



# **Unaudited Interim Report for the Krka Group and the Krka Company for the First Half of 2015**

**Novo mesto, August 2015**

## CONTENTS

Introduction.....	3
Highlights of the first half of 2015.....	3
Krka Group and Krka Company financial highlights.....	4
Significant events after the reporting period.....	5
Krka Group ID card .....	6
Krka Group business model.....	6
Krka Group companies .....	7
Krka Group development strategy.....	8
Business report.....	10
Financial risk .....	10
Investor and share information.....	11
Business operations analysis.....	14
Marketing and sales .....	16
Research and development .....	26
Investments.....	28
Employees .....	30
Condensed consolidated financial statements of the Krka Group, with notes.....	31
Consolidated statement of financial position of the Krka Group.....	31
Consolidated income statement of the Krka Group.....	32
Consolidated statement of other comprehensive income of the Krka Group .....	33
Consolidated statement of changes in equity of the Krka Group .....	34
Consolidated statement of cash flows of the Krka Group.....	36
Segment reporting of the Krka Group .....	37
Notes to the consolidated financial statements of the Krka Group.....	38
Condensed financial statements of Krka, d. d., Novo mesto, with notes .....	44
Statement of financial position of Krka, d. d., Novo mesto.....	44
Income statement of Krka, d. d., Novo mesto .....	45
Statement of other comprehensive income of Krka, d. d., Novo mesto .....	45
Statement of changes in equity of Krka, d. d., Novo mesto .....	46
Statement of cash flows of Krka, d. d., Novo mesto.....	48
Segment reporting of Krka, d. d., Novo mesto .....	49
Notes to the financial statements of Krka, d. d., Novo mesto.....	50
Management Board statement of responsibilities.....	56

## INTRODUCTION

The condensed financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (Krka Company) for the first half years 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 Supervisory Board discussed the Krka Group and Krka Company 2015 Half Year Report at its regular meeting on 25 August 2015.

## Highlights of the first half of 2015

- The Krka Group sold EUR 599.9 million worth of products and services, and Krka Company sales amounted to EUR 569.9 million.
- Group sales remained on the same level as in comparable period last year, with Company sales down 2%.
- The highest absolute as well as relative sales growth (up EUR 40.4 million, or 33%) compared to the same period in 2014 was recorded in Region West Europe.
- With a 31% share in total sales, the largest sales region was East Europe.
- The Group generated 94%, and the Company 95% of its sales revenues in markets outside Slovenia.
- The Krka Group generated EUR 104.3 million of operating profit, a decrease by 17% compared to the same period last year. The Krka Company reported EUR 98.5 million of operating profit, down 14% from last year.
- The Group reported a profit of EUR 112.3 million, up 5% compared to the same period last year, while the Krka Company generated EUR 108.5 million of profit, up 10%.
- The Group's results for the first half year were again influenced by 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, but it nevertheless averaged almost 26% below its last year's six-month average level. Rouble-denominated sales in the Russian market were up 13% from last year's, with euro-denominated sales down 15%. The rouble's appreciation relative to its 2014 year-end value resulted in positive net exchange rate differences, which increased financial income and thus upped the Group's profit for the period.
- As at 30 June 2015 Krka's share traded at EUR 65.00 (up 9% from the year-end of 2014) on the Ljubljana Stock Exchange, with Krka Company's market capitalisation amounting to EUR 2.1 billion.
- The Group allocated EUR 45.4 million to investments in the reported period, of which the Krka Company invested EUR 37.8 million and subsidiaries EUR 7.6 million.
- At the end of June 2015 the Krka Group had 10,534 employees, which is 35 more than at the beginning of the year.

## Krka Group and Krka Company financial highlights

In EUR thousand	Krka Group		Krka Company	
	1-6/2015	1-6/2014	1-6/2015	1-6/2014
Revenues	599,850	599,370	569,878	582,565
EBIT <sup>1</sup>	104,332	125,747	98,521	114,189
EBITDA	157,255	173,169	139,222	149,058
Net profit	112,289	106,595	108,473	98,802
R&D expenses	56,446	53,422	58,634	55,542
Investments	45,397	88,676	37,832	80,284
	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>
Non-current assets	1,018,144	1,008,830	1,025,864	1,015,850
Current assets	871,926	786,915	833,813	752,637
Equity	1,476,414	1,351,899	1,486,545	1,381,313
Non-current liabilities	125,140	125,421	91,150	92,462
Current liabilities	288,516	318,425	281,982	294,712
<b>RATIOS</b>	<b>1-6/2015</b>	<b>1-6/2014</b>	<b>1-6/2015</b>	<b>1-6/2014</b>
EBIT margin	17.4%	21.0%	17.3%	19.6%
EBITDA margin	26.2%	28.9%	24.4%	25.6%
Profit margin (ROS)	18.7%	17.8%	19.0%	17.0%
ROE <sup>2</sup>	15.9%	15.4%	15.1%	14.3%
ROA <sup>3</sup>	12.2%	11.7%	12.0%	11.2%
Liabilities/Equity	0.280	0.325	0.251	0.285
R&D costs	9.4%	8.9%	10.3%	9.5%
<b>NUMBER OF EMPLOYEES (as at)</b>	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>
	10,534	10,499	4,787	4,738

<b>SHARE INFORMATION</b>	<b>1-6/2015</b>	<b>1-6/2014</b>
Total number of shares issued	32,793,448	35,426,120
Earnings per share in EUR <sup>4</sup>	6.89	6.50
Closing price at end of period in EUR <sup>5</sup>	65.00	70.00
Price/Earnings ratio (P/E)	9.43	10.77
Book value in EUR <sup>6</sup>	45.02	40.45
Price/Book value (P/B)	1.44	1.73
Market capitalisation in EUR thousand (end of period)	2,131,574	2,479,828

<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

## Significant events after the reporting period

- Due to the negative oil price trend, which has a strong impact on the rouble exchange rate,

Krka in the 3<sup>rd</sup> quarter hedged the risk of the weakening rouble exchange rate with forwards.

- In 2014 Krka received almost EUR 21 million of damages and reimbursed court fees in the dispute with AstraZeneca over the unjust preliminary injunction that had prevented Krka from marketing its esomeprazole in the UK from mid-2010 to mid-2011, for alleged infringement of patent EP 1 020 461. The plaintiff AstraZeneca has not filed their request for a review with the Court of Appeal of England and Wales within the requisite deadline with respect

to the decision with which the High Court of Justice in London awarded Krka damages and reimbursement of court fees.

All judicial remedies having been exhausted, Krka will release the provisions of EUR 20 million, formed for the esomeprazole case, which will be reported in the financial statements for 2015.

- The 21st AGM, held on 20 August, passed the resolution proposed by the Management and Supervisory Boards to appropriate EUR 181,488,404.86 of the 2014 accumulated profit as follows:

- For dividends EUR 81,407,692.50,
- For other revenue reserves EUR 50,040,356.18,
- For retained earnings EUR 50,040,356.18.

The pay-out of dividends, in the amount of EUR 2.50 gross per share, shall commence within 30 days after the AGM has been concluded. The shareholder records in the share register at KDD – Centralna klirinško depozitna družba (Central Securities Clearing Corporation), d. d., Ljubljana, as at 25 August 2015 shall apply for the dividend pay-out.

The AGM approved and gave its consent to the work of the Management and Supervisory Boards in the financial year 2014, and discharged them from liability for performance of their duties.

The shareholders elected the following new members – shareholder representatives - of the Krka Supervisory Board, to start their terms-in-office as at the day of being elected by the AGM: Prof. Julijana Kristl PhD, Jože Mermal, Matej Pirc, Andrej Slapar, Simona Razvornik Škofič and Anja Stojin Štampar MSc & MBA. Shareholders elected the proposed candidates for five-year terms-in-office.

The shareholders appointed Ernst & Young Revizija, poslovno svetovanje, d. o. o., Ljubljana as the auditor for the financial year 2015.

- The new Krka d. d. Supervisory Board met at its constitutive meeting on 25 August, electing Matej Pirc as the President of the Board,

Simona Razvornik Škofič as the President of the Audit Committee, and Andrej Slapar as the President of the Human Resources Committee.

## 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. 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 been strengthening our presence in overseas markets, aiming to further exploit the sales potential of the Middle East, Far East, Africa, and the Americas. 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 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.

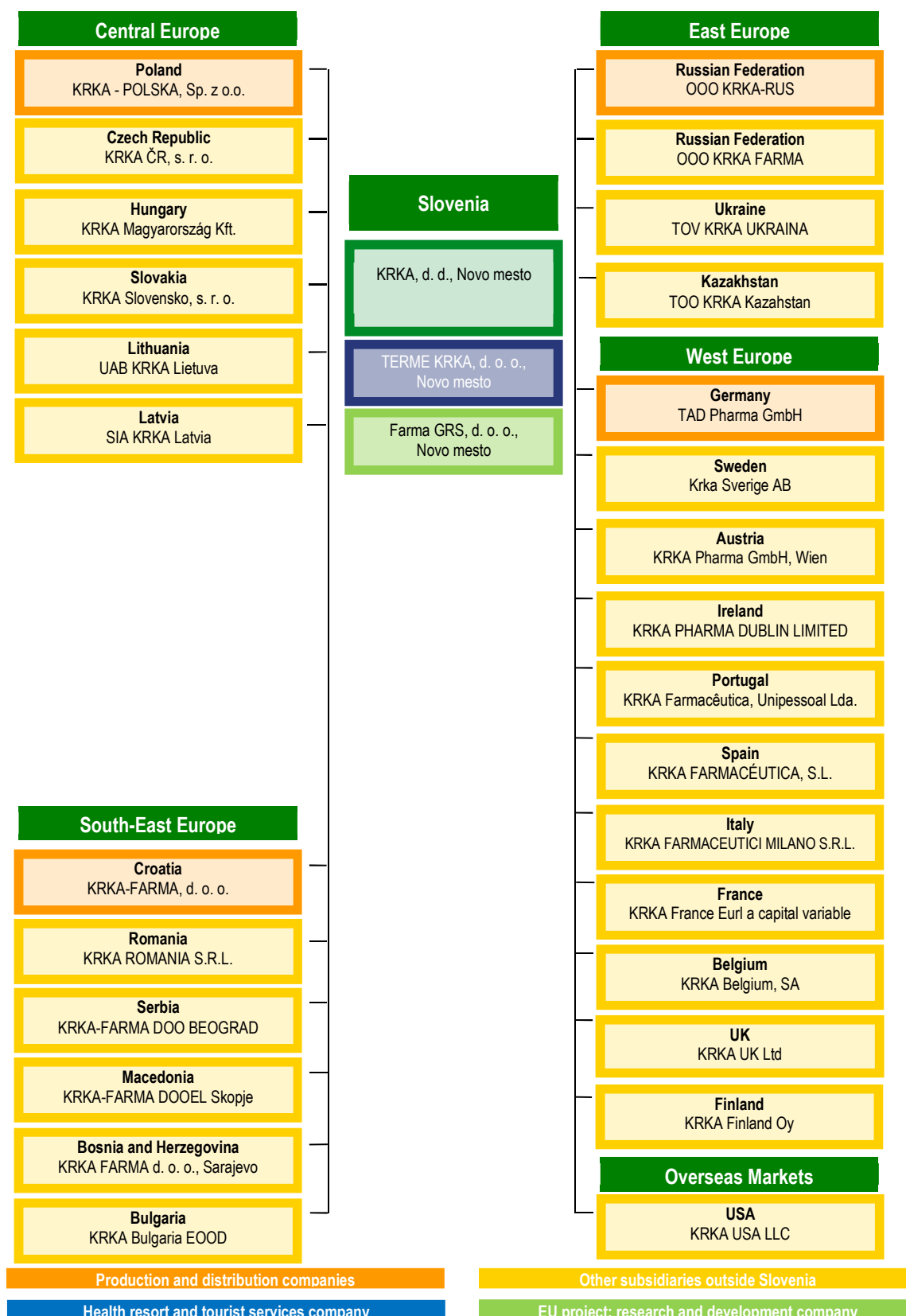
We focus on generic prescription pharmaceuticals marketed under Krka's own brands. We offer numerous medicinal products from key therapeutic

areas, including pharmaceuticals for cardiovascular diseases, alimentary and metabolic diseases, and 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. We are focused on organic growth, which is why the majority of our resources are pooled into developing our own R&D, 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 revenues is generated by the sale of new products, i.e. products launched on different markets in the past five years.

## Krka Group companies



The controlling company, Krka, d. d., Novo mesto, holds 100% ownership stakes in all of the above subsidiaries apart from Farma GRS (99.7%) and Krka Belgium (95%). In the latter 5% owner is subsidiary Krka France.



## Krka Group development strategy

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

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 our orientation 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 majority shareholders' consolidated profit generated in the previous year is allocated to dividends, provided this is feasible taking into account the Group's financial requirements for investments and major acquisitions each year.
- To strengthen the professional and cost synergy within the Krka Group, and to maximise the utilisation of competitive advantages in the business environments of Krka companies outside Slovenia.
- To enhance the internationalisation of all business functions by asserting English and Russian as the key foreign languages of communication throughout the Group.
- To maintain economic, social and environmental responsibility to the surroundings in which we operate.
- To operate according to the principles of business excellence, thereby strengthening Krka's recognition and its positive public image.

### Krka Group business objectives for 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 and R&D capacities, and infrastructure.

## BUSINESS REPORT

### Financial risk

#### Foreign exchange risk

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

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

Favourable currency movements in the first half of the year contributed to positive exchange rate differences, the majority resulting from the appreciation of the Russian rouble.

The value of the Russian rouble was unstable in the first half of the year. The rouble had appreciated

from the beginning of February to April due to rising oil prices and expectations of improved economic conditions in Russia. Amidst the rouble's rapid appreciation the central bank suspended its support of the exchange rate in May and June, and oil price also began to fall, which caused the rouble's depreciation.

The values of the other currencies in Krka's key sales markets were stable in the first half of the year, their contribution to overall translation differences therefore relatively small.

