



**Unaudited Interim Report  
for the Krka Group  
and the Krka Company  
for January–March 2016**

Novo mesto, May 2016

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## INTRODUCTION

The condensed financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (Krka Company) for the periods January–March 2016 and 2015 are unaudited, while the financial statements for the full 2015 business year present audited figures. The Krka Company has no authorised capital and has not made a conditional share capital increase.

The Krka Company promptly announces all significant changes of the data in its listing prospectus in the Ljubljana Stock Exchange

electronic information dissemination system SEOnet, in the Polish Financial Supervision Authority electronic information dissemination system (ESPI), and/or in the Delo daily newspaper. This interim report for the Krka Group and the Krka Company is available on the Krka website [www.krka.si](http://www.krka.si).

The Krka Company Supervisory Board discussed the January–March 2016 Report for the Krka Group and the Krka Company at its regular meeting on 11 May 2016.

## Highlights January–March 2016

- The Krka Group sold €300.9 million worth of products and services, and Krka Company sales amounted to €263.4 million.
- The Krka Group sales increased by 4% compared to the first quarter 2015, and the Krka Company sales were up 1%.
- The highest absolute year-on-year sales growth (up €7.1 million) was recorded in Region South-East Europe, and the highest relative sales growth (up 33%) in Region Overseas Markets.
- Krka's largest sales region are West Europe and East Europe, contributing 26.6% of total sales each.
- The Krka Group generated 93%, and the Krka Company 95% of its revenues in markets outside Slovenia.
- The Krka Group generated €50.4 million of operating profit, an increase by 17% compared to the same period last year, and the Krka Company €39.4 million, up 16%.
- The Krka Group reported a net profit of €40.2 million, down 27% compared to the same period last year, and the Krka Company generated €32.8 million of net profit, down 34%.
- Lower year-on-year net profit at Group and Company level is attributable to increased financial expenses on account of the change in the fair value of derivatives. In the first quarter of 2015 there were also higher exchange rate gains than this year, which resulted from the Russian rouble's appreciation and which had thus increased financial income in that period.
- As at 31 March 2016 Krka's share traded at €61.50 on the Ljubljana Stock Exchange (down 5.7% from the year-end of 2015), and Krka Company's market capitalisation amounted to €2.0 billion.
- The Krka Group allocated €26.2 million to investments, of which the Krka Company invested €18.5 million and subsidiaries €7.7 million.
- At the end of March 2016 the Krka Group had 10,708 employees, which is an increase by 144, or 1%, from the beginning of the year.

## Krka Group and Krka Company financial highlights

| In € thousand                      | Krka Group         |                    | Krka Company       |                    |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                    | 1–3/2016           | 1–3/2015           | 1–3/2016           | 1–3/2015           |
| Revenues                           | 300,892            | 289,304            | 263,371            | 260,756            |
| EBIT <sup>1</sup>                  | 50,438             | 43,068             | 39,366             | 34,034             |
| EBITDA                             | 76,839             | 69,327             | 60,124             | 54,387             |
| Net profit                         | 40,196             | 55,114             | 32,785             | 49,551             |
| R&D expenses                       | 29,697             | 27,722             | 31,154             | 28,853             |
| Investments                        | 26,179             | 20,289             | 18,497             | 17,458             |
|                                    | <b>31 Mar 2016</b> | <b>31 Dec 2015</b> | <b>31 Mar 2016</b> | <b>31 Dec 2015</b> |
| Non-current assets                 | 992,087            | 986,598            | 1,014,367          | 999,975            |
| Current assets                     | 878,225            | 822,606            | 803,992            | 761,737            |
| Equity                             | 1,451,078          | 1,405,984          | 1,464,475          | 1,433,211          |
| Non-current liabilities            | 110,887            | 110,982            | 76,998             | 76,753             |
| Current liabilities                | 308,347            | 292,238            | 276,886            | 251,748            |
| <b>RATIOS</b>                      | <b>1–3/2016</b>    | <b>1–3/2015</b>    | <b>1–3/2016</b>    | <b>1–3/2015</b>    |
| EBIT margin                        | 16.8%              | 14.9%              | 14.9%              | 13.1%              |
| EBITDA margin                      | 25.5%              | 24.0%              | 22.8%              | 20.9%              |
| Profit margin (ROS)                | 13.4%              | 19.1%              | 12.4%              | 19.0%              |
| ROE <sup>2</sup>                   | 11.3%              | 15.9%              | 9.1%               | 14.1%              |
| ROA <sup>3</sup>                   | 8.7%               | 12.1%              | 7.3%               | 11.1%              |
| Liabilities/Equity                 | 0.289              | 0.310              | 0.242              | 0.255              |
| R&D costs/Revenues                 | 9.9%               | 9.6%               | 11.8%              | 11.1%              |
| <b>NUMBER OF EMPLOYEES (as at)</b> | <b>31 Mar 2016</b> | <b>31 Dec 2015</b> | <b>31 Mar 2016</b> | <b>31 Dec 2015</b> |
|                                    | 10,708             | 10,564             | 4,823              | 4,798              |

| <b>SHARE INFORMATION</b>                            | <b>1–3/2016</b> | <b>1–3/2015</b> |
|---|-----------------|-----------------|
| Total number of shares issued                       | 32,793,448      | 32,793,448      |
| Earnings per share in € <sup>4</sup>                | 4.95            | 6.77            |
| Closing price at end of period in € <sup>5</sup>    | 61.50           | 61.40           |
| Price/Earnings ratio (P/E)                          | 12.43           | 9.08            |
| Book value in € <sup>6</sup>                        | 44.25           | 43.35           |
| Price/Book ratio (P/B)                              | 1.39            | 1.42            |
| Market capitalisation in € thousand (end of period) | 2,016,797       | 2,013,518       |

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

<sup>2</sup> Net profit, annualised/Average shareholders' equity in the period

<sup>3</sup> Net profit, annualised/Average total assets in the period

<sup>4</sup> Net profit attributable to majority owners of the Krka Group, annualised/Average number of shares issued in the period exclusive of treasury shares

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

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

## Krka Group ID card

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

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

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

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

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

**Website** www.krka.si

**Core business** Production of pharmaceutical preparations

**Business clarification code** 21.200

**Year established** 1954

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

**Tax number** 82646716

**VAT number** SI82646716

**Company ID number** 5043611

**Share capital** €54,732,264.71

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

## Krka Group business model

Krka is one of the world's leading generic pharmaceutical companies. Its registered office is in Slovenia, and it has over 60 years of experience in the industry.

Krka is the leader in the Slovenian market, and it also has a significant presence in the generic pharmaceutical markets of Eastern, Central and South-Eastern Europe, having been gaining ever stronger visibility in Western European markets in recent years as well. We have been strengthening our presence in overseas markets, aiming to further exploit the sales potential of the Middle East, Far East, Africa and the Americas. We have production and distribution facilities in Slovenia, the Russian Federation, Poland, Croatia and Germany.

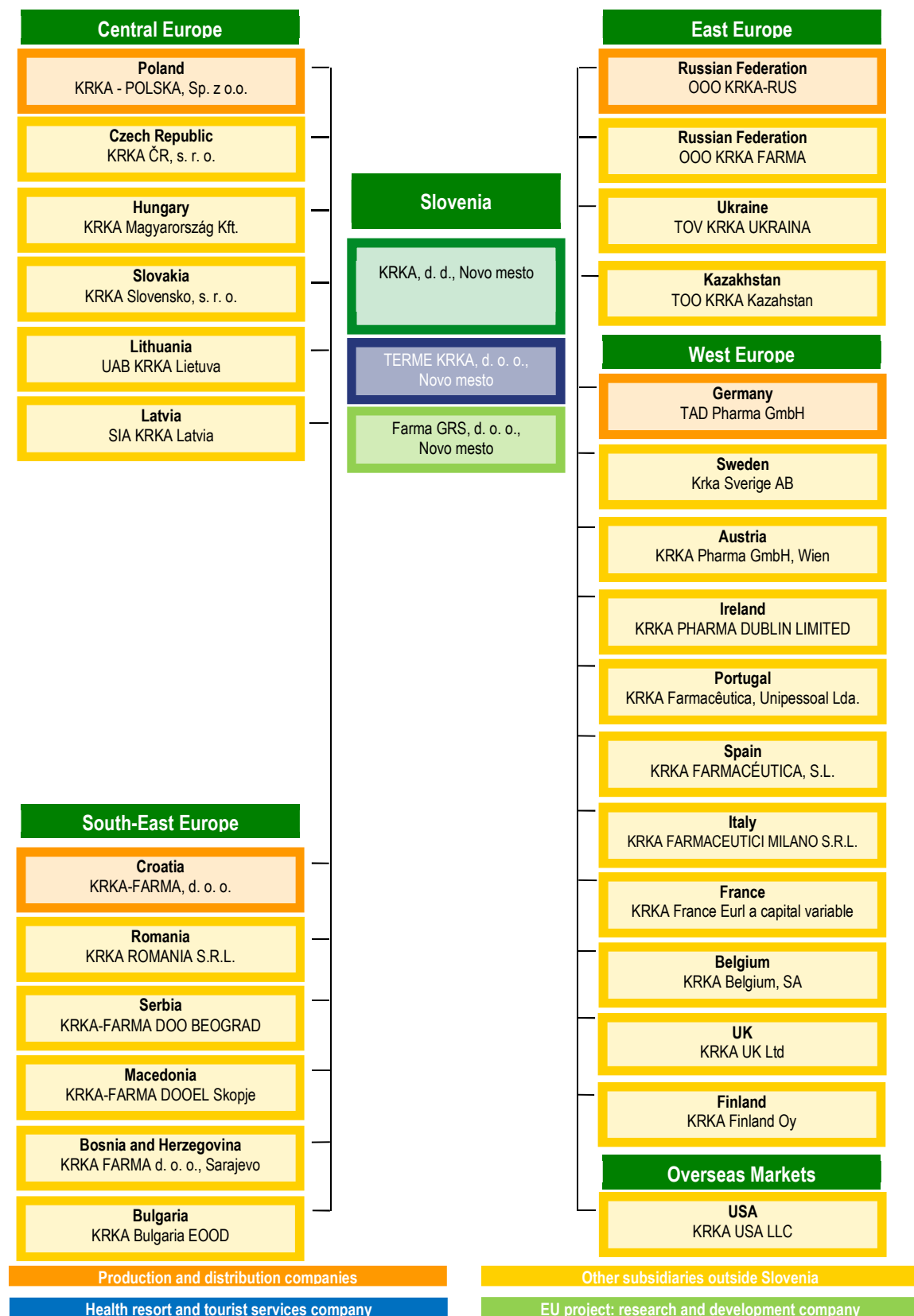
Our modern pharmaceutical production and vertically integrated business model allow us to provide patients in over 70 countries with a wide range of safe, high quality and effective prescription pharmaceuticals, non-prescription products and animal health products. Krka's product range primarily consists of solid dosage pharmaceutical forms. Our product range is supplemented by the health resort and tourist services of Terme Krka.

We focus on generic prescription pharmaceuticals marketed under Krka's own brands. We offer numerous medicinal products for the treatment of conditions from key therapeutic areas, including pharmaceuticals for cardiovascular diseases, for alimentary and metabolic diseases, and for diseases of the central nervous system. We have also been entering new therapeutic areas (oncology and antiviral medicines), selected ones also with non-prescription products.

We have been expanding our marketing and sales network and thereby gaining market shares by establishing subsidiaries in selected markets. Our objective is to strengthen the Krka Group's market position in European and Central Asian markets, and to enter new high-potential markets.

Striving to increase the competitive advantage of Krka's product range, we have been allocating a large proportion of our revenues to research and development. More than 170 new products are currently in the pipeline. A large proportion of our revenues are generated by the sales of new products launched on different markets in the past five years.

## Krka Group companies



The controlling company, Krka, d. d., Novo mesto, holds 100% ownership stakes in all of the above subsidiaries apart from Farma GRS (99.7%) and

Krka Belgium (95%); the remaining 5% in the latter is held by the subsidiary Krka France Eurl a capital variable.

## Krka Group development strategy

The Krka Group development strategy is updated on a bi-annual basis. In November 2015 the Krka Management Board adopted the Krka Group's development strategy for the period 2016–2020, and presented it to the Supervisory Board.

The success of implementing strategic objectives is measured against performance criteria set at the level of the Krka Group, at the level of product groups and at the level of business functions. Performance at the level of the Krka Group is

monitored by the Management Board, while performance at the level of product and service groups, and business functions, is monitored by the relevant committees. The key principle in managing performance criteria is increasing competitiveness of the entire Krka Group and of each company individually.

The key Krka Group objectives and strategies to 2020 are set out below.

### Key strategic objectives to 2020

- Report an average annual sales volume growth of at least 5%.
- In addition to organic growth, expand through acquisitions and long-term partnerships (including joint ventures).
- Allocate a few hundred million euros in the five-year strategic period for available commercially appealing acquisition targets.
- Have new products account for at least one third of total sales.
- Be the first generic producer to launch selected products on selected key markets.
- Strengthen the competitive advantage of our product range.
- Maintain the largest possible share of vertically integrated products.
- Improve the cost-effective use of assets.
- Increase cost-effectiveness in products.
- Improve innovation across all business functions.
- Maintain independence.

### Key strategies to 2020

- Prioritise focus on European and Central Asian markets.
- Maximise the utilisation of the sales potential in all sales regions (Slovenia, South-East Europe, East Europe, Central Europe, West Europe, Overseas Markets).
- Focus on key markets (Slovenia, Croatia, Romania, Ukraine, the Russian Federation, Poland, Hungary, the Czech Republic, Slovakia, West Europe), key customers and key products.
- Strengthen and consolidate Krka's presence in the markets of Western Europe with our own marketing and sales companies and our own brands.
- Strengthen the pharmaceuticals and chemicals business, and in this respect expand our range of prescription pharmaceuticals for three key therapeutic areas (cardiovascular diseases, the alimentary tract and metabolism, and the central nervous system), while also entering new areas (oncology, antiviral medicines) and expanding the range of non-prescription products in selected therapeutic fields.
- Strengthen vertical integration from product development to sale.
- Ensure a permanent supply of incoming materials and optimise supply by aiming to continuously reduce purchasing prices.
- Develop generic pharmaceuticals and prepare their marketing authorisation documentation prior to the expiry of the patent for the original medicine.
- Strengthen all types of relationships in the area of development with external institutions and companies.
- Continue to increase investments in production, development and infrastructure capacities.

