



**Unaudited consolidated financial
statements of the Krka Group
and unaudited financial statements
of the Krka Company for 2015,
with important notes**

Novo mesto, March 2016

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

IMPORTANT NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP AND THE UNAUDITED FINANCIAL STATEMENTS OF THE KRKA COMPANY FOR 2015

The unaudited consolidated financial statements of the Krka Group and the unaudited financial statements of the Krka Company for 2015, as well as comparative data for 2014, have been drawn up pursuant to the International Financial Reporting Standards (IFRS). Comparative data for 2014 are audited.

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

Krka Group ID card

Krka, d. d., Novo mesto (hereafter: Krka Company) is the controlling company in the Krka Group, which on 31 December 2015 included the following companies:

	Controlling company's share in equity as at 31 Dec 2015 (%)
TERME KRKA, d. o. o., Novo mesto, Slovenia	100
Farma GRS, d. o. o., Novo mesto, Slovenia	99.7
KRKA-FARMA d. o. o., Zagreb, Croatia	100
KRKA ROMANIA S.R.L., Bucharest, Romania	100
KRKA-FARMA DOO BEOGRAD, Belgrade, Serbia	100
KRKA-FARMA DOOEL, Skopje, Macedonia	100
KRKA Bulgaria EOOD, Sofia, Bulgaria	100
KRKA FARMA d. o. o., Sarajevo, Bosnia and Herzegovina	100
OOO KRKA-RUS, Istra, Russian Federation	100
OOO KRKA FARMA, Istra, Russian Federation	100
TOV KRKA UKRAJINA, Kiev, Ukraine	100
TOO KRKA Kazakhstan, Almati, Kazakhstan	100
KRKA - POLSKA, Sp. z o.o., Warsaw, Poland	100
KRKA ČR, s. r. o., Prague, Czech Republic	100
KRKA Magyarország Kft., Budapest, Hungary	100
KRKA Slovensko, s. r. o., Bratislava, Slovakia	100
UAB KRKA Lietuva, Vilnius, Lithuania	100
SIA KRKA Latvia, Riga, Latvia	100
TAD Pharma GmbH, Cuxhaven, Germany	100
Krka Sverige AB, Stockholm, Sweden	100
KRKA Pharma GmbH, Vienna, Austria	100
KRKA Farmacêutica, Unipessoal Lda., Estoril, Portugal	100
Krka FARMACÉUTICA, S.L., Madrid, Spain	100
KRKA FARMACEUTICI MILANO S.R.L., Milan, Italy	100
Krka France Eurl, Paris, France	100
KRKA PHARMA DUBLIN LIMITED, Dublin, Ireland	100
KRKA Belgium, SA, Brussels, Belgium	95
KRKA Finland Oy, Espoo, Finland	100
KRKA UK Ltd, London, UK	100
KRKA USA LLC, Wilmington, USA	100

As at 31 December 2015 the subsidiary Terme Krka, d. o. o., held a 63.10% ownership stake in the company Golf Grad Otočec, d. o. o, the subsidiary Farma GRS, d. o. o. was the 100% owner of companies GRS TEHFARMA, d. o. o., GRS VIZFARMA, d. o. o., GRS PREK FARMA, d. o. o., GRS EKO FARMA, d. o. o., GRS TREN FARMA d. o. o., and GRS VRED FARMA d. o. o., while the subsidiary Krka France Eurl. held a 5% ownership stake in KRKA Belgium, SA.

Krka Group and Krka Company financial highlights

In EUR thousand	Krka Group		Krka Company	
	2015	2014	2015	2014
Revenues	1,164,607	1,191,614	1,086,526	1,134,169
EBIT ¹	199,434	276,953	166,162	257,167
EBITDA	306,742	374,535	248,998	329,217
Net profit	158,185	166,161	146,262	144,385
R&D expenses	115,393	108,370	120,840	112,646
Investments	95,889	173,721	69,592	137,473
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Non-current assets	986,598	1,008,830	999,975	1,015,850
Current assets	822,606	786,915	761,737	752,637
Equity	1,405,984	1,351,899	1,433,211	1,381,313
Non-current liabilities	110,982	125,421	76,753	92,462
Current liabilities	292,238	318,425	251,748	294,712
RATIOS	2015	2014	2015	2014
EBIT margin	17.1%	23.2%	15.3%	22.7%
EBITDA margin	26.3%	31.4%	22.9%	29.0%
Profit margin (ROS)	13.6%	13.9%	13.5%	12.7%
ROE ²	11.5%	12.4%	10.4%	10.6%
ROA ³	8.8%	9.3%	8.3%	8.3%
Liabilities/Equity	0.287	0.328	0.229	0.280
R&D expenses/Revenues	9.9%	9.1%	11.1%	9.9%
NUMBER OF EMPLOYEES	2015	2014	2015	2014
Year-end	10,564	10,499	4,798	4,738
Average	10,532	10,284	4,776	4,680
SHARE INFORMATION		2015	2014	
Total number of shares issued		32,793,448	32,793,448	
Earnings per share in EUR ⁴		4.86	5.07	
Dividend per share in EUR		2.50	2.10	
Share price at end of year in EUR ⁵		65.20	59.60	
Price/Earnings ratio (P/E)		13.41	11.75	
Book value in EUR ⁶		42.87	41.22	
Price/Book value (P/B)		1.52	1.45	
Market capitalisation in EUR thousand (31 December)		2,138,133	1,954,490	

¹ Difference between operating income and expenses

² Net profit/Average shareholders' equity in the year

³ Net profit/Average total assets in the year

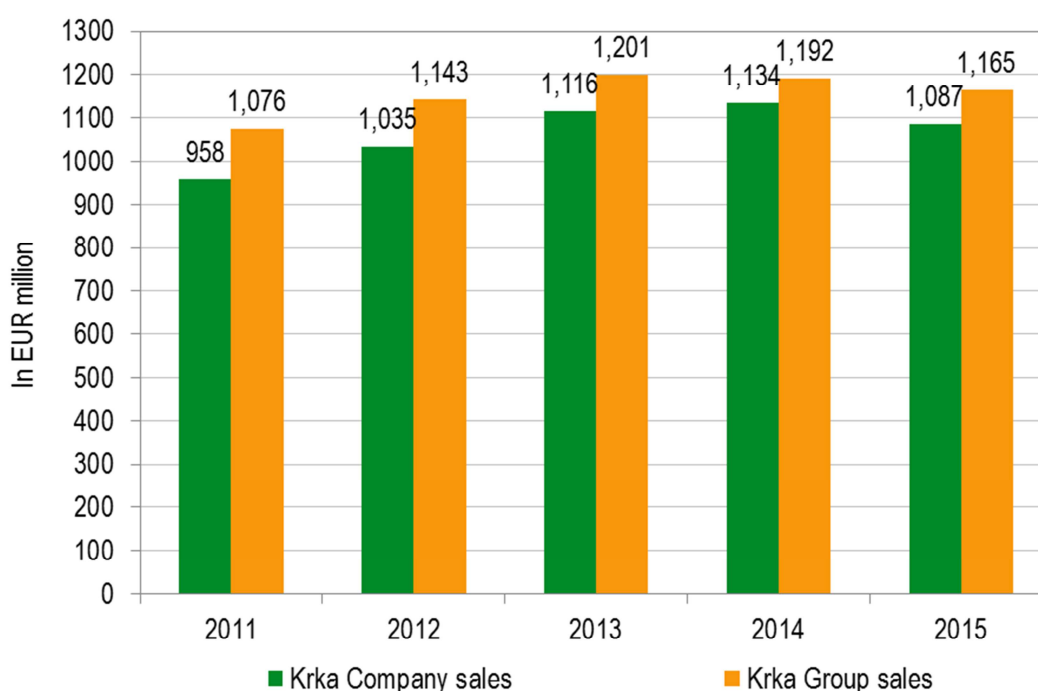
⁴ Net profit attributable to equity holders of the Krka Group/Average number of shares issued in the year, exclusive of treasury shares

⁵ Share price on the Ljubljana Stock Exchange

⁶ Equity at the year-end/Total shares issued

Business operations analysis

Operating income



The Group sold EUR 1,164.6 million worth of products and services in 2015, down EUR 27.0 million, or 2%, compared to 2014. In terms of volume, sales were up more than 3%. Over the past five years, the average annual sales value growth rate has been 2.9%, while the average annual sales volume growth has been 5.8%.

