



**Unaudited consolidated financial
statements of the Krka Group
and unaudited financial statements
of the Krka Company for 2016,
with important notes**

Novo mesto, March 2017

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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 2016

The unaudited consolidated financial statements of the Krka Group and the unaudited financial statements of the Krka Company for 2016, as well as comparative data for 2015, have been drawn up pursuant to the International Financial Reporting Standards (IFRS). Comparative data for 2015 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 2016 included the following companies:

	Controlling company's ownership stake as at 31 Dec 2016 (in %)
TERME KRKA, d. o. o., Novo mesto, Slovenia	100
Farma GRS, d. o. o., Novo mest, 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 2016 the subsidiary Terme Krka, d. o. o., held a 69.2% 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.; and the subsidiary Krka France Eurl held a 5% ownership stake in KRKA Belgium, SA.

Krka Group and Krka Company financial highlights

In € thousand	Krka Group		Krka Company	
	2016	2015	2016	2015
Revenues	1,174,424	1,164,607	1,071,709	1,086,526
EBIT ¹	122,435	199,434	98,920	166,162
EBITDA	228,238	306,742	180,685	248,998
Net profit	108,456	158,185	102,872	146,262
R&D expenses	117,994	115,393	122,874	120,840
Investments	131,817	95,889	80,663	69,592
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Non-current assets	1,038,067	986,598	1,024,176	999,975
Current assets	873,451	822,606	813,527	761,737
Equity	1,444,444	1,405,984	1,440,448	1,433,211
Non-current liabilities	115,313	110,982	81,691	76,753
Current liabilities	351,761	292,238	315,564	251,748
RATIOS	2016	2015	2016	2015
EBIT margin	10.4%	17.1%	9.2%	15.3%
EBITDA margin	19.4%	26.3%	16.9%	22.9%
Profit margin (ROS)	9.2%	13.6%	9.6%	13.5%
ROE ²	7.6%	11.5%	7.2%	10.4%
ROA ³	5.8%	8.8%	5.7%	8.3%
Liabilities/Equity	0.323	0.287	0.276	0.229
R&D expenses/Revenues	10.0%	9.9%	11.5%	11.1%
NUMBER OF EMPLOYEES	2016	2015	2016	2015
Year-end	10,889	10,564	4,889	4,798
Average	10,774	10,532	4,845	4,776

SHARE INFORMATION	2016	2015
Total number of shares issued	32,793,448	32,793,448
Earnings per share in € ⁴	3.35	4.86
Dividend per share in €	2.65	2.50
Share price at end of year in € ⁵	52.90	65.20
Price/Earnings ratio (P/E)	15.81	13.41
Book value in € ⁶	44.05	42.87
Price/Book value (P/B)	1.20	1.52
Market capitalisation in € thousand (31 December)	1,734,773	2,138,133

¹ The difference between operating income and expenses

² Net profit/Average shareholders' equity in the year

³ Net profit/Average total assets in the year

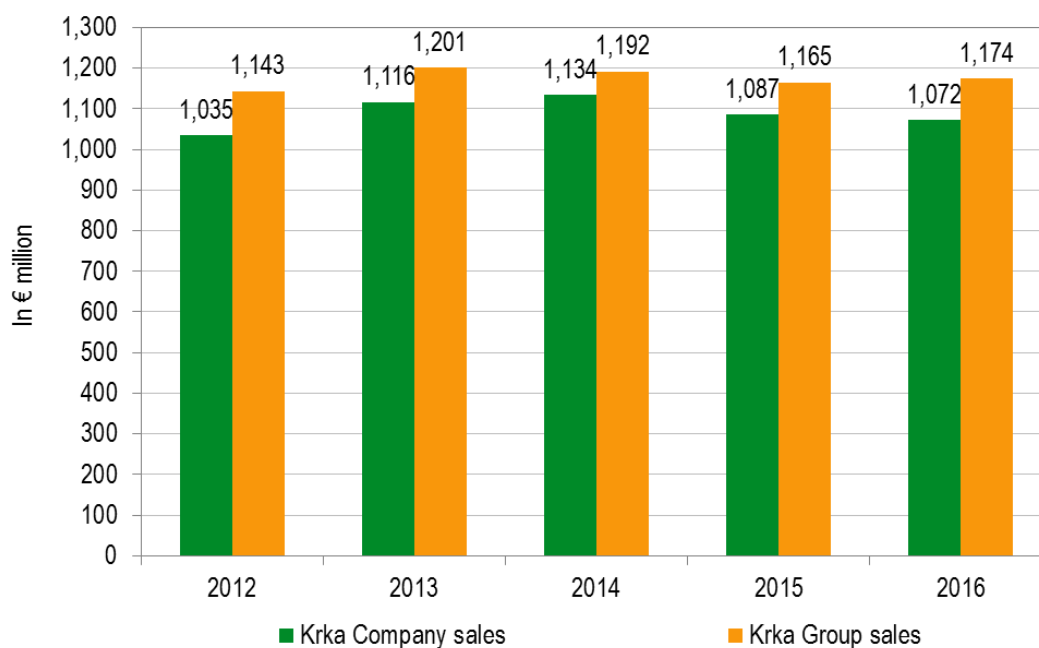
⁴ Profit attributable to equity holders of the parent/Average number of shares issued in the year, excluding treasury shares

⁵ Share price on the Ljubljana Stock Exchange

⁶ Equity at the year-end/Total number of shares issued

Business operations analysis

Operating income



The Krka Group sold €1,174.4 million worth of products and services in 2016, up €9.8 million, or 1%, compared to 2015. The volume of sales was up 11%. Over the past five years, the average annual sales value and sale volume growth rates have been 1.8% and 6.8%, respectively.

Other operating income totalled €7.9 million, down €18.7 million, or 70%, from 2015. The decrease is mainly attributable to other operating income in 2015 including €20.0 million of reversed provisions for lawsuits.

Operating expenses

The Krka Group incurred €1,059.9 million of operating expenses, an increase by €68.1 million, or 7%, compared to 2015.

Group operating expenses included €547.7 million of the costs of goods sold, €317.4 million of selling and distribution expenses, €118.0 million of R&D costs, and €76.8 million of general and administrative expenses. During the past five years, the operating expenses-to-sales ratio has ranged from 82% in 2013 to 90% in 2016.

The largest operating expense item is the costs of goods sold, which have increased by 12% compared to 2015. Their cost-to-sales ratio was 47%, having totalled 42% in 2015. Costs of goods sold are influenced by significant increase of the production volume and also by changes in the inventories of work in progress and finished products. This is a consequence of significant increase of the production volume. Selling and distribution expenses were up 2% from 2015, their cost-to-sales ratio was 27%. R&D costs represented 10% of sales, up 2% from 2015, and general and administrative expenses represented 7% of sales, up 1% from 2015.

Financial income and expenses

In € thousand	Krka Group					Krka Company				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
Financial income	65,679	25,561	1,486	2,114	5,418	78,225	36,735	9,178	5,316	22,431
Financial expenses	-71,816	-44,283	-103,126	-28,361	-7,227	-72,733	-43,524	-112,313	-28,967	-7,690
Net financial result	-6,137	-18,722	-101,640	-26,247	-1,809	5,492	-6,789	-103,135	-23,651	14,741

In 2016 the Group net financial result improved compared to 2015, totalling €-6.1 million.

The currency exposure arises due to a surplus of assets over liabilities in a particular currency in the financial position statement of the Group. Key accounting categories composing a long position are trade receivables, payables to suppliers, and subsidiary funding by the controlling company.

The Krka Group generally mitigates currency risks by natural hedging, primarily by increasing purchases and liabilities in currencies in which sales invoices are issued. When this is not possible, we use derivative financial instruments, or do not provide hedging for the risk. Forward contracts are generally used for hedging.