- Search for options to purchase local pharmaceutical companies, make business acquisitions, and enter into various long-term joint ventures in selected markets, the primary objective being to acquire market shares and enter new therapeutic areas.
- Reduce the impact of financial risk and economic hazards on Krka Group operations.
- Pursue a dividend-increase policy whereby up to 50% of the previous year's consolidated net profit attributable to majority owners is allocated to dividends, with the Krka Company's financial requirements connected to investments and acquisitions also being taken into account.
- Be open to prospective business combinations (networking) on relevant projects.
- Strengthen the professional and cost synergy within the Krka Group, and maximise the utilisation of competitive advantages in the business environments of Krka companies outside Slovenia.
- Strengthen the internationalisation of all business functions by implementing English and Russian as the key foreign languages of communication in the Krka Group.
- Mobilise the internal human resource potential with a business and goal orientation.
- Maintain economic, social and environmental responsibility to the surroundings in which we operate.
- Operate on the principles of business excellence and thereby strengthen Krka's identity and positive public profile.

### Krka Group business objectives for 2016

- Product and service sales are expected to total €1,210 million.
- Sales in markets outside Slovenia are expected to account for 93% of total sales.
- Prescription pharmaceuticals will remain the most important product group, accounting for 83% of total sales.
- Net profit is planned to amount to €160 million.
- The number of employees is planned to increase both in Slovenia and abroad, together by more than 4%.
- The €162 million of planned investments will primarily expand and modernise production and R&D capacities, and infrastructure.



## Events after the accounting period

- At the meeting of the Supervisory Board of 30 March 2016, Matej Pirc informed members of the Supervisory and Management Boards about his resignation from the post of a member and President of the Supervisory Board of Krka, d. d., Novo mesto. The resignation enters into effect on the date of the first regular Annual General Meeting of Shareholders of Krka, d. d., Novo mesto (AGM). According to the financial calendar, the AGM is planned for 7 July 2016.

At their meeting of 11 May 2016, following the motion put forward by the Human Resource Committee, the Supervisory Board decided to propose to the AGM Boris Žnidarič be elected a Supervisory Board member – shareholder representative, the post vacated by Matej Pirc. The Supervisory Board did not form the Nominations Committee for that purpose. Its function was performed by the Human Resource Committee in accordance with the Rules of Procedure for the Supervisory Board.

- At their meeting of 11 May 2016, the Supervisory Board appointed Jože Mermal President of the Supervisory Board in place of

Boris Žnidarič, PhD of Social Sciences and Master of Law, is a member of the Management Board of Kapitalska družba. Before that, he successfully worked in many areas of the Triglav Group, an insurance group. He assisted the President of the Management Board of Zavarovalnica Triglav, where he coordinated the work of directors and was in charge of strategic area of HRM in subsidiaries. He was a member of the Management Board of Triglav Osiguranje Zagreb. He was also in charge of the regional unit of Zavarovalnica Triglav in Celje, and led the central department for prevention and detection of insurance fraud. Before that, he was an adviser to the management board member for the strategic area of HRM of the Triglav Group. He also worked as the assistant director for legal, HR and general affairs in the Ljubljana regional unit. He holds a certificate of professional competence for supervisory board memberships. Besides his diverse career in insurance, he is also a habilitated university lecturer.

Matej Pirc, and Anja Stojin Štampar Deputy President of the Supervisory Board, their terms commencing on 7 July 2016.

## BUSINESS REPORT

### Financial risk

#### Foreign exchange risk

Due to widespread international operations, the Krka Group is exposed to foreign exchange risk in certain sales markets.

Exposure to foreign exchange risk resulted in €10.4 million of exchange rate gains in the first quarter of 2016. The majority is exchange rate gains from movements of the rouble, while the effects of other currencies balanced each other out and represent only a minor aggregate contribution to the total amount.

The rouble was unstable in the first quarter, chiefly due to the continued high volatility of oil prices. In mid-February 2016 they reached their lowest point in several years. Decreasing oil prices at the beginning of 2016 were caused by supply exceeding demand and by the uncertainty with respect to economic growth in China. The latter was further reflected in the downward trends of all key global stock indices. Conditions in stock markets have improved since mid-February, owing to a large

extent to the activities of the Chinese, Japanese, US and EMU central banks. Amidst advances in stock markets, decreased risk of economic growth in China weakening, and forecasts of oil producing countries' plans to potentially freeze output, oil prices gradually increased in the second half of the first quarter.

Due to the rouble's high volatility, we preserved occasionally hedging of our rouble positions in the first quarter of 2016. Hedging resulted in derivatives income as inflows, and in derivatives expenses as the change in fair value.

Together with the exchange rate gains, the net effect of exposure to foreign exchange risk in the income statement for the first quarter of 2016 is €-4.0 million.

Foreign exchange risks associated with other currencies were not hedged in the reported period.

#### Interest rate risk

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

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

#### Credit risk

The credit control process involves obtaining credit ratings for customers to which the controlling company and subsidiaries sell products worth an annual €100,000 or more, and regular, dynamic monitoring of customer payment discipline.

More than 90% of the Krka Group's trade receivables were included in the credit control process at the end of the first quarter.

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

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

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

## Liquidity risk

Risks related to the Krka Group's liquidity were managed by effective short-term cash flow planning. Short-term liquidity was ensured through regular cash flows and pre-agreed short-term revolving borrowings from banks, and the daily, rolling weekly, monthly and longer-term planning and monitoring of

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

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

## Property, business interruption and liability insurance

On the basis of a thorough optimisation of insurance deals and an assessment of tenders, Krka has entered into new insurance arrangements. Even with the value of insured assets increasing, the total insurance premium has decreased. All Group companies have insurance policies at the local level, which provides them with optimum property protection and protects them from claims for damages.

The parent company provided insurance coverage for investment projects. It also conducted an analysis of car insurance arrangements in the Krka Group, finding that the effects of the implemented measures have had a positive effect and have made a substantial contribution to driving the insurance premium down and to decreasing the number of loss events.

## Investor and share information

At the end of March 2016 Krka had 58,012 shareholders, which is 1.3% less than at the end of 2015. The decrease was mainly due to fewer

Slovenian individual investors. The shareholdings of Krka's shareholders did not change considerably in the first quarter of 2016.

### Shareholder structure (%)

|                                    | 31 Mar 2016  | 31 Dec 2015  |
|------------------------------------|--------------|--------------|
| Individual Slovenian investors     | 39.7         | 39.8         |
| Slovenian Sovereign Holding        | 16.2         | 16.2         |
| KAD fund and PPS                   | 11.0         | 11.0         |
| Slovenian legal entities and funds | 8.1          | 8.2          |
| International investors            | 23.9         | 23.8         |
| Treasury shares                    | 1.1          | 1.0          |
| <b>Total</b>                       | <b>100.0</b> | <b>100.0</b> |

At the end of March 2016 Krka held 356,177 treasury shares, which represents 1.1% of its share capital.

The Krka Company repurchased 29,900 treasury shares on the Ljubljana Stock Exchange in the first quarter of 2016, worth a total of €1,838,131.

## Krka's ten largest shareholders as at 31 March 2016

|                                       | Country  | No. of shares     | Share in equity (%) | Share of voting rights (%) |
|---------------------------------------|----------|-------------------|---------------------|----------------------------|
| SLOVENSKI DRŽAVNI HOLDING, D. D.      | Slovenia | 5,312,070         | 16.20               | 16.38                      |
| KAPITALSKA DRUŽBA, D. D.              | Slovenia | 3,493,030         | 10.65               | 10.77                      |
| SOCIETE GENERALE-SPLITSKA BANKA D. D. | Croatia  | 2,131,390         | 6.50                | 6.57                       |
| HYPO ALPE-ADRIA-BANK D. D.            | Croatia  | 1,168,648         | 3.56                | 3.60                       |
| KDPW                                  | Poland   | 496,048           | 1.51                | 1.53                       |
| LUKA KOPER, D. D.                     | Slovenia | 433,970           | 1.32                | 1.34                       |
| NEW WORLD FUND INC                    | USA      | 400,000           | 1.22                | 1.23                       |
| ZAVAROVALNICA TRIGLAV, D. D.          | Slovenia | 388,300           | 1.18                | 1.20                       |
| THE BANK OF NEW YORK MELLON           | USA      | 282,404           | 0.86                | 0.87                       |
| AMERICAN FUNDS INSURANCE SERIES       | USA      | 232,246           | 0.71                | 0.72                       |
| <b>Total</b>                          |          | <b>14,338,106</b> | <b>42.72</b>        | <b>44.20</b>               |

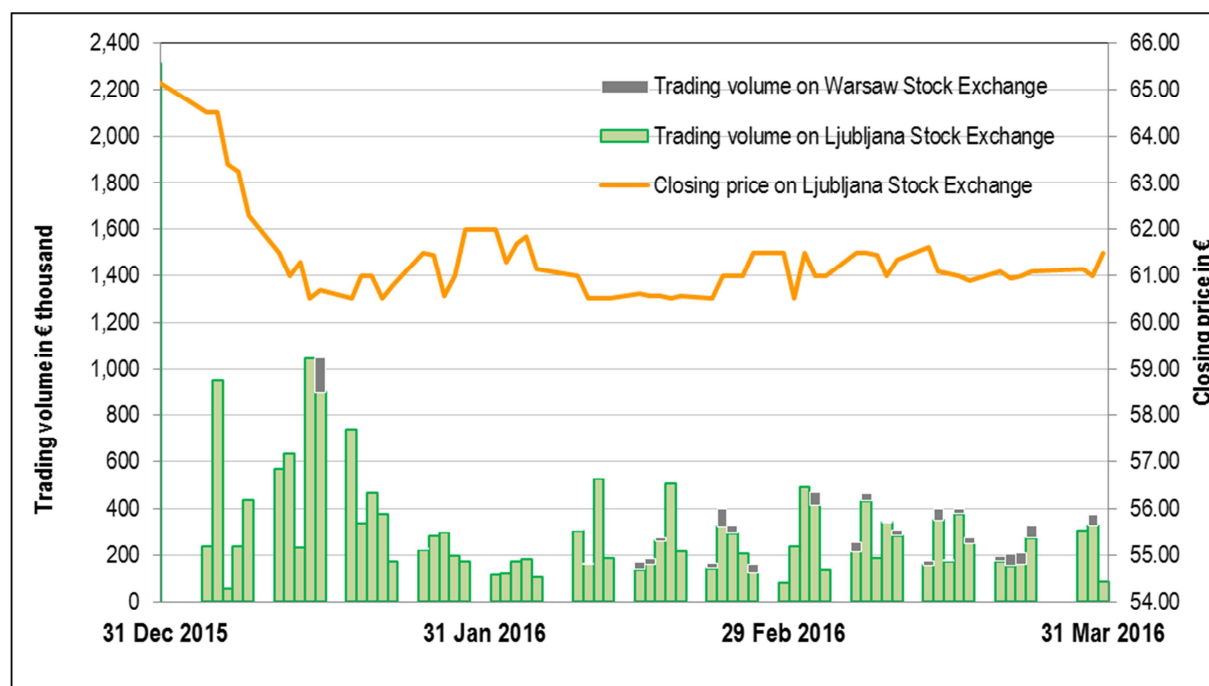
Krka's ten largest shareholders held a total of 14,338,106 shares at the end of March 2016, which is almost 43% of all issued shares.

On 31 March 2016 members of the Krka Management Board and Supervisory Board held a total of 38,030 shares, which is 0.116% of all issued shares.

## Shares in equity and shares of voting rights held by members of the Krka Management Board and Supervisory Board on 31 March 2016

|                                  | No. of shares | Share in equity (%) | Share of voting rights (%) |
|----------------------------------|---------------|---------------------|----------------------------|
| <b>Management Board members</b>  |               |                     |                            |
| Jože Colarič                     | 22,500        | 0.06861             | 0.06936                    |
| Aleš Rotar                       | 13,023        | 0.03971             | 0.04015                    |
| David Bratož                     | 0             | 0.00000             | 0.00000                    |
| Vinko Zupančič                   | 120           | 0.00037             | 0.00037                    |
| Milena Kastelic                  | 505           | 0.00154             | 0.00156                    |
| <b>Total Management Board</b>    | <b>36,148</b> | <b>0.11023</b>      | <b>0.11144</b>             |
| <b>Supervisory Board members</b> |               |                     |                            |
| Julijana Kristl                  | 230           | 0.00070             | 0.00071                    |
| Jože Mermal                      | 0             | 0.00000             | 0.00000                    |
| Matej Pirc                       | 152           | 0.00046             | 0.00047                    |
| Andrej Slapar                    | 0             | 0.00000             | 0.00000                    |
| Simona Razvornik Škofič          | 0             | 0.00000             | 0.00000                    |
| Anja Stojin Štampar              | 0             | 0.00000             | 0.00000                    |
| Tomaž Sever                      | 500           | 0.00152             | 0.00154                    |
| Franc Šašek                      | 1,000         | 0.00305             | 0.00308                    |
| Mateja Vrečer                    | 0             | 0.00000             | 0.00000                    |
| <b>Total Supervisory Board</b>   | <b>1,882</b>  | <b>0.00574</b>      | <b>0.00580</b>             |

## Share trading January–March 2016



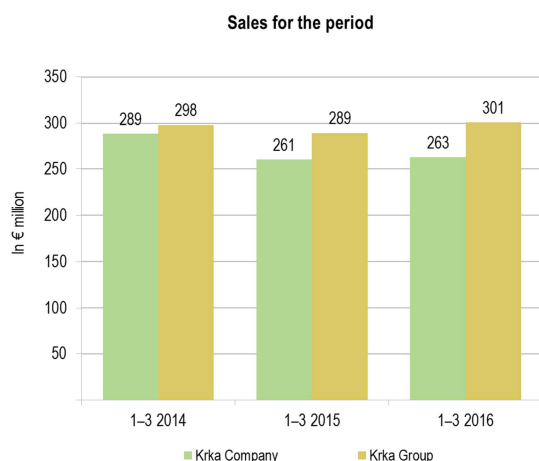
In the first quarter of 2016 Krka's share price on the Ljubljana Stock Exchange decreased by 5.7% to stand at €61.50 at the end of March. In the same period, the Slovenian blue-chip index SBI TOP was up 4.3%. Krka's market capitalisation as at 31 March 2016 totalled €2.0 billion.

With a daily trading volume averaging €0.3 million, Krka was the most traded share on the Ljubljana Stock Exchange in the first quarter of 2016.

## Business operations analysis

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

### Revenues and other income



Year-on-year revenues were up 4% at the level of the Krka Group and 1% at the level of the Krka Company. The Krka Company sold €263.4 million worth of prescription pharmaceuticals, non-

prescription products and animal health products, while the Krka Group generated €300.9 million of revenues from these products plus the health resort and tourist services. The Krka Group generated 93% of its revenues in markets outside Slovenia.