The Krka Group did not change its policy of hedging currency exposure in the first half of the year. The Russian central bank gradually decreased the key interest rate in the six months to June, however the costs of hedging the rouble still exceeded 12% annually at the end of period.

#### Interest rate risk

The Krka Group was not exposed to reference interest rate risk in the six months to June because all non-current borrowings had been paid back in

previous years and no new non-current loans were taken out.

#### 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 half year.

The total value of trade receivables at the half year was higher compared to the beginning of the year but lower than at the end of the first quarter. An important reason for the increase in trade receivables during the six months was the appreciation of individual currencies and the

consequent positive restatement of trade receivables.

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 receivables remains at a level that Krka considers acceptable. Customer payment discipline is estimated to have remained unchanged. There were no major problems related to customer payments in the first half year that would cause write-offs of any major trade receivables.

## Liquidity risk

Risks related to the Group's liquidity in the six months to June were managed by effective short-term cash flow planning. Short-term liquidity was ensured through a stable cash flow, agreed short-term revolving borrowings from banks, bank deposits, and the daily, rolling weekly, monthly and longer-term planning and monitoring of cash inflows

and outflows. While optimising the amounts of cash on their bank accounts, subsidiaries were regularly provided with the required cash.

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 examined the insurance function in its subsidiaries in Croatia, Austria and Macedonia, and issued guidelines on how to rationalise insurance in the Krka Group. No major deviations from internal guidelines were found. It was agreed to transfer currency risk related to property and business interruption insurance in the Russian Federation from the local to the master

insurer. Now the insurers' potential liabilities, limits and insurance premiums will be incurred in euros.

The analysis of the Group's car insurance arrangements abroad has shown that cost optimisation measures had resulted in a considerable decrease in the 2014 insurance premiums, and that they should be kept up in 2015.

## Investor and share information

In the first half of 2015 Krka's share price rose by 9% while the Slovenian benchmark stock index SBI TOP lost 6%. International investors increased their shareholdings the most in the reported period, to more than 23%, which is the largest stake in Krka

they have held to date. The holdings of individual domestic investors as well as domestic investment companies, funds and other domestic legal entities, on the other hand, decreased. At the end of June Krka had a total of 59,894 shareholders.

### Shareholder structure (%)

	30 Jun 2015	31 Dec 2014
Individual Slovenian investors	40.4	41.1
Slovenian Sovereign Holding (SDH)	16.2	16.2
KAD fund and PPS	11.0	11.0
Slovenian legal entities and funds	8.5	8.9
International investors	23.2	22.3
Treasury shares	0.7	0.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

In the first half of 2015 Krka repurchased 57,092 treasury shares worth a total of EUR 3,450,140. On 30 June 2015 it thus held a total of 230,371 treasury

shares, which is 0.702% of the Company's share capital.

## 10 largest shareholders as at 30 June 2015

	Country	No. of shares	Share in equity (%)	Share of voting rights (%)
SDH, D. D.	Slovenia	5,312,070	16.20	16.31
KAPITALSKA DRUŽBA, D. D.	Slovenia	3,493,030	10.65	10.73
SOCIETE GENERALE - SPLITSKA BANKA D. D.	Croatia	1,992,189	6.07	6.12
HYPO ALPE-ADRIA-BANK D. D.	Croatia	1,122,678	3.42	3.45
KDPW	Poland	512,771	1.56	1.57
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	334,808	1.02	1.03
AMERICAN FUNDS INSURANCE SERIES	USA	232,246	0.71	0.71
<b>Total</b>		<b>14,222,062</b>	<b>43.37</b>	<b>43.67</b>

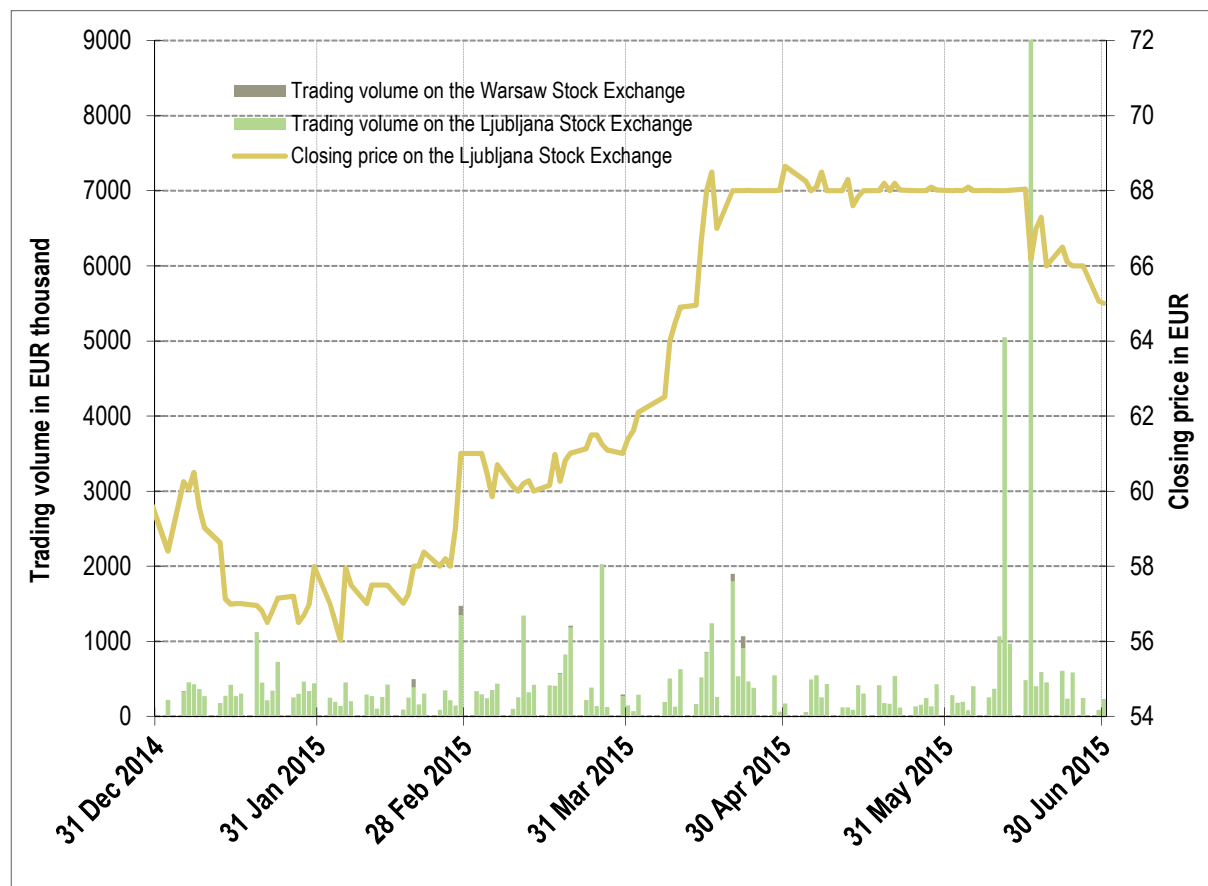
Krka's ten largest shareholders held a total of 14,222,062 shares on 30 June 2015, which is 43.37% of all issued shares.

On 30 June 2015 members of the Krka d. d. Management Board held a total of 37,303 Krka shares, which is 0.1138% of all issued shares.

## Shares in equity and shares of voting rights held by members of the Krka d. d. Management Board on 30 June 2015

	No. of shares	Share in equity (%)	Share of voting rights (%)
<b>Management Board members</b>			
Jože Colarič	22,500	0.0686	0.0691
Aleš Rotar	13,023	0.0397	0.0400
Zvezdana Bajc	1,660	0.0051	0.0051
Vinko Zupančič	120	0.0004	0.0004
Danica Novak-Malnar	0	0.0000	0.0000
<b>Total Management Board</b>	<b>37,303</b>	<b>0.1138</b>	<b>0.1146</b>

## Share trading in the first half of 2015



In the first six months of 2015 Krka's share price on the Ljubljana Stock Exchange peaked at the end of April, when it stood at EUR 68.65, and reached its low at the beginning of February, when it traded at EUR 56.03. The closing price of Krka's share on 30 June 2015 was EUR 65.00.

Krka's market capitalisation as at 30 June 2015

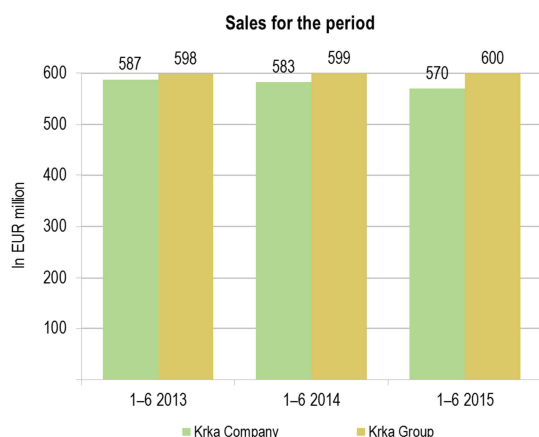
totalled EUR 2.1 billion. Deals in Krka's share generated an average daily trading volume of EUR 0.5 million over the reported period, making Krka the most traded security on the Ljubljana Stock Exchange.

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

## Business operations analysis

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

### Revenues



Compared to the same period last year, Group sales revenues remained at the same level, with Company sales down 2%. Krka d. d. sold EUR 569.9 million worth of prescription pharmaceuticals,

non-prescription products and animal health products, while the Group generated EUR 599.9 million of sales revenues from these products plus the health resort and tourist services. The Group generated 94% of its sales revenues in markets outside Slovenia.

Taking into account other operating and financial income, the Group generated a total of EUR 627.2 million of revenues, and the Company EUR 597.4 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 half of 2015 amounted to EUR 498.8 million, down 1% from the same period last year.

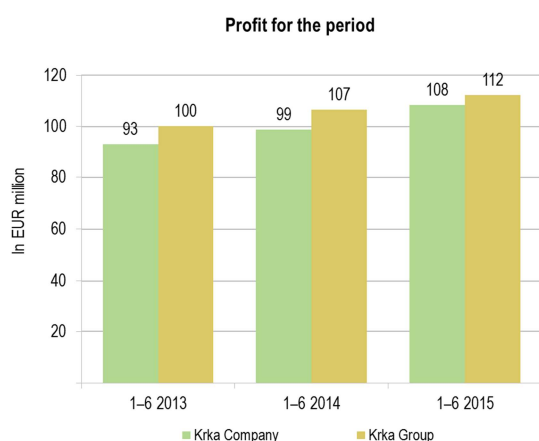
The Group incurred EUR 498.4 million of operating expenses, of which the cost of sales was EUR 248.9 million, distribution expenses were EUR 155.8 million, R&D expenses were EUR 56.4 million, and administrative expenses were EUR 37.2 million.

The Group cost of sales increased by 6%, on a costs to sales ratio of 41.5%, distribution expenses

decreased by 12%, on a costs to sales ratio of 26.0%. The decrease is due to the fact that in the first half year 2014 distribution expenses included EUR 20 million of provisions for the esomeprazole court dispute between Krka and AstraZeneca.

Group R&D expenses increased by 6%, on a costs to sales ratio of 9.4%. The Group does not capitalise R&D expenses, therefore they are recognised as expenses for the period in full. Administrative expenses increased by 2%, on a costs to sales ratio of 6.2%.

## Operating result



The Krka Group recorded EUR 104.3 million of operating profit, down 17% compared to the same period last year.

Profit before tax amounted to EUR 128.4 million, up 3% from the same period last year. Income tax totalled EUR 16.1 million, and the effective tax rate was 12.5%.

## Assets

Krka Group assets were worth EUR 1,890.1 million at the end of June 2015, an increase by EUR 94.3 million, or 5%, compared to the end of 2014.

Non-current assets represent 53.9% of total assets, the proportion down 2.3 of a percentage point from the beginning of the year. The largest item under non-current assets, which totalled EUR 1,018.1 million, was property, plant and equipment on EUR 852.6 million (up 1% from the end of 2014), which

Krka Group profit for the period amounts to EUR 112.3 million, up 5% from the year before, with the Krka Company profit totalling EUR 108.5 million, up 10%.

The Group's results for the first half year were again largely influenced by 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, but it nevertheless averaged almost 26% below its last year's six-month average level. Rouble-denominated sales in the Russian market were up 13% from last year's, with euro-denominated sales down 15%; this was reflected in a lower Krka Group operating profit. At the same time, the rouble's appreciation relative to its 2014 year-end value resulted in positive net exchange rate differences which increased financial income and thus upped the Group's profit for the period.

represents 45.1% of the Group's total assets. Intangible assets totalled EUR 118.2 million, down 2% compared to the end of 2014.

Current assets were up 11% to EUR 871.9 million. Inventories were up 14% to EUR 279.7 million, and receivables increased by 1% to EUR 521.5 million (of which trade receivables amounted to EUR 491.8 million, which is a 5% increase from the beginning of the year).

## Equity and liabilities

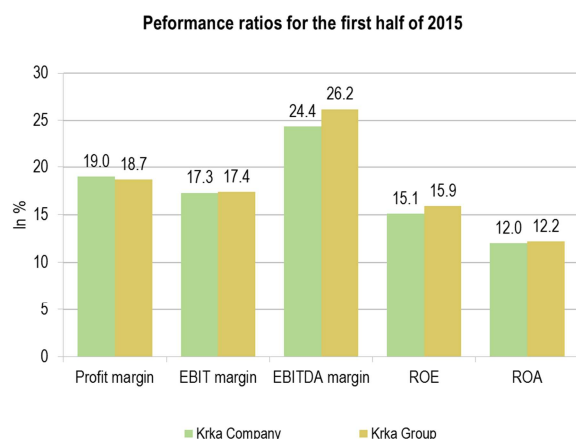
From the end of 2014 the Group's equity increased by 9% to EUR 1,476.4 million, and represents 78.1% of total equity and liabilities.

Amounting to EUR 125.1 million, non-current liabilities represent 6.6% of the Group's total assets. Provisions, which amounted to EUR 98.3 million at the end of the period, were up 1% from the year-end of 2014.