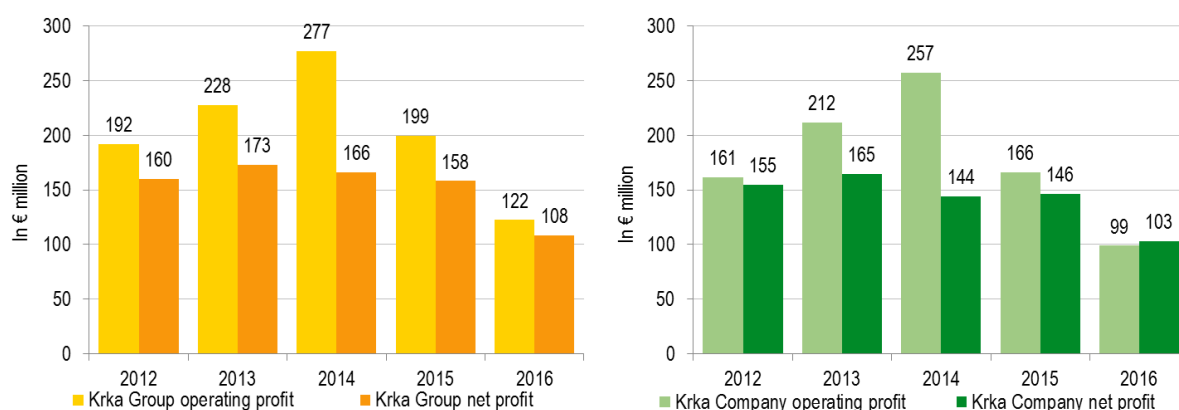
The Russian rouble represents a major part, i.e. 59% of the Group foreign exchange position. The position in roubles has arisen out of trade receivables in Krka's largest sales market, as well as out of the controlling company's financing production facilities and partly also from subsidiary funding by the controlling company of the manufacturing capacities in the Russian Federation. Exposure to the Romanian leu, which represents 15% of Krka's foreign exchange position, has arisen out of trade receivables resulting from long payment periods in that country accrued due to lengthy payment terms in Romania. Exposure to the Croatian kuna and the Polish zloty is due to trade receivables and production capacities manufacturing facilities in both those countries. Other currencies, including the British pound, US dollar, Swedish krona, Hungarian forint, Czech koruna, Ukrainian hryvnia, Serbian dinar, Macedonian denar and Kazakhstani tenge, together represent less than 10% of the Krka Group foreign currency position.

In periods of increased volatility, foreign exchange risk associated with the rouble was hedged with currency forward contracts. This happened in the first half-year of 2016 during increased oil prices volatility, and in a section of the last quarter when currency markets witnessed increased volatility due to the uncertain outcomes of the presidential election in the US and the talks of oil producers about limiting oil production. As the rouble appreciated we generated net foreign exchange gains and incurred net expenses for occasional forward contract hedges. Taking into account net foreign exchange gains and expenses from forward contract, the result of the Krka Group exposure to the rouble in 2016 was positive and totalled €0.8 million.

In 2016, as in 2015, the policy of occasionally hedging rouble exposure proved more favourable as opposed to a full-year hedge. The net result of full-year hedging against exposure to the rouble exchange rate would total €-20 million instead of the current €+0.8 million, a major proportion of the negative result represented by the cost of hedging, arising out of the difference between rouble and euro interest rates. The risk of other currencies was not hedged. The result of currency risk management in 2016 amounted to €-5.5 million.

Financial income includes €0.9 million of interest income and €0.8 million of income from dividends and other shares of the profit. Financial expenses include €0.6 million of interest expenses on borrowings, and €1.7 million of other financial expenses. The result of these financial items amounted to €-0.6 million, and the total net financial result amounted to €-6.1 million.

Operating result



The Krka Group recorded €122.4 million of operating profit in 2016. EBITDA was €228.2 million, down 26% from the previous year.

Profit before tax decreased by 36% compared to the previous year, to €116.3 million. The effective tax rate was 6.7%.

The Krka Group recorded €108.5 million of net profit, down 31% compared to the previous year. The decrease was due to major price erosions in most markets and the depreciation of certain Eastern and Central European currencies.

Assets

In € thousand	Krka Group					Krka Company				
	2016	Share (in %)	2015	Share (in %)	Index 2016/15	2016	Share (in %)	2015	Share (in %)	Index 2016/15
Non-current assets	1,038,067	54.3	986,598	54.5	105	1,024,176	55.7	999,975	56.8	102
Property, plant and equipment	874,100	45.7	826,192	45.7	106	609,543	33.2	610,067	34.6	100
Intangible assets	113,511	5.9	116,940	6.5	97	29,302	1.6	31,557	1.8	93
Investments and loans	18,939	1.0	15,276	0.8	124	349,623	19.0	335,992	19.1	104
Other	31,517	1.7	28,190	1.5	112	35,708	1.9	22,359	1.3	160
Current assets	873,451	45.7	822,606	45.5	106	813,527	44.3	761,737	43.2	107
Inventories	280,653	14.7	272,878	15.1	103	236,214	12.9	230,568	13.1	102
Trade receivables	510,406	26.7	433,133	23.9	118	479,234	26.1	402,189	22.8	119
Other	82,392	4.3	116,595	6.5	72	98,079	5.3	128,980	7.3	77
Total assets	1,911,518	100.0	1,809,204	100.0	106	1,837,703	100.0	1,761,712	100.0	104

At the end of 2016 Krka Group assets amounted to €1,911.5 million, up €102.3 million, or 6%, compared to the end of 2015. The proportion of non-current and current assets in the structure of total assets barely changed compared to the year-end of 2015, with the share of non-current assets down 0.2 of a percentage point, to 54.3% of total assets.

Non-current assets totalled €1,038.1 million, up €51.5 million, or 5%, compared to the end of 2015. The most important asset item is property, plant and equipment; it totals €874.1 million, which is 46% of the Group's total assets. Intangible assets represent 6% of total assets and amount to €113.5 million.

Current assets totalled €873.5 million, up €50.8 million, or 6%, compared to the end of 2015. Trade receivables amounted to €510.4 million, with inventories totalling €280.7 million. Current loans totalled €9.4 million, of which there was €8.0 million worth of bank deposits placed for more than 90 days.

Equity and liabilities

In € thousand	Krka Group					Krka Company				
	2016	Share (in %)	2015	Share (in %)	Index 2016/15	2016	Share (in %)	2015	Share (in %)	Index 2016/15
Equity	1,444,444	75.6	1,405,984	77.7	103	1,440,448	78.4	1,433,211	81.3	101
Non-current liabilities	115,313	6.0	110,982	6.1	104	81,691	4.4	76,753	4.4	106
Current liabilities	351,761	18.4	292,238	16.2	120	315,564	17.2	251,748	14.3	125
Total equity and liabilities	1,911,518	100.0	1,809,204	100.0	106	1,837,703	100.0	1,761,712	100.0	104

Compared to the end of 2015, Krka Group equity as at 31 December 2016 was up €38.5 million, or 3%, from the year-end of 2015. The increase is attributable to the €108.5 million of Krka Group net profit and €25.6 million of other comprehensive income after tax. The largest item under the latter is translation reserve, which total €26.0 million. Equity was pushed down by dividend payments totalling €85.9 million and by the repurchase of treasury shares worth €9.6 million.

Provisions, which amounted to €90.8 million, were up 7% compared to the end of 2015, attributable mainly to the increase in provisions for post-employment and other long-term employee benefits by €5.8 million.

Among the Krka Group current liabilities, trade payables were up €24.6 million, and other current liabilities up €41.3 million.