Taking into account other operating and financial income, the Krka Group generated a total of €334.6 million of revenues, and the Krka Company €297.1 million.

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

### Expenses

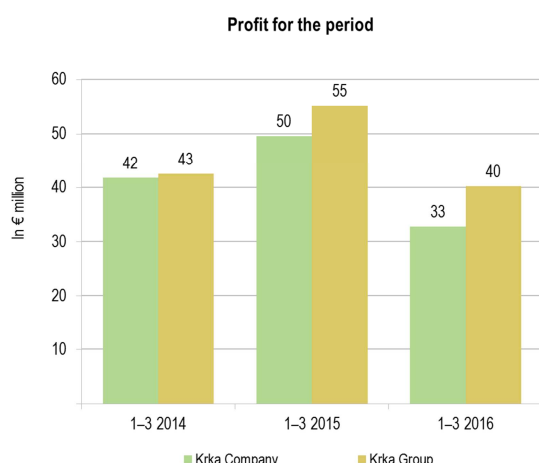
Total Krka Group expenses incurred in the first quarter of 2016 amounted to €288.0 million, up 16% compared to the same period last year. This is mainly due to higher financial expenses from the change in the fair value of derivatives in the amount of €35.7 million.

The Krka Group incurred €252.2 million of operating expenses, a 2% year-on-year increase, among which the costs of goods sold were €130.7 million, selling and distribution expenses €71.2 million, R&D expenses €29.7 million, and general and

administrative expenses €20.6 million.

Krka Group's costs of goods sold increased by 7%, on a costs to sales ratio of 43.4%. Selling and distribution expenses decreased by a tenth, on a costs to sales ratio of 23.7%. R&D expenses increased by 7%, on a costs to sales ratio of 9.9%. The Krka Group does not capitalise R&D expenses, therefore they are recognised as expenses for the period in full. General and administrative expenses increased by 8%, on a costs to sales ratio of 6.9%.

## Operating result



The Krka Group recorded €50.4 million of operating profit, up 17% from the comparable period last year.

Profit before tax amounted to €46.6 million, a 27% year-on-year decrease. Income tax totalled €6.4 million, and the effective tax rate was 13.8%.

The Krka Group recorded €40.2 million of net profit, a 27% year-on-year decrease, while the Krka Company generated €32.8 million of net profit, down 34%.

## Assets

At the end of March 2016 Krka Group assets totalled €1,870.3 million, an increase by 3% compared to the year-end of 2015.

Non-current assets represent 53.0% of total assets, the proportion down 1.5 of a percentage point from the beginning of the year. The largest item under non-current assets, which totalled €992.1 million, was property, plant and equipment on €832.7 million, which is a 1% increase from the end of 2015

and represents 44.5% of the Krka Group's total assets. Intangible assets amounted to €115.6 million, down 1% from the end of 2015.

Current assets were up 7% in the three months of 2016, to €878.2 million, with inventories decreasing by 3% to €265.1 million, and receivables up 5% to €487.8 million (of which trade receivables amounted to €459.1 million, up 6% from the beginning of the year).

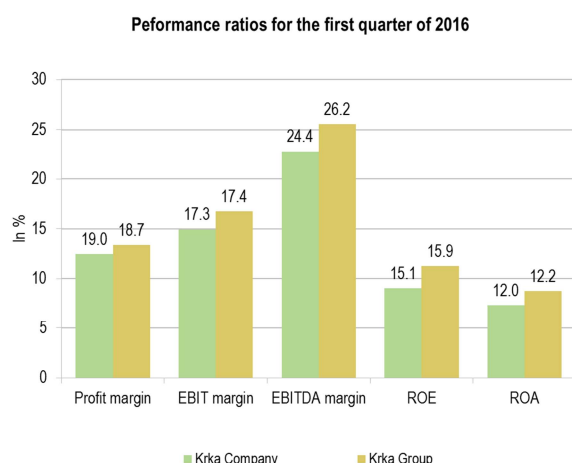
## Equity and liabilities

From the end of 2015 the Krka Group's equity increased by 3% to €1,451.1 million, and represents 77.6% of total equity and liabilities.

Amounting to €110.9 million, non-current liabilities represent 5.9% of the Krka Group's total assets. Provisions, which amounted to €85.2 million at the end of the period, were at the same level as at the end of 2015.

Current liabilities increased by 6% from the end of 2015 and totalled €308.3 million, which is 16.5% of the Krka Group's total assets. Among current liabilities, trade payables amounted to €99.1 million, down 5% compared to the end of 2015, with other current liabilities up 10% to €198.2 million.

## Performance ratios



The Krka Group profit margin for the first quarter of 2016 totalled 13.4% (Krka Company 12.4%), its EBIT margin 16.8% (Krka Company 14.9%) and its EBITDA margin 25.5% (Krka Company 22.8%).

ROE at the level of the Krka Group was 11.3% (Krka Company 9.1%), with ROA at 8.7% (Krka Company 7.3%).

## Marketing and sales

Krka Group sales in the three months to March were €300.9 million, a 4% year-on-year increase, with Krka Company sales totalling €263.4 million, up 1%.

The volume of sales at Krka Group level increased by more than 12% compared to the first quarter last year.

## Sales by Regions

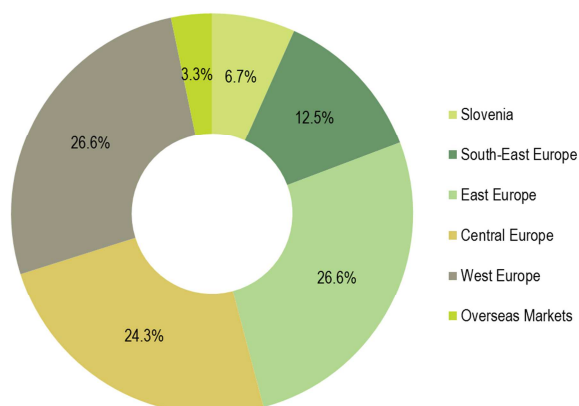
Sales were the highest in Region East Europe, where they amounted to €80.1 million, which is 26.6% of total Krka Group sales. The second best result was reported for Region West Europe, with €80.0 million of revenues generated there, which represents 26.6% of total sales. The third largest area in terms of sales was Region Central Europe, where Krka sold €73.0 million worth of products in

the reported period, which is 24.3% of overall sales. In Region South-East Europe sales amounted to €37.7 million, which represents 12.5% of Krka Group sales. In the domestic market sales totalled €20.2 million, which is 6.7% of total Krka Group sales. Product sales in Region Overseas Markets amounted to €9.9 million, which represents 3.3% of Krka Group sales.

| In € thousand     | Krka Group     |                |            | Krka Company   |                |            |
|-------------------|----------------|----------------|------------|----------------|----------------|------------|
|                   | 1-3/2016       | 1-3/2015       | Index      | 1-3/2016       | 1-3/2015       | Index      |
| Slovenia          | 20,151         | 19,204         | 105        | 13,381         | 13,187         | 101        |
| South-East Europe | 37,744         | 30,610         | 123        | 38,975         | 34,179         | 114        |
| East Europe       | 80,117         | 81,484         | 98         | 67,523         | 78,749         | 86         |
| Central Europe    | 72,984         | 68,421         | 107        | 74,670         | 70,701         | 106        |
| West Europe       | 80,002         | 82,134         | 97         | 60,402         | 57,035         | 106        |
| Overseas Markets  | 9,894          | 7,451          | 133        | 8,420          | 6,905          | 122        |
| <b>Total</b>      | <b>300,892</b> | <b>289,304</b> | <b>104</b> | <b>263,371</b> | <b>260,756</b> | <b>101</b> |



## Krka Group sales by Region, January–March 2016



### Slovenia

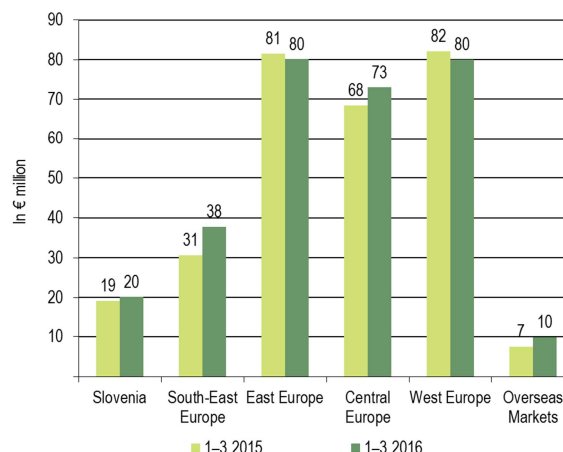
Holding a 9.3% market share, we remain the leading provider of pharmaceuticals in the domestic market, which we consider one of Krka's key markets. Product sales in the three months of 2016 there totalled €12.2 million, up 2% compared to the same period last year. The majority, 77%, came from prescription pharmaceuticals, followed by non-prescription products on a 19% and animal health products on a 4% share in overall sales. Health resort and tourist service sales in the period were €7.2 million.

In the leading group of prescription pharmaceuticals, the most attention continues to be devoted to products treating cardiovascular diseases, especially the blood-pressure control treatment Prenessa (perindopril) and the fixed-dose combinations Prenewel (perindopril/indapamide), Amlessa (perindopril/amlodipine) and Amlewel (perindopril, amlodipine and indapamide). As to products controlling cholesterol levels, we strengthened the brand Sorvasta (rosuvastatin) and launched Rosmela (amlodipine and rosuvastatin), the first polypill for the combined treatment of cholesterol and blood-pressure levels. As to pharmaceuticals for the treatment of the central

### South-East Europe

Product sales in the markets of South-Eastern Europe amounted to €37.7 million in the three

## Krka Group sales by Region, January–March 2015 and 2016



nervous system, the majority of marketing activities focused on the antidepressant Dulsevia (duloxetine), the antipsychotic Aryzalera (aripiprazole) and the analgesic Doreta (tramadol and paracetamol). Among products treating diseases of the alimentary tract, brand recognition was strengthened for Nolpaza (pantoprazole), a medicine reducing the secretion of stomach acid.

Marketing activities for the group of non-prescription products centred around the new Septabene brand. As to veterinary health, Ataxxa (imidacloprid and permethrin) was added to the group of Krka's products treating external parasites.

At the end of the first quarter, our main sales drivers were the prescription pharmaceuticals Prenessa (perindopril), including the combination with indapamide, Nolpaza (pantoprazole), Sorvasta (rosuvastatin) and Doreta (tramadol and paracetamol). The leading non-prescription products were Nalgesin S (naproxen), Daleron (paracetamol), Septolete and Septabene (benzylamine and cetylpyridinium), while in the group of animal health products the sales leaders were Fypryst (fipronil), Enroxil (enrofloxacin) and Grovit.

months of 2016. Despite decreasing prices in both key markets, Romania and Croatia, and in Serbia,

sales exceeded last year's in the same period by more than 23%. The main drivers of sales growth were the markets of Romania, Serbia, Croatia and Macedonia.

**Romania**, where year-on-year sales were up 40% to €13.5 million, remains one of Krka's key markets. Sales leaders were prescription pharmaceuticals, especially Atoris (atorvastatin), Dulsevia (duloxetine), Karbis (candesartan), including its combination with hydrochlorothiazide, Prenessa/Co-Prenessa (perindopril and its combination with indapamide), and Roswera (rosuvastatin).

As to non-prescription products, special attention was devoted to accelerating sales for cold and flu products, and for analgesics. Our range of veterinary products was expanded as we launched new products for companion animals.

The sales result in **Croatia**, another one of Krka's key markets, was the second best in the Region. Three-month sales there totalled €7.1 million, up 10%. This has preserved our position as the fourth generic pharmaceutical company in the country and the second animal health products provider.

Product sales leaders were prescription pharmaceuticals, especially Atoris (atorvastatin), Co-Perineva (perindopril and indapamide), Dalneva (perindopril and amlodipine), Doreta (tramadol and paracetamol), Emanera (esomeprazole), Nolpaza (pantoprazole), Perineva (perindopril), Roswera (rosuvastatin), and Valsacor (valsartan), including its combination with hydrochlorothiazide. The leading non-prescription product in terms of sales in the reported period was Nalgesin (naproxen). A major acquisition in the group of non-prescription products is the new form of the oral antiseptic Septotele duo (benzylamine and cetylpyridinium). The main sales driver among animal health products was Fypryst (fipronil), and the new addition in this group is Attaxa (imidacloprid and permethrin), a product for the treatment of companion animals.

Sales in **Bosnia and Herzegovina** totalled €4.8 million, up 4% compared to last year's first quarter. The main sales drivers were prescription pharmaceuticals, among which the most important products were Enap (enalapril), including the combination with hydrochlorothiazide, Lorista

(losartan), including the combination with hydrochlorothiazide, Roswera (rosuvastatin), Atoris (atorvastatin), Lexaurin (bromazepam), and Ampril (ramipril), including the combination with hydrochlorothiazide. Sales growth was also recorded for non-prescription products, among which the leaders were Septotele, Bilobil (ginkgo biloba) and Nalgesin (naproxen). The positive sales trend also continued for animal health products.

In **Macedonia** Krka remains the leading foreign pharmaceuticals producer. First quarter sales value there totalled €4.3 million, a 29% year-on-year increase. Despite lower reference prices, prescription pharmaceuticals were the main drivers of both sales growth and sales value, and sales growth was also recorded with products available without prescription.

Product sales in **Serbia** totalled €2.7 million, a year-on-year increase of 81%. Our most important prescription pharmaceuticals were Valsacor (valsartan), including the combination with hydrochlorothiazide, Nolpaza (pantoprazole), Lorista (losartan), including the combination with hydrochlorothiazide, Roxera (rosuvastatin) and Atoris (atorvastatin). The leading non-prescription products in terms of sales were Septotele, especially owing to the launch of Septotele total (benzylamine and cetylpyridinium). As to veterinary products, the sales results were the best for Fypryst (fipronil).

Product sales in **Bulgaria** totalled €2.5 million, up 8% compared to the same period last year. The main drivers of sales value were prescription pharmaceuticals, the year-on-year sales of which were also up 8%.

In **Kosovo**, where Krka remains one of the leading providers of pharmaceuticals, sales amounted to €1.7 million, up 3% compared to the same period last year. In **Albania** sales totalled €0.9 million, a decrease by 5% compared to the first quarter last year. This was due to renewals of marketing authorisations and the related stronger product sales in the final quarter of 2015. Product sales in **Montenegro** were €0.3 million, up 28% from the comparable period last year. This was mainly due to sales via government tenders.

## East Europe

Region East Europe comprises several Eastern European and Central Asian markets, the largest sales impact of which has the key market the Russian Federation. Sales growth rates were the highest in the Region's second key market, Ukraine, and in certain smaller markets.