Other operating income totalled EUR 26.6 million, down EUR 44.2 million, or 62%, compared to 2014. The decrease is mainly attributable to reversed provisions for lawsuits and received damages, which had been included in other operating income in 2014 in the amount of EUR 59.8 million. Krka reversed EUR 20.0 million of provisions in 2015.

Operating expenses

The Krka Group incurred EUR 991.7 million of operating expenses in 2015, an increase by EUR 6.4 million, or 0.6%, compared to 2014.

The Group's operating expenses included EUR 489.6 million of the cost of sales, EUR 310.6 million of distribution expenses, EUR 115.4 million of R&D costs, and EUR 76.1 million of administrative expenses. Over the last five years, the operating expenses to sales ratio has ranged from 81% in 2011 to 85% in 2015.

The largest operating expense item is the cost of sales, which increased by 4% compared to 2014, and represented 42% of sales. The cost of sales is partly influenced by changes in the inventories of finished products. The cost of sales represented 27% of sales in 2015, down 7% from 2014. If disregarding the formed provisions in 2014, the cost of sales was down 1%. R&D costs represented 10% of sales, up 6% from 2014, and administrative expenses represented 7% of sales, up 6% from 2014.

Financial income and expenses

In EUR thousand	Krka Group					Krka Company				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
Financial income	25,561	1,486	2,114	5,418	493	36,735	9,178	5,316	22,431	14,046
Financial expenses	-44,283	-103,126	-28,361	-7,227	-12,079	-43,524	-112,313	-28,967	-7,690	-11,822
Net financial result	-18,722	-101,640	-26,247	-1,809	-11,586	-6,789	-103,135	-23,651	14,741	2,224

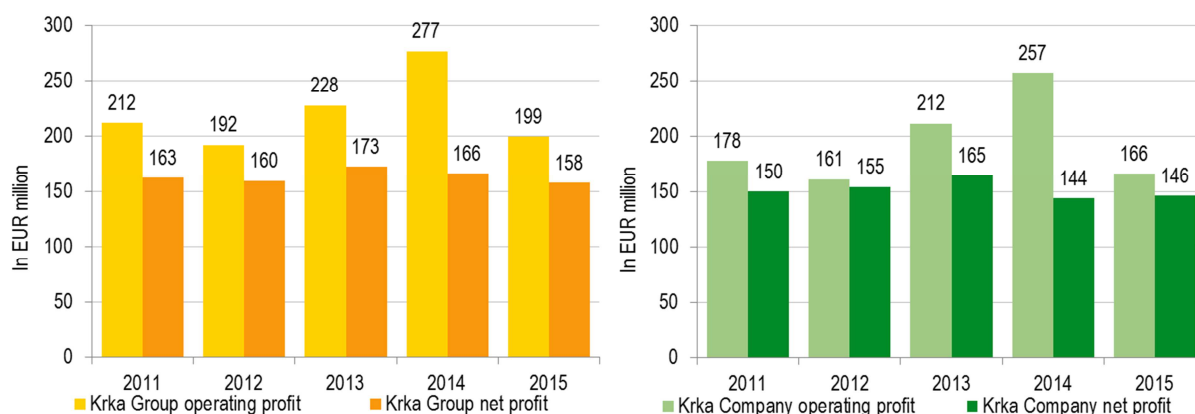
In 2015 the Group's net financial result improved compared to 2014. Net foreign exchange losses totalled EUR 35.0 million. The critical element of foreign exchange risk was exposure to the movement of the Russian rouble. 80% of the foreign exchange losses stated in the 2015 income statement were attributable to the rouble's unfavourable movements, and 10% were due to the unfavourable movements of the currencies of the countries with either close economic ties with the Russian Federation or dependent on oil prices.

In periods of increased uncertainty in the currency markets in the second half of 2015, we used short-term forward contracts as partial hedges against the rouble's volatility. The hedging strategy resulted in EUR 16.5 million of net financial income, which neutralised the effect of over a half of the foreign exchange losses the Krka Group had encountered due to the rouble's depreciation. The total negative financial result from foreign currency exchange rate fluctuations amounted to EUR 18.5 million.

Financial income includes EUR 0.9 million of interest income, and EUR 1.3 million of income from dividends and other shares of the profit.

Financial expenses include EUR 0.3 million of interest expenses for borrowings, EUR 0.1 million of the change in the fair value of investments through profit or loss, and EUR 2.0 million of other financial expenses.

Operating result



The Group recorded EUR 199.4 million of operating profit, down EUR 77.5 million, or 28%, compared to 2014. Group EBITDA totalled EUR 306.7 million, down EUR 67.8 million, or 18%.

Profit before tax increased by EUR 5.4 million, or 3%, in 2015, totalling EUR 180.7 million. The Group effective tax rate was 12.5%.

The Group recorded EUR 158.2 million of net profit, down EUR 8.0 million, or 5%, compared to the year before.

Assets

In EUR thousand	Krka Group					Krka Company				
	2015	Share (%)	2014	Share (%)	Index 2015/14	2015	Share (%)	2014	Share (%)	Index 2015/14
Non-current assets	986,598	54.5	1,008,830	56.2	98	999,975	56.8	1,015,850	57.4	98
Property, plant and equipment	826,192	45.7	846,478	47.2	98	610,067	34.6	623,622	35.2	98
Intangible assets	116,940	6.5	120,325	6.7	97	31,557	1.8	33,120	1.9	95
Investments and loans	15,276	0.8	14,332	0.8	107	335,992	19.1	334,093	18.9	101
Other	28,190	1.5	27,695	1.5	102	22,359	1.3	25,015	1.4	89
Current assets	822,606	45.5	786,915	43.8	105	761,737	43.2	752,637	42.6	101
Inventories	272,878	15.1	246,260	13.7	111	230,568	13.1	201,081	11.4	115
Trade receivables	433,133	23.9	467,841	26.1	93	402,189	22.8	460,652	26.1	87
Other	116,595	6.5	72,814	4.0	160	128,980	7.3	90,904	5.1	142
Total assets	1,809,204	100.0	1,795,745	100.0	101	1,761,712	100.0	1,768,487	100.0	100

At the year-end of 2015, Krka Group assets were worth EUR 1,809.2 million, up EUR 13.5 million, or 1%, compared to the end of 2014. The proportion of non-current and current assets in the structure of total assets was slightly different compared to the year-end of 2014, with non-current assets down 1.7 of a percentage point to 54.5% of total assets.

Non-current assets totalled EUR 986.6 million, down 2% compared to the end of 2014. The most important item, totalling EUR 826.2 million, which is 46% of all Group assets, is property, plant and equipment. Intangible assets represent 6% of total assets.

Current assets totalled EUR 822.6 million, up EUR 35.7 million, or 5%, compared to the end of 2014. The largest item under current assets was trade receivables, which amounted to EUR 433.1 million, with inventories totalling EUR 272.9 million. The total value of inventories and trade receivables decreased by EUR 8.1 million, or 1%, from 2014. Other current assets were up, with loans up EUR 36.2 million (of which bank deposits for more than 30 days EUR 36.0 million), and cash and cash equivalents up EUR 12.2 million.

Equity and liabilities

In EUR thousand	Krka Group					Krka Company				
	2015	Share (%)	2014	Share (%)	Index 2015/14	2015	Share (%)	2014	Share (%)	Index 2015/14
Equity	1,405,984	77.7	1,351,899	75.3	104	1,433,211	81.3	1,381,313	78.1	104
Non-current liabilities	110,982	6.1	125,421	7.0	88	76,753	4.4	92,462	5.2	83
Current liabilities	292,238	16.2	318,425	17.7	92	251,748	14.3	294,712	16.7	85
Total equity and liabilities	1,809,204	100.0	1,795,745	100.0	101	1,761,712	100.0	1,768,487	100.0	100

The Group's equity increased by EUR 54.1 million from the end of 2014. The increase was attributable to Group net profit in the amount of EUR 158.2 million, while, on the other hand, it decreased by EUR 81.4 million spent on dividend payments, by EUR 9.4 million spent on additional repurchases of treasury shares, and by EUR 13.3 million of other comprehensive income after tax. The largest item under the latter is translation reserves on EUR 9.8 million.