Current liabilities were down 9% from the end of 2014 and totalled EUR 288.5 million, which is 15.3% of total assets. Among current liabilities, trade payables amounted to EUR 103.4 million, down 10% compared to the year-end of 2014, with other current liabilities up 5% to EUR 172.0 million.



## Performance ratios



The Krka Group profit margin for the six months to June 2015 was 18.7% (Krka Company 19.0%), its EBIT margin 17.4% (Krka Company 17.3%) and its EBITDA margin 26.2% (Krka Company 24.4%).

ROE at the level of the Group was 15.9% (Krka Company 15.1%), with ROA at 12.2% (Krka Company 12.0%).

## Marketing and sales

Group sales in the six months to June were EUR 599.9 million and Krka Company sales amounted to EUR 569.9 million.

Sales volume at Group level increased by 5.2% compared to the same period last year.

## Sales by Region

Sales were the highest in Region East Europe, where they amounted to EUR 185.9 million, which is 31.0% of total Group sales. The second largest sales region was West Europe, where Krka sold EUR 162.7 million worth of products, which is 27.1% of its total sales.

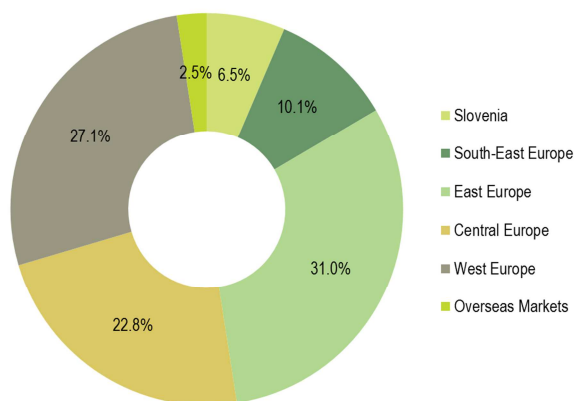
The third largest area in terms of sales was Region Central Europe, where Krka sold EUR 137.2 million

worth of products in the reported period, which is 22.8% of overall sales. In Region South-East Europe sales amounted to EUR 60.5 million, which represents 10.1% of total sales. Sales in the domestic market totalled EUR 38.7 million, which is 6.5% of total sales, while Region Overseas Markets sales generated EUR 14.7 million, or 2.5% of Group sales.

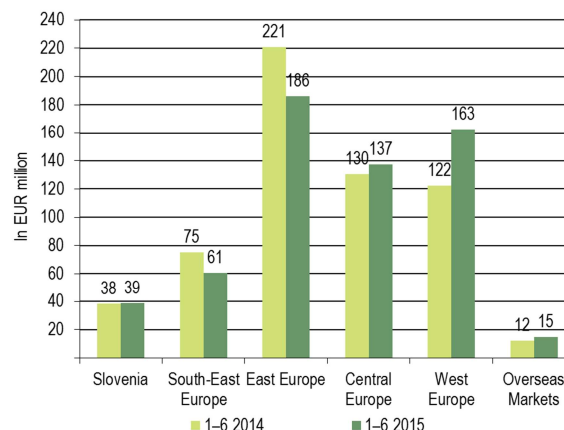
## Krka Group sales by Region

In EUR thousand	Krka Group			Krka Company		
	1-6/2015	1-6/2014	Index	1-6/2015	1-6/2014	Index
Slovenia	38,734	38,420	101	25,680	24,753	104
South-East Europe	60,513	75,339	80	65,621	96,443	68
East Europe	185,942	220,763	84	175,594	214,128	82
Central Europe	137,226	130,214	105	140,879	130,145	108
West Europe	162,690	122,331	133	148,625	106,582	139
Overseas Markets	14,745	12,303	120	13,479	10,515	128
<b>Total</b>	<b>599,850</b>	<b>599,370</b>	<b>100</b>	<b>569,878</b>	<b>582,566</b>	<b>98</b>

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



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



### Slovenia

Six-month sales in the domestic market amounted to EUR 38.7 million. The majority came from prescription pharmaceuticals, which generated EUR 19.1 million, with non-prescription products contributing EUR 3.5 million and animal health products EUR 1.1 million. Products sales in the Slovenian market were up almost 5% from the same period last year. Health resort and tourist service sales in the period were EUR 14.0 million, and other sales amounted to EUR 1.1 million.

Marketing activities in the reported period focused on our commercially most successful medicines for the treatment of cardiovascular diseases. We thus strengthened the market positions of the antihypertensives Prenessa (perindopril), Prenewel (perindopril and indapamide), Amlessa (perindopril and amlodipine), Tolura (telmisartan) and Tolucombi (telmisartan and hydrochlorothiazide). Special attention was also devoted to the statins Sorvasta (rosuvastatin) and Atoris (atorvastatin), and the analgesic Doreta (tramadol and paracetamol). Two

new medicines for the central nervous system were added to our range of products in June, Aryzalera (aripiprazole) and Pregabalin (pregabalin).

As to non-prescription products, brand identity was strengthened with the target public for established products, and for Septanazal and the cough medicine Solvolan (ambroxol). Milprazon (milbemycin and praziquantel) was added to Krka's range of veterinary products.

Our most important products in terms of sales in the reported period were prescription pharmaceuticals, especially Prenessa (perindopril), Prenewel (perindopril and indapamide), Nalgesin (naproxen), Nolpaza (pantoprazole), Sorvasta (rosuvastatin), Naklofen (diclofenac) and Atoris (atorvastatin). The leading non-prescription products were Nalgesin S (naproxen), the Daleron (paracetamol) products and Bilobil (ginkgo biloba). The best-selling veterinary products were Fypryst (fipronil), Grovit and Enrofloksacin (enrofloxacin).

### South-East Europe

Product sales in the nine markets of Region South-East Europe amounted to EUR 60.5 million in the six months of 2015. Sales were down compared to the same period last year in both key markets, Romania and Croatia, and in Serbia, attributable to the legally regulated decreases in the prices of pharmaceuticals. In all the remaining markets sales

increased, however due to their size their contribution to overall sales in the Region is smaller.

In **Romania**, the Region's largest and one of its key markets, sales were down due to market stakeholders preparing for reduced prices of pharmaceuticals which took effect on 1 July 2015. With EUR 15.8 million of product sales there, which

is down 43% from the same period last year, Krka remains the third generic pharmaceuticals provider in the market.

Our main sales drivers in this country are prescription pharmaceuticals. The best results in the past six-month period were reported for Aryzalera (aripiprazole), which was launched in April, followed by Prenessa/Co-Prenessa (perindopril and its fixed-dose combination with indapamide), Atoris (atorvastatin), Teotard (theophylline), Tramadol (tramadol), Mirzaten (mirtazapine) and Nolpaza (pantoprazole). The best-selling non-prescription product was Bilobil (ginkgo biloba). Good sales results and sales growth in this group were also reported for the brands Nalgesin/Naldorex (naproxen), Herbion, Septanazal and Septoaqua. Animal health product sales were up, mainly driven by the Floron (florfenicol) brand.

Another key market and the second most important market in the Region is **Croatia**, where Krka ranks the fourth generic human health pharmaceuticals provider and is the third in terms of prescription pharmaceutical sales. Sales there totalled EUR 12.8 million, down 18% compared to the same period last year. The majority of sales came from prescription pharmaceuticals, especially Atoris (atorvastatin), Perineva (perindopril), Helex (alprazolam), Valsacor (valsartan), Dalneva (perindopril and amlodipine), Roswera (rosuvastatin) and Panatus (butamirate). New product launches in the reported period included Moloxin (moxifloxacin), Aclexa (celecoxib) and Memando (memantine). The leading non-prescription products in terms of sales were Nalgesin (naproxen) and Septolete, while in the group of animal health products the best-seller was Fypryst (fipronil).

In **Bosnia and Herzegovina** Krka sold EUR 9.3 million worth of products in the first half of 2015, up 10% compared to the same period last year. This preserved our leading market position in human health pharmaceuticals. The largest contributor to overall sales was prescription pharmaceuticals, their sales up 11%. The best-selling product remains Enap (enalapril), followed by Lorista (losartan), Valsacor (valsartan), Roswera (rosuvastatin), Ampril (ramipril), Atoris (atorvastatin) and Naklofen (diclofenac). Sales growth was also recorded for non-prescription products, especially due to the best-selling brands Nalgesin (naproxen), Septolete, Bilobil (ginkgo biloba) and Panatus (butamirate).

In **Macedonia**, where Krka remains the leading foreign producer of generic pharmaceuticals, sales amounted to EUR 7.7 million, an increase by 11% compared to the same period last year. Despite decreasing reference prices, the highest sales growth – of 15% – was recorded for prescription pharmaceuticals, our leading group of products in terms of sales value. The best-selling products in the reported period were Enap (enalapril), Tanyz (tamsulosin), Roswera (rosuvastatin), Atoris (atorvastatin) and Lorista (losartan). We were also successful at certain tenders for oncology medications. Non-prescription product sales were slightly down compared to the same period in 2014, with the leading products in terms of sales remaining Daleron (paracetamol), Bilobil (ginkgo biloba), Herbion and Nalgesin (naproxen).

Six-month operations in **Serbia** were marked by a major increase in sales volume, which however did not fully offset the result of the considerable reduction in the prices of pharmaceuticals caused by legislative changes. We sold EUR 3.5 million worth of products there, a decrease by 41% compared to the same period last year. The leading prescription pharmaceuticals, both in terms of sales volume and sales value, were Atoris (atorvastatin), Nolpaza (pantoprazole), Valsacor (valsartan) and Ampril (ramipril). The second most successful product group was veterinary products, the sales value of which surpassed that of non-prescription products.

In **Bulgaria** sales totalled EUR 6.2 million, up 5% from the same period last year. The main contributors were prescription pharmaceuticals, especially the established products Valsacor/Co-Valsacor (valsartan and its fixed-dose combination with a diuretic), Prenessa/Co-Prenessa (perindopril and its fixed-dose combination with a diuretic) and Roswera (rosuvastatin). Overall sales were up also on account of the 26% increase in the sales of animal health products, while the sales of non-prescription products were down compared to the same period last year.

Half-year sales in **Kosovo**, where Krka is one of the leading suppliers of pharmaceuticals, totalled EUR 3.0 million, up 11% compared to the six months last year. Sales increased at the same rate in **Albania**, where we sold EUR 1.7 worth of products. Our most important products in this market were Lorista (losartan), Enap (enalapril) and Valsacor (valsartan). Operations in **Montenegro** corresponded to our success rate at public tenders.

Sales totalled EUR 0.6 million, up 1% compared to

the same period last year.

## East Europe

Region East Europe comprises several Eastern European and Central Asian markets, the most important remaining the Russian Federation. Economic challenges faced by most countries in the Region, including both Krka's key markets, have driven overall sales value in the Region down. Sales in the Region thus totalled EUR 185.9 million, down 16% compared to the same period last year. Nonetheless, we managed to increase our market share in several markets, including the most demanding ones.

Key market the **Russian Federation** remains Krka's largest individual market. Half-year sales there amounted to EUR 134.0 million. Euro-denominated sales thus decreased by 15% compared to the first six months last year, while the rouble-denominated sales value increased by 13%.

The leading products in terms of sales remain prescription pharmaceuticals, especially Lorista (losartan), Enap (enalapril), Atoris (atorvastatin), and Perineva (perindopril and its fixed-dose combination with a diuretic), which has been recording the most rapid sales growth. Good sales results were also recorded for other human health products, including Zyllt (clopidogrel), Herbion, Orsoten/Orsoten-slim (orlistat), Nolpaza (pantoprazole), Roxera (rosuvastatin) and Bilobil (ginkgo biloba), and for the animal health product Floron (florfenicol). A relevant contribution to sales came from products launched in the last five years, including Roxera (rosuvastatin), Emanera (esomeprazole), Vamloset (valsartan and amlodipine) and Dalneva (perindopril and amlodipine). Good results were also recorded for products launched in the past six months: Lortenza (losartan and amlodipine), Bravadin (ivabradine), Gliklada (gliclazide) and Maruxa (memantine).

A significant proportion of products sold in the market of the Russian Federation is produced in the subsidiary Krka Rus. Our products therefore have the status of a Russian product there, a status that has become increasingly important in respect of marketing.

The pharmaceuticals market in **Ukraine** has heavily shrunk, which has had the most visible effect on the sales of non-prescription products. Our sales were down 52% compared to the same period last year,

however this was the smallest drop among all foreign providers of pharmaceuticals and we therefore managed to increase our market share to 2.6%. Total sales value amounted to EUR 12.4 million, mainly driven by prescription pharmaceuticals, especially Enap (enalapril), Dexamethason (dexamethasone) and Prenessa (perindopril). The second best sales result was recorded for animal health products, and the third for non-prescription products.

In **Uzbekistan** sales in the first half year totalled EUR 9.9 million, up 16% compared to the same period last year. Continued sales growth has consolidated Krka's 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 31% with the main sales drivers being Lorista (losartan), Enap (enalapril), Tenox (amlodipine) and Amlessa (perindopril and amlodipine). The sales leaders among products available without prescription were the Pikovit, Duovit and Septotele brands. Our presence in the Uzbek market was strengthened in the reported period with the launches of Dezradin (desloratadine), Co-Amlessa (perindopril and amlodipine in fixed-dose combination with a diuretic) and Septanazal.

Sales in **Kazakhstan** amounted to EUR 8.5 million, down 9% compared to the same period last year, mainly due to lower non-prescription product sales. Nonetheless, with the successful sales of prescription pharmaceuticals we managed to increase our market share there. Our best-selling pharmaceuticals were Enap (enalapril), Prenessa (perindopril), and Valodip (amlodipine and valsartan), which was launched this year. The subsidiary Krka Kazakhstan has been engaged in product sales since January.

Sales in **Belarus** amounted to EUR 6.3 million in the past six months, up 27% compared to the same period last year. The main sales drivers were prescription pharmaceuticals, especially Lorista (losartan), Nolpaza (pantoprazole) and Enap (enalapril). The leading non-prescription products in terms of sales were those of the Septotele and Herbion brands.

In **Moldova** sales were up 11% to EUR 3.4 million.

