Distribution expenses	-69,580	-70,515	99
R&D expenses	-28,853	-26,386	109
Administrative expenses	-15,942	-15,721	101
<b>Operating profit</b>	<b>34,034</b>	<b>61,585</b>	<b>55</b>
Financial income	23,121	768	3,011
Financial expenses	-525	-14,588	4
<b>Net financial result</b>	<b>22,596</b>	<b>-13,820</b>	
<b>Profit before tax</b>	<b>56,630</b>	<b>47,765</b>	<b>119</b>
Income tax payable	-7,079	-5,971	119
<b>Profit for the period</b>	<b>49,551</b>	<b>41,794</b>	<b>119</b>
<b>Basic earnings per share (in EUR)</b>	<b>1.52</b>	<b>1.27</b>	<b>119</b>
<b>Diluted earnings per share (in EUR)</b>	<b>1.52</b>	<b>1.27</b>	<b>119</b>

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

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

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

EUR thousand	1–3/2015	1–3/2014	Index
<b>Profit for the period</b>	<b>49,551</b>	<b>41,794</b>	<b>119</b>
<b>Other comprehensive income for the period</b>			
<i>Other comprehensive income reclassified to profit or loss in future periods</i>			
Change in fair value of available-for-sale financial assets	1,097	210	522
Deferred tax effect	-186	-36	517
<i>Other comprehensive income reclassified to profit or loss in future periods (net)</i>	<b>911</b>	<b>174</b>	<b>524</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>911</b>	<b>174</b>	<b>524</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>50,462</b>	<b>41,968</b>	<b>120</b>

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

	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other profit reserves	Retained earnings	Profit for the period	
EUR thousand											
<b>Balance at 1 Jan 2015</b>	<b>54,732</b>	<b>-10,677</b>	<b>10,677</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-7,431</b>	<b>1,001,636</b>	<b>55,244</b>	<b>126,245</b>	<b>1,381,313</b>
<b>Profit for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>49,551</b>	<b>49,551</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>911</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>911</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>911</b>	<b>0</b>	<b>0</b>	<b>49,551</b>	<b>50,462</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 profit 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	126,245	-126,245	0
Transfer to other profit reserves under the resolution of the Annual Shareholders Meeting	0	0	0	0	0	0	0	0	0	0	0
Repurchase of treasury shares	0	-2,383	0	0	0	0	0	0	0	0	-2,383
Formation of reserves for treasury shares	0	0	2,383	0	0	0	0	0	0	-2,383	0
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>-2,383</b>	<b>2,383</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>126,245</b>	<b>-128,628</b>	<b>-2,383</b>
<b>Balance at 31 Mar 2015</b>	<b>54,732</b>	<b>-13,060</b>	<b>13,060</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-6,520</b>	<b>1,001,636</b>	<b>181,489</b>	<b>47,168</b>	<b>1,429,392</b>

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

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

EUR thousand	1–3/2015	1–3/2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	49,551	41,794
Adjustments for:	25,692	24,722
– amortisation/depreciation	20,354	17,490
– foreign exchange differences	-2,062	1,680
– investment income	-483	-829
– investment expenses	291	101
– interest expenses and other financial expense	513	309
– income tax	7,079	5,971
<b>Operating profit before changes in net operating current assets</b>	<b>75,243</b>	<b>66,516</b>
Change in trade receivables	-17,476	-31,703
Change in inventories	-16,729	12,794
Change in trade payables	-10,624	-1,131
Change in provisions	842	380
Change in deferred revenue	-607	-168
Change in other current liabilities	-1,064	-4,432
Income taxes paid	-5,474	-4,727
<b>Net cash from operating activities</b>	<b>24,111</b>	<b>37,529</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	482	687
Proceeds from sale of current investments and repayment of current loans	24	0
Dividends received	0	4
Proceeds from sale of property, plant and equipment	1,298	130
Purchase of intangible assets	-1,141	-697
Purchase of property, plant and equipment	-17,956	-32,827
Acquisition of subsidiaries and a share of minority interest without obtained assets	-2,396	-1,703
Non-current loans	-612	-743
Proceeds from repayment of non-current loans	7,252	1,489
Acquisition of non-current investments	-7	-22
Proceeds from sale of non-current investments	5	27
Proceeds in connection with current investments and loans	1,075	7,782
<b>Net cash from investing activities</b>	<b>-11,976</b>	<b>-25,873</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-508	-318
Payments in connection with current borrowings	-8,065	-5,789
Dividends paid	-23	-16
Repurchase of treasury shares	-2,383	-3,185
<b>Net cash used in financing activities</b>	<b>-10,979</b>	<b>-9,308</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,156</b>	<b>2,348</b>
Cash and cash equivalents at beginning of period	8,203	49,417
Effect of exchange rate fluctuations on cash held	461	-230
<b>Net cash and cash equivalents at end of period</b>	<b>9,820</b>	<b>51,535</b>