At the end of 2016 the Krka Group had no non-current or current borrowings.

Statement of cash flows

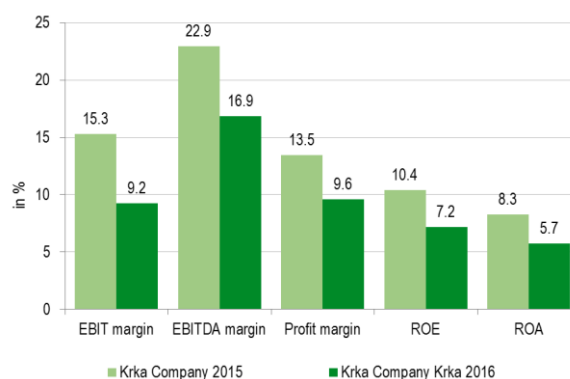
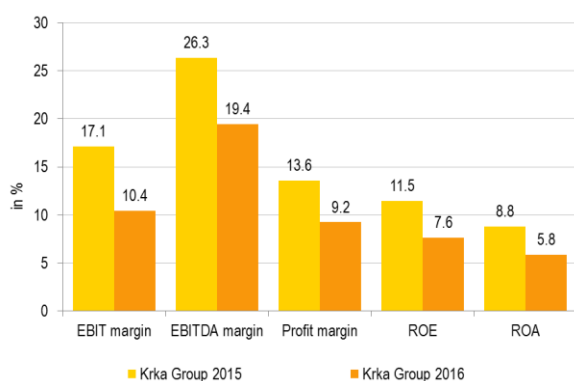
In EUR thousand	Krka Group		Krka Company	
	2015	2014	2015	2014
Net cash from operating activities	214.101	277.941	120.691	239.936
Net cash from investing activities	-115.149	-135.403	-63.440	-92.677
Net cash used in financing activities	-96.525	-129.274	-58.418	-129.924
Net increase/decrease in cash and cash equivalents	2.427	13.264	-1.167	17.335

Krka Group cash and cash equivalents increased in 2016 by €2.4 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 €275.9 million. The changes in current assets that increased profit were changes in trade payables, provisions, other current liabilities and income taxes paid, while changes in trade receivables, inventories, and deferred revenues had a negative effect.

The negative cash flow from investing activities in the amount of €115.1 million was mainly the result of the purchase of property, plant and equipment, payments in connection with derivative financial instruments, the purchase of intangible assets and non-current loans, while proceeds in connection with current investments and borrowings had positive effect. The main causes of the negative cash flow from financing activities in the amount of €96.5 million were dividend payments, which totalled €86.0 million, and repurchases of treasury shares, which totalled €9.6 million.

Performance ratios



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

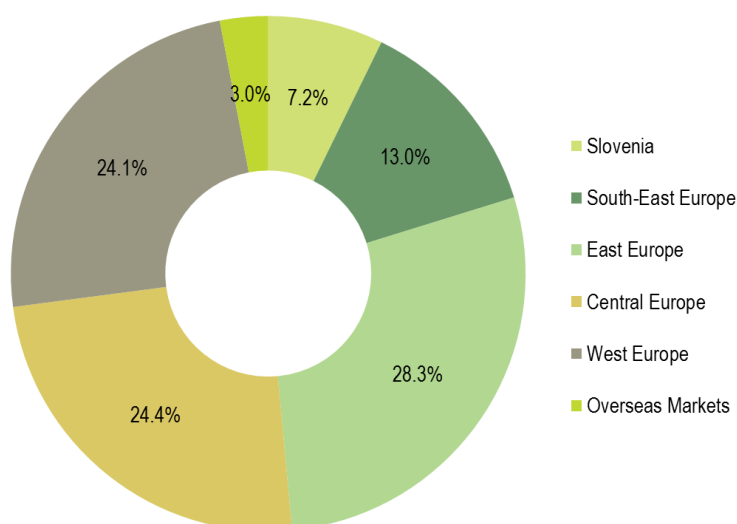
In € thousand	Krka Group					Krka Company				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
Revenues	1,174,424	1,164,607	1,191,614	1,200,827	1,143,301	1,071,709	1,086,526	1,134,169	1,116,339	1,035,280
EBIT	122,435	199,434	276,953	227,588	192,308	98,920	166,162	257,167	211,527	161,382
– EBIT margin	10.4%	17.1%	23.2%	19.0%	16.8%	9.2%	15.3%	22.7%	18.9%	15.6%
EBITDA	228,238	306,742	374,535	321,732	282,276	180,685	248,998	329,217	282,993	230,994
– EBITDA margin	19.4%	26.3%	31.4%	26.8%	24.7%	16.9%	22.9%	29.0%	25.4%	22.3%
Net profit	108,456	158,185	166,161	172,766	159,839	102,872	146,262	144,385	164,673	154,615
– Profit margin	9.2%	13.6%	13.9%	14.4%	14.0%	9.6%	13.5%	12.7%	14.8%	14.9%
Assets	1,911,518	1,809,204	1,795,745	1,759,884	1,626,748	1,837,703	1,761,712	1,768,487	1,701,235	1,565,918
ROA	5.8%	8.8%	9.3%	10.2%	10.1%	5.7%	8.3%	8.3%	10.1%	10.2%
Equity	1,444,444	1,405,984	1,351,899	1,332,611	1,240,521	1,440,448	1,433,211	1,381,313	1,332,246	1,232,215
ROE	7.6%	11.5%	12.4%	13.4%	13.4%	7.2%	10.4%	10.6%	12.8%	13.0%

Sales

Krka Group and Krka Company sales by Region

In € thousand	Krka Group			Krka Company		Index 2016/15
	2016	2015	Index 2016/15	2016	2015	
Slovenia	85,143	79,885	107	52,897	50,661	104
South-East Europe	152,374	139,620	109	159,181	143,536	111
East Europe	332,286	327,466	101	300,682	318,742	94
Central Europe	286,693	279,867	102	293,454	282,278	104
West Europe	282,412	306,064	92	232,818	263,169	88
Overseas Markets	35,516	31,705	112	32,677	28,140	116
Total	1,174,424	1,164,607	101	1,071,709	1,086,526	99

Krka Group sales structure by Region



The Krka Group sold €1,174.4 million worth of products and services in 2016, up 1% from 2015, with sales volume having increased by 11%. Sales in markets outside Slovenia represented €1,089.3 million, which is 93% of total sales.

The largest sales region was East Europe, where sales totalled €332.3 million, which is 28.3% of overall sales and represents a year-on-year increase by 1%. Sales volume in this region was up 12%. The Russian Federation remains Krka's key and largest individual market; sales value there amounted to €225.9 million, up 1%. Sales were substantially influenced by the unfavourable exchange rate of the rouble because in 2016 rouble averaged more than 8% lower than in 2015. Sales value in roubles was up 13%, and the volume of sales increased by 11%. Our sales dynamics in the market of the Russian Federation thus surpassed the average growth of the entire pharmaceuticals market, strengthening our market share. The contraction of the pharmaceuticals market in Ukraine stopped in 2016 and its value has reached the value of 2015. We preserved the position of the leading foreign provider of generic pharmaceuticals in the market, selling €39.5 million worth of medicinal products there, up 17% year-on-year. Despite the volume of sales up 6% in Uzbekistan, our sales value there witnessed a 16% year-on-year decrease and thus totalled €13.5 million. The negative overall market dynamics were chiefly driven by the depreciation of the local currency, the population's lower purchasing power, and the state supporting the sale of pharmaceuticals by local producers. Product sales in Kazakhstan totalled €12.8 million, down 3%

compared to the previous year. However, the volume of sales was up 23% and sales denominated in the local currency were also up considerably. Despite the Kazakhstani market having witnessed deteriorated population's purchasing power driven by the depreciation of the local currency, we increased our market share. Two-digit sales growth was also recorded in Kyrgyzstan (up 28%), Mongolia (up 15%), Georgia (up 14%), Armenia (up 13%) and Turkmenistan (up 12%).