The best-selling brands in the group of prescription pharmaceuticals, which is the leading product group in terms of sales, were Ampril (ramipril) and Rawel (indapamide), and the leading non-prescription product brands were Herbion and Panzynom. Good sales results were also recorded for newly launched products, especially Vizarsin (sildenafil), Roswera (rosuvastatin), Naklofen (diclofenac) gel 120 g and Herbion Iceland moss syrup, which represent important additions to our range of products in the Eastern European market.

In **Mongolia** Krka recorded a 4% decline in our product sales compared to the same period last year. Sales there totalled EUR 2.7 million and Krka thus remained the leading foreign supplier of pharmaceuticals in the country, which was due to the sales growth recorded for prescription pharmaceuticals. Non-prescription product sales, on the other hand, were down.

In **Turkmenistan** sales amounted to EUR 2.3 million, an increase by 22% compared to the same period last year. The highest sales growth, by two

thirds, was recorded for products available without prescription, particularly Herbion and Pikovit. Sales in **Azerbaijan** amounted to EUR 1.8 million, down 14% compared to the same period last year, mainly attributable to the depreciation of the local currency. The sales of non-prescription products were consequently down, while prescription pharmaceutical sales nevertheless increased from the same period last year. Our most important product in the market remains Enap (enalapril), followed by Tramadol (tramadol) and Atoris (atorvastatin).

Sales in **Georgia** totalled EUR 1.6 million, remaining on the same level as in the comparable period last year. The best-selling products were prescription pharmaceuticals, especially Lorista (losartan), Sorvasta (rosuvastatin) and Tenox (amlodipine). In **Kyrgyzstan** sales were down by one third. The 7% decrease in sales in **Armenia** was mainly due to poorer sales of non-prescription products. In **Tajikistan** Krka's sales totalling EUR 0.9 million, which is the same as in the six months last year.

## Central Europe

Sales in the markets of Central Europe were EUR 137.2 million, up 5% compared to the same period last year. Sales growth was recorded in all markets in the Region, apart from the Czech Republic and Lithuania.

In **Poland**, the Region's leading and one of Krka's key markets, Krka outpaced the market in the reported period, exceeding last year's six-month sales by 10%. With EUR 69.6 million of sales Krka ranked the fourth foreign producer of generic pharmaceuticals in the country.

The main sales drivers were prescription pharmaceuticals, especially Atoris (atorvastatin), Roswera (rosuvastatin), Valsacor/Co-Valsacor (valsartan and its fixed-dose combination with a diuretic), Lorista/Lorista H (losartan and its fixed-dose combination with a diuretic), the newly launched Aryzalera (aripiprazole), Doreta (tramadol and paracetamol), Tolura/Tolucombi (telmisartan and its fixed-dose combination with a diuretic), Karbis (candesartan) and Prenessa (perindopril). The second best-selling group were non-prescription products, particularly Bilobil (ginkgo biloba) and Septotele. The leading animal health products in terms of sales were Fypryst (fipronil) and Floron (florfenicol).

Six-month sales in **Hungary**, another one of Krka's key markets, totalled EUR 22.3 million, up 12% compared to the same period last year. The main sales drivers were prescription pharmaceuticals, especially Prenessa (perindopril), Atoris (atorvastatin), Roxera (rosuvastatin), Nolpaza (pantoprazole), Fromilid (clarithromycin), Dalnessa (perindopril and amlodipine in fixed-dose combination with a diuretic) and Zyllt (clopidogrel). The best-selling product available without prescription remains Bilobil (ginkgo biloba), while Fypryst (fipronil) and Enroxil (enrofloxacin) are the sales leaders among veterinary products.

Sales in **Slovakia** amounted to EUR 17.3 million, up 20% compared to the same period last year. The main sales drivers were again prescription pharmaceuticals, especially Prenessa (perindopril), Valsacor (valsartan), Atoris (atorvastatin), Nolpaza (pantoprazole) and Amlessa (perindopril and amlodipine). The second best-selling group was non-prescription products, where the leaders were Nalgesin (naproxen) and Septotele, while the highest sales growth rate was recorded for animal health products, especially Enroxil (enrofloxacin) and Fypryst (fipronil).



Six-month sales in another key market, the **Czech Republic**, remained under the strong influence of changes in the country's healthcare system and the related decrease in the prices of pharmaceuticals, which resulted in 34% lower sales there compared to the same period last year. Krka nevertheless preserved its market share and remains one of the most successful generic pharmaceutical companies in the country. Sales totalled EUR 11.9 million, the majority from prescription pharmaceuticals, among which Tonarssa (perindopril and amlodipine) took the lead, followed by Asentra (sertraline), Prenessa (perindopril), the new medicine Aryzalera (aripiprazole), Fromilid (clarithromycin), Atoris (atorvastatin) and Tolura/Tolucombi (telmisartan and its fixed-dose combination with a diuretic). The best sales results in the group of non-prescription products were recorded for Nalgesin (naproxen) and Bisacodyl (bisacodyl), while in the group of animal health products the best-sellers were Fypryst (fipronil) and Dehinel (febantel).

## West Europe

Region West Europe was the fastest growing region in the reported period, sales there totalling EUR 162.7 million, up 33% compared to the same period last year. For several consecutive quarters the good result has chiefly been attributable to subsidiaries, the total sales via which increased by 57%. Sales via unaffiliated companies were also up, by 5%. High growth rates are mainly attributable to the successful sales of three modern generic central nervous system pharmaceuticals, i.e. pregabalin, aripiprazole and duloxetine, in the markets of Germany, the UK and certain Nordic markets. In the second quarter this year these products were also successfully launched in Portugal and Ireland.

The structure of sales according to groups of products did not change considerably. Prescription pharmaceuticals remain at the forefront, and they have also recorded the highest sales growth rates. Our best-selling products were generic pharmaceuticals with esomeprazole, aripiprazole, duloxetine, pantoprazole, pregabalin, and candesartan and valsartan with fixed-dose combinations. Animal health products were the second most successful group in terms of sales, having recorded a 25% sales increase, attributable mainly to sales via subsidiaries. The most important products were generic pharmaceuticals with fipronil, florfenicol and enrofloxacin. Non-prescription product sales were down compared to the same period last year.

Sales in **Lithuania** were EUR 8.5 million, down 1% compared to the same period last year. The most important products in terms of sales were Valsacor (valsartan), Prenessa (perindopril) and Amlessa (perindopril and amlodipine), all together with their fixed-dose combinations with diuretics.

The highest sales growth rates in the reported period were recorded in the remaining two Baltic markets. Product sales in **Latvia** totalled EUR 4.7 million, up 29% compared to the same period last year. The majority of sales came from prescription pharmaceuticals, especially Prenessa (perindopril), including its fixed-dose combination with a diuretic, Atoris (atorvastatin), and Tolura (telmisartan), including its fixed-dose combination with a diuretic. In **Estonia** sales were up 30% to EUR 2.9 million, chiefly driven by prescription pharmaceuticals, particularly Roswera (rosuvastatin) and the newly launched Arisppa (aripiprazole).

Representing almost 30% of the Region's sales, **Germany** remains our most important market, sales there up 52%. As much as 92% of the EUR 47.9 million of sales in Germany was generated by the subsidiary TAD Pharma. Sales growth is mainly due to the good sales results for the generic aripiprazole, pregabalin and duloxetine, which we launched as the first generic company in the past six months. At the end of the period we were the first generic company to launch products with rasagiline in the German market, used to treat Parkinson's disease.

With a 14% share in overall sales, **Spain** is the second largest market in the Region. Sales there totalled EUR 22.7 million, up 21% compared to the same period last year, mainly driven by products sold under the Krka brand via the subsidiary Krka Farmacéutica. The majority of sales was realized at a public tender in Andalusia.

Sales in the **Nordic** markets amounted to EUR 20.2 million, up 74% compared to the six months to June last year. The best-selling products were generic pharmaceuticals with aripiprazole, pregabalin, duloxetine, esomeprazole and mirtazapine.

Product sales in the markets of the **UK** and **Ireland** totalled EUR 20.2 million, which is 12% of the Region's overall sales. Good sales results in the UK were recorded especially for generic products with

aripiprazole, duloxetine and pramipexole, overall sales almost doubling compared to the six months last year. Via our affiliated company Krka Pharma Dublin we successfully launched – as the first generic company – products with pregabalin, aripiprazole and duloxetine in Ireland, recording product sales worth 2.5-times the figure from the same period last year.

In **France** sales were up 8% to EUR 17.6 million, mainly generated via unaffiliated companies. The best results were recorded for generic products with esomeprazole, clopidogrel and perindopril. Sales in

**Portugal** also increased compared to the same period last year, by 2%, after sales via our affiliated company Krka Farmacêutica were up more than 10%. Product sales in **Italy** totalled EUR 9.3 million in the six months to June, up 15% compared to the same period last year. More than 40% of sales were generated via the subsidiary Krka Farmaceutici. On account of lower sales via unaffiliated companies, sales in the **Benelux** countries were down one quarter, while they were up 9% compared to the same period last year in **Austria**, mainly due to the 25% increase in sales via the Vienna-based subsidiary Krka Pharma.

## Overseas Markets

Six-month product sales in Region Overseas Markets totalled EUR 14.7 million, up 20%. All three sales offices reported growing sales, with the main sales drivers being prescription pharmaceuticals.

The **Far East and Africa** sales office reported EUR 7.6 million of sales (up 37% from the same period last year) and took the leading position in the Region. The most important markets in terms of sales in the reported period were those of the **Republic of South Africa, China, Malaysia, Vietnam, Ghana and Singapore**. The main sales drivers were generic pharmaceuticals with lansoprazole, amlodipine, enalapril, carvedilol and atorvastatin.

The sales office the **Middle East** reported EUR 6.9 million of sales, up 5% compared to the same period last year. The most important individual markets there remain **Iran, Iraq, Yemen and Lebanon**, and our best-selling products were Asentra (sertraline), Ultop (omeprazole), Nolpaza (pantoprazole) and Letizen (cetirizine).

The sales office the **Americas** reported a 17% sales increase. The most important markets remain those of Central America, where the majority of sales came from prescription pharmaceuticals, especially Valsacor (valsartan), Emanera (esomeprazole), Atoris (atorvastatin), Nolpaza (pantoprazole) and Tolura (telmisartan).



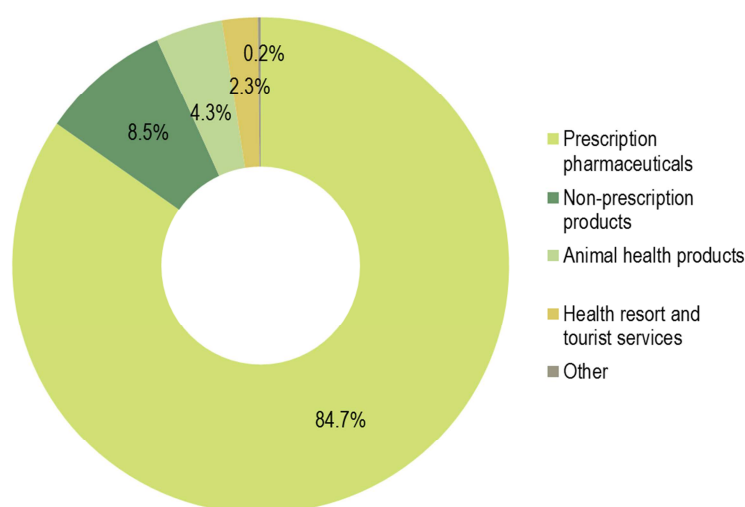
## Krka Group and Krka Company sales by product and service group

The Group generated 93.3% of overall sales during the six months to June 2015 in human health products, making this Krka's most important product group. The most sales, i.e. 84.7%, were generated in prescription pharmaceuticals, followed by non-

prescription products on 8.5% and animal health products on 4.3% of total Group sales. Health resort and tourist services represent 2.3% of overall Krka Group sales, and 0.2% is other sales revenues.

In EUR thousand	Krka Group			Krka Company		
	1-6/2015	1-6/2014	Index	1-6/2015	1-6/2014	Index
Human health products	558,780	560,867	100	543,730	556,490	98
– Prescription pharmaceuticals	507,924	502,056	101	498,333	502,462	99
– Non-prescription products	50,856	58,811	86	45,397	54,028	84
Animal health products	26,012	22,686	115	24,144	23,926	101
Health resort and tourist services	14,006	14,410	97			
Other	1,052	1,407	75	2,004	2,150	93
<b>Total</b>	<b>599,850</b>	<b>599,370</b>	<b>100</b>	<b>569,878</b>	<b>582,566</b>	<b>98</b>

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



### Prescription pharmaceuticals

We sold EUR 507.9 million worth of prescription pharmaceuticals in the reported period, 1% more compared to the same period last year.

Sales increased in regions West Europe (up 34%), Central Europe (up 4%), Slovenia (up 3%) and the smallest sales region, Overseas Markets (up 23%). In regions East Europe and South-East Europe sales were down. The sales decrease in Region East Europe was due to the sales result in the Russian Federation, where rouble-denominated

sales were up 13% but euro-denominated sales fell, especially in the first quarter. In Ukraine, the entire pharmaceuticals market decreased. In Region South-East Europe sales decreased mainly in the largest market, Romania, where on account of the price decrease announced in the first half year and postponed several times, the market came to a standstill.

With respect to large markets for Krka's prescription pharmaceuticals, year-on-year sales were up the

most in Germany (up 55%), Spain (up 22%), Hungary (up 10%), Poland (8%) and Slovenia (up 3%).

As to mid-size market, considerable sales increases were recorded in the UK (up 107%), Sweden (up 43%), Uzbekistan (up 31%), Slovakia (up 17%), Macedonia and Italy (up 15% in both), Kazakhstan (up 12%), Bosnia and Herzegovina (up 11%) and Bulgaria (up 6%).

Among smaller markets, the highest sales growth rates were recorded in Ireland (up 147%), Denmark (up 176%), Finland (up 54%), Belarus (up 35%), Estonia (up 27%), Latvia (up 26%) and Tajikistan (up 16%), while sales also increased in several other markets.