At the end of 2015 the Krka Group had no non-current borrowings. Provisions, which amounted to EUR 84.9 million, were down 13% compared to the end of 2014, attributable mainly to the reversal of provisions

for lawsuits in the amount of EUR 20.0 million. At the same time the Krka Group formed provisions for post-employment benefits and other non-current employee benefits in the amount of EUR 10.9 million.

Among current liabilities, trade payables decreased by EUR 11.2 million, with current borrowings down EUR 38.0 million. At the end of 2015 the Krka Group thus had no current borrowings. Income tax payables increased by EUR 6.7 million, with other current liabilities up EUR 16.3 million.

Statement of cash flows

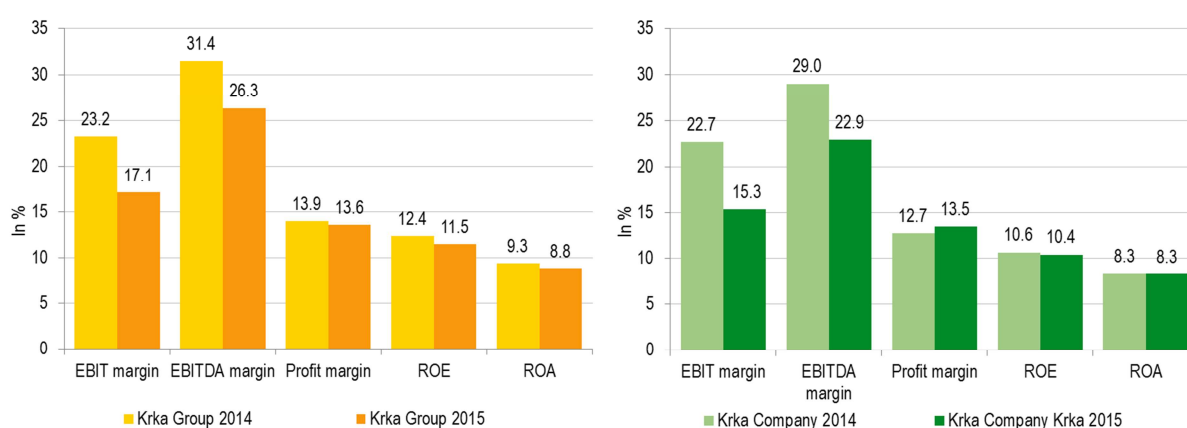
In EUR thousand	Krka Group		Krka Company	
	2015	2014	2015	2014
Net cash from operating activities	277,941	170,870	239,936	156,403
Net cash from investing activities	-135,403	-166,216	-92,677	-142,063
Net cash used in financing activities	-129,273	-46,222	-129,924	-53,417
Net increase/decrease in cash and cash equivalents	13,265	-41,568	17,335	-39,077

Krka Group cash and cash equivalents increased in 2015 by EUR 13.3 million, attributable to the positive cash flow from operating activities exceeding the negative cash flows from investing and financing activities.

The Group's operating profit before changes in net operating current assets totalled EUR 275.0 million. The changes in current assets that increased profit were changes in trade receivables, trade payables, other current liabilities and paid income tax, while changes in inventories, provisions and deferred revenue had a negative effect.

The negative cash flow from investing activities was mainly the result of the purchase of property, plant and equipment in the amount of EUR 103.1 million, payments in connection with current investments and borrowings in the amount of EUR 35.6 million, payments in connection with derivative financial instruments in the amount of EUR 6.9 million, the purchase of intangible assets in the amount of EUR 5.8 million, and non-current loans in the amount of EUR 2.1 million. The main causes of the negative cash flow from financing activities were dividend payments, which totalled EUR 81.2 million, payments in connection with current borrowings, which totalled EUR 38.0 million, and repurchases of treasury shares, which totalled EUR 9.4 million.

Performance ratios



Performance ratio values were in compliance with strategic guidelines.

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

In EUR thousand	Krka Group					Krka Company				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
Revenues	1,164,607	1,191,614	1,200,827	1,143,301	1,075,627	1,086,526	1,134,169	1,116,339	1,035,280	957,653
EBIT	199,434	276,953	227,588	192,308	211,561	166,162	257,167	211,527	161,382	178,150
– EBIT margin	17.1%	23.2%	19.0%	16.8%	19.7%	15.3%	22.7%	18.9%	15.6%	18.6%
EBITDA	306,742	374,535	321,732	282,276	298,747	248,998	329,217	282,993	230,994	244,564
– EBITDA margin	26.3%	31.4%	26.8%	24.7%	27.8%	22.9%	29.0%	25.4%	22.3%	25.5%
Net profit	158,185	166,161	172,766	159,839	162,735	146,262	144,385	164,673	154,615	150,392
– Profit margin	13.6%	13.9%	14.4%	14.0%	15.1%	13.5%	12.7%	14.8%	14.9%	15.7%
Assets	1,809,204	1,795,745	1,759,884	1,626,748	1,534,027	1,761,712	1,768,487	1,701,235	1,565,918	1,463,062
ROA	8.8%	9.3%	10.2%	10.1%	10.8%	8.3%	8.3%	10.1%	10.2%	10.3%
Equity	1,405,984	1,351,899	1,332,611	1,240,521	1,139,754	1,433,211	1,381,313	1,332,246	1,232,215	1,140,485
ROE	11.5%	12.4%	13.4%	13.4%	14.8%	10.4%	10.6%	12.8%	13.0%	13.7%

Sales

Krka Group and Krka Company sales by Region

In EUR thousand	Krka Group			Krka Company		
	2015	2014	Index 2015/14	2015	2014	Index 2015/14
Slovenia	79,885	78,029	102	50,661	49,605	102
South-East Europe	139,620	155,328	90	143,536	177,954	81
East Europe	327,466	408,650	80	318,742	379,308	84
Central Europe	279,867	272,981	103	282,278	272,230	104
West Europe	306,064	251,124	122	263,169	232,648	113
Overseas Markets	31,705	25,502	124	28,140	22,424	125
Total	1,164,607	1,191,614	98	1,086,526	1,134,169	96

The value of products and services totalled EUR 1,164.6 million, down 2% from 2014, with sales volume increasing by more than 3%. More than 93% of total sales, which is EUR 1,084.7 million, came from markets outside Slovenia.

The highest absolute sales growth (EUR 54.9 million) was recorded in Krka's second largest sales region West Europe with EUR 306.1 million of sales, representing 26.3% of overall Group sales. With the sales of Krka's brand products up more than 35%, their share in the Region's overall product sales increased to more than 60%. Overall sales in the Region were up 22%. In Germany, our most important Western European market, sales totalled EUR 85.3 million, up 27% from 2014. More than 90% of sales in this market were generated by the subsidiary TAD Pharma. Two-digit sales growth was further recorded in Finland (up 66%), the Nordic countries (up 49%), the UK (up 47%), Ireland (up 40%), Austria (up 36%), Italy (up 33%) and Spain (up 13%).

Krka's leading sales region was Region East Europe, sales value there amounting to EUR 327.5 million, which is 28.1% of overall sales. The decline in sales was in two key markets, the Russian Federation and Ukraine, which pulled overall sales in the Region down by 20%. In the Russian Federation, one of Krka's key markets as well as largest single market, product sales were EUR 224.7 million, down one fifth compared to the previous year. The lower euro-denominated sales value resulted from the lower average value of the local currency in 2015 as compared to 2014. Sales value as denominated in Russian roubles increased by 6.5%. In Ukraine the shrinking

of the pharmaceuticals market continued both in terms of volume and value. Despite the 37% sales decline there, our strengthened marketing and sales activities consolidated Krka's market position among the leading foreign providers of generic pharmaceuticals, and resulted in EUR 33.9 million of sales revenues. Sales in Uzbekistan totalled EUR 16.1 million, down 6% from 2014. The decline of the entire pharmaceuticals market was chiefly the result of the depreciation of the local currency and the consequent deterioration of purchasing power. Sales in Kazakhstan decreased by 20% compared to 2014, amounting to EUR 13.2 million. The negative sales dynamics of the entire market was chiefly the result of the 67% annual depreciation of the local currency compared to the euro. Despite unfavourable conditions, our market share increased, and we plan to maintain the upward trend in the future. Despite the market in Belarus shrinking, Krka's sales there amounted to EUR 10.7 million, up 8% compared to 2014, and we retained our 4th ranking among foreign providers of generic pharmaceuticals. Two-digit sales growth was recorded in Turkmenistan (up 21%) and Moldova (up 10%).