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

	European Union		South-East Europe		East Europe		Other		Total	
EUR thousand	1-3/2015	1-3/2014	1-3/2015	1-3/2014	1-3/2015	1-3/2014	1-3/2015	1-3/2014	1-3/2015	1-3/2014
<b>Revenues</b>	<b>160,224</b>	<b>163,448</b>	<b>12,747</b>	<b>12,672</b>	<b>78,749</b>	<b>104,652</b>	<b>9,036</b>	<b>7,785</b>	<b>260,756</b>	<b>288,557</b>
Revenues from reversal of provisions and other income	392	559	4	6	130	74	0	0	526	639
Operating expenses	-140,536	-129,841	-9,761	-8,260	-70,674	-84,431	-6,277	-5,079	-227,248	-227,611
<b>Operating profit</b>	<b>20,080</b>	<b>34,166</b>	<b>2,990</b>	<b>4,418</b>	<b>8,205</b>	<b>20,295</b>	<b>2,759</b>	<b>2,706</b>	<b>34,034</b>	<b>61,585</b>
Interest income	267	495	0	0	180	249	0	0	447	744
Interest expenses	-469	-255	0	0	0	0	0	0	-469	-255
<b>Net financial result</b>	<b>1,981</b>	<b>263</b>	<b>-6</b>	<b>9</b>	<b>21,584</b>	<b>-14,126</b>	<b>-963</b>	<b>34</b>	<b>22,596</b>	<b>-13,820</b>
Income tax payable	-4,176	-3,312	-622	-429	-1,707	-1,968	-574	-262	-7,079	-5,971
<b>Profit for the period</b>	<b>17,885</b>	<b>31,117</b>	<b>2,362</b>	<b>3,998</b>	<b>28,082</b>	<b>4,201</b>	<b>1,222</b>	<b>2,478</b>	<b>49,551</b>	<b>41,794</b>
Investments	17,458	42,053		0		0		0	17,458	42,053
Depreciation of property, plant and equipment	13,699	11,776	411	311	4,761	3,847	90	78	18,961	16,012
Amortisation of intangible assets	855	837	68	65	421	536	48	40	1,392	1,478
	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>
<b>Total assets</b>	<b>1,292,745</b>	<b>1,306,443</b>	<b>39,795</b>	<b>40,679</b>	<b>452,213</b>	<b>413,517</b>	<b>9,518</b>	<b>7,848</b>	<b>1,794,271</b>	<b>1,768,487</b>
<b>Total liabilities</b>	<b>266,575</b>	<b>278,238</b>	<b>9,215</b>	<b>9,377</b>	<b>64,744</b>	<b>73,876</b>	<b>24,345</b>	<b>25,683</b>	<b>364,879</b>	<b>387,174</b>

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

### Costs by nature

EUR 227,248 thousand

EUR thousand	1–3/2015	1–3/2014	Index
Cost of goods and material	89,551	81,819	109
Cost of services	71,230	73,941	96
Employee benefits costs	49,029	46,031	107
Amortisation and depreciation expenses	20,353	17,490	116
Inventory write-offs and allowances	1,100	3,422	32
Receivables impairment and write-offs	5,556	323	1,720
Other operating expenses	7,070	7,477	95
<b>Total costs</b>	<b>243,889</b>	<b>230,503</b>	<b>106</b>
Change in the value of inventories of products and work in progress	-16,641	-2,892	575
<b>Total</b>	<b>227,248</b>	<b>227,611</b>	<b>100</b>