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

The highest year-on-year sales growth rates in absolute terms were recorded for the most recently launched products Aryzalera\* (aripiprazole), Dulsevia\* (duloxetine) and Pragiola\* (pregabalin), and by Soby\* (bisoprolol), Valsacor\* (valsartan), Amlessa\* (perindopril with amlodipine), Aclera (celecoxib), Valodip (valsartan with amlodipine), Doreta (tramadol and paracetamol), Emanera (esomeprazole) and Oprimexa (pramipexole).

In the first half year we were the first generic company to launch the antipsychotic Aryzalera\* (aripiprazole). It was launched in Austria, Spain, Denmark, Finland, Portugal, Ireland, the Czech Republic, Hungary, Poland, Romania, Lithuania, Latvia and Estonia.

Back in the first quarter we were the first generic company to launch the new antidepressant Duloxalta (duloxetine) in Germany, and also in Germany we were the first generic company to

launch Dulovesic (duloxetine), a urology treatment. The antidepressant Dulsevia\* (duloxetine) was further launched in the UK, Denmark, Finland, Sweden, Portugal, Latvia and Hungary.

An important new central nervous system treatment launched in the first half year is pregabalin, which was approved in Austria, Denmark, Ireland, Portugal and Slovenia.

Our range of central nervous system medications was additionally supplemented at the end of the period with Rasagea (rasagiline), treating Parkinson's disease, which was launched in Germany.

We also launched existing products on new markets:

- Atordapin (atorvastatin and amlodipine) in Latvia;
- Roswera (rosuvastatin) in Moldova;
- Canocombi (candesartan and hydrochlorothiazide) in Estonia;
- Tolura (telmisartan) and Tolucombi (telmisartan and hydrochlorothiazide) in Estonia;
- Co-Prenessa (perindopril and indapamide) in Azerbaijan;
- Amlessa (amlodipine and perindopril) in Azerbaijan, Turkmenistan and Kyrgyzstan;
- Soby\* (bisoprolol) in Bosnia and Herzegovina, and Ukraine;
- Sobycombi (bisoprolol and amlodipine) in Hungary;
- Lortenza (losartan and amlodipine) in the Russian Federation;
- Elernap\* (enalapril and lercanidipine) in Georgia;
- Gliclada (gliclazide) in the Russian Federation;
- Moloxin\* (moxifloxacin) in Croatia, Finland and France;
- Aclera (celecoxib) in Croatia and Kosovo;
- Emanera (esomeprazole) in Kosovo and Belarus;
- Marixino\* (memantine) in Croatia and the Russian Federation;
- the oncology medications imatinib, exemestane and letrozole in Bulgaria.

## Non-prescription products

We sold EUR 50.9 million worth of non-prescription products, a decrease by 14% compared to the same period last year.

Sales increased in regions Slovenia (up 18%), Central Europe (up 22%) and Overseas Markets (up 25%), while they were down in regions East Europe, South-East Europe and West Europe. The overall decrease was mainly the result of lower sales in the

Russian Federation and Ukraine. Sales increased in Poland (up 25%), Bosnia and Herzegovina (up 4%), Belarus (up 5%), Slovakia (up 56%), Turkmenistan (up 65%), Lithuania (up 8%), Latvia (up 50%) and

Moldova (up 45%). The sales of seasonal products increased the most, especially of Septotele (up 5%), Duovit (up 3%), Daleron (up 49%) and the newly launched Septanazal.

### Animal health products

Six-month animal health product sales totalled EUR 26.0 million, up 15% compared to the same period last year. Sales increased in all regions apart from Slovenia, where they remained the same level as in the six months to June last year. Sales increased the most in regions South-East Europe (up 26%) and West Europe (up 25%), followed by Region Central Europe (up 20%).

Among the largest markets, sales increased the most in Germany (up 140%), France (up 42%), Poland (up 27%) and the Russian Federation (up 10%), and as to the other large markets high sale growth rates were reported in Romania (up 41%), Serbia (up 30%), Croatia (up 22%) and Hungary (up

9%). Sales also increased in several small markets.

The leading products in terms of sales are Fypryst\* (fipronil), Floron\* (florfenicol) and Enroxil\* (enrofloxacin), followed by Trisulfon (sulfamonometoxin and trimethoprim), Milprazon\* (milbemycin oxime and praziquantel), Toltarox (toltrazuril) and Flimabend (flubendazole). After launching it for the first time at the end of 2014, this year Milprazon\* was launched on several new markets of Western, Central, Eastern and South-Eastern Europe. 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 first half of 2015 the Terme Krka Group generated EUR 14.0 million of sales, down 3% compared to the same period last year. The main reasons for lower sales are the 25% decrease in referrals to medical post-operative rehabilitation after cardiovascular surgery in Terme Šmarješke Toplice, and decreased overnight stays by Russian guests. Despite an 8% increase in overnight stays

by Italian guests, a twofold increase in overnight stays by Scandinavian and Israeli guests, and more Slovenian self-paying customers, the shortfall of revenue due to fewer Russian guests could not be entirely offset. Revenues from overnight stays were thus down 3%, and revenues from medical services by the same percentage.

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

## Research and development

In the six months of 2015 we obtained marketing authorisations for 13 new products in 25 dosage forms and strengths.

### Prescription pharmaceuticals

Marketing authorisations were obtained for 9 new prescription pharmaceuticals in 21 dosage forms and strengths.

Approvals were granted in 25 countries under the decentralised procedure for **Loxentia/Dulsevia** (duloxetine) gastro-resistant capsules in four 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.

Under the decentralised procedure we obtained marketing authorisations for the new medicinal product **Rasagea** (rasagiline) in the form of tablets. It represents an important addition to our range of products for central nervous system diseases, and is used to treat Parkinson's disease.

Applying the European decentralised procedure we obtained approvals for **Levalox** (levofloxacin) in the form of film-coated tablets in two strengths and in the form of solution for infusion. Both forms of the medicine 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 melanoma. The medicine prevents the division of cancer cells, thus slowing tumour growth and prolonging survival time.

A new hypertension medicinal product was also approved, the fixed-dose combination **Tenliza** (amlodipine and lisinopril) in the form of tablets in two strengths being authorised in the Russian Federation. The medicine contains a fixed-dose combination of two active ingredients tested to reduce blood pressure, a calcium channel blocker and an ACE inhibitor, which complement each other and provide for an efficient blood pressure control.

We acquired 315 new marketing authorisations for 84 products in different markets.

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 approved under the centralised procedure. The medicine is to be taken once a day, and is used either in mono- or combination therapy to treat signs and symptoms of Parkinson's disease.

Our range of antibiotics was supplemented after approvals had been issued for the cephalosporin **Furocef** (cefuroxime) and the fixed-dose combination **Betaklav** (amoxicillin and clavulanic acid). The Furocef film-coated tablets in two strengths were authorised in 15 countries under the European decentralised procedure. The medicine is used to treat infections of the oesophagus, sinuses, middle ear, lungs or chest, urinary tract and skin, and Lyme disease.

Under the European decentralised procedure we acquired marketing authorisations in 13 countries for Betaklav in the new form of powder for oral suspension in the concentration 400/57 mg. The product, which medical guidelines rank a first-line treatment for respiratory tract infections, is to be taken twice a day. Applying the European decentralised procedure we additionally obtained marketing authorisations in 20 countries for Betaklav film-coated tablets in two strengths.

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

In the Russian Federation we obtained the marketing authorisation for the new combination **Tenliza** (amlodipine and lisinopril), and, in addition, expanded marketing opportunities for **Co-Dalneva** (perindopril, indapamide and amlodipine) and **Niperten Combi** (amlodipine and bisoprolol fumarate).

As to the other Eastern European countries we obtained new marketing authorisations for Krka's key products **Emanera** (esomeprazole), **Roxera** (rosuvastatin), **Moloxin** (moxifloxacin), **Oprymea** (pramipexole), the **Nolpaza** (pantoprazole) solution for injection, **Atorvastatin Krka**, **Dilaxa** (celecoxib), **Vizarsin** (sildenafil), **Sobycor** (bisoprolol), **Gliclada** (gliclazide) and **Azibiot** (azithromycin).

In addition, approvals were granted to Krka in other Eastern European countries for a series of our fixed-dose combinations, including **Co-Amlessa** (perindopril, indapamide and amlodipine), **Atordapin** (atorvastatin and amlodipine), **Amlessa** (perindopril and amlodipine), **Valsacor H 80/Valsacor H 160/Valsacor HD 160** (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/Elyrno** (lercanidipine and enalapril).

Key products from various indication areas were launched on new 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, for **Fromilid** (clarithromycin) 500 mg film-coated tablets and **Azibiot** (azithromycin) 250 mg film-coated tablets. Other newly launched medicines were the antipsychotic **Aryzalera** (aripiprazole), the antidiabetic **Gliclada SR** (gliclazide) and the cytostatics **Escepran** (exemestane) and **Ecansya** (capecitabine). New marketing authorisations were obtained in different south-eastern markets for mono products and fixed-dose combinations of two and three active ingredients for the treatment of cardiovascular diseases, including **Tolura** (telmisartan), **Sobycombi** (bisoprolol), **lisinopril Krka**, **Atordapin** (amlodipine and atorvastatin), **Tenloris** (losartan and amlodipine), **Elnap** (lercanidipine and enalapril) and **Amlewel** (perindopril, indapamide and amlodipine).

In the overseas markets we expanded marketing opportunities in four countries for products of our key brands **Tolura** and **Tolucombi** (telmisartan and its fixed-dose combination with a diuretic), **Roswera** (rosuvastatin), **Zyllt** (clopidogrel), **Tenox** (amlodipine), **Vasilip** (simvastatin), **Nolicin** (norfloxacin), **Ciprinol** (ciprofloxacin), **Lanzul** (lansoprazole) and **Vizarsin** (sildenafil).

## Non-prescription products

In the six months of 2015 we obtained marketing authorisations for two new products of the **Septotele** brand.

Approvals were granted under the European decentralised procedure in 14 countries and the Russian Federation for **Septotele total/Septabene** (cetylpyridinium chloride and benzydamine chloride) in the form of lozenges and spray. We thus supplemented our range of products for the treatment of inflammation and pain in the mouth and throat. A new technology for the preparation of hard lozenges was developed for **Septotele total** lozenges, and a new production technology line set up. The product's efficacy was confirmed by an international clinical trial conducted by Krka. The **Septotele total** spray was approved on the basis of studies confirming its quality, efficacy and safety. Both products have anti-inflammatory properties and are analgesics and antiseptics, and both can be administered to adults and children.

In different Eastern European markets we launched certain key products for the treatment of cold and flu symptoms. Additional marketing authorisations were obtained for the **Septoaqua nasal spray for adults** and the **Septoaqua nasal spray for children** in Belarus and Turkmenistan, and for the **Septanazal nasal spray for adults** and the **Septanazal nasal spray for children** in Uzbekistan and Turkmenistan. The **Septotele plus oromucosal spray** was additionally launched in Tajikistan, and the **Daleron** product group in Azerbaijan.

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



## Animal health products

Applying the European decentralised procedure in the six months of 2015 we obtained marketing authorisations in 19 European countries and the Russian Federation for the new product **amoxicillin** in the form of oral powder for pigs and chickens. The medicinal product contains the antimicrobial substance amoxicillin, intended for the treatment of infections of the respiratory and gastrointestinal tract, meninges, joints and secondary infections in pigs, and for the treatment of respiratory and gastrointestinal tract infections in chickens. The product solves well in water and can therefore be administered in drinking water to treat the entire brood/drove, and for pigs it can also be administered individually with feed.

Applying the decentralised procedure we obtained marketing authorisations in 27 European countries for **Milprazon/Milquante** (milbemycin oxime and praziquantel) in the form of film-coated flavoured tablets for small cats and kittens. The product contains a fixed-dose combination ranked a state-of-the-art intestinal wormer for cats. It is 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.

We expanded the markets for our products for companion animals. 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 **Fypriy Combo** (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, and for the **Milprazon** (milbemycin and praziquantel) tablets in two strengths, an intestinal wormer for dogs. In Bosnia and Herzegovina 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. The product is used as a pain reliever in cats and dogs. Marketing authorisations were granted in Croatia for the **Marfloxin** (marbofloxacin) solution for injection treating infected wounds and abscesses, and urinary tract infections in cats and dogs.

As to products for food-producing animals, approvals were issued in Bosnia and Herzegovina for our **Flimabend** (flubendazole) oral suspension used to treat internal parasites in poultry and pigs, and for the **Marfloxin** (marbofloxacin) 100 mg/ml solution for injection used to treat respiratory infections in cattle and pigs. In Kazakhstan we obtained additional marketing authorisations for the **Egocin 155** oral powder for the treatment of respiratory and gastrointestinal tract infections in pigs and calves.

## Investments

In the first half of 2015 the Krka Group allocated EUR 45.4 million to investments, of which the controlling company invested EUR 37.8 million and subsidiaries EUR 7.6 million. Investments are primarily increasing and modernising our production and R&D capacities.

The construction of the 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, its estimated investment 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 this

February.

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 collection of bids and selection of technology equipment providers is ongoing, the equipment to be supplied and fitted next year.

We have also set up a transport system connecting Notol 2 and the end-products warehouse. 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 complex for the production of active pharmaceutical ingredients in Krško, Slovenia, with which Krka has increased its production capacity,

took two years to complete. Production has already started on all lines. The entire project's value is EUR 85 million.

The investment in a new plant for the production of a new generation of lozenges in Ljutomer, worth EUR 11.5 million, is completed. The construction of the 3,943 m<sup>2</sup> facility was completed at the end of February 2015. After having passed the technical inspection and accepted the production line in May, Krka launched test production in June and regular production in August.

Krka's key new investment this year supporting development activities and quality assurance, is the new development and control centre RKC 4 in Ločna. The 18,000 m<sup>2</sup> complex will cost EUR 54 million and will be connected with RKC 2 and RKC 3. In mid-June we acquired the building permit. Construction will last two years.

Two investments are in their design phase in the Sterile product production plant. The investment into increasing the production of 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. Building permits have been obtained for both projects, and construction and craft works are

ongoing. Equipment will be fitted in August, with the installation, qualifications and start-ups to be finished in the autumn of 2015.