Region Central Europe was third in terms of sales last year, contributing EUR 279.9 million of revenues, which is 24.0% of Krka Group sales. Sales value increased in all markets of the Region, apart from the Czech Republic, and we recorded a 3% overall sales growth. In Poland, a key market and the largest market in the Region, product sales totalled EUR 136 million, up 8% compared to 2014 and representing 49% of the Region's sales. Hungary, another one of Krka's key markets, came second in terms of sales in the Region in 2015 for the first time. Product sales there increased by 12% compared to 2014, amounting to EUR 45.2 million. These sales results preserved our market share and consolidated our ranking as the number two provider among predominantly foreign providers of generic pharmaceuticals in the market. In the Czech Republic, also Krka's key market, sales in 2015 were impacted by different legislative changes, which caused conditions of competition to tighten and consequently led to a further decline in pricing. Sales value fell behind that of 2014 by 26%, totalling EUR 35.9 million. This ranks Krka the number three foreign generic pharmaceutical company in the market. Sales growth in the Region was further recorded in Estonia (up 26%), Latvia (up 25%) and Slovakia (up 5%).

In Region South-East Europe product sales amounted to EUR 139.6 million, which represents 12.0% of Group sales. The 10% decrease in sales compared to the year before was mainly due to price decreases in both key markets, Romania and Croatia, and in Serbia, and in these markets our sales were therefore down. In the Region's other markets sales were up 4 to 15%.

In the sales region Overseas Markets Krka sold EUR 31.7 million of products in 2015, which represents 2.7% of Group sales. Almost 90% of total sales came from prescription pharmaceuticals, which are sold under our own brands in most of the Region's markets. In relative terms, sales growth in this Region was the highest at 24% among all Krka's sales regions.

In Slovenia Krka sold EUR 79.9 million worth of products and services (health resort and tourist services contributed EUR 31.0 million), which is 6.9% of Group sales. Product sales were up in 2015 both in terms of volume and value. Sales value increased by 2% for prescription pharmaceuticals and by 8% for non-prescription products. Holding a market share of 9.5%, we remain the leading pharmaceutical company in the country. Total sales were 2% higher from the result for 2014.

Krka Group and Krka Company sales by product and service group

In EUR thousand	Krka Group			Krka Company		
	2015	2014	Index 2015/14	2015	2014	Index 2015/14
Human health products	1,079,365	1,112,588	97	1,030,779	1,083,211	95
– Prescription pharmaceuticals	971,549	990,627	98	934,874	977,518	96
– Non-prescription products	107,816	121,961	88	95,905	105,693	91
Animal health products	52,129	46,514	112	51,860	46,870	111
Health resort and tourist services	31,046	30,038	103			
Other	2,067	2,474	84	3,887	4,088	95
Total	1,164,607	1,191,614	98	1,086,526	1,134,169	96

The most important group of products in terms of sales remain prescription pharmaceuticals, which contributed EUR 971.5 million or 83.4% of revenues in the reported year, down 2% from the previous year. The best-selling therapeutic group of prescription pharmaceuticals in 2015 was again products treating cardiovascular diseases, followed by medicines for diseases of the central nervous system and those treating gastrointestinal and metabolic disorders. The sales of new products, i.e. those first launched to a specific market in the past five years, represented 45.3% of the 2015 sales.

Atoris (atorvastatin) remained the leading prescription pharmaceutical in terms of sales in 2015, with the other top ten best-sellers including Lorista (losartan), Nolpaza (pantoprazole), Prenessa (perindopril), Enap (enalapril), Emanera (esomeprazole), Valsacor (valsartan), Roswera (rosuvastatin), Zyllt (clopidogrel) and Arylazera (aripiprazole). Certain products appear under different brand names in individual markets.

Non-prescription product sales amounted to EUR 107.8 million, which represents 9.3% of Group sales. The 12% decline in sales was predominantly the result of the economic situation and the weaker purchasing power of users of non-prescription product on Eastern European markets. We sold EUR 52.1 million worth of animal health products, which is 4.5% of Group sales and up 12% from 2014, while health resort and tourist services were up 3% to EUR 31.0 million, which is 2.6% of Group sales. Other sales revenues amounted to EUR 2.1 million, or 0.2% of Group sales.

Research and development

In 2015 Krka obtained marketing authorisations for 24 new products (19 prescription pharmaceuticals, three non-prescription products and two animal health product) in 58 different dosage forms and strengths. Applying different European and national marketing authorisation procedures we obtained 560 new approvals in the reported period for prescription pharmaceuticals, non-prescription products and animal health products.

In 2015 Krka submitted patent applications for two inventions and four international patent applications on the basis of prioritised applications from 2014. We registered 62 trademarks in Slovenia, and submitted 47 international and 20 national trademark applications.

Our group of pharmaceuticals treating cardiovascular diseases was supplemented with new fixed-dose combinations and mono-component products. Applying the European decentralised procedure we obtained marketing authorisations for Rosmela/Rosudapin/Rosvaden (amlodipine and rosuvastatin) in the form of film-coated tablets in six strengths.

Applying European decentralised procedures we obtained marketing authorisations for the fixed-dose combination Amlodipine/Valsartan Krka in the form of film-coated tablets in five strengths. The medicine joins two active substances with different mechanism of action, used to treat high blood pressure.

In the Russian Federation we were granted approvals for the fixed-dose combination Tenlisa (amlodipine and lisinopril) in the form of tablets in two strengths. The medicine contains 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.

Also in the Russian Federation we obtained marketing authorisations for Atorvastatin-K, which contains a new form of atorvastatin calcium and is available as film-coated tablets in six strengths (10 mg, 20 mg, 30 mg, 40 mg, 60 mg and 80 mg). In treating hypercholesterolemia and in the prevention of cardiovascular conditions we have thus created a variety of daily dosages in one tablet with the best correlation between effectiveness and safety.

A decentralised procedure was concluded and marketing authorisation granted for Bloxazoc (metoprolol succinate) extended-release tablets in four strengths. The active ingredient is a member of the well-known and well-established class of cardioselective beta blockers, and is used to treat high blood pressure and heart conditions.

As to pharmaceuticals for diseases of the central nervous system we extended our assortment of antidepressants and treatments for Parkinson's disease. Marketing approvals were granted in the European market under the decentralised procedure for Dulsevia (duloxetine) 30 mg and 60 mg gastro-resistant capsules. It is an antidepressant from the group of combined serotonin and noradrenaline reuptake inhibitors, used to treat depression, generalised anxiety disorder and neuropathic pain in diabetes.

As to treatments for Parkinson's disease, the new product Ralago/Rasagea (rasagiline), in the form of 1 mg tablets, was approved for marketing under the European decentralised procedure. Rasagiline is a monoamine oxidase-B inhibitor with a different mechanism of action from other Krka's antiparkinsons.

Oprymea (pramipexole) prolonged-release tablets in the additional strengths of 2.62 mg and 3.15 mg were 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.

We supplemented our assortment of antipsychotics with Kventiax/Quentiax (quetiapine) extended-release tablets in the new strength of 50 mg, having obtained approvals for it in the European market.

Marketing approvals were granted under the decentralised procedure for Loxentia (duloxetine) 20 mg and 40 mg gastro-resistant capsules. As a combined serotonin and noradrenaline reuptake inhibitor, duloxetine is the first medicine for the treatment of urinary stress incontinence in women.

A European decentralised procedure was concluded and marketing authorisation granted for the analgesic Doreta (tramadol and paracetamol) in the form of extended-release tablets in the strength of 75 mg/650 mg. It contains the well-established combination of two analgesics that act on different receptors and thus ensure a complete and longer-term action.

By obtaining marketing authorisations for five new products, we supplemented our assortment of antibiotics. Applying decentralised procedures Krka obtained approvals in selected countries of the European Union, and under the national procedure in Serbia, for the antibiotic Levalox/Levaxela/Levnibiot/Leviaben (levofloxacin) in the form of film-coated tablets in two strengths and in the form of solution for infusion.

Applying the European decentralised procedure we obtained marketing authorisations for Furocef/Ricefan (cephuroxime) film-coated tablets in two strengths. The medicine is used to treat infections of the oesophagus, sinuses, middle ear, lungs or chest, urinary tract and skin.

Also applying the decentralised procedure we acquired marketing authorisations in the European market for Linezolid Krka 600 mg film-coated tablets. This is Krka's first medicine from the class of oxazolidinone antibiotics.