### Employee benefits cost

EUR 49,029 thousand

EUR thousand	1–3/2015	1–3/2014	Index
Gross wages and salaries and continued pay	39,442	37,301	106
Social security contributions	2,605	2,500	104
Pension insurance contributions	4,596	4,449	103
Post-employment benefits and other non-current employee benefits	842	640	132
Other costs of labour	1,544	1,141	135
<b>Total employee benefits costs</b>	<b>49,029</b>	<b>46,031</b>	<b>107</b>

### Other operating expenses

EUR 7,070 thousand

EUR thousand	1–3/2015	1–3/2014	Index
Grants and assistance for humanitarian and other purposes	302	379	80
Environmental levies	608	516	118
Other taxes and levies	5,033	3,547	142
Loss on sale of property, plant and equipment and intangible assets	279	100	279
Other expenses	848	2,935	29
<b>Total other operating expenses</b>	<b>7,070</b>	<b>7,477</b>	<b>95</b>

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

## Financial income and expenses

EUR thousand	1–3/2015	1–3/2014	Index
Net foreign exchange differences	22,650	0	
Interest income	447	744	60
Change in fair value of investments through profit or loss	0	21	0
Proceeds from sale of investments	24	0	
Other financial income	0	3	0
<b>Total financial income</b>	<b>23,121</b>	<b>768</b>	<b>3011</b>
Net foreign exchange differences	0	-14,278	0
Interest expenses	-469	-255	184
Change in fair value of investments through profit or loss	-12	0	
Other financial expenses	-44	-55	80
<b>Total financial expenses</b>	<b>-525</b>	<b>-14,588</b>	<b>4</b>
<b>Net financial result</b>	<b>22,596</b>	<b>-13,820</b>	

## Income tax payable

EUR 7,079 thousand

Current income tax amounts to EUR 7,109 thousand, which is 12.6% of pre-tax profit. Together with the deferred tax of EUR –30 thousand, the total income tax expense in the income statement equals

EUR 7,079 thousand. The effective tax rate is 12.5%, which is on the level of the same period last year.

## Property, plant and equipment

EUR 619,757 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Land	22,282	22,285	100
Buildings	281,872	286,874	98
Equipment	291,833	301,751	97
Property, plant and equipment being acquired	23,770	12,712	187
<b>Total property, plant and equipment</b>	<b>619,757</b>	<b>623,622</b>	<b>99</b>

The value of property, plant and equipment represents 35% of the Company's total assets.

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

## Intangible assets

EUR 32,684 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Concessions, patents, licences and similar rights	27,751	27,660	100
Intangible assets being acquired	4,933	5,460	90
<b>Total intangible assets</b>	<b>32,684</b>	<b>33,120</b>	<b>99</b>

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

## Loans

EUR 69,601 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
<b>Non-current loans</b>	<b>22,868</b>	<b>27,588</b>	<b>83</b>
– loans to subsidiaries	15,923	20,965	76
– loans to others	6,945	6,623	105
<b>Current loans</b>	<b>46,733</b>	<b>47,752</b>	<b>98</b>
– portion of non-current loan maturing next year	2,784	3,039	92
– loans to subsidiaries	43,561	44,306	98
– loans to others	144	129	112
– current interest receivable	244	278	88
<b>Total loans</b>	<b>69,601</b>	<b>75,340</b>	<b>92</b>

Non-current loans represent 33% 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 8,627 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
<b>Non-current investments</b>	<b>8,483</b>	<b>7,386</b>	<b>115</b>
– available-for-sale financial assets	8,483	7,386	115
<b>Current investments</b>	<b>144</b>	<b>575</b>	<b>25</b>
– shares and interests held for trading	144	157	92
– other current investments	0	418	0
<b>Total investments</b>	<b>8,627</b>	<b>7,961</b>	<b>108</b>

Available-for-sale financial assets include EUR 713 thousand of investments in shares and interests in

Slovenia, and EUR 7,770 thousand of investments in shares and interests abroad.