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. Stage two of the project should be completed by December 2016 and is worth an estimated 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 the production programme in the Jastrebarsko distribution and production centre in Croatia, the warehousing and distribution segment of the facility is being converted to acquire new laboratory and production facilities for the production of solid dosage pharmaceuticals. Project documentation are being prepared.

The subsidiary spa resort group Terme Krka opened a small thermal-water pool next to Hotel Šport in Otočec, Slovenia at the end of December 2014. This spring we also completed the energy efficiency overhaul of the hotel, which included the replacement of builders' joinery elements and renovation of the façade. The investment totalled EUR 2.7 million.



## Employees

At the end of June the Krka Group had 10,534 employees. Krka's subsidiaries and representation offices outside Slovenia employ 54% of the Group's

employees, and 55% of the Krka team have at least a university level degree.

### Education structure

	30 Jun 2015		31 Dec 2014	
	No. of employees	Share (%)	No. of employees	Share (%)
PhD	138	1.3	126	1.2
Master of Science	335	3.2	339	3.2
University Degree	5,311	50.4	5,306	50.5
Higher Professional Education Degree	1,325	12.6	1,282	12.2
Vocational College Degree	281	2.7	271	2.6
Secondary School Education, Level V	1,884	17.9	1,891	18.1
Other	1,260	11.9	1,284	12.2
<b>Total Krka Group</b>	<b>10,534</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 June 2015 we had a total of 50 scholarship holders.

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 June 2015, 280 employees were enrolled into part-time studies, 39 of them postgraduate students on their way to obtaining a specialisation, master's degree or PhD. In the first half of the year 19 employees completed their studies, and we received 42 employee applications for enrolling into various study programmes towards obtaining higher academic degrees in the 2015/16 school year, eight from employees outside Slovenia.

Krka is the only certificate-awarding body in Slovenia with the authority to examine and approve six national vocational qualification programmes

(NVQ) in the pharmaceutical industry. Between 2002 and June 2015 we awarded 1,302 certificates: 1,160 to Krka employees and 142 to participants from other companies and pharmacies. Currently there are 88 Krka employees in the process towards obtaining the following national vocational qualifications: Pharmaceutical Process Operator, API Production Operator and Logistics Process Operator.

The Krka Group promotes initiative and innovation, cooperation and team spirit, loyalty and engagement in employees. At the traditional Krka Awards Day we bestowed long-service awards to 554 most loyal employees, 18 recognition awards to our best managers, and 51 awards to our best employees as well as conferred awards and recognitions for inventive work. In the first half of 2015, 255 Krka employees had put forward 303 useful proposals for improvements.

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

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

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
<b>Assets</b>			
Property, plant and equipment	852,592	846,478	101
Intangible assets	118,246	120,325	98
Loans	8,168	6,944	118
Investments	7,646	7,388	103
Deferred tax assets	31,278	27,521	114
Other non-current assets	214	174	123
<b>Total non-current assets</b>	<b>1,018,144</b>	<b>1,008,830</b>	<b>101</b>
Assets held for sale	41	41	100
Inventories	279,714	246,260	114
Trade receivables	491,799	467,841	105
Other receivables	29,705	47,436	63
Loans	34,744	1,177	2,952
Investments	97	575	17
Cash and cash equivalents	35,826	23,585	152
<b>Total current assets</b>	<b>871,926</b>	<b>786,915</b>	<b>111</b>
<b>Total assets</b>	<b>1,890,070</b>	<b>1,795,745</b>	<b>105</b>
<b>Equity</b>			
Share capital	54,732	54,732	100
Treasury shares	-14,133	-10,677	132
Reserves	96,429	77,291	125
Retained earnings	1,338,097	1,229,245	109
<b>Total equity holders of the parent</b>	<b>1,475,125</b>	<b>1,350,591</b>	<b>109</b>
Non-controlling interests within equity	1,289	1,308	98
<b>Total equity</b>	<b>1,476,414</b>	<b>1,351,899</b>	<b>109</b>
<b>Liabilities</b>			
Provisions	98,333	97,466	101
Deferred revenue	13,811	14,905	93
Deferred tax liabilities	12,996	13,050	100
<b>Total non-current liabilities</b>	<b>125,140</b>	<b>125,421</b>	<b>100</b>
Trade payables	103,436	115,051	90
Borrowings	36	38,019	0
Income tax payable	13,010	1,332	977
Other current liabilities	172,034	164,023	105
<b>Total current liabilities</b>	<b>288,516</b>	<b>318,425</b>	<b>91</b>
<b>Total liabilities</b>	<b>413,656</b>	<b>443,846</b>	<b>93</b>
<b>Total equity and liabilities</b>	<b>1,890,070</b>	<b>1,795,745</b>	<b>105</b>

## Consolidated income statement of the Krka Group

In EUR thousand	1–6/2015	1–6/2014	Index
Revenues	599,850	599,370	100
Cost of sales	-248,943	-235,348	106
<b>Gross profit</b>	<b>350,907</b>	<b>364,022</b>	<b>96</b>
Other operating income	2,861	28,680	10
Distribution expenses	-155,822	-176,956	88
R&D expenses	-56,446	-53,422	106
Administrative expenses	-37,168	-36,577	102
<b>Operating profit</b>	<b>104,332</b>	<b>125,747</b>	<b>83</b>
Financial income	24,459	790	3,096
Financial expenses	-402	-2,201	18
<b>Net financial expenses</b>	<b>24,057</b>	<b>-1,411</b>	
<b>Profit before tax</b>	<b>128,389</b>	<b>124,336</b>	<b>103</b>
Income tax payable	-16,100	-17,741	91
<b>Profit for the period</b>	<b>112,289</b>	<b>106,595</b>	<b>105</b>
Attributable to:			
– equity holders of the parent	112,308	106,611	105
– non-controlling interest	-19	-16	119
<b>Basic earnings per share (in EUR)</b>	<b>3.45</b>	<b>3.25</b>	<b>106</b>
<b>Diluted earnings per share (in EUR)</b>	<b>3.45</b>	<b>3.25</b>	<b>106</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

In EUR thousand	1–6/2015	1–6/2014	Index
<b>Profit for the period</b>	<b>112,289</b>	<b>106,595</b>	<b>105</b>
<b>Other comprehensive income for the period</b>			
<i>Other comprehensive income reclassified to profit or loss in future periods</i>			
Translation reserve	15,467	-2,220	
Change in fair value of available-for-sale financial assets	259	395	66
Deferred tax effect	-44	-67	66
<b>Other comprehensive income reclassified to profit or loss in future periods (net)</b>	<b>15,682</b>	<b>-1,892</b>	
<b>Total other comprehensive income for the period (net of tax)</b>	<b>15,682</b>	<b>-1,892</b>	
<b>Total comprehensive income for the period</b>	<b>127,971</b>	<b>104,703</b>	<b>122</b>
Attributable to:			
– equity holders of the parent	127,990	104,719	122
– non-controlling interest	-19	-16	119

## Consolidated statement of changes in equity of the Krka Group

In 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			
<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>-8,981</b>	<b>-75,292</b>	<b>991,628</b>	<b>82,843</b>	<b>154,774</b>	<b>1,350,591</b>	<b>1,308</b>	<b>1,351,899</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>0</b>	<b>112,308</b>	<b>112,308</b>	<b>-19</b>	<b>112,289</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>215</b>	<b>15,467</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,682</b>	<b>0</b>	<b>15,682</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>215</b>	<b>15,467</b>	<b>0</b>	<b>0</b>	<b>112,308</b>	<b>127,990</b>	<b>-19</b>	<b>127,971</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	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	126,245	-126,245	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	-3,456	0	0	0	0	0	0	0	0	0	-3,456	0	-3,456
Formation of reserves for treasury shares	0	0	3,456	0	0	0	0	0	0	0	-3,456	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
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>-3,456</b>	<b>3,456</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>126,245</b>	<b>-129,701</b>	<b>-3,456</b>	<b>0</b>	<b>-3,456</b>
<b>Balance at 30 Jun 2015</b>	<b>54,732</b>	<b>-14,133</b>	<b>14,133</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-8,766</b>	<b>-59,825</b>	<b>991,628</b>	<b>209,088</b>	<b>137,381</b>	<b>1,475,125</b>	<b>1,289</b>	<b>1,476,414</b>

In 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			
<b>Balance at 1 Jan 2014</b>	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
<b>Profit for the period</b>	0	0	0	0	0	0	0	0	0	0	106,611	106,611	-16	106,595
<b>Total other comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	328	-2,220	0	0	0	-1,892	0	-1,892
<b>Total comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	328	-2,220	0	0	106,611	104,719	-16	104,703
<b>Transactions with owners, recognised directly in equity</b>														
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	-4,463	0	0	0	0	0	0	0	0	0	-4,463	0	-4,463
Formation of reserves for treasury shares	0	0	4,463	0	0	0	0	0	0	0	-4,463	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
<b>Total transactions with owners, recognised directly in equity</b>	0	-4,463	4,463	0	0	0	0	0	0	125,119	-129,582	-4,463	0	-4,463
<b>Balance at 30 Jun 2014</b>	59,126	-73,835	73,835	101,503	14,990	30,000	4,211	-27,509	943,393	203,637	102,148	1,431,499	1,352	1,432,851

## Consolidated statement of cash flows of the Krka Group

In EUR thousand	1-6/2015	1-6/2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	112,289	106,595
Adjustments for:	72,662	65,898
– amortisation/depreciation	52,923	47,422
– foreign exchange differences	2,702	953
– investment income	-608	-1,064
– investment expenses	1,202	739
– interest expenses and other financial expense	343	107
– income tax	16,100	17,741
<b>Operating profit before changes in net operating current assets</b>	<b>184,951</b>	<b>172,493</b>
Change in trade receivables	-24,647	-58,680
Change in inventories	-33,455	-3,760
Change in trade payables	-3,693	18,015
Change in provisions	867	20,505
Change in deferred revenue	-1,094	-237
Change in other current liabilities	8,041	-2,844
Income taxes paid	9,113	-28,022
<b>Net cash from operating activities</b>	<b>140,083</b>	<b>117,470</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	396	667
Proceeds from sale of current investments	27	3
Proceeds from sale of property, plant and equipment	1,862	264
Purchase of intangible assets	-2,171	-3,242
Purchase of property, plant and equipment	-51,608	-82,551
Non-current loans	-1,306	-1,281
Proceeds from repayment of non-current loans	489	533
Acquisition of non-current investments	-44	-53
Proceeds from sale of non-current investments	14	53
Payments/Proceeds in connection with current investments and loans	-33,617	19,282
<b>Net cash from investing activities</b>	<b>-85,958</b>	<b>-66,325</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-362	-107
Payments in connection with current borrowings	-37,964	0
Dividends paid	-30	-23
Repurchase of treasury shares	-3,456	-4,463
<b>Net cash used in financing activities</b>	<b>-41,812</b>	<b>-4,593</b>
<b>Net increase in cash and cash equivalents</b>	<b>12,313</b>	<b>46,552</b>
Cash and cash equivalents at beginning of year	23,585	67,275
Effect of exchange rate fluctuations on cash held	-72	-107
<b>Net cash and cash equivalents at end of period</b>	<b>35,826</b>	<b>113,720</b>



## Segment reporting of the Krka Group

In EUR thousand	European Union		South-East Europe		East Europe		Other		Elimination		Total	
	1-6/2015	1-6/2014	1-6/2015	1-6/2014	1-6/2015	1-6/2014	1-6/2015	1-6/2014	1-6/2015	1-6/2014	1-6/2015	1-6/2014
<b>Revenues from non-Group companies</b>	<b>369,367</b>	<b>336,340</b>	<b>25,693</b>	<b>25,999</b>	<b>185,942</b>	<b>220,763</b>	<b>18,848</b>	<b>16,268</b>	<b>0</b>	<b>0</b>	<b>599,850</b>	<b>599,370</b>
<b>Revenues from Group companies</b>	<b>127,398</b>	<b>105,051</b>	<b>11,305</b>	<b>11,464</b>	<b>105,673</b>	<b>112,756</b>	<b>0</b>	<b>0</b>	<b>-244,376</b>	<b>-229,271</b>	<b>0</b>	<b>0</b>
Revenues from reversal of provisions and other income	1,579	24,442	44	11	1,238	4,227	0	0	0	0	2,861	28,680
Operating expenses	-301,175	-288,537	-21,294	-18,984	-163,685	-184,534	-12,225	-10,248	0	0	-498,379	-502,303
Operating expenses to Group companies	-208,945	-177,864	-12,893	-16,147	-190,176	-211,607	-5	-4	412,019	405,622	0	0
<b>Operating profit</b>	<b>69,771</b>	<b>72,245</b>	<b>4,443</b>	<b>7,026</b>	<b>23,495</b>	<b>40,456</b>	<b>6,623</b>	<b>6,020</b>	<b>0</b>	<b>0</b>	<b>104,332</b>	<b>125,747</b>
Interest income	224	594	2	0	170	134	0	0	0	0	396	728
Interest income from Group companies	533	537	0	0	0	0	0	0	-533	-537	0	0
Interest expenses	-243	-8	0	0	-5	0	0	0	0	0	-248	-8
Interest expenses to Group companies	-314	-518	0	0	-330	-501	0	0	644	1,019	0	0
<b>Net financial result</b>	<b>1,010</b>	<b>1,659</b>	<b>6</b>	<b>-178</b>	<b>23,925</b>	<b>-2,855</b>	<b>-884</b>	<b>-37</b>	<b>0</b>	<b>0</b>	<b>24,057</b>	<b>-1,411</b>
Income tax payable	-11,336	-12,116	-834	-935	-3,144	-4,215	-786	-475	0	0	-16,100	-17,741
<b>Profit for the period</b>	<b>59,445</b>	<b>61,788</b>	<b>3,615</b>	<b>5,913</b>	<b>44,276</b>	<b>33,386</b>	<b>4,953</b>	<b>5,508</b>	<b>0</b>	<b>0</b>	<b>112,289</b>	<b>106,595</b>
Investments	40,472	83,318	54	25	4,871	5,333	0	0	0	0	45,397	88,676
Depreciation of property, plant and equipment	34,583	30,636	912	721	13,413	12,218	176	103	0	0	49,084	43,678
Amortisation of intangible assets	2,517	2,300	139	136	1,099	1,235	84	73	0	0	3,839	3,744
	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>
<b>Total assets</b>	<b>1,379,930</b>	<b>1,366,998</b>	<b>37,908</b>	<b>40,709</b>	<b>462,789</b>	<b>380,187</b>	<b>9,443</b>	<b>7,851</b>	<b>0</b>	<b>0</b>	<b>1,890,070</b>	<b>1,795,745</b>
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	40,283	41,131	0	0	0	0	0	0	0	0	40,283	41,131
<b>Total liabilities</b>	<b>312,394</b>	<b>324,486</b>	<b>8,550</b>	<b>11,616</b>	<b>70,702</b>	<b>82,061</b>	<b>22,010</b>	<b>25,683</b>	<b>0</b>	<b>0</b>	<b>413,656</b>	<b>443,846</b>