Under the European decentralised procedure in the European Union, and under the national procedure in Serbia, Krka acquired marketing approvals for the fixed-dose antibiotic combination Betaklav (amoxicillin and clavulanic acid) in the new form of powder for oral suspension in the concentration 400 mg/57 mg. The product is ranked by medical guidelines a first-line treatment for respiratory tract infections. It is to be taken twice a day. Applying the European decentralised procedure we additionally extended the use of Betaklav (amoxicillin and clavulanic acid) film-coated tablets in two strengths.

A new medicine was added to Krka's assortment of oncology medications after approvals were granted for Tezalom (temozolomide) capsules in six strengths in the Russian Federation.

In selected markets of the European Union we were granted marketing approvals under decentralised procedures and a national procedure for Gliclada (gliclazide) modified-release tablets in the new strength of 90 mg. The new strength of this much used type 2 antidiabetic allows for flexibility in finding the right dosage with fewer tablets.

We expanded marketing opportunities in European markets by obtaining approvals for the antiepileptic Pragiola (pregabalin) in the form of capsules in eight strengths. Applying decentralised procedures, we were the first to obtain marketing authorisations for it in selected European countries. Pragiola is the drug of choice for epilepsy and generalised anxiety disorder.

Applying the decentralised procedure we obtained marketing authorisations in 12 European countries for Imatinib Krka film-coated tablets in two strengths.

In addition to the new medicinal products Tenlisa (amlodipine and lisinopril), Atorvastatin-K and Tezalom (temozolomide), our other products approved for marketing in the Russian Federation were Pregabia (pregabalin), Elicea Q-Tab (escitalopram), Telmista (telmisartan) and Nolpaza in the form of powder for the preparation of solution for injection. Additionally we acquired marketing authorisations for the fixed-dose combinations for diseases of the heart and circulation Co-Dalneva (perindopril, indapamide and amlodipine), Niperten Combi (amlodipine and bisoprolol fumarate) and Firmasta H 150/Firmasta H 300/Firmasta HD 300 (irbesartan and hydrochlorothiazide).

In other Eastern European countries we obtained new marketing authorisations for Krka's key medicinal products Emanera (esomeprazole), Roxera (rosuvastatin), Moloxin (moxifloxacin), Oprymea (pramipexole), the Nolpaza (pantoprazole) powder for the preparation of solution for injection, Atoris (atorvastatin), Bravadin (ivabradine), Dilaxa (celecoxib), Vizarsin (sildenafil), Sobykor (bisoprolol), Gliclada (gliclazide), Azibiot (azithromycin) and Maruxa (memantine).

In addition, approvals were granted in different Eastern European countries for the oncology medications Lortanda (letrozole) and Tolnexa (docetaxel) and the fixed-dose combinations Co-Amlessa (perindopril, indapamide and amlodipine), Atordapin (atorvastatin and amlodipine), Amlessa (perindopril and amlodipine), Sobycombi (bisoprolol 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 registered in the markets of South-Eastern Europe. New approvals were obtained for the antibiotics Moloxin (moxifloxacin) in the form of film-coated tablets and solution for injection, Fromilid (clarithromycin) 500 mg film-coated tablets, Azibiot (azithromycin) 250 mg film-coated tablets and Betaklav (amoxicillin and clavulanic acid) 875 mg/125 mg film-coated tablets.

Markets were expanded for the antipsychotics Aryzalera (aripiprazole) and Kventiax (quetiapine) in the three strengths of 150 mg, 200 mg and 300 mg, for the antiparkinson Oprymea (pramipexole) in the form of extended-release tablets, for the antidiabetic Gliclada SR (gliclazide), for the stomach acid treatment Nolpaza (pantoprazole) in the form of film-coated tablets and powder for solution for injection, and for the cytostatics Escepran (exemestane) and Ecansya (capecitabine). In different markets of South-Eastern Europe we also obtained marketing authorisations for mono-component and combination medicinal products with two and three active ingredients treating cardiovascular diseases, including Tolura (telmisartan), Sobykor (bisoprolol), Lisinopril Krka, Atordapin (amlodipine and atorvastatin), Tenloris (losartan and amlodipine), Ifirmacombi (irbesartan and hydrochlorothiazide), Elnap (lercanidipine and enalapril), Valsacor H 80/Valsacor H 160/Valsacor HD 160 (valsartan and hydrochlorothiazide), Sobycombi (bisoprolol and amlodipine), Amlessa (perindopril and amlodipine) and Amlewell (perindopril, indapamide and amlodipine).

In the overseas markets we expanded marketing opportunities in different countries for our key prescription product brands Tolucombi (telmisartan and hydrochlorothiazide), Tolura (telmisartan), Roswera (rosuvastatin), Zyllt (clopidogrel), Tenox (amlodipine), Vasilip (simvastatin), Nolicin (norfloxacin), Ciprinol (ciprofloxacin), Lanzul (lansoprazole), Vizarsin (sildenafil) and Naklofen Duo (diclofenac).

In selected European countries under the European decentralised procedure, and in the Russian Federation, Serbia, Macedonia, and Bosnia and Herzegovina under the national procedures, we obtained marketing approvals for Septabene/Septolete total (cetylpyridinium chloride and benzydamine chloride) lozenges and spray, which have anti-inflammatory properties and are analgesics and antiseptics. We thereby supplemented our

assortment 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, and a new continuous production technology line set up. The product's efficacy and safety were confirmed by an in-house international clinical trial.

In Eastern Europe we expanded markets for certain key cold and flu treatments. The Septoqua nasal spray for adults and the Septoqua nasal spray for children were approved in Bulgaria, Belarus, Kyrgyzstan, Armenia, Uzbekistan and Turkmenistan, and the Septanazal nasal spray for adults and the Septanazal nasal spray for children in Armenia, Kyrgyzstan, Georgia, Turkmenistan, Tajikistan and Albania. The Septolete plus oromucosal spray was registered for marketing in Tajikistan, and the Daleron brand supplemented in Azerbaijan.

The gastrointestinal disorder treatment Ulcavis/Ulcamed (bismuth subcitrate) in the form of film-coated tablets was approved in the Russian Federation under the national procedure as a non-prescription product, and in the European Union under the decentralised procedure as a prescription pharmaceutical.

As to our herbal products, the Bilobil 120 mg capsules were approved in the Czech Republic, Albania, Azerbaijan and Kyrgyzstan. The Herbion Iceland moss syrup was registered for marketing in Georgia, Moldova, Turkmenistan, Tajikistan, Kazakhstan, Kyrgyzstan, Bulgaria and Greece, and the Herbion ivy syrup in Tajikistan and Azerbaijan. Panzynom 10000 capsules were approved in Lithuania and Estonia.

Applying the decentralised procedure we obtained marketing approvals in 21 European countries, and under the national procedure in the Russian Federation and Ukraine, for our new product Ataxxa (imidacloprid and permethrin) in the form of spot-on solution in four strengths, for dogs.

Applying the European decentralised procedure we obtained marketing approvals in 19 European countries, and under the national procedure in the Russian Federation, for a new product for food-producing animals, Amatib (amoxicillin) in the form of oral powder for pigs and chickens. It is 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, so to treat the entire brood/drove it can be administered with drinking water, and for pigs it can also be administered individually with feed.

Applying the decentralised procedure we obtained marketing authorisations in 27 European countries, and under the national procedure in Ukraine and Macedonia, for Milprazon/Milquantel/Milbactor (milbemycin oxime and praziquantel) in the form of film-coated flavoured tablets for small cats and kittens. The product is a state-of-the-art intestinal wormer for cats.

We also expanded markets for our products for companion animals. Approvals were granted under the decentralised procedure for Dehinel Plus Flavour and Dehinel Plus XL tablets, treating internal parasite infestations in dogs. In Serbia we obtained a new marketing authorisation for Fypryst Combo (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. In Serbia, Macedonia and Ukraine we expanded marketing opportunities for Milprazon (milbemycin and praziquantel) tablets in two strengths, eliminating internal parasite infestations in 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 products are used as pain relievers in cats and dogs. In Croatia we obtained marketing authorisations for the Marfloxin (marbofloxacin) solution for injection treating infected wounds and abscesses, and urinary tract infections in cats and dogs, and we expanded the use of the Toltarox (toltrazuril) oral suspension preventing coccidiosis to another animal species – sheep.