Sales in one of Krka's key markets and our largest individual market, the **Russian Federation**, totalled €56.2 million. Due to the lower average rouble rate, euro-denominated sales were down 9% compared to the same period last year, while at the same time, rouble-denominated sales increased by 9% and sales volume by 10%.

Sales leaders among products were prescription pharmaceuticals, especially Lorista (losartan), including the combination with hydrochlorothiazide, Perineva (perindopril), including the combination with indapamide, Nolpaza (pantoprazole), Zyllt (clopidogrel), Nolicin (norfloxacin), Valsacor (valsartan), including the combination with hydrochlorothiazide, and Roxera (rosuvastatin). The leading non-prescription product in terms of sales was Herbion. The highest sales growth rate, of 23%, was recorded for animal health products, among which the best-seller was Floron (florfenicol).

The following products, which were introduced to the market in the last two years, are also becoming increasingly important: Septotele total (benzylamine and cetylpyridinium), SeptaNazal (xylometazoline and dexpanthenol), Bravadin (ivabradine), Vamloset (valsartan and amlodipine), Dalneva (perindopril and amlodipine), Lortenza (losartan and amlodipine), and the most recent ones Co-Dalneva (perindopril, amlodipine and indapamide), Dilaxa (celecoxib) and Ulkavis (bismuth).

In the market of the Russian Federation we are continuously increasing the proportion of products produced in the plant of our subsidiary Krka-Rus, thereby strengthening our status as a domestic producer.

The shrinking of the pharmaceuticals market in **Ukraine** continued both in terms of volume and value in the first quarter of 2016. At the same time, the structure of the market changed to the benefit of domestic and at the expense of foreign producers. Nevertheless, our strengthened marketing and sales activities consolidated Krka's position among

the leading foreign providers of generic pharmaceuticals. As a result we ended the period reporting €7.9 million of sales, which is €5.2 million more than in the first quarter last year.

The leading group of products in terms of sales was prescription pharmaceuticals, the sales leaders among which were Enap (enalapril), including the combination with hydrochlorothiazide, Dexamethason (dexamethasone), Prenessa (perindopril), including the combination with indapamide, and Nolpaza (pantoprazole). In the group of non-prescription products, the leaders in terms of sales were Herbion, Panzynom, Bilobil (ginkgo biloba) and Pikovit. As to animal health products, among which treatments for companion animals account for almost one third of total sales, our main sales driver in the first quarter of 2016 was Fypryst (fipronil), followed by Tiavalt (tiamulin) and Enroxil (enrofloxacin).

In **Kazakhstan** sales totalled €3.6 million, a decrease by 2% compared to the first quarter last year. The value of the pharmaceuticals market continued to decline, resulting from last year's depreciation of the local currency against the euro. Despite unfavourable conditions, however, we managed to increase our market share. As opposed to last year, the majority of sales in the first quarter of 2016 were generated via our subsidiary in that market.

Our best-selling products among prescription pharmaceuticals, the leading product group in terms of sales, were: Enap (enalapril), including the combination with hydrochlorothiazide, Candecor (candesartan), Gliclada (gliclazide), and Prenessa (perindopril), including the combination with indapamide. As to products available without prescription, the best sales results were recorded for Herbion and Duovit.

Product sales in **Uzbekistan** totalled €3.3 million, down 34% compared to the same period last year. The decrease was chiefly due to the depreciation of the local currency, which caused a decline in purchasing power. The majority of sales came from prescription pharmaceuticals, especially Lorista (losartan), including the combination with hydrochlorothiazide, Enap (enalapril), including the combination with hydrochlorothiazide, and Amlessa (perindopril and amlodipine). Non-prescription products Pikovit in Herbion also made a substantial

contribution to overall sales. As to new products, good results were recorded for Lortenza (losartan and amlodipine), which we have been successfully promoting in this market.

Despite increasing protectionism favouring domestic pharmaceuticals providers in **Belarus**, we sold €3.2 million of products there, up 3% compared to last year's first quarter. The main sales drivers were prescription pharmaceuticals, especially Lorista (losartan), including the combination with hydrochlorothiazide, Amlessa (perindopril and amlodipine) and Nolpaza (pantoprazole). The leading non-prescription products were Pikovit and Septotele.

In **Moldova** we faced severe pressures at the beginning of 2016 to lower our prices of pharmaceuticals. Nevertheless, three-month product sales there totalled €1.2 million, up 81% from the comparable period last year. We were especially successful with prescription pharmaceuticals, the year-on-year sales of which increased almost threefold. Increasingly difficult economic conditions presented a challenge in **Mongolia** too, where we remain the leading foreign pharmaceuticals provider despite our sales having decreased by 12%. Strengthened marketing activities resulted in sales totalling €1.0 million, an important driver of which was our leading prescription pharmaceutical Fromilid

## Central Europe

Product sales in Region Central Europe amounted to €73.0 million in the three months of 2016, up 7% compared to the first quarter last year. Sales value increased in all markets of the Region, apart from the Czech Republic and Lithuania. The majority, 89%, of revenues came from prescription pharmaceuticals.

In **Poland**, a key market and the largest market in the Region, product sales were €36.1 million. This is a 6% year-on-year increase and represents 50% of the Region's sales. The leading products in terms of sales were prescription pharmaceuticals, especially Atoris (atorvastatin), Roswera (rosuvastatin), Valsacor (valsartan), including the combination with hydrochlorothiazide, Doreta (tramadol and paracetamol), Lorista (losartan), including the combination with hydrochlorothiazide, and Nolpaza (pantoprazole). Sales results were also good for the recently launched Aryzalera (aripiprazole) and Furocef (cephuroxime). Non-prescription product

(clarithromycin). At the beginning of 2016 we began marketing Orsoten (orlistat). In **Turkmenistan**, where we have been recording two-digit growth rates over the past six years, year-on-year sales were up 23% to €1.0 million. The €0.8 million of sales and their 6% growth in **Azerbaijan** were mainly driven by the seasonally high growth in the sales of non-prescription products. All our prescription pharmaceuticals and certain non-prescription products sold in this country have already been added to the list of products with regulated prices. As their prices were lowered, the mentioned sales growth was the result of a high, two-digit increase in the volume of sales.

In **Georgia** we sold €0.7 million worth of products. The 17% year-on-year decrease in sales was mainly due to the strong pressure to reduce the prices of our prescription pharmaceuticals, attributable to legally authorised parallel imports. Our most important products in terms of sales were Enap (enalapril), including the combination with hydrochlorothiazide, Dexamethason (dexamethasone) and Sorvasta (rosuvastatin). Sales value in **Kyrgyzstan** was up 26% to €0.7 million. Product sales in **Armenia** totalled €0.4 million, up 22% compared to the same period last year. Due to economic crisis in full swing and parallel imports from neighbouring countries, our sales in **Tajikistan** were €0.3 million lower than in the same period last year.

sales were up 14%, the leading products in this group being Bilobil (ginkgo biloba) and Septotele. The most important animal health products in terms of sales were Fypryst (fipronil) and Enroxil (enrofloxacin).

In **Hungary**, one of Krka's key markets and the second largest market in the Region in terms of sales, product sales totalled €13.6 million, up 23% from the comparable period last year. The leading group of products in terms of sales was prescription pharmaceuticals, among which the key products were Prenessa (perindopril), including the combination with indapamide, Roxera (rosuvastatin), Atoris (atorvastatin), Dalnessa/Co-Dalnessa (perindopril and amlodipine and their combination with indapamide), Nolpaza (pantoprazole) and Zyllt (clopidogrel). The main sales drivers among non-prescription products were Bilobil (ginkgo biloba) and Septotele, which were launched last year. The leading animal health

products in terms of sales were Fypryst (fipronil) and Enroxil (enrofloxacin).

Sales in the **Czech Republic**, Krka's key market, are still influenced by different legislative changes exerting pressure to decrease the prices of pharmaceuticals, and consequently tightening competitive conditions. Year-on-year first-quarter sales decreased to €4.3 million. The biggest proportion of sales came from prescription pharmaceuticals, especially Lexaurin (bromazepam), Tanyz (tamsulosin), Tonarssa/Tonanda (perindopril and amlodipine), Emanera (esomeprazole) and Elicea (escitalopram). The leading non-prescription products in terms of sales were Septotele and Nalgesin (naproxen), and in the group of animal health products the sales leaders were Fypryst (fipronil) and Dehinel (febantel).

Three-month product sales in **Slovakia** totalled €10.3 million, up 3% compared to the same period last year. The largest proportion of sales came from prescription pharmaceuticals, especially Prenessa (perindopril), including the combination with hydrochlorothiazide, Nolzapa (pantoprazole), Valsacor (valsartan), including the combination with hydrochlorothiazide, Atoris (atorvastatin), Amlessa (perindopril and amlodipine) and Fromilid (clarithromycin). The leading non-prescription products in terms of sales were Nalgesin (naproxen) and Septotele, and in the group of animal health

products the best-sellers were Enroxil (enrofloxacin) and Fypryst (fipronil).

Sales in **Lithuania** were down 6% compared to the first quarter of 2015. €4.2 million of sales were mainly driven by prescription pharmaceuticals, especially Valsacor (valsartan), including the combination with hydrochlorothiazide, Prenessa (perindopril) and Amlessa/Co-Amlessa (perindopril and amlodipine, and their combination with indapamide). The leading non-prescription products in terms of sales were Daleron Cold 3 (paracetamol, pseudoephedrine and dextromethorphan) and Septotele. The best sales results in the group of animal health products were recorded for Fypryst (fipronil) and Enroxil (enrofloxacin).

Sales in **Latvia** amounted to €2.8 million, up 17% compared to the first quarter last year. The crucial contributors were prescription pharmaceuticals, especially Prenessa (perindopril), including the combination with indapamide, Atoris (atorvastatin), and Nolzapa (pantoprazole).

In **Estonia** three-month sales totalled €1.7 million, a 23% year-on-year increase. Our best-selling prescription pharmaceuticals were Valsacor (valsartan), including the combination with hydrochlorothiazide, Roswera (rosuvastatin), and Prenessa (perindopril), including the combination with indapamide.

## West Europe

Product sales in the amount of €80.0 million in Region West Europe were down 3% compared to the same period last year. The decrease is the result of the falling prices of pharmaceuticals, as in the majority of markets in the Region sales volume was up. After several years of declining sales via third-party partners the trend had turned in 2015, and sales also increased in the first quarter this year, when they were up 3%. The majority, 62% of sales, is generated by Krka's subsidiaries. We expect sales trends to further improve in the second half of the year on account of the planned new launches of generic products.

The largest proportion of sales is driven by prescription pharmaceuticals. In the first quarter of 2016 the most important generic products in terms of sales were those with esomeprazole, pantoprazole, duloxetine, pregabalin, clopidogrel, candesartan and aripiprazole, which we were the

first generic company to launch in the past year in the majority of Western European markets. Animal health product sales more than doubled compared to the same period last year, our best-selling products in the reported period being those with the generic milbemycin in combination with praziquantel. Sales growth was mainly driven by sales via subsidiaries. TAD Pharma was the first generic company in Germany to have launched the ectoparasiticide Ataxxa (imidacloprid and permethrin). The sales of non-prescription products were up 21%. In several Western European markets we launched Septotele lozenges and spray, marketed under different brands.

**Germany** remains our most important market in the Region. The value of sales there totalled €27.5 million in the three months, up 13% from the comparable period last year. Three quarters of sales were reported by the subsidiary TAD Pharma. The



best-selling products were Pregabador (pregabalin), Pantoprazol TAD (pantoprazole), Duloxalta (duloxetine) and Esomeprazol TAD (esomeprazole).

In **France** sales were up 24% compared to the first quarter of 2015, to €10.7 million, mainly driven by the launched animal health products and increased sales via the subsidiary Krka France.

The Region's third largest market in terms of sales was **Spain**, where we sold €9.5 million worth of products. The majority of sales there were reported by the subsidiary Krka Farmacéutica, which, however, witnessed a 30% decline in sales. This was due to certain public tenders in Andalusia having expired. Overall, sales dropped in this market by 24%.

Sales in the **UK** totalled €6.9 million. We faced a severe erosion of prices in this market as well, our sales having decreased by 30% compared to the first quarter last year. Sales in the **Scandinavian countries** totalled €6.7 million, down 36% from the comparable period last year. This is mainly due to

severe price reductions for products with duloxetine and aripiprazole in Sweden and Denmark. Sales in Finland and Norway, on the other hand, increased by 35% and 12%, respectively. In **Italy** sales were up 32% to €5.5 million. The highest sales growth, of 54%, was recorded by the subsidiary Krka Farmaceutici, which has already accounted for one half of total sales in this market. Three-month product sales in **Portugal** totalled €4.9 million, down 3% from the comparable period last year. Despite slightly lower sales, Krka remains the fastest growing generic pharmaceutical company in Portugal. In the **Benelux countries**, year-on-year sales were up 3% to €2.3 million, and in **Ireland** they increased by 56% to €1.9 million. Krka was also successful in **Austria**, where product sales totalled €1.7 million, up 33%. Both in Ireland and Austria Krka's subsidiaries are maintaining their position as the leading generic suppliers of products with pregabalin, duloxetine and aripiprazole.

In other European countries product sales via third-party partners amounted to €2.4 million, an increase by 3% compared to the first quarter last year.

## Overseas Markets

Three-month product sales in Region Overseas Markets totalled €9.9 million, up 33% compared to the same period last year. Sales growth was reported by all sales offices. The most sales, 87%, came from prescription pharmaceuticals, which are sold under our own brands in most of the Region's markets.

Despite the emergency situation there, the sales office **Middle East** reported €5 million of sales, up 40% compared to the same period last year. Our most important markets remain Iran, Iraq and Lebanon, and our best-selling products Nolpaza (pantoprazole), Vizarsin (sildenafil), Zyllt (clopidogrel), Asentra (sertraline), Letizen (cetirizine), Valsacor (valsartan) and Ultop (omeprazole).

Sales in the markets of the **Far East and Africa** totalled €4.6 million, up 23% from last year's first quarter. The most important market there remains the Republic of South Africa, followed by China, Vietnam and Ghana. Our leading products in terms of sales were Sabalfrucht TAD (*Serenoa repens*) and products with enalapril, amlodipine and esomeprazole.

The sales office the **Americas** reported a 105% year-on-year sales increase, sales there totalling €0.3 million. The majority of sales came from the markets of Central America. The sales leader among products was Valsacor (valsartan), including the combination with hydrochlorothiazide.