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

### Costs by nature

EUR 498,379 thousand

In EUR thousand	1-6/2015	1-6/2014	Index
Cost of goods and material	184,759	165,509	112
Cost of services	106,412	109,071	98
Employee benefits costs	161,196	158,123	102
Amortisation and depreciation expenses	52,923	47,422	112
Formation of provisions for lawsuits	0	20,550	0
Inventory write-offs and allowances	6,360	8,427	75
Receivables impairment and write-offs	4,884	1,238	395
Other operating expenses	18,595	16,866	110
<b>Total costs</b>	<b>535,129</b>	<b>527,206</b>	<b>102</b>
Change in the value of inventories of products and work in progress	-36,750	-24,903	148
<b>Total</b>	<b>498,379</b>	<b>502,303</b>	<b>99</b>

### Employee benefits cost

EUR 161,196 thousand

In EUR thousand	1-6/2015	1-6/2014	Index
Gross wages and salaries and continued pay	122,596	120,161	102
Social security contributions	9,851	9,540	103
Pension insurance contributions	16,668	17,430	96
Payroll tax	530	489	108
Post-employment benefits and other non-current employee benefits	983	1,652	60
Other costs of labour	10,568	8,851	119
<b>Total employee benefits costs</b>	<b>161,196</b>	<b>158,123</b>	<b>102</b>

### Other operating expenses

EUR 18,595 thousand

In EUR thousand	1-6/2015	1-6/2014	Index
Grants and assistance for humanitarian and other purposes	886	1,032	86
Environmental levies	1,441	1,234	117
Other taxes and levies	13,278	11,427	116
Loss on sale of property, plant and equipment and intangible assets	1,143	739	155
Other expenses	1,847	2,434	76
<b>Total other operating expenses</b>	<b>18,595</b>	<b>16,866</b>	<b>110</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

In EUR thousand	1-6/2015	1-6/2014	Index
Net foreign exchange differences	24,039	0	
Interest income	396	728	54
Change in fair value of investments through profit or loss	0	59	0
Proceeds from sale of securities	24	3	800
<b>Total financial income</b>	<b>24,459</b>	<b>790</b>	<b>3,096</b>
Net foreign exchange differences	0	-2,096	0
Interest expenses	-248	-8	3,100
Change in fair value of investments through profit or loss	-59	0	
Other expenses	-95	-97	98
<b>Total financial expenses</b>	<b>-402</b>	<b>-2,201</b>	<b>18</b>
<b>Net financial result</b>	<b>24,057</b>	<b>-1,411</b>	

## Income tax payable

EUR 16,100 thousand

Current income tax amounts to EUR 19,702 thousand, which is 15.3% of pre-tax profit. Together with the deferred tax of EUR -3,602 thousand, the total income tax expense in the income statement

equals EUR 16,100 thousand. The effective tax rate is 12.5%, down 1.7 of a percentage point from the same period last year.

## Property, plant and equipment

EUR 852,592 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Land	34,896	34,760	100
Buildings	412,059	415,976	99
Equipment	351,088	365,880	96
Property, plant and equipment being acquired	54,549	29,862	183
<b>Total property, plant and equipment</b>	<b>852,592</b>	<b>846,478</b>	<b>101</b>

The value of property, plant and equipment represents 45% of the Group's total assets. Krka's major investments are described in the chapter Investments in the Business Report.

## Intangible assets

EUR 118,246 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Goodwill	42,644	42,644	100
Trademark	40,283	40,707	99
Concessions, patents, licences and similar rights	30,242	31,511	96
Intangible assets being acquired	5,077	5,463	93
<b>Total intangible assets</b>	<b>118,246</b>	<b>120,325</b>	<b>98</b>

## Loans

EUR 42,912 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
<b>Non-current loans</b>	<b>8,168</b>	<b>6,944</b>	<b>118</b>
– loans to others	8,168	6,944	118
<b>Current loans</b>	<b>34,744</b>	<b>1,177</b>	<b>2,952</b>
– portion of non-current loan maturing next year	85	1,008	8
– loans to others	34,659	168	20,630
– current interest receivable	0	1	0
<b>Total loans</b>	<b>42,912</b>	<b>8,121</b>	<b>528</b>

Non-current loans represent 19% 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.

Current loans to others include EUR 34,000 thousand of bank deposits with maturities longer than 30 days.

## Investments

EUR 7,743 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
<b>Non-current investments</b>	<b>7,646</b>	<b>7,388</b>	<b>103</b>
– available-for-sale financial assets	7,646	7,388	103
<b>Current investments including derivatives</b>	<b>97</b>	<b>575</b>	<b>17</b>
– shares and interests held for trading	97	157	62
– other current investments	0	418	0
<b>Total investments</b>	<b>7,743</b>	<b>7,963</b>	<b>97</b>

Available-for-sale financial assets include EUR 687 thousand of investments in shares and interests in

Slovenia, and EUR 6,959 thousand of investments in shares and interests abroad.

## Inventories

EUR 279,714 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Material	107,877	106,098	102
Work in progress	69,567	56,984	122
Products	95,253	75,633	126
Merchandise	6,884	7,429	93
Inventory advances	133	116	115
<b>Total inventories</b>	<b>279,714</b>	<b>246,260</b>	<b>114</b>

## Trade and other receivables

EUR 521,504 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Current trade receivables	491,799	467,841	105
Other current receivables	29,705	47,436	63
<b>Total receivables</b>	<b>521,504</b>	<b>515,277</b>	<b>101</b>

## Cash and cash equivalents

EUR 35,826 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Cash in hand and cheques	30	23	130
Bank balances	35,796	23,562	152
<b>Total cash and cash equivalents</b>	<b>35,826</b>	<b>23,585</b>	<b>152</b>

## Equity

EUR 1,476,414 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Share capital	54,732	54,732	100
Treasury shares	-14,133	-10,677	132
Reserves	96,429	77,291	125
– reserves for treasury shares	14,133	10,677	132
– share premium	105,897	105,897	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserves	-8,766	-8,981	98
– translation reserves	-59,825	-75,292	79
Retained earnings	1,338,097	1,229,245	109
<b>Total equity holders of the parent</b>	<b>1,475,125</b>	<b>1,350,591</b>	<b>109</b>
Non-controlling interests within equity	1,289	1,308	99
<b>Total equity</b>	<b>1,476,414</b>	<b>1,351,899</b>	<b>109</b>

## Borrowings

EUR 36 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
<b>Current borrowings</b>	<b>36</b>	<b>38,019</b>	<b>0</b>
– borrowings from domestic banks	0	38,000	0
– borrowings from foreign banks	33	0	
– current interest payable	3	19	16
<b>Total borrowings</b>	<b>36</b>	<b>38,019</b>	<b>0</b>

## Provisions

EUR 98,333 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Obligation for post-employment and other non-current employee benefits	77,809	76,938	101
Other provisions:	20,524	20,528	100
– provisions for lawsuits	20,101	20,100	100
– other provisions	423	428	99
<b>Total provisions</b>	<b>98,333</b>	<b>97,466</b>	<b>101</b>

## Deferred revenue

EUR 13,811 thousand

In EUR thousand	30 Jun 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	2,605	2,730	95
Grants received for the Dolenjske and Šmarješke Toplice health resorts and for Golf Grad Otočec	4,197	4,296	98
Grants by the European Regional Development Fund	6	8	75
Grants by the European Regional Development Fund – Development of New Technologies (FBD project)	486	535	91
Grants by the European Regional Development Fund – Development Centres of the Slovene Economy	6,431	6,770	95
Property, plant and equipment received for free	65	545	12
Emission coupons	21	21	100
<b>Total deferred revenue</b>	<b>13,811</b>	<b>14,905</b>	<b>93</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 103,436 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Payables to domestic suppliers	42,504	46,252	92
Payables to foreign suppliers	57,693	64,442	90
Payables from advances	3,239	4,357	74
<b>Total trade payables</b>	<b>103,436</b>	<b>115,051</b>	<b>90</b>

## Other current liabilities

EUR 172,034 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Accrued contractual discounts on products sold	117,911	106,603	111
Payables to employees – gross wages, other receipts and charges	35,310	35,091	101
Other	18,813	22,329	84
<b>Total other current liabilities</b>	<b>172,034</b>	<b>164,023</b>	<b>105</b>

## Contingent liabilities

EUR 19,757 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Guarantees issued	19,137	18,822	102
Other	620	620	100
<b>Total contingent liabilities</b>	<b>19,757</b>	<b>19,442</b>	<b>102</b>



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

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

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
<b>Assets</b>			
Property, plant and equipment	621,462	623,622	100
Intangible assets	31,574	33,120	95
Investments in subsidiaries	301,417	299,119	101
Trade receivables from subsidiaries	29,153	14,091	207
Loans	23,796	27,588	86
Investments	7,645	7,386	104
Deferred tax assets	10,711	10,833	99
Other non-current assets	106	91	116
<b>Total non-current assets</b>	<b>1,025,864</b>	<b>1,015,850</b>	<b>101</b>
Assets held for sale	41	41	100
Inventories	231,077	201,081	115
Trade receivables	487,843	460,652	106
Other receivables	13,133	34,333	38
Loans	78,942	47,752	165
Investments	97	575	17
Cash and cash equivalents	22,680	8,203	276
<b>Total current assets</b>	<b>833,813</b>	<b>752,637</b>	<b>111</b>
<b>Total assets</b>	<b>1,859,677</b>	<b>1,768,487</b>	<b>105</b>
<b>Equity</b>			
Share capital	54,732	54,732	100
Treasury shares	-14,133	-10,677	132
Reserves	157,804	154,133	102
Retained earnings	1,288,142	1,183,125	109
<b>Total equity</b>	<b>1,486,545</b>	<b>1,381,313</b>	<b>108</b>
<b>Liabilities</b>			
Borrowings	500	2,000	25
Provisions	87,489	86,628	101
Deferred revenue	3,161	3,834	82
<b>Total non-current liabilities</b>	<b>91,150</b>	<b>92,462</b>	<b>99</b>
Trade payables	135,801	139,960	97
Borrowings	83,849	102,020	82
Income tax payable	11,777	0	
Other current liabilities	50,555	52,732	96
<b>Total current liabilities</b>	<b>281,982</b>	<b>294,712</b>	<b>96</b>
<b>Total liabilities</b>	<b>373,132</b>	<b>387,174</b>	<b>96</b>
<b>Total equity and liabilities</b>	<b>1,859,677</b>	<b>1,768,487</b>	<b>105</b>

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

In EUR thousand	1-6/2015	1-6/2014	Index
Revenues	569,878	582,565	98
Cost of sales	-242,083	-237,962	102
<b>Gross profit</b>	<b>327,795</b>	<b>344,603</b>	<b>95</b>
Other operating income	1,218	23,195	5
Distribution expenses	-141,181	-168,449	84
R&D expenses	-58,634	-55,542	106
Administrative expenses	-30,677	-29,618	104
<b>Operating profit</b>	<b>98,521</b>	<b>114,189</b>	<b>86</b>
Financial income	26,351	1,642	1,605
Financial expenses	-903	-2,914	31
<b>Net financial result</b>	<b>25,448</b>	<b>-1,272</b>	
<b>Profit before tax</b>	<b>123,969</b>	<b>112,917</b>	<b>110</b>
Income tax payable	-15,496	-14,115	110
<b>Profit for the period</b>	<b>108,473</b>	<b>98,802</b>	<b>110</b>
<b>Basic earnings per share (in EUR)</b>	<b>3.33</b>	<b>3.01</b>	<b>111</b>
<b>Diluted earnings per share (in EUR)</b>	<b>3.33</b>	<b>3.01</b>	<b>111</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

In EUR thousand	1-6/2015	1-6/2014	Index
<b>Profit for the period</b>	<b>108,473</b>	<b>98,802</b>	<b>110</b>
<b>Other comprehensive income for the period</b>			
<b>Other comprehensive income reclassified to profit or loss in future periods</b>			
Change in fair value of available-for-sale financial assets	259	395	66
Deferred tax effect	-44	-67	66
<b>Other comprehensive income reclassified to profit or loss in future periods (net)</b>	<b>215</b>	<b>328</b>	<b>66</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>215</b>	<b>328</b>	<b>66</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>108,688</b>	<b>99,130</b>	<b>110</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	
In 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>108,473</b>	<b>108,473</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>215</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>215</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>215</b>	<b>0</b>	<b>0</b>	<b>108,473</b>	<b>108,688</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	-3,456	0	0	0	0	0	0	0	0	-3,456
Formation of reserves for treasury shares	0	0	3,456	0	0	0	0	0	0	-3,456	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>-3,456</b>	<b>3,456</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>126,245</b>	<b>-129,701</b>	<b>-3,456</b>
<b>Balance at 30 Jun 2015</b>	<b>54,732</b>	<b>-14,133</b>	<b>14,133</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-7,216</b>	<b>1,001,636</b>	<b>181,489</b>	<b>105,017</b>	<b>1,486,545</b>