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 2015 the Krka Group allocated EUR 95.9 million to investments, of which the controlling company invested EUR 69.6 million and subsidiaries EUR 26.3 million. Total investments, which also include commitments under existing contracts, amounted to EUR 158.5 million. Investments were primarily increasing and modernising our production, and research and development facilities.

At Krka's pivotal location in Ločna, Slovenia, we completed the construction of the production plant for solid dosage pharmaceuticals – Notol 2. The EUR 200 million investment provides new capacities for implementing the vertically integrated business model with which we control the entire development and production process from raw materials to finished products. Its advantage is the high level of automation and computer support, especially the computer-controlled production and automated computer-controlled system of material flow. The construction of four buildings that spread over a total surface area of 55,000 m² and connect with bridges to the solid dosage forms production plant Notol and the Finished Products Warehouse, started in June 2012 and lasted just over two and a half years. Preliminary production in the plant started at the beginning of 2015. The plant is being furnished gradually, depending on market demand and increase in production volume. Approximately one third of technological equipment was installed at the start-up of Notol 2. Production lines will gradually be added to increase the plant's production capacity to the target 4.5 billion tablets and capsules per year. Notol 2 was officially opened at the beginning of November 2015.

The new complex for the production of active pharmaceutical ingredients in Krško, Slovenia, with which Krka has increased its production capacity, took two years to complete. The EUR 85 million investment gives Krka new capacities for maintaining the entire process from development to production of raw materials and finished products. The construction of the Sinteza 1 plant began in July 2012. As soon as two years later production started in the first production module, and in the second one in the summer of 2015. Production has now started on all lines. The Sinteza 1 plant allows for production flexibility, since the production of new products can be established there in a relatively short period of time. The plant facilitates small-scale production, but large batch production of APIs and intermediates can also be established there if necessary. The 5,529 m² plant was officially opened at the beginning of October 2015.

The construction of the new production plant for a new generation of lozenges in Ljutomer, Slovenia, worth EUR 11.5 million, is also complete. The plant with the total surface area of 3,943 m² was built at the end of February 2015. We passed the technical inspection in May and thereafter took over the production line for the manufacture of lozenges using hard-candy technology, with the capacity of 400 to 600 kg/h. Preliminary production started in June and we were successfully verified by the Agency for Medicinal Products and Medical Devices of the Republic of Slovenia in August, whereupon regular production started as well.

Krka's key investment in the following years, which will support development activities and quality assurance, is the new Development and Control Centre (RKC) 4, to be located within the group of production facilities in Ločna. RKC 4 will be located in the immediate vicinity of the other three development and control centres and will connect to RKC 2 and RKC 3. Site preparation work started at the end of June 2015, and the construction of the facility with the total surface area of 18,000 m² will take two years. The investment is worth EUR 54 million.

One of the most important ongoing investments in Krka's subsidiaries is the Krka-Rus 2 project in Istra, the Russian Federation. The first stage of the project included building a new plant and logistics centre, while in 2015 we started fitting in the additional technical and logistics equipment. This will raise the plant's production capacity to two thirds of its planned target capacity, which is 1.8 billion tablets and capsules per year. When the remaining logistics equipment is fitted, the warehouse and logistics systems will also reach full capacity. The value of the entire additional equipment is estimated at EUR 30 million.

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 there are being converted to acquire new laboratory and production facilities for the production of solid dosage pharmaceuticals. Design documents are ready and the main technological equipment, for which the delivery date is longer, has been procured. After the building permit was granted, works started during the New Year holidays. The start-up of production on the new technological equipment is planned in the first quarter of 2017. The investment is estimated at EUR 31 million.

Employees

At the end of 2015 the Krka Group had 10,564 employees, of which 4,907 (46.5%) worked in Slovenia and 5,657 (53.5%) abroad.

The number of employees at Group level increased by 65 (1%) from 2014: by 20 in Slovenia and by 45 abroad.

Krka Group staff with a university level education or higher represent 55% of the entire Krka team, which is 5,792 employees; 152 of them have a doctoral degree and 349 have master's degrees or postgraduate specialisations.

Share and investor information

On the final trading day in 2015 Krka's share traded at EUR 65.20 on the Ljubljana Stock Exchange, up 9% from the year-end of 2014 when it traded at EUR 59.60. In the same period the Slovene blue-chip index SBI TOP declined by 11%. Krka's market capitalisation totalled EUR 2.14 billion at the end of last year.

Krka's share is the most traded security on the Ljubljana Stock Exchange. The average daily trading volume in Krka's share on the Ljubljana Stock Exchange in 2015 was EUR 0.5 million. The trading volume on the Warsaw Stock Exchange, where Krka has been listed since April 2012, was higher in the second half of the year although always remaining under the trading volume levels recorded on the Ljubljana Stock Exchange.

In 2015 the Company Krka repurchased 152,998 treasury shares on the regulated market, worth a total of EUR 9,378,878, and thus held 326,277 treasury shares as at 31 December 2015. At the end of 2015 Krka had a total of 58,765 shareholders.

In 2015 Krka appropriated 49% of the 2014 consolidated profit of majority owners for dividends. The gross dividend per share growth rate was 19%. In line with the five-year strategy adopted at the end of 2015 Krka will lead such policy of increasing dividends that up to 50% of the Group's profit for the previous year attributable to equity holders of the parent will be allocated to dividends in the said period, whereby Krka's financial requirements related to investments and acquisitions will also be considered.

Plans for 2016

We plan Krka Group sales in 2016 to total EUR 1.210 billion and profit to amount to EUR 160 million.

The estimated value of investments is EUR 162 million, to be allocated mainly to expanding and modernising production facilities, research and development facilities, and infrastructure. The number of employees is planned to increase in 2016 both in Slovenia and abroad, by a total of more than 4%.

The plan for 2016 results from the Krka Group 2016–2020 development strategy and was prepared in October 2015. It was prepared with taking into account certain assumptions, such as price levels, foreign currency exchange rates, conditions on certain markets etc., which were applicable at that time. If operating conditions in 2016 are very different from assumptions, operations results may also differ from plans.

Events after the reporting period

Krka, d. d., Novo mesto has had a new Management Board since 1 January 2016, with their terms-in-office by 31 December 2021. In addition to the President of the Management Board and Chief Executive Jože Colarič and the Worker Director Milena Kastelic, the Board now includes Dr Aleš Rotar, Dr Vinko Zupančič and David Bratož.

From the beginning of 2016 until 4 February (before the onset of the closed period awaiting the publication of the annual report) we repurchased 29,900 treasury shares in the total value of EUR 1,838,131. The balance of treasury shares is 356,177 (1.086% of all shares).

On 25 February 2016 Krka informed the interested public that its subsidiary Krka Sverige AB, Sweden (hereinafter referred to as Krka Sverige) received the decision of the Maritime and Commercial Court in

Copenhagen, Denmark in the litigation started against Krka Sverige by AstraZeneca, Sweden and AstraZeneca, Denmark (hereinafter referred to as AstraZeneca) because of alleged infringement of the patent EP 1 020 461 in Denmark.

Patent EP 1 020 461 protects the active pharmaceutical ingredient esomperazol with high optical purity. Products containing esomperazole with high optical purity have allegedly advantageous pharmacological effects. The active pharmaceutical ingredient esomeprazol per se is not patent protected.

Products sold by Krka Sverige in Denmark do not contain esomeprazole with high optical purity. Nevertheless, the Maritime and Commercial Court in Copenhagen despite that fact decided that Krka Sverige by selling these products in Denmark has infringed AstraZeneca's patent, as during certain moment in the production of the active pharmaceutical ingredient esomeprazole, produced by Krka, optically pure crystals allegedly appeared in the reaction mixture.

The Maritime and Commercial Court in Copenhagen believes that Krka Sverige caused to AstraZeneca in Denmark damages in the amount of DKK 50 million (EUR 6.7 million) due to the above infringement.

The decision of the first instance court has not been final yet, therefore Krka Sverige shall not pay damages until the decision is final. Krka Sverige will file an appeal against the decision. Krka Sverige strongly believes that the Maritime and Commercial Court in Copenhagen decided in contradiction with the wording of the scope of the patent as it was granted by the European Patent Office, as well as in contradiction with well-established jurisprudence in relation to such type of patents in the European Union (known as "Swiss type claims").

Krka published notices regarding esomeprazole litigation in Denmark on 15 December 2010 and 11 April 2013.