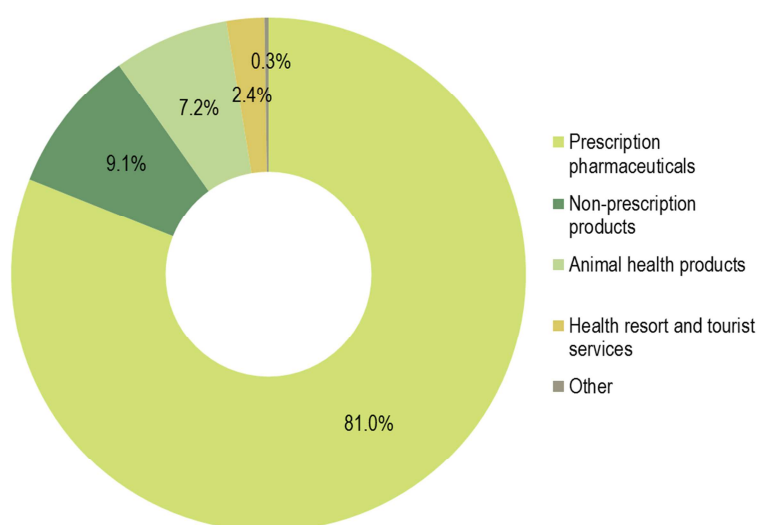
## Sales by product and service groups

The Krka Group generated 90.1% of first quarter 2016 sales in human health products, reaffirming them as Krka's most important product group. The most sales, i.e. 81.0%, were generated in prescription pharmaceuticals, followed by non-

prescription products on 9.1% and veterinary products on 7.2% of total Krka Group sales. Health resort and tourist services account for 2.4% of overall Krka Group sales.

| In € thousand                      | Krka Group     |                |            | Krka Company   |                |            |
|------------------------------------|----------------|----------------|------------|----------------|----------------|------------|
|                                    | 1-3/2016       | 1-3/2015       | Index      | 1-3/2016       | 1-3/2015       | Index      |
| Human health products              | 271,204        | 270,391        | 100        | 240,911        | 247,818        | 97         |
| – Prescription pharmaceuticals     | 243,853        | 243,217        | 100        | 216,641        | 223,523        | 97         |
| – Non-prescription products        | 27,351         | 27,174         | 101        | 24,270         | 24,295         | 100        |
| Animal health products             | 21,765         | 11,743         | 185        | 21,317         | 11,785         | 181        |
| Health resort and tourist services | 7,154          | 6,456          | 111        |                |                |            |
| Other                              | 769            | 714            | 108        | 1,143          | 1,153          | 99         |
| <b>Total</b>                       | <b>300,892</b> | <b>289,304</b> | <b>104</b> | <b>263,371</b> | <b>260,756</b> | <b>101</b> |

### Krka Group sales by product and service groups, January–March 2016



## Prescription pharmaceuticals

The Krka Group sold €243.9 million worth of prescription pharmaceuticals, up 0.3% compared to the same period last year. Sales increased in regions Overseas Markets (up 28%), South-East Europe (up 25%), Central Europe (up 5%) and East Europe (up 1%).

With respect to the largest markets, sales increased in Poland (by 5%). On account of the exchange rate, year-on-year sales were down in the Russian Federation (down 5%), whereas sales denominated

in the local currency were up 9% there. Compared to the same period last year, sales also decreased in the third largest market, Germany (by 8%), where the beginning of 2015 had been a major sales success for Krka due to important new product launches.

As to other large markets, the year-on-year sales of prescription pharmaceuticals were up the most, more than 170%, in Ukraine, Romania (up 45%) and Hungary (up 20%).

With respect to mid-size markets, the highest sales growth rates were recorded in Serbia (119%), Macedonia (34%), Italy (30%) and Croatia (7%).

Among smaller markets for Krka's prescription pharmaceuticals, the highest sales growth rates were recorded in Moldova (183%), the Benelux (143%), Ireland (45%), Austria (33%), Kyrgyzstan (26%), Finland (25%), Estonia (17%), and Latvia and Armenia (14% in both).

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

The highest year-on-year sales growth in absolute terms were recorded for the most recently launched products Dulsevia\* (duloxetine) and Ralago\* (rasagiline), and for Nolpaza\* (pantoprazole).

In the first quarter of 2016 Krka launched, as the first provider in Europe, the fixed-dose combination Rosudapin\* (rosuvastatin and amlodipine) in Poland

### Non-prescription products

In the three months to March 2016, we sold €27.4 million worth of non-prescription products, an increase by 1% compared to the same period last year.

Sales increased the most in regions Central Europe (by 33%), West Europe (by 21%), South-East Europe (by 19%) and Slovenia (by 11%). In East Europe sales were down, predominantly due to lower sales in the Russian Federation, Uzbekistan, Belarus and Moldova.

With respect to large individual markets, the highest sales growth rates were recorded in Kazakhstan

### Animal health products

Animal health product sales totalled €21.8 million in the first quarter of 2016, up 85% from the same period last year. Sales were up the most in Region West Europe, where they tripled, and in regions East Europe (up 24%) and Central Europe (up 17%).

and Slovenia, and we were among the first generic providers to have launched Ralago\* (rasagiline) for the treatment of Parkinson's disease in Hungary, Slovakia, Lithuania, Latvia, Estonia and Portugal.

We also launched other existing products on new markets:

- candesartan and hydrochlorothiazide in Belgium;
- Prenessa (perindopril) in Moldova;
- Co-Amlessa (perindopril, indapamide and amlodipine) in Belarus;
- carvedilol in Spain;
- Alortia\* (losartan and amlodipine) in Georgia;
- Levalox\* (levofloxacin) in Lithuania, Ireland and France;
- Furocef\* (cephuroxime) in Lithuania, Latvia and Spain;
- linezolid in Germany, Finland and Ireland;
- Dilaxa\* (celecoxib) in the Russian Federation;
- Doreta\* SR (tramadol and paracetamol) prolonged-release tablets in Poland;
- the oncology range imatinib and letrozole in Serbia, and
- Ecansya (capecitabine) in Latvia.

(85%), Turkmenistan (50%), Latvia (49%), Serbia (32%), Romania (29%), Slovakia (17%), Poland (14%), Lithuania (14%), and Bosnia and Herzegovina (8%). Sales also increased in several other markets. The leading products were those of the master brands Septotele, Bilobil and Herbion.

Year-on-year first quarter sales were up considerably for both recently launched seasonal products – Septotele total and Septanazol –, as well as for Bilobil (ginkgo biloba) and Nalgesin\* (naproxen).

Among the largest markets, sales increased several-fold in Germany and France, and they were also up considerably in Lithuania (up 67%), Ukraine (up 27%), the Russian Federation (up 23%), Poland (up 21%) and Hungary (up 11%).

The sales leaders among products are Milprazon\* (milbemycin oxime and praziquantel), Floron\*



(florfenicol), Fypryst\* (fipronil) and Enroxil\* (enrofloxacin), followed by Dehinel plus (febantel, pyrantel embonate and praziquantel) and Ecocid S (biocide).

In the markets of Central Europe, South-East Europe, Slovenia and Germany we launched an important new product for companion animals in the first quarter, Ataxxa\* (imidacloprid and permethrin), in the form of spot on solution for dogs.

### Health resort and tourist services

In the first three months of 2016 the Terme Krka health resort sold €7.2 million worth of services, an increase by 11% compared to the same period in 2015. Overnight stays were up 8%, whereby the highest growth rate, of 13%, was recorded for Italian guests, and the number of domestic guests increased by 9%.

As to business units, the most sales and the highest sales growth rate, of 20%, were reported by the resort Terme Dolenjske Toplice. The second best sales result was reported by the seaside resort Talaso Strunjan, where sales were up 11%, followed by Terme Šmarješke Toplice, where sales increased by 13%.

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

## Research and development

In the first quarter of 2016 Krka obtained marketing authorisations for three new products in three dosage forms and four strengths.

### Prescription pharmaceuticals

In Hungary we acquired a first marketing authorisation for **Bravadin** (ivabradine) film-coated tablets in the two strengths of 5 mg and 7,5 mg. Bravadin is a cardiac medication used to treat patients with angina pectoris. A first marketing authorisation was also obtained for the **Moloxin** (moxifloxacin) 400 mg/250 ml solution for injection. Having a wide-spectrum antimicrobial action, the product is used to treat pneumonia, dermal infections and soft tissue infections. Together with Moloxin tablets, which were approved last year, it supplements Krka's range of antimicrobial pharmaceuticals. The product was approved for marketing in 14 European countries under the decentralised procedure.

In different Eastern European countries we obtained new marketing authorisations for Krka's key pharmaceuticals **Roswera** (rosuvastatin), **Kventiax** (quetiapine), **Moloxin** (moxifloxacin) tablets and **Vizarsin QTab** (sildenafil) dispersible tablets, and in

We acquired 69 new marketing authorisations in different markets.

the area of cancer treatments we were issued new marketing approvals for **Neopax** (imatinib) and **Letrozole Krka** (letrozole). Additionally in the area of cardiovascular treatments, we were granted new authorisations for our fixed-dose combinations **Sobycombi** and **Niperten combi** (bisoprolol and amlodipine), and for **Telmista H** and **Telmista HD** (telmisartan and hydrochlorothiazide).

In the markets of South-Eastern Europe we expanded opportunities for products from various indication areas. New marketing authorisations were granted for **Furocef** (cefuroxime) film-coated tablets and for the **Levalox** (levofloxacin) solution for injection. We obtained a new marketing authorisation for the fixed-dose combination for the treatment of cardiovascular conditions, **Tenloris** (losartan and amlodipine), and a marketing authorisation for **Pregabalin** (pregabalin), a central nervous system treatment.

### Non-prescription products

In the Russian Federation we obtained a first marketing authorisation for **Flebaven** film-coated tablets. They contain 500 mg of the purified flavonoid fraction, which equals 450 mg of diosmin and 50 mg of flavonoids expressed as hesperidin. It is used to treat symptoms of chronic venous insufficiency, lymphedema and acute hemorrhoidal disease.

In different Eastern European markets we obtained new marketing authorisations, expanding markets for certain key cold and flu products. The **Septanazal nasal spray for adults** and the **Septanazal nasal spray for children** were approved in Azerbaijan, and the **Septolete Total spray** in Moldova.

### Animal health products

In the first quarter of 2016 we obtained new marketing authorisations and strengthened brand recognition for our products. Applying the decentralised procedure we were the first generic company to have obtained marketing authorisations in ten countries of Western Europe, and in the Czech Republic and Slovakia, for **Fypriyst/Amflee 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. The product

enables a modern and wholesome treatment of external parasite infestations with an expanded mode of action on all life cycle stages of fleas.

In Belgium a new marketing authorisation was granted for the **Enrox classic** (enrofloxacin) solution for injection treating infections in food-producing animals. In Bosnia and Herzegovina, and Macedonia, we obtained approvals to market **Ataxxa** (imidacloprid and permethrin) in the form of spot-on solution in four strengths, for treating dogs.

We were also granted marketing authorisations for the **Dehelman** (levamisole) oral powder, for the

treatment of intestinal parasites and lung worms in food-producing animals.

## Investments

In the first quarter of 2016 the Krka Group allocated €26.2 million to investments, of which the controlling company invested €18.5 million and subsidiaries €7.7 million. Investments were primarily increasing and modernising our production and R&D capacities.

At Krka's main location in Ločna, Novo mesto, Slovenia we officially opened in November 2015 a plant for solid dosage pharmaceuticals, Noto 2. The investment is worth €200 million and provides new capacities for implementing our vertically integrated business model, with which we control the entire process of development and production of both raw materials and finished products. Approximately one third of technological equipment was installed at the start-up of Noto 2 last February. Production lines will gradually be added over the following two years to increase the plant's production capacity to the target 4.5 billion tablets and capsules per year.

Krka's key investment supporting development activities and quality assurance in the following years is the new Development and Control Centre (RKC) 4, to be located in the group of production facilities in Ločna. RKC 4 will be positioned in the immediate vicinity of the other three development and control centres, directly connected to RKC 2 and also joined with RKC 3 by means of a connecting building. Site preparation works for the building worth €54 million had started at the end of June 2015. By the end of March the underground concrete part of the building was completed and the construction of the connecting building between RKC 3 and RKC 4 had begun. The construction of the new facility with the total surface area of 18,000 m<sup>2</sup> will take two years.

The €8 million investment into increasing the production of sprays in the sterile product production plant is in its final phase. Currently ongoing works include qualifications of the technological equipment and systems, and preparations for the technical inspection of the facility. Production lines will be ready for operation in the autumn 2016.

The €11 million investment into increasing the capacity for the coating of pellets in the solid dosage forms plant (OTO) is in the design phase. The new production halls and equipment will be explosion-proof. Works are planned to start in August. Two production lines will be supplied in the autumn and will be made ready for production by the end of June 2017.

At Krka's location in Ločna we are building a new multi-purpose warehouse. It will be positioned along Andrijašičeva street and will connect functionally with the existing warehouses of raw materials and packaging. This investment will procure sufficient space for the storage of packaging, raw materials and finished products to last a decade. The investment is estimated at €30 million.

One of the most important investments in Krka's subsidiaries is Krka-Rus 2 in Istra, the Russian Federation. The first phase had included building a new plant and logistics centre, while in 2015 we started fitting the additional technical and logistics equipment. This will increase the new plant's production capacity to two thirds of its planned target capacity, which will total 1.8 billion tablets and capsules per year. The warehouse and logistics systems will reach full capacity after the remaining logistics equipment is installed. The value of the entire additional equipment, which is expected to be fitted by the end of 2016, is estimated at €30 million.

Due to the expansion of our production programme in the Jastrebarsko distribution and production centre in Croatia, the warehousing and distribution segment of the facility are being converted to acquire new laboratory and production facilities for the production of solid dosage pharmaceuticals. Detailed design was completed in 2015. Works started on the facility after Krka was granted the building permit in December. Heavy construction and installation works are currently ongoing. The main production equipment will be supplied and installed by the end of the year, and production is planned to start on the new equipment in the first quarter of 2017. The investment is estimated at €31 million.

## Employees

In the first quarter of 2016 the number of Krka Group employees increased by 144, or 1.4%, so that at the end of March the Krka Group had 10,708 employees.

Krka's subsidiaries and representation offices outside Slovenia employ more than 54% of the Krka Group's employees, and almost 56% of the entire Krka team have at least a university level degree.