In 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>98,802</b>	<b>98,802</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>328</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>328</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>328</b>	<b>0</b>	<b>0</b>	<b>98,802</b>	<b>99,130</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
Formation of reserves for treasury shares	0	0	4,463	0	0	0	0	0	0	-4,463	0
Repurchase of treasury shares	0	-4,463	0	0	0	0	0	0	0	0	-4,463
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>-4,463</b>	<b>4,463</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>116,957</b>	<b>-121,420</b>	<b>-4,463</b>
<b>Balance at 30 Jun 2014</b>	<b>59,126</b>	<b>-73,835</b>	<b>73,835</b>	<b>101,503</b>	<b>14,990</b>	<b>30,000</b>	<b>4,209</b>	<b>943,393</b>	<b>179,353</b>	<b>94,339</b>	<b>1,426,913</b>

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

In EUR thousand	1–6/2015	1–6/2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	108,473	98,802
Adjustments for:	55,397	49,126
– amortisation/depreciation	40,701	34,869
– foreign exchange differences	-1,601	683
– investment income	-960	-1,775
– investment expenses	917	616
– interest expenses and other financial expense	844	618
– income tax	15,496	14,115
<b>Operating profit before changes in net operating current assets</b>	<b>163,870</b>	<b>147,928</b>
Change in trade receivables	-39,847	-57,529
Change in inventories	-29,995	5,080
Change in trade payables	2,705	16,290
Change in provisions	861	20,549
Change in deferred revenue	-673	-335
Change in other current liabilities	-2,146	-4,026
Income taxes paid	13,869	-14,134
<b>Net cash from operating activities</b>	<b>108,644</b>	<b>113,823</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	924	1,459
Proceeds from sale of current investments and repayment of current loans	24	3
Proceeds from sale of property, plant and equipment	1,396	200
Purchase of intangible assets	-2,009	-2,997
Purchase of property, plant and equipment	-42,741	-74,495
Acquisition of subsidiaries and a share of minority interest without obtained assets	-2,397	-4,050
Refund of subsequent payments in subsidiaries	100	0
Non-current loans	-1,524	-2,044
Proceeds from repayment of non-current loans	7,867	1,734
Acquisition of non-current investments	-14	-35
Proceeds from sale of non-current investments	6	53
Payments/Proceeds in connection with current investments and loans	-31,779	21,159
<b>Net cash from investing activities</b>	<b>-70,147</b>	<b>-59,013</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-869	-607
Repayment of non-current borrowings	-1,500	0
Repayment/Acquisition of current borrowings	-18,145	1,783
Dividends paid	-30	-23
Repurchase of treasury shares	-3,456	-4,463
<b>Net cash used in financing activities</b>	<b>-24,000</b>	<b>-3,310</b>
<b>Net increase in cash and cash equivalents</b>	<b>14,497</b>	<b>51,500</b>
Cash and cash equivalents at beginning of period	8,203	49,417
Effect of exchange rate fluctuations on cash held	-20	-186
<b>Net cash and cash equivalents at end of period</b>	<b>22,680</b>	<b>100,731</b>

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

	European Union		South-East Europe		East Europe		Other		Total	
In EUR thousand	1-6/2015	1-6/2014	1-6/2015	1-6/2014	1-6/2015	1-6/2014	1-6/2015	1-6/2014	1-6/2015	1-6/2014
<b>Revenues</b>	<b>351,194</b>	<b>329,654</b>	<b>25,868</b>	<b>24,689</b>	<b>175,594</b>	<b>214,128</b>	<b>17,222</b>	<b>14,094</b>	<b>569,878</b>	<b>582,565</b>
Revenues from reversal of provisions and other income	958	22,816	7	13	253	366	0	0	1,218	23,195
Operating expenses	-292,530	-290,903	-20,408	-18,201	-147,412	-172,219	-12,225	-10,248	-472,575	-491,571
<b>Operating profit</b>	<b>59,622</b>	<b>61,567</b>	<b>5,467</b>	<b>6,501</b>	<b>28,435</b>	<b>42,275</b>	<b>4,997</b>	<b>3,846</b>	<b>98,521</b>	<b>114,189</b>
Interest income	524	1,079	0	0	331	501	0	0	855	1,580
Interest expenses	-767	-542	0	0	0	0	0	0	-767	-542
<b>Net financial result</b>	<b>644</b>	<b>1,546</b>	<b>-6</b>	<b>23</b>	<b>25,694</b>	<b>-2,803</b>	<b>-884</b>	<b>-37</b>	<b>25,448</b>	<b>-1,271</b>
Income tax payable	-9,378	-7,610	-860	-804	-4,473	-5,225	-786	-476	-15,497	-14,115
<b>Profit for the period</b>	<b>50,888</b>	<b>55,503</b>	<b>4,601</b>	<b>5,720</b>	<b>49,656</b>	<b>34,247</b>	<b>3,327</b>	<b>3,333</b>	<b>108,472</b>	<b>98,803</b>
Investments	37,832	80,284	0	0	0	0	0	0	37,832	80,284
Depreciation of property, plant and equipment	27,270	23,432	796	613	9,674	7,723	176	103	37,916	31,871
Amortisation of intangible assets	1,717	1,697	126	127	858	1,102	84	73	2,785	2,999
	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>
<b>Total assets</b>	<b>1,334,276</b>	<b>1,306,443</b>	<b>39,799</b>	<b>40,679</b>	<b>476,163</b>	<b>413,517</b>	<b>9,439</b>	<b>7,848</b>	<b>1,859,677</b>	<b>1,768,487</b>
<b>Total liabilities</b>	<b>280,329</b>	<b>278,238</b>	<b>7,240</b>	<b>9,377</b>	<b>63,552</b>	<b>73,876</b>	<b>22,011</b>	<b>25,683</b>	<b>373,132</b>	<b>387,174</b>

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

### Costs by nature

EUR 472,575 thousand

In EUR thousand	1-6/2015	1-6/2014	Index
Cost of goods and material	187,782	166,186	113
Cost of services	154,871	159,084	97
Employee benefits costs	98,761	95,416	104
Amortisation and depreciation expenses	40,701	34,869	117
Formation of provisions for lawsuits	0	20,550	0
Inventory write-offs and allowances	2,562	4,999	51
Receivables impairment and write-offs	3,852	805	479
Other operating expenses	13,267	13,442	99
<b>Total costs</b>	<b>501,796</b>	<b>495,351</b>	<b>101</b>
Change in the value of inventories of products and work in progress	-29,221	-3,780	773
<b>Total</b>	<b>472,575</b>	<b>491,571</b>	<b>96</b>

### Employee benefits cost

EUR 98,761 thousand

In EUR thousand	1-6/2015	1-6/2014	Index
Gross wages and salaries and continued pay	76,001	74,192	102
Social security contributions	4,750	4,513	105
Pension insurance contributions	8,798	8,502	103
Post-employment benefits and other non-current employee benefits	861	1,551	56
Other costs of labour	8,351	6,658	125
<b>Total employee benefits costs</b>	<b>98,761</b>	<b>95,416</b>	<b>104</b>

### Other operating expenses

EUR 13,267 thousand

In EUR thousand	1-6/2015	1-6/2014	Index
Grants and assistance for humanitarian and other purposes	652	879	74
Environmental levies	1,034	952	109
Other taxes and levies	9,411	7,658	123
Loss on sale of property, plant and equipment and intangible assets	858	616	139
Other expenses	1,312	3,337	39
<b>Total other operating expenses</b>	<b>13,267</b>	<b>13,442</b>	<b>99</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

In EUR thousand	1-6/2015	1-6/2014	Index
Net foreign exchange differences	25,472	0	
Interest income	855	1,580	54
Change in fair value of investments through profit or loss	0	59	0
Proceeds from sale of investments	24	3	800
<b>Total financial income</b>	<b>26,351</b>	<b>1,642</b>	<b>1,605</b>
Net foreign exchange differences	0	-2,297	0
Interest expenses	-768	-542	142
Change in fair value of investments through profit or loss	-59	0	
Other financial expenses	-76	-75	101
<b>Total financial expenses</b>	<b>-903</b>	<b>-2,914</b>	<b>31</b>
<b>Net financial result</b>	<b>25,448</b>	<b>-1,272</b>	

## Income tax payable

EUR 15,496 thousand

Current income tax amounts to EUR 15,418 thousand, which is 12.4% of pre-tax profit. Together with the deferred tax of EUR 78 thousand, the total income tax expense in the income statement equals

EUR 15,496 thousand. The effective tax rate is 12.5%, which is on the level of the same period last year.

## Property, plant and equipment

EUR 621,462 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Land	22,292	22,285	100
Buildings	277,166	286,874	97
Equipment	287,467	301,751	95
Property, plant and equipment being acquired	34,537	12,712	272
<b>Total property, plant and equipment</b>	<b>621,462</b>	<b>623,622</b>	<b>100</b>

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

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

## Intangible assets

EUR 31,574 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Concessions, patents, licences and similar rights	26,525	27,660	96
Intangible assets being acquired	5,049	5,460	92
<b>Total intangible assets</b>	<b>31,574</b>	<b>33,120</b>	<b>95</b>

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

## Loans

EUR 102,738 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
<b>Non-current loans</b>	<b>23,796</b>	<b>27,588</b>	<b>86</b>
– loans to subsidiaries	15,939	20,965	76
– loans to others	7,857	6,623	119
<b>Current loans</b>	<b>78,942</b>	<b>47,752</b>	<b>165</b>
– portion of non-current loan maturing next year	2,167	3,039	71
– loans to subsidiaries	42,358	44,306	96
– loans to others	34,209	129	26519
– current interest receivable	208	278	75
<b>Total loans</b>	<b>102,738</b>	<b>75,340</b>	<b>136</b>

Non-current loans represent 23% of total loans.

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

Current loans to others include EUR 34,000 thousand of bank deposits with maturities longer than 30 days.

## Investments

EUR 7,742 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
<b>Non-current investments</b>	<b>7,645</b>	<b>7,386</b>	<b>104</b>
– available-for-sale financial assets	7,645	7,386	104
<b>Current investments</b>	<b>97</b>	<b>575</b>	<b>17</b>
– shares and interests held for trading	97	157	62
– other current investments	0	418	0
<b>Total investments</b>	<b>7,742</b>	<b>7,961</b>	<b>97</b>

Available-for-sale financial assets include EUR 687 thousand of investments in shares and interests in

Slovenia, and EUR 6,958 thousand of investments in shares and interests abroad.

## Inventories

EUR 231,077 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Material	94,869	93,578	101
Work in progress	67,228	54,794	123
Products	60,605	46,022	132
Merchandise	8,365	6,652	126
Inventory advances	10	35	29
<b>Total inventories</b>	<b>231,077</b>	<b>201,081</b>	<b>115</b>

## Trade and other receivables

EUR 500,976 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Current trade receivables	487,843	460,652	106
– current receivables due from subsidiaries	277,463	231,295	120
– current receivables due from customers other than Group companies	210,380	229,357	92
Other current receivables	13,133	34,333	38
<b>Total receivables</b>	<b>500,976</b>	<b>494,985</b>	<b>101</b>

## Cash and cash equivalents

EUR 22,680 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Cash in hand and cheques	5	5	100
Bank balances	22,675	8,198	277
<b>Total cash and cash equivalents</b>	<b>22,680</b>	<b>8,203</b>	<b>276</b>

## Equity

EUR 1,486,545 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Share capital	54,732	54,732	100
Treasury shares	-14,133	-10,677	132
Reserves:	157,804	154,133	102
– reserves for treasury shares	14,133	10,677	132
– share premium	105,897	105,897	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserves	-7,216	-7,431	97
Retained earnings	1,288,142	1,183,125	109
<b>Total equity</b>	<b>1,486,545</b>	<b>1,381,313</b>	<b>108</b>

## Borrowings

EUR 84,349 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
<b>Non-current borrowings</b>	<b>500</b>	<b>2,000</b>	<b>25</b>
– borrowings from subsidiaries	500	2,000	25
<b>Current borrowings</b>	<b>83,849</b>	<b>102,020</b>	<b>82</b>
– borrowings from subsidiaries	83,752	63,898	131
– borrowings from domestic banks	0	38,000	0
– current interest payable	97	122	80
<b>Total borrowings</b>	<b>84,349</b>	<b>104,020</b>	<b>81</b>

## Provisions

EUR 87,489 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Obligation for post-employment and other non-current employee benefits	67,489	66,628	101
Provisions for lawsuits	20,000	20,000	100
<b>Total provisions</b>	<b>87,489</b>	<b>86,628</b>	<b>101</b>

## Deferred revenue

EUR 3,161 thousand

In EUR thousand	30 Jun 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	2,605	2,730	95
Grants by the European Regional Development Fund	6	8	75
Grants by a European fund – development of new technologies (FBD project)	486	535	91
Property, plant and equipment received for free	43	540	8
Emission coupons	21	21	100
<b>Total deferred revenue</b>	<b>3,161</b>	<b>3,834</b>	<b>82</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 135,801 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Payables to subsidiaries	51,395	50,216	102
Payables to domestic suppliers	39,878	42,957	93
Payables to foreign suppliers	43,051	44,233	97
Payables from advances	1,477	2,554	58
<b>Total trade payables</b>	<b>135,801</b>	<b>139,960</b>	<b>97</b>

## Other current liabilities

EUR 50,555 thousand

In EUR thousand	30 Jun 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	26,580	27,543	97
Other	5,228	6,442	81
<b>Total other current liabilities</b>	<b>50,555</b>	<b>52,732</b>	<b>96</b>

## Contingent liabilities

EUR 21,908 thousand

In EUR thousand	30 Jun 2015	31 Dec 2014	Index
Guarantees issued	21,288	19,792	108
Other	620	620	100
<b>Total contingent liabilities</b>	<b>21,908</b>	<b>20,412</b>	<b>107</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 six months ended 30 June 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–June 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 six months ended 30 June 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, 17 August 2015



Jože Colarič

President of the Management Board and Chief Executive



Dr Aleš Rotar

Member of the Management Board



Zvezdana Bajc

Member of the Management Board



Dr Vinko Zupančič

Member of the Management Board



Danica Novak Malnar

Worker Director – Member of the Management Board