Novo mesto, March 2016

Krka, d. d., Novo mesto
Management Board

Krka Group consolidated statement of financial position (unaudited)

In EUR thousand	31 Dec 2015	31 Dec 2014
Assets		
Property, plant and equipment	826,192	846,478
Intangible assets	116,940	120,325
Loans	7,696	6,944
Investments	7,580	7,388
Deferred tax assets	27,949	27,521
Other non-current assets	241	174
Total non-current assets	986,598	1,008,830
Assets held for sale	41	41
Inventories	272,878	246,260
Trade receivables	433,133	467,841
Other receivables	31,540	47,436
Loans	37,380	1,177
Investments	11,808	575
Cash and cash equivalents	35,826	23,585
Total current assets	822,606	786,915
Total assets	1,809,204	1,795,745
Equity		
Share capital	54,732	54,732
Treasury shares	-20,071	-10,677
Reserves	73,386	77,291
Retained earnings	1,296,689	1,229,245
Total equity holders of the parent	1,404,736	1,350,591
Non-controlling interests within equity	1,248	1,308
Total equity	1,405,984	1,351,899
Liabilities		
Provisions	84,865	97,466
Deferred revenue	13,381	14,905
Deferred tax liabilities	12,736	13,050
Total non-current liabilities	110,982	125,421
Trade payables	103,871	115,051
Borrowings	0	38,019
Income tax payable	8,030	1,332
Other current liabilities	180,337	164,023
Total current liabilities	292,238	318,425
Total liabilities	403,220	443,846
Total equity and liabilities	1,809,204	1,795,745

Krka Group consolidated income statement (unaudited)

In EUR thousand	2015	2014
Revenues	1,164,607	1,191,614
Cost of sales	-489,648	-470,149
Gross profit	674,959	721,465
Other operating income	26,576	70,731
Distribution expenses	-310,568	-334,762
R&D expenses	-115,393	-108,370
Administrative expenses	-76,140	-72,111
Operating profit	199,434	276,953
Financial income	25,561	1,486
Financial expenses	-44,283	-103,126
Net financial expenses	-18,722	-101,640
Profit before tax	180,712	175,313
Income tax payable	-22,527	-9,152
Net profit	158,185	166,161
Attributable to:		
– equity holders of the parent	158,245	166,221
– non-controlling interest	-60	-60
Basic earnings per share (in EUR)	4.86	5.07
Diluted earnings per share (in EUR)	4.86	5.07

Krka Group consolidated statement of other comprehensive income (unaudited)

In EUR thousand	2015	2014
Net profit	158,185	166,161
Other comprehensive income for the year		
Other comprehensive income for the year reclassified to profit or loss in future periods		
Translation reserve	-9,826	-50,003
Change in fair value of available-for-sale financial assets	192	2,368
Deferred tax effect	-33	-402
Other comprehensive income for the year reclassified to profit or loss in future periods (net)	-9,667	-48,037
Other comprehensive income for the year not to be reclassified to profit or loss in future periods		
Recalculation of post-employment benefits	-3,947	-17,752
Deferred tax effect	315	2,922
Other comprehensive income for the year not to be reclassified to profit or loss in future periods (net)	-3,632	-14,830
Total other comprehensive income for the year (after tax)	-13,299	-62,867
Total comprehensive income for the year (after tax)	144,886	103,294
Attributable to:		
– equity holders of the parent	144,946	103,354
– non-controlling interest	-60	-60

Krka Group consolidated statement of changes in equity for 2015 (unaudited)

In EUR thousand	Reserves								Retained earnings			Total equity holders of the parent	Non-controlling interests within equity	Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserve	Other revenue reserves	Retained earnings	Profit for the year			
Balance at 1 Jan 2015	54,732	-10,677	10,677	105,897	14,990	30,000	-8,981	-75,292	1,001,636	79,528	148,081	1,350,591	1,308	1,351,899
Net profit	0	0	0	0	0	0	0	0	0	0	158,245	158,245	-60	158,185
Total other comprehensive income for the year (after tax)	0	0	0	0	0	0	-3,473	-9,826	0	0	0	-13,299	0	-13,299
Total comprehensive income for the year (after tax)	0	0	0	0	0	0	-3,473	-9,826	0	0	158,245	144,946	-60	144,886
Transactions with owners, recognised directly in equity														
Formation of other profit reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	0	50,040	-50,040	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	148,081	-148,081	0	0	0
Repurchase of treasury shares	0	-9,394	0	0	0	0	0	0	0	0	0	-9,394	0	-9,394
Formation of reserves for treasury shares	0	0	9,394	0	0	0	0	0	0	0	-9,394	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	-81,407	0	-81,407	0	-81,407
Total transactions with owners, recognised directly in equity	0	-9,394	9,394	0	0	0	0	0	50,040	16,634	-157,475	-90,801	0	-90,801
Balance at 31 Dec 2015	54,732	-20,071	20,071	105,897	14,990	30,000	-12,454	-85,118	1,051,676	96,162	148,851	1,404,736	1,248	1,405,984

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

In EUR thousand	Reserves								Retained earnings			Total equity holders of the parent	Non-controlling interests within equity	Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserve	Other revenue reserves	Retained earnings	Profit for the year			
Balance at 1 Jan 2014	59,126	-69,372	69,372	101,503	14,990	30,000	3,883	-25,289	943,393	78,518	125,119	1,331,243	1,368	1,332,611
Net profit	0	0	0	0	0	0	0	0	0	0	166,221	166,221	-60	166,161
Total other comprehensive income for the year (after tax)	0	0	0	0	0	0	-12,864	-50,003	0	0	0	-62,867	0	-62,867
Total comprehensive income for the year (after tax)	0	0	0	0	0	0	-12,864	-50,003	0	0	166,221	103,354	-60	103,294
Transactions with owners, recognised directly in equity														
Formation of other profit reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	0	58,243	-55,243	-3,000	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
Repurchase of treasury shares	0	-15,140	0	0	0	0	0	0	0	0	0	-15,140	0	-15,140
Formation of reserves for treasury shares	0	0	15,140	0	0	0	0	0	0	0	-15,140	0	0	0
Cancellation of treasury shares – reduction of share capital	-4,394	0	0	4,394	0	0	0	0	0	0	0	0	0	0
Cancellation of treasury shares – chargeable to other reserves, and reversal of reserves for treasury shares	0	73,835	-73,835	0	0	0	0	0	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	-68,866	0	-68,866	0	-68,866
Total transactions with owners, recognised directly in equity	-4,394	58,695	-58,695	4,394	0	0	0	0	58,243	1,010	-143,259	-84,006	0	-84,006
Balance at 31 Dec 2014	54,732	-10,677	10,677	105,897	14,990	30,000	-8,981	-75,292	1,001,636	79,528	148,081	1,350,591	1,308	1,351,899

Krka Group consolidated statement of cash flows (unaudited)

In EUR thousand	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	158,185	166,161
Adjustments for:	116,835	109,208
– amortisation/depreciation	107,308	97,582
– foreign exchange differences	1,364	187
– investment income	–26,087	–2,236
– investment expenses	9,392	1,468
– interest expenses and other financial expense	2,331	3,055
– income tax	22,527	9,152
Operating profit before changes in net operating current assets	275,020	275,369
Change in trade receivables	31,250	–35,939
Change in inventories	–26,618	–10,440
Change in trade payables	476	–2,958
Change in provisions	–18,226	–25,854
Change in deferred revenue	–1,524	2,100
Change in other current liabilities	16,114	3,692
Income taxes paid	1,449	–35,100
Net cash from operating activities	277,941	170,870
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	878	1,585
Proceeds from sale of current investments	24	3
Dividends received	1,288	22
Proceeds from sale of property, plant and equipment	3,193	876
Purchase of intangible assets	–5,807	–12,911
Purchase of property, plant and equipment	–103,053	–174,028
Non-current loans	–2,092	–2,093
Proceeds from repayment of non-current loans	1,086	1,087
Acquisition of non-current investments	–99	–103
Proceeds from sale of non-current investments	35	109
Repayment/Acquisition of current investments	–35,575	19,237
Payments in connection with derivative financial instruments	–6,919	0
Proceeds from derivative financial instruments	11,638	0
Net cash from investing activities	–135,403	–166,216
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	–672	–364
Repayment/Acquisition of current borrowings	–38,000	38,000
Dividends paid	–81,207	–68,718
Repurchase of treasury shares	–9,394	–15,140
Net cash used in financing activities	–129,273	–46,222
Net increase in cash and cash equivalents	13,265	–41,568
Cash and cash equivalents at beginning of year	23,585	67,275
Effect of exchange rate fluctuations on cash held	–1,024	–2,122
Net cash and cash equivalents at end of period	35,826	23,585