The second largest region was Central Europe, where sales volume increased by 6% and sales value totalled €286.7 million, up 2% compared to 2015. In Poland, the Region's key and largest market, product sales were €140.6 million, up 3%. We surpassed the growth of the entire Polish pharmaceuticals market, increasing our market share. Sales value denominated in the zloty and sales volume both increased by more than 7%. Also one of key markets, Hungary, ranked as the second largest sales market in the Region. Sales there amounted to €44.0 million, which is a year-on-year decrease by 3%, but it nevertheless consolidated our position as the second ranked between mostly foreign providers of generic pharmaceuticals in the country. In the Czech Republic, another key market, sales were up 5%, to €37.8 million. This has consolidated our position as the number three foreign generic pharmaceutical company in the market. Sales growth was also recorded in Estonia (up 10%), Latvia (up 7%) and Slovakia (up 4%). Sales growth was so recorded in all markets of the region, apart from Lithuania and Hungary.

The third region in terms of sales value was West Europe, where sales revenues in 2016 totalled €282.4 million. The volume of sales was up almost one fifth compared to 2015; however, due to price cuts, sales value decreased by 8%. The highest sales were recorded in the markets of Germany, Spain and France. In Germany, Krka's most important Western European market, we sold €92.6 million worth of products, a year-on-year increase by 8%, with the volume of sales up 42%. Almost 90% of sales were generated by the subsidiary TAD Pharma. Two-digit sales growth was also recorded in Ireland (up 31%), Finland (up 23%) and Austria (up 14%).

In the markets of Region South-East Europe product sales in 2016 amounted to €152.4 million, an increase by 9%, or €12.8 million, compared to 2015. This is the highest absolute sales growth among all Krka sales regions. In Romania, the largest market in the Region and one of Krka key markets, product sales were €54.4 million, up 17% from 2015. This has landed Krka second place among mainly foreign generic pharmaceutical companies in this market. In Croatia, another one of Krka key markets, product sales amounted to €27.9 million. With an 8% growth we surpassed market growth and increased our market share, ranking as the number four provider of generic pharmaceuticals in the market in general, and the number two among providers of animal health products. Sales increased in all markets of the Region, apart from Bosnia and Herzegovina, and Montenegro.

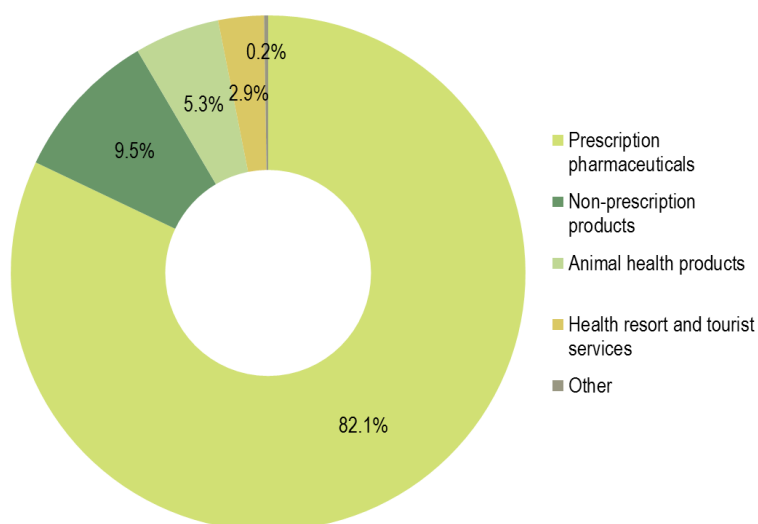
In Slovenia we sold €85.1 million worth of products and services (of which €33.7 million were health resort and tourist services). The value of product sales was up 4%. With a 9.2% market share, we preserved the leading position among all pharmaceutical companies in Slovenia. One in four packs of prescription pharmaceuticals dispensed in Slovenia is a Krka product.

In Region Overseas Markets Krka sold €35.5 million of products in 2016. Sales in this Region increased by 12% in relative terms, the most among all Krka sales regions. The main contribution to overall sales came from individual markets of the Middle East, and the markets of the Far East and Africa, among them especially Iran and the Republic of South Africa. In terms of value, sales increased the most in Iran, Vietnam and Lebanon.

Krka Group and Krka Company sales by product and service group

In € thousand	Krka Group			Krka Company		
	2016	2015	Index 2016/15	2016	2015	Index 2016/15
Human health products	1,074,954	1,079,365	100	1,005,442	1,030,779	98
– Prescription pharmaceuticals	963,727	971,549	99	908,406	934,874	97
– Non-prescription products	111,227	107,816	103	97,036	95,905	101
Animal health products	62,793	52,129	120	61,861	51,860	119
Health resort and tourist services	33,708	31,046	109			
Other	2,969	2,067	144	4,406	3,887	113
Total	1,174,424	1,164,607	101	1,071,709	1,086,526	99

Krka Group sales structure by product and service group



The most important group of products in terms of sales remains prescription pharmaceuticals, which contributed €963.7 million or 82.1% of revenues in the reported period, down 1% from the previous year. The decrease was a result of lower sales due to major drops in the prices of pharmaceuticals in individual markets, and due to unfavourable exchange rates of certain currencies in Eastern and Central European markets. In terms of volume, sales increased by 11% from 2015.

The largest increases in the sales of prescription pharmaceuticals in relative terms were recorded in Romania, Ukraine and Slovakia among our ten largest individual markets, and in Kyrgyzstan, Serbia and Ireland among the other markets. The leading markets in terms of absolute sales growth were Romania, Poland, the Middle East, Ukraine, Germany and Serbia. Euro-denominated sales in Krka's largest individual market, the Russian Federation, remained at the level reported for 2015 despite a two-digit increase in both sales volume and sales value as denominated in the local currency.

The best-selling therapeutic group of prescription pharmaceuticals in 2016 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 on a specific market during the past five years, represented 38.4% of Krka Group sales in 2016, thus exceeding Krka's strategic objective of generating at least one third of sales in new products.

Atoris (atorvastatin) remained the leading prescription pharmaceutical in terms of sales value in 2016. Also in the group of the leading ten prescription pharmaceuticals were Lorista (losartan), including in combination with a diuretic; Nolpaza (pantoprazole); Prenessa (perindopril), including in combination with a diuretic; Valsacor (valsartan), including in combination with a diuretic; Enap (enalapril), including in combination with a diuretic; Emanera (esomeprazole); Roswera (rosuvastatin); Zyllt (clopidogrel) and Karbis (candesartan), including in combination with a diuretic. Certain pharmaceuticals are marketed under different brand names in individual markets.

Non-prescription product sales amounted to €111.2 million, a year-on-year increase by 3% in terms of value, and the volume of sales was also up 3%. As to the ten largest individual markets sales increased the most in Ukraine, Kazakhstan and Slovenia, while as to the other markets in Ireland, the Czech Republic and Estonia.

The sales of animal health products amounted to €62.8 million, up 20% from 2015. Sales volume increased by 24%. As to the ten leading individual markets sales increased the most in Germany, UK and the Czech Republic, while as to the other markets in Italy, Kazakhstan and Portugal. The leading markets in terms of absolute sales growth include France, the Russian Federation and Poland.

The sales of health resort and tourist services were up 9% to €33.7 million, which is 2.9% of Krka Group sales. Other sales revenues totalled €3.0 million.