### Educational structure in the Krka Group

|                                      | 31 Mar 2016      |              | 31 Dec 2015      |              |
|--------------------------------------|------------------|--------------|------------------|--------------|
|                                      | No. of employees | Share (%)    | No. of employees | Share (%)    |
| PhD                                  | 159              | 1.5          | 152              | 1.4          |
| MSc                                  | 353              | 3.3          | 349              | 3.3          |
| University degree                    | 5,465            | 51.0         | 5,291            | 50.1         |
| Higher professional education degree | 1,390            | 13.0         | 1,385            | 13.1         |
| Vocational college degree            | 260              | 2.4          | 304              | 2.9          |
| Secondary school education, level V  | 1,876            | 17.5         | 1,844            | 17.5         |
| Other                                | 1,205            | 11.3         | 1,239            | 11.7         |
| <b>Krka Group</b>                    | <b>10,708</b>    | <b>100.0</b> | <b>10,564</b>    | <b>100.0</b> |

Krka employees undergo additional training both in Slovenia and abroad, related to various professional areas of expertise, quality, management, personal growth, foreign languages and informatics. Training is adjusted to our employees' needs, the technological process, market conditions, and the Krka Group's development requirements, which is why we organise the majority of staff trainings ourselves.

For our marketing and sales staff we organise numerous seminars led by over 60 in-house trainers. We have a job coaching system in place for new employees at all posts.

In 2015 every Krka Group employee took part in more than six education or training programmes, spending 55 hours on average.

Employees learn about the most demanding topics and most recent discoveries at faculties, institutes and other institutions, both at home and abroad. At the end of March 2016, 219 employees were enrolled into part-time studies, 49 of them postgraduate students obtaining a specialisation, master's degree or doctoral degree. Krka supports them by partly funding their tuitions and by granting study time leaves.

Krka is the only certificate-awarding body with the power to examine and approve six national vocational qualification programmes (NVQ) in the

area of the pharmaceutical industry. By examining and approving candidates under the NVQ system between 2002 and the beginning of April 2016, we have awarded a total of 1,306 NVQ certificates – 1,163 to Krka employees and 142 to the employees of other companies and pharmacies. We awarded 67 certificates in 2015, with 73 employees currently in the process of obtaining one.

We are securing a continuous inflow of new talented staff by offering study grants to students. At the end of March 2016 we had a total of 50 scholarship holders.

A research conducted by the employment website MojeDelo.com into the reputation of Slovene employers this March found Krka the most reputable employer of 2015.

Krka's employees also display social corporate responsibility and responsibility toward our environment. This April we again organised Krka's week of charity and volunteering. It was attended by 1,361 employees, which is one fourth of the entire Krka team in Slovenia, and employees from certain subsidiaries and representative offices abroad also joined. As many as 261 of us donated blood, numerous brought clothes, toys, shoes, foods, books and other consumables for adults and children, and pet food. More than three tonnes of consumables were collected and over 260 kilograms of pet food. We kept company with the

elderly at 37 retirement homes and with the tenants of eight occupational activity centres, special schools and certain other institutions. We also helped out at two animal shelters. The charity week

was rounded off with two open door days for employees, their families, relatives and friends, at which Krka hosted almost 4,000 visitors.

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

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

| In € thousand                             | 31 Mar 2016      | 31 Dec 2015      | Index      |
|---|------------------|------------------|------------|
| <b>Assets</b>                             |                  |                  |            |
| Property, plant and equipment             | 832,714          | 826,192          | 101        |
| Intangible assets                         | 115,611          | 116,940          | 99         |
| Loans                                     | 8,136            | 7,696            | 106        |
| Investments                               | 7,966            | 7,580            | 105        |
| Deferred tax assets                       | 27,414           | 27,949           | 98         |
| Other non-current assets                  | 246              | 241              | 102        |
| <b>Total non-current assets</b>           | <b>992,087</b>   | <b>986,598</b>   | <b>101</b> |
| Assets held for sale                      | 41               | 41               | 100        |
| Inventories                               | 265,052          | 272,878          | 97         |
| Trade receivables                         | 459,115          | 433,133          | 106        |
| Other receivables                         | 28,681           | 31,540           | 91         |
| Loans                                     | 47,149           | 37,380           | 126        |
| Investments                               | 85               | 11,808           | 1          |
| Cash and cash equivalents                 | 78,102           | 35,826           | 218        |
| <b>Total current assets</b>               | <b>878,225</b>   | <b>822,606</b>   | <b>107</b> |
| <b>Total assets</b>                       | <b>1,870,312</b> | <b>1,809,204</b> | <b>103</b> |
|   |                  |                  |            |
| <b>Equity</b>                             |                  |                  |            |
| Share capital                             | 54,732           | 54,732           | 100        |
| Treasury shares                           | -21,912          | -20,071          | 109        |
| Reserves                                  | 82,498           | 73,387           | 112        |
| Retained earnings                         | 1,334,446        | 1,296,688        | 103        |
| <b>Total equity holders of the parent</b> | <b>1,449,764</b> | <b>1,404,736</b> | <b>103</b> |
| Non-controlling interests within equity   | 1,314            | 1,248            | 105        |
| <b>Total equity</b>                       | <b>1,451,078</b> | <b>1,405,984</b> | <b>103</b> |
| <b>Liabilities</b>                        |                  |                  |            |
| Provisions                                | 85,220           | 84,865           | 100        |
| Deferred revenue                          | 13,069           | 13,381           | 98         |
| Deferred tax liabilities                  | 12,598           | 12,736           | 99         |
| <b>Total non-current liabilities</b>      | <b>110,887</b>   | <b>110,982</b>   | <b>100</b> |
| Trade payables                            | 99,102           | 103,871          | 95         |
| Income tax payable                        | 11,036           | 8,030            | 137        |
| Other current liabilities                 | 198,209          | 180,337          | 110        |
| <b>Total current liabilities</b>          | <b>308,347</b>   | <b>292,238</b>   | <b>106</b> |
| <b>Total liabilities</b>                  | <b>419,234</b>   | <b>403,220</b>   | <b>104</b> |
| <b>Total equity and liabilities</b>       | <b>1,870,312</b> | <b>1,809,204</b> | <b>103</b> |

## Consolidated income statement of the Krka Group

| In € thousand                            | 1–3/2016       | 1–3/2015       | Index      |
|--|----------------|----------------|------------|
| Revenues                                 | 300,892        | 289,304        | 104        |
| Costs of goods sold                      | -130,728       | -121,619       | 107        |
| <b>Gross profit</b>                      | <b>170,164</b> | <b>167,685</b> | <b>101</b> |
| Other operating income                   | 1,764          | 1,657          | 106        |
| Selling and distribution expenses        | -71,176        | -79,409        | 90         |
| R&D expenses                             | -29,697        | -27,722        | 107        |
| General and administrative expenses      | -20,617        | -19,143        | 108        |
| <b>Operating profit</b>                  | <b>50,438</b>  | <b>43,068</b>  | <b>117</b> |
| Financial income                         | 31,956         | 21,416         | 149        |
| Financial expenses                       | -35,760        | -260           | 13,754     |
| <b>Net financial result</b>              | <b>-3,804</b>  | <b>21,156</b>  | <b>-18</b> |
| <b>Profit before tax</b>                 | <b>46,634</b>  | <b>64,224</b>  | <b>73</b>  |
| Income tax                               | -6,438         | -9,110         | 71         |
| <b>Net profit</b>                        | <b>40,196</b>  | <b>55,114</b>  | <b>73</b>  |
| <b>Attributable to:</b>                  |                |                |            |
| – equity holders of the parent           | 40,130         | 55,117         | 73         |
| – non-controlling interest               | 66             | -3             |            |
| <b>Basic earnings per share (in €)</b>   | <b>1.24</b>    | <b>1.69</b>    | <b>73</b>  |
| <b>Diluted earnings per share (in €)</b> | <b>1.24</b>    | <b>1.69</b>    | <b>73</b>  |

\* Net profit / Average number of shares issued in the period, exclusive of treasury shares

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

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

| In € thousand  | 1–3/2016      | 1–3/2015      | Index     |
|--|---------------|---------------|-----------|
| <b>Net profit</b>  | <b>40,196</b> | <b>55,114</b> | <b>73</b> |
| <b>Other comprehensive income for the period</b>                                       |               |               |           |
| <b>Other comprehensive income reclassified to profit or loss in future periods</b>     |               |               |           |
| Translation reserve  | 6,419         | 16,196        | 40        |
| Change in fair value of available-for-sale financial assets                            | 386           | 1,097         | 35        |
| Deferred tax effect  | -66           | -186          | 35        |
| <b>Net other comprehensive income reclassified to profit or loss in future periods</b> | <b>6,739</b>  | <b>17,107</b> | <b>39</b> |
| <b>Total other comprehensive income for the period (net of tax)</b>                    | <b>6,739</b>  | <b>17,107</b> | <b>39</b> |
| <b>Total comprehensive income for the period (net of tax)</b>                          | <b>46,935</b> | <b>72,221</b> | <b>65</b> |
| Attributable to:   |               |               |           |
| – equity holders of the parent   | 46,869        | 72,224        | 65        |
| – non-controlling interest   | 66            | -3            |           |



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

| In € thousand   | Share capital | Treasury shares | Reserves                     |               |                |                    |                    |                     | Retained earnings     |                   |                       | Total equity holders of the parent | Non-controlling interests within equity | Total equity |
|---|---------------|-----------------|------------------------------|---------------|----------------|--------------------|--------------------|---------------------|-----------------------|-------------------|-----------------------|------------------------------------|---|--------------|
|   |               |                 | Reserves for treasury shares | Share premium | Legal reserves | Statutory reserves | Fair value reserve | Translation reserve | Other profit reserves | Retained earnings | Profit for the period |                                    |   |              |
| 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                 | 40,130                | 40,130                             | 66                                      | 40,196       |
| Total other comprehensive income for the period (net of tax)  | 0             | 0               | 0                            | 0             | 0              | 0                  | 851                | 6,419               | 0                     | -531              | 0                     | 6,739                              | 0                                       | 6,739        |
| Total comprehensive income for the period (net of tax)        | 0             | 0               | 0                            | 0             | 0              | 0                  | 851                | 6,419               | 0                     | -531              | 40,130                | 46,869                             | 66                                      | 46,935       |
| Transactions with owners, recognised directly in equity       |               |                 |                              |               |                |                    |                    |                     |                       |                   |                       |                                    |   |              |
| 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             | -1,841          | 0                            | 0             | 0              | 0                  | 0                  | 0                   | 0                     | 0                 | 0                     | -1,841                             | 0                                       | -1,841       |
| Formation of reserves for treasury shares                     | 0             | 0               | 1,841                        | 0             | 0              | 0                  | 0                  | 0                   | 0                     | 0                 | -1,841                | 0                                  | 0                                       | 0            |
| Total transactions with owners, recognised directly in equity | 0             | -1,841          | 1,841                        | 0             | 0              | 0                  | 0                  | 0                   | 0                     | 148,851           | -150,692              | -1,841                             | 0                                       | -1,841       |
| Balance at 31 Mar 2016  | 54,732        | -21,912         | 21,912                       | 105,897       | 14,990         | 30,000             | -11,602            | -78,699             | 1,051,677             | 244,480           | 38,289                | 1,449,764                          | 1,314                                   | 1,451,078    |

| In € thousand  | Share capital | Treasury shares | Reserves                     |                |                |                    |                    |                     | Retained earnings     |                   |                       | Total equity holders of the parent | Non-controlling interests within equity | Total equity     |
|--|---------------|-----------------|------------------------------|----------------|----------------|--------------------|--------------------|---------------------|-----------------------|-------------------|-----------------------|------------------------------------|---|------------------|
|  |               |                 | Reserves for treasury shares | Share premium  | Legal reserves | Statutory reserves | Fair value reserve | Translation reserve | Other profit reserves | Retained earnings | Profit for the period |                                    |   |                  |
| <b>Balance at 1 Jan 2015</b>   | <b>54,732</b> | <b>-10,677</b>  | <b>10,677</b>                | <b>105,897</b> | <b>14,990</b>  | <b>30,000</b>      | <b>-8,981</b>      | <b>-75,292</b>      | <b>1,001,636</b>      | <b>79,528</b>     | <b>148,081</b>        | <b>1,350,591</b>                   | <b>1,308</b>                            | <b>1,351,899</b> |
| <b>Net profit</b>  | <b>0</b>      | <b>0</b>        | <b>0</b>                     | <b>0</b>       | <b>0</b>       | <b>0</b>           | <b>0</b>           | <b>0</b>            | <b>0</b>              | <b>0</b>          | <b>55,117</b>         | <b>55,117</b>                      | <b>-3</b>                               | <b>55,114</b>    |
| <b>Total other comprehensive income for the period (net of tax)</b>  | <b>0</b>      | <b>0</b>        | <b>0</b>                     | <b>0</b>       | <b>0</b>       | <b>0</b>           | <b>911</b>         | <b>16,196</b>       | <b>0</b>              | <b>0</b>          | <b>0</b>              | <b>17,107</b>                      | <b>0</b>                                | <b>17,107</b>    |
| <b>Total comprehensive income for the period (net of tax)</b>        | <b>0</b>      | <b>0</b>        | <b>0</b>                     | <b>0</b>       | <b>0</b>       | <b>0</b>           | <b>911</b>         | <b>16,196</b>       | <b>0</b>              | <b>0</b>          | <b>55,117</b>         | <b>72,224</b>                      | <b>-3</b>                               | <b>72,221</b>    |
| <b>Transactions with owners, recognised directly in equity</b>       |               |                 |                              |                |                |                    |                    |                     |                       |                   |                       |                                    |   |                  |
| 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             | -2,383          | 0                            | 0              | 0              | 0                  | 0                  | 0                   | 0                     | 0                 | 0                     | -2,383                             | 0                                       | -2,383           |
| Formation of reserves for treasury shares                            | 0             | 0               | 2,383                        | 0              | 0              | 0                  | 0                  | 0                   | 0                     | 0                 | -2,383                | 0                                  | 0                                       | 0                |
| <b>Total transactions with owners, recognised directly in equity</b> | <b>0</b>      | <b>-2,383</b>   | <b>2,383</b>                 | <b>0</b>       | <b>0</b>       | <b>0</b>           | <b>0</b>           | <b>0</b>            | <b>0</b>              | <b>148,081</b>    | <b>-150,464</b>       | <b>-2,383</b>                      | <b>0</b>                                | <b>-2,383</b>    |
| <b>Balance at 31 Mar 2015</b>  | <b>54,732</b> | <b>-13,060</b>  | <b>13,060</b>                | <b>105,897</b> | <b>14,990</b>  | <b>30,000</b>      | <b>-8,070</b>      | <b>-59,096</b>      | <b>1,001,636</b>      | <b>227,609</b>    | <b>52,734</b>         | <b>1,420,432</b>                   | <b>1,305</b>                            | <b>1,421,737</b> |