Krka Company statement of financial position (unaudited)

In EUR thousand	31 Dec 2015	31 Dec 2014
Assets		
Property, plant and equipment	610,067	623,622
Intangible assets	31,557	33,120
Investments in subsidiaries	302,114	299,119
Trade receivables from subsidiaries	10,704	14,091
Loans	26,300	27,588
Investments	7,578	7,386
Deferred tax assets	11,567	10,833
Other non-current assets	88	91
Total non-current assets	999,975	1,015,850
Assets held for sale	41	41
Inventories	230,568	201,081
Trade receivables	402,189	460,652
Other receivables	16,602	34,333
Loans	75,907	47,752
Investments	11,808	575
Cash and cash equivalents	24,622	8,203
Total current assets	761,737	752,637
Total assets	1,761,712	1,768,487
Equity		
Share capital	54,732	54,732
Treasury shares	-20,071	-10,677
Reserves	159,964	154,133
Retained earnings	1,238,586	1,183,125
Total equity	1,433,211	1,381,313
Liabilities		
Borrowings	0	2,000
Provisions	73,585	86,628
Deferred revenue	3,168	3,834
Total non-current liabilities	76,753	92,462
Trade payables	132,065	139,960
Borrowings	66,244	102,020
Income tax payable	7,509	0
Other current liabilities	45,930	52,732
Total current liabilities	251,748	294,712
Total liabilities	328,501	387,174
Total equity and liabilities	1,761,712	1,768,487

Krka Company income statement (unaudited)

In EUR thousand	2015	2014
Revenues	1,086,526	1,134,169
Cost of sales	-485,810	-462,674
Gross profit	600,716	671,495
Other operating income	23,409	64,605
Distribution expenses	-276,802	-308,425
R&D expenses	-120,840	-112,646
Administrative expenses	-60,321	-57,862
Operating profit	166,162	257,167
Financial income	36,735	9,178
Financial expenses	-43,524	-112,313
Net financial result	-6,789	-103,135
Profit before tax	159,373	154,032
Income tax payable	-13,111	-9,647
Net profit	146,262	144,385
Basic earnings per share (in EUR)	4.49	4.41
Diluted earnings per share (in EUR)	4.49	4.41

Krka Company statement of other comprehensive income (unaudited)

In EUR thousand	2015	2014
Net profit	146,262	144,385
Other comprehensive income for the year		
<i>Other comprehensive income reclassified to profit or loss in future periods</i>		
Change in fair value of available-for-sale financial assets	192	2,368
Deferred tax effect	-33	-402
Total other comprehensive income reclassified to profit or loss in future periods	159	1,966
<i>Other comprehensive income not to be reclassified to profit or loss in future periods</i>		
Recalculation of post-employment benefits	-4,068	-15,997
Deferred tax effect	346	2,719
Total other comprehensive income not to be reclassified to profit or loss in future periods	-3,722	-13,278
Total other comprehensive income for the year (after tax)	-3,563	-11,312
Total comprehensive income for the year(after tax)	142,699	133,073

Krka Company statement of changes in equity for 2015 (unaudited)

In EUR thousand	Reserves							Retained earnings			Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Retained earnings	Profit for the year	
Balance at 1 Jan 2015	54,732	-10,677	10,677	105,897	14,990	30,000	-7,431	1,001,636	55,244	126,245	1,381,313
Net profit	0	0	0	0	0	0	0	0	0	146,262	146,262
Total other comprehensive income for the year (after tax)	0	0	0	0	0	0	-3,563	0	0	0	-3,563
Total comprehensive income for the year (after tax)	0	0	0	0	0	0	-3,563	0	0	146,262	142,699
Transactions with owners, recognised directly in equity											
Formation of other profit reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	50,040	-50,040	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	126,245	-126,245	0
Repurchase of treasury shares	0	-9,394	0	0	0	0	0	0	0	0	-9,394
Formation of reserves for treasury shares	0	0	9,394	0	0	0	0	0	0	-9,394	0
Dividends paid	0	0	0	0	0	0	0	0	-81,407	0	-81,407
Total transactions with owners, recognised directly in equity	0	-9,394	9,394	0	0	0	0	50,040	-5,202	-135,639	-90,801
Balance at 31 Dec 2015	54,732	-20,071	20,071	105,897	14,990	30,000	-10,994	1,051,676	50,042	136,868	1,433,211

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

In EUR thousand	Reserves							Retained earnings			Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Retained earnings	Profit for the year	
Balance at 1 Jan 2014	59,126	-69,372	69,372	101,503	14,990	30,000	3,881	943,393	62,396	116,957	1,332,246
Net profit	0	0	0	0	0	0	0	0	0	144,385	144,385
Total other comprehensive income for the year (after tax)	0	0	0	0	0	0	-11,312	0	0	0	-11,312
Total comprehensive income for the year (after tax)	0	0	0	0	0	0	-11,312	0	0	144,385	133,073
Total transactions with owners, recognised directly in equity											
Formation of other profit reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	58,243	-55,243	-3,000	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	116,957	-116,957	0
Repurchase of treasury shares	0	-15,140	0	0	0	0	0	0	0	0	-15,140
Formation of reserves for treasury shares	0	0	15,140	0	0	0	0	0	0	0	-15,140
Cancellation of treasury shares – reduction of share capital	-4,394	0	0	4,394	0	0	0	0	0	0	0
Cancellation of treasury shares chargeable to other reserves, and reversal of reserves for treasury shares	0	73,835	-73,835	0	0	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	-68,866	0	-68,866
Total transactions with owners, recognised directly in equity	-4,394	58,695	-58,695	4,394	0	0	0	58,243	-7,152	-135,097	-84,006
Balance at 31 Dec 2014	54,732	-10,677	10,677	105,897	14,990	30,000	-7,431	1,001,636	55,244	126,245	1,381,313

Krka Company statement of cash flows (unaudited)

In EUR thousand	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	146,262	144,385
Adjustments for:	73,981	97,456
– amortisation/depreciation	82,836	72,050
– foreign exchange differences	2,964	11,821
– investment income	–36,887	–9,519
– investment expenses	8,733	9,751
– interest expenses and other financial expense	3,224	3,706
– income tax	13,111	9,647
Operating profit before changes in net operating current assets	220,243	241,841
Change in trade receivables	60,785	–35,928
Change in inventories	–29,487	–10,113
Change in trade payables	3,106	7,257
Change in provisions	–18,789	–26,150
Change in deferred revenue	–666	1,520
Change in other current liabilities	–6,744	3,305
Income taxes paid	11,488	–25,329
Net cash from operating activities	239,936	156,403
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,755	3,237
Proceeds from sale of current investments	24	3
Dividends received	1,288	22
Proportionate profit of subsidiaries	10,399	5,993
Proceeds from sale of property, plant and equipment	1,627	509
Purchase of intangible assets	–5,252	–10,927
Purchase of property, plant and equipment	–75,393	–139,764
Acquisition of subsidiaries and a share of minority interest without obtained assets	–3,537	–19,973
Refund of subsequent payments in subsidiaries	285	185
Non-current loans	–9,449	–10,015
Proceeds from repayment of non-current loans	9,320	3,014
Acquisition of non-current investments	–29	–79
Proceeds from sale of non-current investments	35	101
Payments/Proceeds in connection with current investments and loans	–28,469	25,631
Payments in connection with derivative financial instruments	–6,919	0
Proceeds from derivative financial instruments	11,638	0
Net cash from investing activities	–92,677	–142,063
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	–1,367	–1,360
Repayment of non-current borrowings	–1,500	0
Repayment/Acquisition of current borrowings	–36,455	31,801
Dividends paid	–81,208	–68,718
Repurchase of treasury shares	–9,394	–15,140
Net cash used in financing activities	–129,924	–53,417
Net increase in cash and cash equivalents	17,335	–39,077
Cash and cash equivalents at beginning of year	8,203	49,417
Effect of exchange rate fluctuations on cash held	–916	–2,137
Net cash and cash equivalents at end of period	24,622	8,203