Research and development

In 2016 Krka obtained marketing authorisations for 19 new products (16 prescription pharmaceuticals, one non-prescription product and two animal health products) in 41 different dosage forms and strengths. Applying different marketing authorisation procedures in different countries we obtained 546 new approvals in the reported period for prescription pharmaceuticals, non-prescription products and animal health products.

We submitted patent applications for three inventions and two international patent applications on the basis of prioritised applications from 2015. We registered 84 trademarks in Slovenia, and submitted 38 international and 61 national trademark applications.

There are eight new additions in our key group of cardiovascular pharmaceuticals. Under the European decentralised procedure we were the first in Europe to obtain a marketing authorisation for the new fixed-dose combination Ravalsyo/Valarox/Ravalsya (valsartan and rosuvastatin) in the form of film-coated tablets in the strengths of 80 mg/10 mg, 80 mg/20 mg, 160 mg/10 mg and 160 mg/20 mg. The medicinal product is a unique combination of two well-established active substances, the blood-pressure lowering valsartan and the cholesterol-lowering rosuvastatin.

Applying the European decentralised procedure we obtained marketing authorisations in eight countries for the new fixed-dose combination Teldipin/Telassmo (telmisartan and amlodipine) in the form of tablets in the strengths of 40 mg/5 mg, 40 mg/10 mg, 80 mg/5 mg and 80 mg/10 mg. It contains telmisartan, an angiotensin II antagonist, and amlodipine, a calcium-channel blocker. The fixed-dose combination lowers high blood pressure with two different mechanisms of action. The medicine is used as substitute therapy in patients that already take the same dosage of both substances as separate tablets. The two substances have complementary mechanisms of action, which foster an efficient and safe treatment and which decreases the occurrence of certain adverse effects, such as the peripheral edema, improving patient tolerability.

Applying European decentralised procedures we were the first generic company to have obtained marketing authorisations in 21 European countries for Bixebro/Bravadin (ivabradine) film-coated tablets in the two strengths of 5 mg and 7.5 mg. Ivabradine reduces the heart rate, its immediate and long-lasting effects on cardiac contractility resulting in long-term improvements of the cardiac function. In patients with heart failure and angina pectoris, adding ivabradine will optimize the standard therapy, reduce the need for subsequent hospitalisations and the risk of cardiovascular complications, and thus improve quality of life.

Marketing authorisations were granted under the European decentralised procedure for a new fixed-dose combination of ramipril and amlodipine in the form of hard capsules in the strengths of 5 mg/5 mg, 5 mg/10 mg, 10 mg/5 mg and 10 mg/10 mg. It is used to treat high blood pressure. Its two substances have different

mechanisms of action; ramipril is an ACE inhibitor directly affecting peripheral vascular smooth muscle, and amlodipine is a calcium-channel blocker. The medicinal product is used as substitute therapy for high blood pressure in patients that already take separate dosages of ramipril and amlodipine.

In the Russian Federation we obtained a marketing authorisation for the fixed-dose combination Atoris Kombi (atorvastatin and amlodipine) in the form of film-coated tablets in the strengths of 20 mg/5 mg and 20 mg/10 mg. The product contains two well-established active substances used to balance high blood pressure and cholesterol levels, both important in preventing cardiovascular diseases. The new dosages enable better control of cardiovascular factors and decrease the risk of cardiovascular complications more efficiently.

Under the European decentralised procedure we obtained marketing authorisations for Ramipril/Hidroklorotiazid Krka (ramipril and hydrochlorothiazide) tablets in the strengths of 2.5 mg/12.5 mg and 5 mg/25 mg. The new fixed-dose combination contains the ACE inhibitor ramipril and the diuretic hydrochlorothiazide.

We completed the European decentralised procedure for Bartal/Abrea (acetylsalicylic acid) gastro-resistant tablets in the strengths of 75 mg, 100 mg and 160 mg. Acetylsalicylic acid is a scientifically evidence-based, safe and efficient medication used to reduce cardiovascular repeat events in patients with coronary artery disease. It is intended for preventing repeat heart failure, treating patients with stable and unstable angina pectoris, preventing thromboembolic complications after cardiac surgery, and preventing cardiovascular ischemic events.

In the Russian Federation we were granted a marketing authorisation for the new strength of Lorista (losartan) film-coated tablets, namely 150 mg. It makes the treatment of chronic heart failure easier for patients, as the maximum daily dosage can be reached with a single tablet.

Krka's new therapeutic area is medications for HIV-infected patients. Under the centralised procedure we obtained marketing authorisations in all European countries for the fixed-dose combination Emtricitabin/Dizoproksiltenofovirat Krka (emtricitabine and tenofovir disoproxil). The product is a combination of two new substances from the group of nucleoside reverse transcriptase inhibitors. We manufacture it in the form of 200 mg/245 mg film-coated tablets.

Under the European decentralised procedure we obtained approvals to market Dexamethason Krka (dexamethasone) in the form of 4 mg, 8 mg, 20 mg and 40 mg tablets. Dexamethasone, a corticosteroid, has a wide spectrum of action. We were the first to be granted marketing authorisations for the strengths of 20 mg and 40 mg. Different strengths have enabled a new approach to treating particularly oncology patients, as in certain conditions fewer dosages result in the optimum overall dosage of the medicine.

Our range of antibiotics was supplemented with four new products. We obtained marketing approvals for Moloxin/Moflaxa/Moxibiot (moxifloxacin) with a wide-spectrum antimicrobial mechanism of action, which is used to treat pneumonia, dermal infections and soft tissue infections. It was approved in the form of solution for injection in the concentration 400 mg/250 ml. Together with Moloxin tablets it supplements the range of Krka antimicrobial pharmaceuticals. The product was approved for marketing in 14 European countries under the decentralised procedure.

Marketing authorisations were granted under the European decentralised procedure for Linezolid Krka (linezolid) solution for injection. Linezolid is an oxazolidinone antibiotic acting with its unique mechanism of action as a bacterial protein synthesis inhibitor. It has a spectrum of activity against Gram-positive bacteria, including streptococci, MRSA and vancomycin-resistant enterococci. Its mechanism of action prevents the possibility of cross-resistance between linezolid and other antibiotics. The product treats severe pneumonia and severe infections of the skin and subcutaneous tissue.

We obtained marketing authorisations in Hungary under the national procedure for the macrolide antibiotic Azibiot (azithromycin) in the form of powder for the preparation of oral suspension in the concentrations of 100 mg/5 ml and 200 mg/5 ml. The new pharmaceutical dosage form is intended for paediatric and geriatric use, namely for the treatment of infections of the upper and lower respiratory tract, infections of the skin and soft tissue, and certain genital infections.

Our range of macrolide antibiotics was supplemented with Klaritromicin Krka (clarithromycin) 250 mg and 500 mg film-coated tablets. It is intended for the treatment of respiratory and dermal infections and infections of subcutaneous tissue, and for the elimination of the *Helicobacter pylori* bacterium. The product was approved for marketing in 11 European countries under the decentralised procedure.

A new addition in the group of non-steroidal antirheumatic and anti-inflammatory medicines is Roticox/Etoxib/Etoriax/Itoxx/Bericox (etoricoxib), which was approved for marketing under the European decentralised procedure in the form of film-coated tablets in the strengths of 30 mg, 60 mg, 90 mg and 120 mg. It is used to treat symptoms of degenerative and inflammatory rheumatism and for short-term treatment of moderate pain following dental surgery. It is distinguished by few adverse effects in the upper alimentary tract. The product does not contain lactose and is therefore equally suitable for lactose intolerant patients.