## Consolidated statement of cash flows of the Krka Group

| In € thousand  | 1–3/2016       | 1–3/2015       |
|--|----------------|----------------|
| <b>OPERATING ACTIVITIES</b>  |                |                |
| <b>Net profit</b>  | <b>40,196</b>  | <b>55,114</b>  |
| <b>Adjustments for:</b>  | <b>48,210</b>  | <b>38,634</b>  |
| – amortisation/depreciation  | 26,401         | 26,259         |
| – foreign exchange differences   | 1,260          | 2,971          |
| – investment income  | -21,813        | -294           |
| – investment expenses  | 35,861         | 340            |
| – interest expenses and other financial expenses                         | 63             | 248            |
| – income tax   | 6,438          | 9,110          |
| <b>Operating profit before changes in net operating current assets</b>   | <b>88,406</b>  | <b>93,748</b>  |
| Change in trade receivables  | -22,341        | -44,003        |
| Change in inventories  | 7,826          | -19,543        |
| Change in trade payables   | -9,100         | -5,368         |
| Change in provisions   | 355            | 885            |
| Change in deferred revenues  | -312           | -809           |
| Change in other current liabilities                                      | -6,019         | 11,998         |
| Income taxes paid  | -3,080         | -7,357         |
| <b>Net cash flows from operating activities</b>                          | <b>55,735</b>  | <b>29,551</b>  |
| <b>INVESTING ACTIVITIES</b>  |                |                |
| Interest received  | 227            | 210            |
| Proceeds from sale of current investments and repayment of current loans | 0              | 27             |
| Proceeds from sale of property, plant and equipment                      | 1,195          | 1,445          |
| Acquisition of intangible assets   | -441           | -1,227         |
| Purchase of property, plant and equipment                                | -24,027        | -20,770        |
| Non-current loans  | -481           | -366           |
| Proceeds from repayment of non-current loans                             | 308            | 241            |
| Payments to acquire non-current investments                              | -22            | -50            |
| Proceeds from sale of non-current investments                            | 16             | 5              |
| Payments/Proceeds in connection with current investments and loans       | -9,782         | 380            |
| Proceeds from derivative financial instruments                           | 21,292         | 0              |
| <b>Net cash flows used in investing activities</b>                       | <b>-11,715</b> | <b>-20,105</b> |
| <b>FINANCING ACTIVITIES</b>  |                |                |
| Interest paid  | -63            | -246           |
| Payments in connection with current borrowings                           | 0              | -9,958         |
| Dividends and other profit shares paid                                   | -78            | -23            |
| Repurchase of treasury shares  | -1,841         | -2,383         |
| <b>Net cash flows used in financing activities</b>                       | <b>-1,982</b>  | <b>-12,610</b> |
| <b>Net increase/decrease in cash and cash equivalents</b>                | <b>42,038</b>  | <b>-3,164</b>  |
| Cash and cash equivalents at the beginning of the period                 | 35,826         | 23,585         |
| Effect of exchange rate fluctuations on cash held                        | 238            | 491            |
| <b>Net cash and cash equivalents at the end of the period</b>            | <b>78,102</b>  | <b>20,912</b>  |

## Segment reporting of the Krka Group

| In € thousand                            | European Union     |                    | South-East Europe  |                    | East Europe        |                    | Other              |                    | Elimination        |                    | Total              |                    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|  | 1-3/2016           | 1-3/2015           | 1-3/2016           | 1-3/2015           | 1-3/2016           | 1-3/2015           | 1-3/2016           | 1-3/2015           | 1-3/2016           | 1-3/2015           | 1-3/2016           | 1-3/2015           |
| <b>Revenues from non-Group companies</b> | <b>193,904</b>     | <b>185,865</b>     | <b>14,627</b>      | <b>12,218</b>      | <b>80,117</b>      | <b>81,484</b>      | <b>12,244</b>      | <b>9,737</b>       | <b>0</b>           | <b>0</b>           | <b>300,892</b>     | <b>289,304</b>     |
| <b>Intra-Group revenues</b>              | <b>48,890</b>      | <b>49,275</b>      | <b>6,143</b>       | <b>5,339</b>       | <b>36,768</b>      | <b>47,284</b>      | <b>0</b>           | <b>0</b>           | <b>-91,801</b>     | <b>-101,898</b>    | <b>0</b>           | <b>0</b>           |
| Other operating income                   | 1,089              | 717                | 193                | 39                 | 482                | 901                | 0                  | 0                  | 0                  | 0                  | 1,764              | 1,657              |
| Operating expenses                       | -162,759           | -148,376           | -10,614            | -10,282            | -72,348            | -82,958            | -6,497             | -6,277             | 0                  | 0                  | -252,218           | -247,893           |
| Intra-Group operating expenses           | -86,625            | -99,328            | -6,674             | -5,631             | -79,541            | -77,462            | -2                 | -2                 | 172,842            | 182,423            | 0                  | 0                  |
| Operating profit                         | 32,234             | 38,206             | 4,206              | 1,975              | 8,251              | -573               | 5,747              | 3,460              | 0                  | 0                  | 50,438             | 43,068             |
| Interest income                          | 141                | 106                | 0                  | 0                  | 83                 | 103                | 0                  | 0                  | 0                  | 0                  | 224                | 209                |
| Intra-group interest income              | 229                | 283                | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | -229               | -283               | 0                  | 0                  |
| Interest expenses                        | -1                 | -194               | 0                  | 0                  | -1                 | -2                 | 0                  | 0                  | 0                  | 0                  | -2                 | -196               |
| Intra-group interest expenses            | -84                | -167               | 0                  | 0                  | -189               | -180               | 0                  | 0                  | 273                | 347                | 0                  | 0                  |
| <b>Net financial result</b>              | <b>-62</b>         | <b>2,096</b>       | <b>-625</b>        | <b>-6</b>          | <b>-3,062</b>      | <b>20,029</b>      | <b>-55</b>         | <b>-963</b>        | <b>0</b>           | <b>0</b>           | <b>-3,804</b>      | <b>21,156</b>      |
| Income tax                               | -4,467             | -8,106             | -328               | -653               | -1,267             | 223                | -376               | -574               | 0                  | 0                  | -6,438             | -9,110             |
| <b>Net profit</b>                        | <b>27,705</b>      | <b>32,196</b>      | <b>3,253</b>       | <b>1,316</b>       | <b>3,922</b>       | <b>19,679</b>      | <b>5,316</b>       | <b>1,923</b>       | <b>0</b>           | <b>0</b>           | <b>40,196</b>      | <b>55,114</b>      |
| Investments                              | 21,569             | 18,693             | 23                 | 15                 | 4,587              | 1,581              | 0                  | 0                  | 0                  | 0                  | 26,179             | 20,289             |
| Depreciation                             | 17,760             | 17,338             | 494                | 468                | 6,213              | 6,472              | 93                 | 90                 | 0                  | 0                  | 24,560             | 24,368             |
| Amortisation                             | 1,233              | 1,250              | 76                 | 74                 | 476                | 519                | 56                 | 48                 | 0                  | 0                  | 1,841              | 1,891              |
|  | <b>31 Mar 2016</b> | <b>31 Dec 2015</b> | <b>31 Mar 2016</b> | <b>31 Dec 2015</b> | <b>31 Mar 2016</b> | <b>31 Dec 2015</b> | <b>31 Mar 2016</b> | <b>31 Dec 2015</b> | <b>31 Mar 2016</b> | <b>31 Dec 2015</b> | <b>31 Mar 2016</b> | <b>31 Dec 2015</b> |
| <b>Total assets</b>                      | <b>1,420,584</b>   | <b>1,394,853</b>   | <b>41,274</b>      | <b>38,680</b>      | <b>398,615</b>     | <b>368,309</b>     | <b>9,839</b>       | <b>7,362</b>       | <b>0</b>           | <b>0</b>           | <b>1,870,312</b>   | <b>1,809,204</b>   |
| Goodwill                                 | 42,644             | 42,644             | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 42,644             | 42,644             |
| Trademark                                | 39,647             | 40,495             | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 39,647             | 40,495             |
| <b>Total liabilities</b>                 | <b>320,467</b>     | <b>309,305</b>     | <b>9,809</b>       | <b>8,231</b>       | <b>67,005</b>      | <b>64,079</b>      | <b>21,953</b>      | <b>21,605</b>      | <b>0</b>           | <b>0</b>           | <b>419,234</b>     | <b>403,220</b>     |

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

### Costs by nature

€252,218 thousand

| In € thousand   | 1–3/2016       | 1–3/2015       | Index      |
|---|----------------|----------------|------------|
| Costs of goods and material   | 80,354         | 96,148         | 84         |
| Costs of services   | 53,878         | 50,188         | 107        |
| Employee benefit costs  | 79,414         | 79,156         | 100        |
| Amortisation and depreciation                                       | 26,401         | 26,259         | 101        |
| Inventory write-offs and allowances                                 | 2,031          | 2,590          | 78         |
| Receivables impairment and write-offs                               | 829            | 6,035          | 14         |
| Other operating expenses  | 7,267          | 9,530          | 76         |
| <b>Total costs</b>  | <b>250,174</b> | <b>269,906</b> | <b>93</b>  |
| Change in the value of inventories of products and work in progress | 2,044          | -22,013        | -9         |
| <b>Total</b>  | <b>252,218</b> | <b>247,893</b> | <b>102</b> |

### Employee benefit costs

€79,414 thousand

| In € thousand  | 1–3/2016      | 1–3/2015      | Index      |
|--|---------------|---------------|------------|
| Gross wages and salaries and continued pay                       | 63,134        | 62,435        | 101        |
| Social security contributions                                    | 4,792         | 4,807         | 100        |
| Pension insurance contributions                                  | 8,334         | 8,261         | 101        |
| Payroll tax  | 292           | 248           | 118        |
| Post-employment benefits and other non-current employee benefits | 455           | 890           | 51         |
| Other employee benefit costs                                     | 2,407         | 2,515         | 96         |
| <b>Total employee benefit costs</b>                              | <b>79,414</b> | <b>79,156</b> | <b>100</b> |

### Other operating expenses

€7,267 thousand

| In € thousand   | 1–3/2016     | 1–3/2015     | Index     |
|---|--------------|--------------|-----------|
| Grants and assistance for humanitarian and other purposes           | 338          | 415          | 81        |
| Environmental protection expenses                                   | 791          | 785          | 101       |
| Other taxes and levies  | 4,968        | 6,848        | 73        |
| Loss on sale of property, plant and equipment and intangible assets | 164          | 328          | 50        |
| Other expenses  | 1,006        | 1,154        | 87        |
| <b>Total other operating expenses</b>                               | <b>7,267</b> | <b>9,530</b> | <b>76</b> |

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

## Financial income and expenses

| In € thousand  | 1–3/2016       | 1–3/2015      | Index         |
|--|----------------|---------------|---------------|
| Net foreign exchange differences                           | 10,434         | 21,183        | 49            |
| Interest income  | 224            | 209           | 107           |
| Change in fair value of investments through profit or loss | 6              | 0             |               |
| Proceeds from sale of investments                          | 0              | 24            | 0             |
| Derivatives income   | 21,292         | 0             |               |
| – income   | 21,292         | 0             |               |
| <b>Total financial income</b>                              | <b>31,956</b>  | <b>21,416</b> | <b>149</b>    |
| Interest expenses  | -2             | -196          | 1             |
| Change in fair value of investments through profit or loss | 0              | -12           | 0             |
| Derivatives expenses                                       | -35,697        | 0             |               |
| – change in fair value                                     | -35,697        | 0             |               |
| Other financial expenses                                   | -61            | -52           | 117           |
| <b>Total financial expenses</b>                            | <b>-35,760</b> | <b>-260</b>   | <b>13,754</b> |
| <b>Net financial result</b>                                | <b>-3,804</b>  | <b>21,156</b> |               |

## Income tax

€6,438 thousand

Current income tax amounts to €6,062 thousand, which is 13.0% of pre-tax profit. Together with the deferred tax of €376 thousand, the total income tax expense in the income statement equals €6,438

thousand. The effective tax rate is 13.8%, down 0.4 of a percentage point from the same period last year.

## Property, plant and equipment

€832,714 thousand

| In € thousand                                | 31 Mar 2016    | 31 Dec 2015    | Index      |
|--|----------------|----------------|------------|
| Land   | 35,379         | 35,227         | 100        |
| Buildings                                    | 404,300        | 408,238        | 99         |
| Equipment                                    | 340,051        | 352,005        | 97         |
| Property, plant and equipment being acquired | 52,984         | 30,722         | 172        |
| <b>Total property, plant and equipment</b>   | <b>832,714</b> | <b>826,192</b> | <b>101</b> |

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

## Intangible assets

€115,611 thousand

| In € thousand                                     | 31 Mar 2016    | 31 Dec 2015    | Index     |
|---|----------------|----------------|-----------|
| Goodwill  | 42,644         | 42,644         | 100       |
| Trademark   | 39,647         | 39,859         | 99        |
| Concessions, patents, licences and similar rights | 29,026         | 30,506         | 95        |
| Intangible assets being acquired                  | 4,294          | 3,931          | 109       |
| <b>Total intangible assets</b>                    | <b>115,611</b> | <b>116,940</b> | <b>99</b> |

## Loans

€55,285 thousand

| In € thousand                                     | 31 Mar 2016   | 31 Dec 2015   | Index      |
|---|---------------|---------------|------------|
| <b>Non-current loans</b>                          | <b>8,136</b>  | <b>7,696</b>  | <b>106</b> |
| – loans to others                                 | 8,136         | 7,696         | 106        |
| <b>Current loans</b>                              | <b>47,149</b> | <b>37,380</b> | <b>126</b> |
| – portion of non-current loans maturing next year | 703           | 155           | 454        |
| – loans to others                                 | 46,445        | 37,224        | 125        |
| – current interest receivable                     | 1             | 1             | 100        |
| <b>Total loans</b>                                | <b>55,285</b> | <b>45,076</b> | <b>123</b> |

Non-current loans represent 15% of total loans.

loans.

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

Current loans to others include €46,000 thousand of the controlling company's short-term bank deposits with maturities longer than 30 days.

## Investments

€8,051 thousand

| In € thousand                                    | 31 Mar 2016  | 31 Dec 2015   | Index      |
|--|--------------|---------------|------------|
| <b>Non-current investments</b>                   | <b>7,966</b> | <b>7,580</b>  | <b>105</b> |
| – available-for-sale financial assets            | 7,966        | 7,580         | 105        |
| <b>Current investments including derivatives</b> | <b>85</b>    | <b>11,808</b> | <b>1</b>   |
| – shares and interests held for trading          | 85           | 79            | 108        |
| – derivatives                                    | 0            | 11,729        | 0          |
| <b>Total investments</b>                         | <b>8,051</b> | <b>19,388</b> | <b>42</b>  |

Available-for-sale financial assets include €712 thousand of investments in shares and

interests in Slovenia, and €7,254 thousand of investments in shares and interests abroad.