## Inventories

EUR 217,811 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Material	93,529	93,578	100
Work in progress	60,393	54,794	110
Products	56,152	46,022	122
Merchandise	7,728	6,652	116
Inventory advances	9	35	26
<b>Total inventories</b>	<b>217,811</b>	<b>201,081</b>	<b>108</b>

## Trade and other receivables

EUR 497,257 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Current trade receivables	468,361	460,652	102
– current receivables due from subsidiaries	249,124	231,295	108
– current receivables due from customers other than Group companies	219,237	229,357	96
Other current receivables	28,896	34,333	84
<b>Total receivables</b>	<b>497,257</b>	<b>494,985</b>	<b>100</b>

## Cash and cash equivalents

EUR 9,820 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Cash in hand and cheques	6	5	120
Bank balances	9,814	8,198	120
<b>Total cash and cash equivalents</b>	<b>9,820</b>	<b>8,203</b>	<b>120</b>

## Equity

EUR 1,429,392 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Share capital	54,732	54,732	100
Treasury shares	-13,060	-10,677	122
Reserves:	157,427	154,133	102
– reserves for treasury shares	13,060	10,677	122
– share premium	105,897	105,897	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserves	-6,520	-7,431	88
Retained earnings	1,230,293	1,183,125	104
<b>Total equity</b>	<b>1,429,392</b>	<b>1,381,313</b>	<b>103</b>

## Borrowings

EUR 95,960 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
<b>Non-current borrowings</b>	<b>2,000</b>	<b>2,000</b>	<b>100</b>
– borrowings from subsidiaries	2,000	2,000	100
<b>Current borrowings</b>	<b>93,960</b>	<b>102,020</b>	<b>92</b>
– borrowings from subsidiaries	65,833	63,898	103
– borrowings from domestic banks	28,000	38,000	74
– current interest payable	127	122	104
<b>Total borrowings</b>	<b>95,960</b>	<b>104,020</b>	<b>92</b>

## Provisions

EUR 87,470 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Obligation for post-employment and other non-current employee benefits	67,470	66,628	101
Provisions for lawsuits	20,000	20,000	100
<b>Total provisions</b>	<b>87,470</b>	<b>86,628</b>	<b>101</b>

## Deferred revenue

EUR 3,227 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Grants received from the European Regional Development Fund and Republic of Slovenia budget for the project Pharmaceuticals Production in the new Notol 2 Plant	2,668	2,730	98
Grants by the European Regional Development Fund	7	8	88
Grants by a European fund – development of new technologies (FBD project)	511	535	96
Property, plant and equipment received for free	20	540	4
Emission coupons	21	21	100
<b>Total deferred revenue</b>	<b>3,227</b>	<b>3,834</b>	<b>84</b>

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

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

## Trade payables

EUR 126,578 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Payables to subsidiaries	49,992	50,216	100
Payables to domestic suppliers	37,715	42,957	88
Payables to foreign suppliers	37,501	44,233	85
Payables from advances	1,370	2,554	54
<b>Total trade payables</b>	<b>126,578</b>	<b>139,960</b>	<b>90</b>

## Other current liabilities

EUR 51,644 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Accrued contractual discounts on products sold to other customers	18,489	18,489	100
Payables relating to unpaid equity of subsidiaries	258	258	100
Payables to employees – gross wages, other receipts and charges	27,350	27,543	99
Other	5,547	6,442	86
<b>Total other current liabilities</b>	<b>51,644</b>	<b>52,732</b>	<b>98</b>

## Contingent liabilities

EUR 22,097 thousand

EUR thousand	31 Mar 2015	31 Dec 2014	Index
Guarantees issued	21,477	19,792	109
Other	620	620	100
<b>Total contingent liabilities</b>	<b>22,097</b>	<b>20,412</b>	<b>108</b>

## MANAGEMENT BOARD STATEMENT OF RESPONSIBILITIES

The Management Board of Krka, d. d., Novo mesto hereby states that the condensed financial statements of the Krka Company and the condensed consolidated financial statements of the Krka Group for the three months ended 31 March 2015 were drawn up so as to provide a true and fair view of the financial standing and operating results of the Krka Company and the Krka Group. The condensed statements for the period January–March 2015 were drawn up using the same accounting principles as for the annual financial statements of the Krka Company and Group for 2014.

The condensed interim financial statements for the three months ended 31 March 2015 were drawn up

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

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

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

Novo mesto, 6 May 2015



Jože Colarič

President of the Management Board and Chief Executive



Aleš Rotar PhD

Member of the Management Board



Zvezdana Bajc

Member of the Management Board



Vinko Zupančič PhD

Member of the Management Board



Danica Novak Malnar

Worker Director – Member of the Management Board