We acquired marketing authorisations under the European decentralised procedure for Dutrys (dutasteride) 0.5 mg soft capsules. Dutrys is a new medicinal product supplementing the range of Krka urology products. By inhibiting the 5 α -reductase enzyme, it leads to a reduction in dihydrotestosterone (DHT), thus being an effective remedy in enlarged prostate diseases. It is used independently and/or in combination with alpha-blockers to treat moderate to severe symptoms of benign prostatic hyperplasia (BHP), and to reduce the risk of a sudden blockage of urine and the need for surgical treatment in such patients.

As to products available without prescription, we obtained in Russia and Moldova a marketing authorisation for Flebaven film-coated tablets. This is a new product, which contains 500 mg of the purified flavonoid fraction, which equals 450 mg of diosmin and 50mg of flavonoids expressed as hesperidin. It is used to treat symptoms of chronic venous insufficiency, lymphedema and acute hemorrhoidal disease.

We also obtained marketing authorisations for two new animal health products. Under the European decentralised procedure we were granted marketing authorisations in 19 European countries for Doxatib (doxycycline) in the form of powder for use in drinking water. It supplements the range of antimicrobial products for food-producing animals, and is the medicine of choice in the treatment of respiratory infections in pigs and chickens. It was also approved in the large 5 kg pack, suitable for use on big farms.

Under the decentralised procedure we were granted approvals for marketing in 22 countries for ear drops Otoxolan (marbofloxacin, clotrimazole and dexamethasone acetate) in the form of suspension, for dogs. Available in containers with droppers, the new fixed-dose combination of antimicrobial substances with a corticosteroid is used to treat outer ear bacterial and yeast infections in dogs. The product completes the Krka range of antimicrobial pharmaceuticals for companion animals.

Krka has capabilities for product and technology development in traditional pharmaceutical manufacturing as well as in new technologies, in particular in the area of similar biological medicinal products. We have formed a group of experts in recombinant DNA technologies and products. The group co-creates the technology and product pipeline and carries out careful evaluations of more than ten products in various development phases at potential partners. In these evaluations, we give priority to the following therapeutic areas: diabetes, autoimmune disorders and oncology. Biotherapeutic products derived from recombinant DNA technology are closely scrutinised for risks associated with implementation of regulatory changes and market placement of products. This approach is relied on in making rational project investment decisions.

Investments

In 2016 the Krka Group allocated €131.8 million to investments, of which the controlling company invested €80.7 million and subsidiaries, €51.1 million. Investments have primarily increased and modernised their production capacities, and research and development capacities.

The key investment supporting Krka's development activities and quality assurance in the following years has been the Development and Control Centre 4 (RKC 4), located in the group of production facilities in Novo mesto. It is being built in the immediate vicinity of the other three Development and Control Centres, and will connect to RKC 2 and RKC 3. Site preparation work for the €54 million RKC 4 had started in June 2015. Construction was completed, with the roof and all builders' joinery fitted, in the autumn of 2016. The connecting building between RKC 3 and RKC 4 has also been built. By spring 2017, installations in the building with the total surface area of 18,000 m² will be fitted to a level enabling the beginning of laboratory and technology equipment furnishings. The facility will be fully equipped and ready for use in the second half of 2017.

At the Krka central location in Ločna, Novo mesto, Slovenia, they have constructed a production plant for solid dosage pharmaceuticals, Notal 2. The €210 million investment has provided Krka with new capacities for

implementing the vertically integrated business model. Its advantage is the high level of automation and computer support, especially the computer-controlled production and automated computer-controlled system of material flow.

Production had been launched in January 2015 and the facility officially opened in November 2015. More than two years in, work runs smoothly with production capacity continually increasing.

A little over 2 billion finished products were manufactured in Notol 2 by the end of 2016. To satisfy increasing market demand and set up the production of new products, Krka has started procuring technological equipment to complete the facility's furnishings and meet the target production volume of 4.5 billion tablets, film-coated tablets and capsules per year. All transfers of products to regular production have been quick and implemented with new technological equipment that had been qualified and verified in advance.

In 2016 Krka completed the €8 million investment into increasing the production of sprays in the Sterile Product Production Plant. Regular production on the new lines was launched in the autumn of 2016.

Also ongoing is the €11 million investment into increasing capacities for the coating of pellets in the Solid Dosage Forms Plant OTO. It will be completed by the end of June 2017.

The replacement of two high bay lifts in the Notol facility has stepped up the speed and reliability of its logistics system.

The new Hydrogenation Plant 2 in Krško, Slovenia, will facilitate the implementation of technologies that require hydrogenation, and will increase Krka's independent API production capacity.

One of the most important investments in Krka subsidiaries has been Krka-Rus 2 in Istra, the Russian Federation. The first phase had included building a new plant and logistics centre, while in 2015 they started fitting additional technical and logistics equipment. This has increased the plant's production capacity to two thirds of its planned target capacity, which is 2.5 billion tablets and capsules per year. Warehouse and logistics systems have reached full capacity after the remaining logistics equipment had been installed. The equipment additionally fitted by the end of 2016 is worth just over €20 million. Approximately one half of all products intended for the Russian market is manufactured in Krka-Rus, which gives Krka the status of a domestic producer in that country.

Due to the expansion of our production programme in the Jastrebarsko distribution and production centre in Croatia, Krka is converting the warehousing and distribution segment of the facility to acquire new production and laboratory capacities for solid dosage oncological pharmaceuticals. Equipment installation and assembly had been ongoing through to the end of 2016. The launch of production and the gradual transfer of technologies to the new technological equipment are planned for the second quarter of 2017. The investment is estimated at €34 million.

In the German subsidiary TAD Pharma, we completed refurbishment of air-conditioning systems in production rooms and laboratories.

Employees

At the end of 2016 the Krka Group had 10,889 employees, of which 4,955 (45.5%) worked in Slovenia and 5,934 (54.5%) abroad. From 2015, the number of employees increased by 325 (3%), with 277 new employees hired abroad and 48 in Slovenia.

Krka Group staff with a university level education or higher represent 57% of the entire team, which is 6,159 employees; 169 of them have a doctoral degree and 396 have master's degrees or have completed postgraduate specialisations.

Share and investor information

On the final trading day in 2016 the Krka share traded at €52.90 on the Ljubljana Stock Exchange. This is a decline by 19% from the year-end of 2015 when it traded at €65.20. In the same period the Slovene blue-chip index SBI TOP increased by 3%. Krka Company market capitalisation totalled €1.73 billion at the end of last year.

The Krka share is the most traded security on the Ljubljana Stock Exchange. The average daily trading volume in the Krka share on the Ljubljana Stock Exchange in 2016 was €0.4 million. In 2016 the Krka Company repurchased 166,853 treasury shares on the regulated market, worth a total of €9,618,914, and thus held 493,130 treasury shares as at 31 December 2016.

Plans for 2017*

Krka Group sales are planned to total €1.220 billion in 2017, with profit expected to exceed the profit reported for 2016.

We maintained main business guidelines, such as vertical integration, predominant organic growth, maintaining high share of sales from new products and volume sales increase. We will strive to complete our product offerings in our key therapeutic groups such as medicines for the cardiovascular system, alimentary tract & metabolism and central nervous system. The competitive advantage of the product portfolio, especially for medicines for cardiovascular system and analgesics, will be strengthened with fixed dose combinations that represent an attractive market niche. We will continue to supplement their product portfolio with oncology medicines that will be supported by new production capacities in Croatia.

Improvement of profitability will be achieved with further sales growth, improved product mix and costs reduction. We should achieve growth with both existing and newly-launched products. Special cost savings team is preparing innovative cost reduction initiatives. Compared to traditional cost reducing measures we have been implementing for years, these new approaches are affecting certain corporate standards in R&D, manufacturing and IT as well as cooperation with suppliers of goods and services.

We have earmarked approximately €174 million for investment projects, primarily aimed at increasing and modernising production capacities and development infrastructure. In addition to organic growth, we will intensify activities in the area of acquisitions and joint ventures in 2017.

We will increase the number of employees both in Slovenia and abroad, together by 4%, with the total number of employees planned to exceed 11,400.

The Management Board will remain committed to their strategic orientation of increasing dividend payments in 2017.

Novo mesto, March 2017

Krka, d. d., Novo mesto
Management Board

Krka Group consolidated statement of financial position (unaudited)

In € thousand	31 Dec 2016	31 Dec 2015
Assets		
Property, plant and equipment	874,100	826,192
Intangible assets	113,511	116,940
Loans	8,801	7,696
Investments	10,138	7,580
Deferred tax assets	31,260	27,949
Other non-current assets	257	241
Total non-current assets	1,038,067	986,598
Assets held for sale	467	41
Inventories	280,653	272,878
Trade receivables	510,406	433,133
Other receivables	33,777	31,540
Loans	9,441	37,380
Investments	77	11,808
Cash and cash equivalents	38,630	35,826
Total current assets	873,451	822,606
Total assets	1,911,518	1,809,204
Equity		
Share capital	54,732	54,732
Treasury shares	-29,690	-20,071
Reserves	109,678	73,387
Retained earnings	1,308,668	1,296,688
Total equity holders of the parent	1,443,388	1,404,736
Non-controlling interests within equity	1,056	1,248
Total equity	1,444,444	1,405,984
Liabilities		
Provisions	90,807	84,865
Deferred revenue	12,158	13,381
Deferred tax liabilities	12,348	12,736
Total non-current liabilities	115,313	110,982
Trade payables	128,437	103,871
Income tax payable	1,666	8,030
Other current liabilities	221,658	180,337
Total current liabilities	351,761	292,238
Total liabilities	467,074	403,220
Total equity and liabilities	1,911,518	1,809,204

Krka Group consolidated income statement (unaudited)

In € thousand	2016	2015
Revenues	1,174,424	1,164,607
Costs of goods sold	-547,669	-489,648
Gross profit	626,755	674,959
Other operating income	7,863	26,576
Selling and distribution expenses	-317,418	-310,568
R&D expenses	-117,994	-115,393
General and administrative expenses	-76,771	-76,140
Operating profit	122,435	199,434
Financial income	65,679	25,561
Financial expenses	-71,816	-44,283
Net financial result	-6,137	-18,722
Profit before tax	116,298	180,712
Income tax	-7,842	-22,527
Net profit	108,456	158,185
Attributable to:		
– equity holders of the parent	108,452	158,245
– non-controlling interest	4	-60
Basic earnings per share (in €)	3.35	4.86
Diluted earnings per share (in €)	3.35	4.86

Krka Group consolidated statement of other comprehensive income (unaudited)

In € thousand	2016	2015
Net profit	108,456	158,185
Other comprehensive income for the year		
Other comprehensive income for the year reclassified to profit or loss in future periods		
Translation reserve	26,021	-9,826
Change in fair value of available-for-sale financial assets	2,558	192
Deferred tax effect	-581	-33
Net other comprehensive income reclassified to profit or loss in future periods	27,998	-9,667
Other comprehensive income that will not be reclassified to profit or loss in future periods		
Restatement of post-employment benefits	-2,961	-3,946
Deferred tax effect	559	315
Net other comprehensive income that will not be reclassified to profit or loss in future periods	-2,402	-3,631
Total other comprehensive income for the year (net of tax)	25,596	-13,298
Total comprehensive income for the year (net of tax)	134,052	144,887
Attributable to:		
– equity holders of the parent	134,048	144,947
– non-controlling interest	4	-60

Krka Group consolidated statement of changes in equity for 2016 (unaudited)

In € 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 reserve	Translation reserve	Other revenue reserves	Retained earnings	Profit for the year			
Balance at 1 Jan 2016	54,732	-20,071	20,071	105,897	14,990	30,000	-12,453	-85,118	1,051,677	96,160	148,851	1,404,736	1,248	1,405,984
Net profit	0	0	0	0	0	0	0	0	0	0	108,452	108,452	4	108,456
Total other comprehensive income for the year (net of tax)	0	0	0	0	0	0	651	26,021	0	-1,076	0	25,596	0	25,596
Total comprehensive income for the year (net of tax)	0	0	0	0	0	0	651	26,021	0	-1,076	108,452	134,048	4	134,052
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	50,488	-50,488	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	148,851	-148,851	0	0	0
Repurchase of treasury shares	0	-9,619	0	0	0	0	0	0	0	0	0	-9,619	0	-9,619
Formation of reserves for treasury shares	0	0	9,619	0	0	0	0	0	0	0	-9,619	0	0	0
Purchase of a stake in Golf Grad Otočec	0	0	0	0	0	0	0	0	0	156	0	156	-196	-40
Dividends paid	0	0	0	0	0	0	0	0	0	-85,933	0	-85,933	0	-85,933
Total transactions with owners, recognised directly in equity	0	-9,619	9,619	0	0	0	0	0	50,488	12,586	-158,470	-95,396	-196	-95,592
Balance at 31 Dec 2016	54,732	-29,690	29,690	105,897	14,990	30,000	-11,802	-59,097	1,102,165	107,670	98,833	1,443,388	1,056	1,444,444

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

In € 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 reserve	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 (net of tax)	0	0	0	0	0	0	-3,472	-9,826	0	0	0	-13,298	0	-13,298
Total comprehensive income for the year (net of tax)	0	0	0	0	0	0	-3,472	-9,826	0	0	158,245	144,947	-60	144,887
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	50,041	-50,041	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	-81,408	0	-81,408	0	-81,408
Total transactions with owners, recognised directly in equity	0	-9,394	9,394	0	0	0	0	0	50,041	16,632	-157,475	-90,802	0	-90,802
Balance at 31 Dec 2015	54,732	-20,071	20,071	105,897	14,990	30,000	-12,453	-85,118	1,051,677	96,160	148,851	1,404,736	1,248	1,405,984

Krka Group consolidated statement of cash flows (unaudited)

In € thousand	2016	2015
OPERATING ACTIVITIES		
Net profit	108,456	158,185
Adjustments for:	167,437	116,835
– amortisation/depreciation	105,803	107,308
– foreign exchange differences	4,506	1,364
– investment income	-23,844	-26,087
– investment expenses	70,748	9,392
– interest expenses and other financial expenses	2,365	2,331
– financial income	17	0
– income tax	7,842	22,527
Operating profit before changes in net operating current assets	275,893	275,020
Change in trade receivables	-73,529	31,250
Change in inventories	-7,775	-26,618
Change in trade payables	14,034	476
Change in provisions	1,519	-18,226
Change in deferred revenues	-1,223	-1,524
Change in other current liabilities	28,703	16,114
Income taxes paid	-23,521	1,449
Net cash flows from operating activities	214,101	277,941
INVESTING ACTIVITIES		
Interest received	919	878
Proceeds from sale of current investments	0	24
Dividends received	835	1,288
Proceeds from sale of property, plant and equipment	1,197	3,193
Acquisition of intangible assets	-4,414	-5,807
Purchase of property, plant and equipment	-116,996	-103,053
Acquisition of a share of minority interest without obtained assets	-40	0
Non-current loans	-2,662	-2,092
Proceeds from repayment of non-current loans	1,345	1,086
Payments to acquire non-current investments	-82	-100
Proceeds from sale of non-current investments	68	35
Repayment/Acquisition of current investments	28,430	-35,575
Payments in connection with derivative financial instruments	-45,041	-6,919
Proceeds from derivative financial instruments	21,292	11,639
Net cash flows used in investing activities	-115,149	-135,403
FINANCING ACTIVITIES		
Interest paid	-905	-672
Repayment/Acquisition of current borrowings	0	-38,000
Dividends and other profit shares paid	-86,001	-81,208
Repurchase of treasury shares	-9,619	-9,394
Net cash flows used in financing activities	-96,525	-129,274
Net increase/decrease in cash and cash equivalents	2,427	13,264
Cash and cash equivalents at the beginning of the year	35,826	23,585
Effect of exchange rate fluctuations on cash held	377	-1,023
Net cash and cash equivalents at the end of the period	38,630	35,826

Krka Company statement of financial position (unaudited)

In € thousand	31 Dec 2016	31 Dec 2015
Assets		
Property, plant and equipment	609,543	610,067
Intangible assets	29,302	31,557
Investments in subsidiaries	321,185	302,114
Non-current receivables due from subsidiaries	23,515	10,704
Loans	18,302	26,300
Investments	10,136	7,578
Deferred tax assets	12,101	11,567
Other non-current assets	92	88
Total non-current assets	1,024,176	999,975
Assets held for sale	41	41
Inventories	236,214	230,568
Trade receivables	479,234	402,189
Other receivables	21,408	16,602
Loans	52,504	75,907
Investments	77	11,808
Cash and cash equivalents	24,049	24,622
Total current assets	813,527	761,737
Total assets	1,837,703	1,761,712
Equity		
Share capital	54,732	54,732
Treasury shares	-29,690	-20,071
Reserves	170,583	159,965
Retained earnings	1,244,823	1,238,585
Total equity	1,440,448	1,433,211
Liabilities		
Borrowings	78,903	73,585
Provisions	2,788	3,168
Total non-current liabilities	81,691	76,753
Trade payables	148,562	132,065
Borrowings	105,269	66,244
Income tax payable	0	7,509
Other current liabilities	61,733	45,930
Total current liabilities	315,564	251,748
Total liabilities	397,255	328,501
Total equity and liabilities	1,837,703	1,761,712

Krka Company income statement (unaudited)

In € thousand	2016	2015
Revenues	1,071,709	1,086,526
Costs of goods sold	-510,131	-485,810
Gross profit	561,578	600,716
Other operating income	3,312	23,409
Selling and distribution expenses	-281,290	-276,802
R&D expenses	-122,874	-120,840
General and administrative expenses	-61,806	-60,321
Operating profit	98,920	166,162
Financial income	78,225	36,735
Financial expenses	-72,733	-43,524
Net financial result	5,492	-6,789
Profit before tax	104,412	159,373
Income tax	-1,540	-13,111
Net profit	102,872	146,262
Basic earnings per share (in €)	3.17	4.49
Diluted earnings per share (in €)	3.17	4.49

Krka Company statement of other comprehensive income (unaudited)

In € thousand	2016	2015
Net profit	102,872	146,262
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	2,558	192
Deferred tax effect	-581	-33
Net other comprehensive income reclassified to profit or loss in future periods	1,977	159
<i>Other comprehensive income that will not be reclassified to profit or loss in future periods</i>		
Restatement of post-employment benefits	-2,619	-4,067
Deferred tax effect	559	346
Net other comprehensive income that will not be reclassified to profit or loss in future periods	-2,060	-3,721
Total other comprehensive income for the year (net of tax)	-83	-3,562
Total comprehensive income for the year (net of tax)	102,789	142,700

Krka Company statement of changes in equity for 2016 (unaudited)

In € thousand	Reserves							Retained earnings			Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Other revenue reserves	Retained earnings	Profit for the year	
Balance at 1 Jan 2016	54,732	-20,071	20,071	105,897	14,990	30,000	-10,993	1,051,677	50,040	136,868	1,433,211
Net profit	0	0	0	0	0	0	0	0	0	102,872	102,872
Other comprehensive income for the year											
Total comprehensive income for the year (net of tax)	0	0	0	0	0	0	999	0	-1,082	102,872	102,789
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	50,488	-50,488	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	136,868	-136,868	0
Repurchase of treasury shares	0	-9,619	0	0	0	0	0	0	0	0	-9,619
Formation of reserves for treasury shares	0	0	9,619	0	0	0	0	0	0	-9,619	0
Dividends paid	0	0	0	0	0	0	0	0	-85,933	0	-85,933
Total transactions with owners, recognised directly in equity	0	-9,619	9,619	0	0	0	0	50,488	447	-146,487	-95,552
Balance at 31 Dec 2016	54,732	-29,690	29,690	105,897	14,990	30,000	-9,994	1,102,165	49,405	93,253	1,440,448

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

In € thousand	Reserves							Retained earnings			Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value 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	-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 (net of tax)	0	0	0	0	0	0	-3,562	0	0	0	-3,562
Total comprehensive income for the year (net of tax)	0	0	0	0	0	0	-3,562	0	0	146,262	142,700
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	50,041	-50,041	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	-81,408	0	-81,408
Total transactions with owners, recognised directly in equity	0	-9,394	9,394	0	0	0	0	50,041	-5,204	-135,639	-90,802
Balance at 31 Dec 2015	54,732	-20,071	20,071	105,897	14,990	30,000	-10,993	1,051,677	50,040	136,868	1,433,211

Krka Company statement of cash flows (unaudited)

In € thousand	2016	2015
OPERATING ACTIVITIES		
Net profit	102,872	146,262
Adjustments for:	117,455	73,981
– amortisation/depreciation	81,765	82,836
– foreign exchange differences	-4,689	2,964
– investment income	-34,836	-36,887
– investment expenses	70,391	8,733
– interest expenses and other financial expenses	3,284	3,224
– income tax	1,540	13,111
Operating profit before changes in net operating current assets	220,327	220,243
Change in trade receivables	-88,001	60,785
Change in inventories	-5,646	-29,487
Change in trade payables	6,218	3,106
Change in provisions	1,238	-18,789
Change in deferred revenues	-380	-666
Change in other current liabilities	3,201	-6,744
Income taxes paid	-16,266	11,488
Net cash flows from operating activities	120,691	239,936
INVESTING ACTIVITIES		
Interest received	1,379	1,755
Proceeds from sale of current investments	0	24
Dividends received	835	1,288
Proportionate profit of subsidiaries	11,051	10,399
Proceeds from sale of property, plant and equipment	945	1,627
Acquisition of intangible assets	-4,140	-5,252
Purchase of property, plant and equipment	-66,201	-75,393
Acquisition of subsidiaries and a share of minority interest without obtained assets	-19,250	-3,537
Refund of subsequent payments in subsidiaries	79	285
Non-current loans	-2,512	-9,449
Proceeds from repayment of non-current loans	5,198	9,320
Payments to acquire non-current investments	-71	-30
Proceeds from sale of non-current investments	68	35
Proceeds/Payments in connection with current investments and loans	32,928	-28,469
Payments in connection with derivative financial instruments	-45,041	-6,919
Proceeds from derivative financial instruments	21,292	11,639
Net cash flows used in investing activities	-63,440	-92,677
FINANCING ACTIVITIES		
Interest paid	-1,964	-1,367
Repayment of non-current borrowings	-500	-1,500
Proceeds/Payments in connection with current borrowings	39,666	-36,455
Dividends and other profit shares paid	-86,001	-81,208
Repurchase of treasury shares	-9,619	-9,394
Net cash flows used in financing activities	-58,418	-129,924
Net increase/decrease in cash and cash equivalents	-1,167	17,335
Cash and cash equivalents at the beginning of the year	24,622	8,203
Effect of exchange rate fluctuations on cash held	594	-916
Net cash and cash equivalents at the end of the period	24,049	24,622