## Inventories

€265,052 thousand

| In € thousand            | 31 Mar 2016    | 31 Dec 2015    | Index     |
|--------------------------|----------------|----------------|-----------|
| Material                 | 104,624        | 111,113        | 94        |
| Work in progress         | 66,339         | 64,369         | 103       |
| Products                 | 87,378         | 90,395         | 97        |
| Merchandise              | 6,243          | 6,287          | 99        |
| Inventory advances       | 468            | 714            | 66        |
| <b>Total inventories</b> | <b>265,052</b> | <b>272,878</b> | <b>97</b> |

## Trade and other receivables

€487,796 thousand

| In € thousand             | 31 Mar 2016    | 31 Dec 2015    | Index      |
|---------------------------|----------------|----------------|------------|
| Current trade receivables | 459,115        | 433,133        | 106        |
| Other current receivables | 28,681         | 31,540         | 91         |
| <b>Total receivables</b>  | <b>487,796</b> | <b>464,673</b> | <b>105</b> |

## Cash and cash equivalents

€78,102 thousand

| In € thousand                          | 31 Mar 2016   | 31 Dec 2015   | Index      |
|--|---------------|---------------|------------|
| Cash in hand                           | 23            | 32            | 72         |
| Bank balances                          | 78,079        | 35,794        | 218        |
| <b>Total cash and cash equivalents</b> | <b>78,102</b> | <b>35,826</b> | <b>218</b> |

## Equity

€1,451,078 thousand

| In € thousand                                  | 31 Mar 2016      | 31 Dec 2015      | Index      |
|--|------------------|------------------|------------|
| Share capital                                  | 54,732           | 54,732           | 100        |
| Treasury shares                                | -21,912          | -20,071          | 109        |
| Reserves                                       | 82,498           | 73,387           | 112        |
| – reserves for treasury shares                 | 21,912           | 20,071           | 109        |
| – share premium                                | 105,897          | 105,897          | 100        |
| – legal reserves                               | 14,990           | 14,990           | 100        |
| – statutory reserves                           | 30,000           | 30,000           | 100        |
| – fair value reserve                           | -11,602          | -12,453          | 93         |
| – translation reserve                          | -78,699          | -85,118          | 92         |
| Retained earnings                              | 1,334,446        | 1,296,688        | 103        |
| <b>Total equity holders of the parent</b>      | <b>1,449,764</b> | <b>1,404,736</b> | <b>103</b> |
| <b>Non-controlling interests within equity</b> | <b>1,314</b>     | <b>1,248</b>     | <b>105</b> |
| <b>Total equity</b>                            | <b>1,451,078</b> | <b>1,405,984</b> | <b>103</b> |



## Provisions

€85,220 thousand

| In € thousand   | 31 Mar 2016   | 31 Dec 2015   | Index      |
|---|---------------|---------------|------------|
| Provisions for lawsuits   | 265           | 264           | 100        |
| Provisions for post-employment benefits and other non-current employee benefits | 84,482        | 84,131        | 100        |
| Other provisions  | 473           | 470           | 101        |
| <b>Total provisions</b>   | <b>85,220</b> | <b>84,865</b> | <b>100</b> |

## Deferred revenues

€13,069 thousand

| In € thousand   | 31 Mar 2016   | 31 Dec 2015   | Index     |
|---|---------------|---------------|-----------|
| Grants received from the European Regional Development Fund and the Republic of Slovenia budget for the construction of the new Notol 2 plant for production of pharmaceuticals | 2,583         | 2,650         | 97        |
| Grants received from the budget for the Dolenjske and Šmarješke Toplice health resorts and Golf Grad Otočec   | 4,056         | 4,100         | 99        |
| Grants received from the European Regional Development Fund received for the Sinteza 4 project  | 3             | 4             | 75        |
| Grants received from the European Regional Development Fund – development of new technologies (FBD project)   | 413           | 437           | 95        |
| Grants received from the European Regional Development Fund for setting up information and technology solutions system (GEN-I)  | 18            | 19            | 95        |
| Grants by the European Fund – Development Centres of the Slovene Economy  | 5,924         | 6,094         | 97        |
| Property, plant and equipment received for free   | 50            | 55            | 91        |
| Emission coupons  | 22            | 22            | 100       |
| <b>Total deferred revenue</b>   | <b>13,069</b> | <b>13,381</b> | <b>98</b> |

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

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

## Trade payables

€99,102 thousand

| In € thousand                  | 31 Mar 2016   | 31 Dec 2015    | Index     |
|--------------------------------|---------------|----------------|-----------|
| Payables to domestic suppliers | 41,418        | 38,298         | 108       |
| Payables to foreign suppliers  | 56,040        | 61,742         | 91        |
| Payables from advances         | 1,644         | 3,831          | 43        |
| <b>Total trade payables</b>    | <b>99,102</b> | <b>103,871</b> | <b>95</b> |

## Other current liabilities

€198,209 thousand

| In € thousand   | 31 Mar 2016    | 31 Dec 2015    | Index      |
|---|----------------|----------------|------------|
| Accrued contractual discounts on products sold                  | 121,433        | 128,179        | 95         |
| Payables to employees – gross wages, other receipts and charges | 36,995         | 33,657         | 110        |
| Derivatives   | 23,968         | 0              |            |
| Other   | 15,813         | 18,501         | 85         |
| <b>Total other current liabilities</b>                          | <b>198,209</b> | <b>180,337</b> | <b>110</b> |

## Contingent liabilities

€13,873 thousand

| In € thousand                       | 31 Mar 2016   | 31 Dec 2015   | Index     |
|-------------------------------------|---------------|---------------|-----------|
| Guarantees issued                   | 13,253        | 19,150        | 69        |
| Other                               | 620           | 620           | 100       |
| <b>Total contingent liabilities</b> | <b>13,873</b> | <b>19,770</b> | <b>70</b> |

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

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

| In € thousand                                 | 31 Mar 2016      | 31 Dec 2015      | Index      |
|---|------------------|------------------|------------|
| <b>Assets</b>                                 |                  |                  |            |
| Property, plant and equipment                 | 607,267          | 610,067          | 100        |
| Intangible assets                             | 30,578           | 31,557           | 97         |
| Investments in subsidiaries                   | 310,152          | 302,114          | 103        |
| Non-current receivables due from subsidiaries | 18,200           | 10,704           | 170        |
| Loans   | 28,643           | 26,300           | 109        |
| Investments                                   | 7,964            | 7,578            | 105        |
| Deferred tax assets                           | 11,473           | 11,567           | 99         |
| Other non-current assets                      | 90               | 88               | 102        |
| <b>Total non-current assets</b>               | <b>1,014,367</b> | <b>999,975</b>   | <b>101</b> |
| Assets held for sale                          | 41               | 41               | 100        |
| Inventories                                   | 223,670          | 230,568          | 97         |
| Trade receivables                             | 420,979          | 402,189          | 105        |
| Other receivables                             | 15,190           | 16,602           | 91         |
| Loans   | 84,477           | 75,907           | 111        |
| Investments                                   | 85               | 11,808           | 1          |
| Cash and cash equivalents                     | 59,550           | 24,622           | 242        |
| <b>Total current assets</b>                   | <b>803,992</b>   | <b>761,737</b>   | <b>106</b> |
| <b>Total assets</b>                           | <b>1,818,359</b> | <b>1,761,712</b> | <b>103</b> |
|   |                  |                  |            |
| <b>Equity</b>                                 |                  |                  |            |
| Share capital                                 | 54,732           | 54,732           | 100        |
| Treasury shares                               | -21,912          | -20,071          | 109        |
| Reserves                                      | 162,657          | 159,965          | 102        |
| Retained earnings                             | 1,268,998        | 1,238,585        | 102        |
| <b>Total equity</b>                           | <b>1,464,475</b> | <b>1,433,211</b> | <b>102</b> |
| <b>Liabilities</b>                            |                  |                  |            |
| Provisions                                    | 73,927           | 73,585           | 100        |
| Deferred revenue                              | 3,071            | 3,168            | 97         |
| <b>Total non-current liabilities</b>          | <b>76,998</b>    | <b>76,753</b>    | <b>100</b> |
| Trade payables                                | 125,845          | 132,065          | 95         |
| Borrowings                                    | 71,050           | 66,244           | 107        |
| Income tax payable                            | 9,926            | 7,509            | 132        |
| Other current liabilities                     | 70,065           | 45,930           | 153        |
| <b>Total current liabilities</b>              | <b>276,886</b>   | <b>251,748</b>   | <b>110</b> |
| <b>Total liabilities</b>                      | <b>353,884</b>   | <b>328,501</b>   | <b>108</b> |
| <b>Total equity and liabilities</b>           | <b>1,818,359</b> | <b>1,761,712</b> | <b>103</b> |

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

| In € thousand                            | 1–3/2016       | 1–3/2015       | Index      |
|--|----------------|----------------|------------|
| Revenues                                 | 263,371        | 260,756        | 101        |
| Costs of goods sold                      | -114,256       | -112,873       | 101        |
| <b>Gross profit</b>                      | <b>149,115</b> | <b>147,883</b> | <b>101</b> |
| Other operating income                   | 718            | 526            | 137        |
| Selling and distribution expenses        | -62,083        | -69,580        | 89         |
| R&D expenses                             | -31,154        | -28,853        | 108        |
| General and administrative expenses      | -17,230        | -15,942        | 108        |
| <b>Operating profit</b>                  | <b>39,366</b>  | <b>34,034</b>  | <b>116</b> |
| Financial income                         | 33,022         | 23,121         | 143        |
| Financial expenses                       | -35,960        | -525           | 6,850      |
| <b>Net financial result</b>              | <b>-2,938</b>  | <b>22,596</b>  | <b>-13</b> |
| <b>Profit before tax</b>                 | <b>36,428</b>  | <b>56,630</b>  | <b>64</b>  |
| Income tax                               | -3,643         | -7,079         | 51         |
| <b>Net profit</b>                        | <b>32,785</b>  | <b>49,551</b>  | <b>66</b>  |
| <b>Basic earnings per share (in €)</b>   | <b>1.01</b>    | <b>1.52</b>    | <b>66</b>  |
| <b>Diluted earnings per share (in €)</b> | <b>1.01</b>    | <b>1.52</b>    | <b>66</b>  |

\* Net profit / Average number of shares issued in the period, exclusive of treasury shares

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

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

| In € thousand  | 1–3/2016      | 1–3/2015      | Index     |
|--|---------------|---------------|-----------|
| <b>Net profit</b>  | <b>32,785</b> | <b>49,551</b> | <b>66</b> |
| <b>Other comprehensive income for the period</b>                                       |               |               |           |
| <b>Other comprehensive income reclassified to profit or loss in future periods</b>     |               |               |           |
| Change in fair value of available-for-sale financial assets                            | 386           | 1,097         | 35        |
| Deferred tax effect  | -66           | -186          | 35        |
| <b>Net other comprehensive income reclassified to profit or loss in future periods</b> | <b>320</b>    | <b>911</b>    | <b>35</b> |
| <b>Total other comprehensive income for the period (net of tax)</b>                    | <b>320</b>    | <b>911</b>    | <b>35</b> |
| <b>Total comprehensive income for the period (net of tax)</b>                          | <b>33,105</b> | <b>50,462</b> | <b>66</b> |

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

|   | Share capital | Treasury shares | Reserves                     |               |                |                    |                    | Retained earnings     |                   |                       | Total equity |
|---|---------------|-----------------|------------------------------|---------------|----------------|--------------------|--------------------|-----------------------|-------------------|-----------------------|--------------|
|   |               |                 | Reserves for treasury shares | Share premium | Legal reserves | Statutory reserves | Fair value reserve | Other profit reserves | Retained earnings | Profit for the period |              |
| In € thousand   |               |                 |                              |               |                |                    |                    |                       |                   |                       |              |
| 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                 | 32,785                | 32,785       |
| Total other comprehensive income for the period (net of tax)  | 0             | 0               | 0                            | 0             | 0              | 0                  | 851                | 0                     | -531              | 0                     | 320          |
| Total comprehensive income for the period (net of tax)        | 0             | 0               | 0                            | 0             | 0              | 0                  | 851                | 0                     | -531              | 32,785                | 33,105       |
| Transactions with owners, recognised directly in equity       |               |                 |                              |               |                |                    |                    |                       |                   |                       |              |
| 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             | -1,841          | 0                            | 0             | 0              | 0                  | 0                  | 0                     | 0                 | 0                     | -1,841       |
| Formation of reserves for treasury shares                     | 0             | 0               | 1,841                        | 0             | 0              | 0                  | 0                  | 0                     | 0                 | -1,841                | 0            |
| Total transactions with owners, recognised directly in equity | 0             | -1,841          | 1,841                        | 0             | 0              | 0                  | 0                  | 0                     | 136,868           | -138,709              | -1,841       |
| Balance at 31 Mar 2016  | 54,732        | -21,912         | 21,912                       | 105,897       | 14,990         | 30,000             | -10,142            | 1,051,677             | 186,377           | 30,944                | 1,464,475    |

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

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

| In € thousand  | 1–3/2016       | 1–3/2015       |
|--|----------------|----------------|
| <b>OPERATING ACTIVITIES</b>  |                |                |
| <b>Net profit</b>  | <b>32,785</b>  | <b>49,551</b>  |
| <b>Adjustments for:</b>  | <b>37,134</b>  | <b>25,691</b>  |
| – amortisation/depreciation  | 20,758         | 20,353         |
| – foreign exchange differences   | -1,494         | -2,062         |
| – investment income  | -21,823        | -483           |
| – investment expenses  | 35,786         | 291            |
| – interest expenses and other financial expenses                                     | 264            | 513            |
| – income tax   | 3,643          | 7,079          |
| <b>Operating profit before changes in net operating current assets</b>               | <b>69,919</b>  | <b>75,242</b>  |
| Change in trade receivables  | -24,107        | -17,476        |
| Change in inventories  | 6,898          | -16,729        |
| Change in trade payables   | -9,798         | -10,624        |
| Change in provisions   | 342            | 842            |
| Change in deferred revenues  | -97            | -607           |
| Change in other current liabilities  | 245            | -1,063         |
| Income taxes paid  | -1,198         | -5,474         |
| <b>Net cash flows from operating activities</b>                                      | <b>42,204</b>  | <b>24,111</b>  |
| <b>INVESTING ACTIVITIES</b>  |                |                |
| Interest received  | 401            | 482            |
| Proceeds from sale of current investments  | 0              | 24             |
| Proceeds from sale of property, plant and equipment                                  | 61             | 1,298          |
| Acquisition of intangible assets   | -424           | -1,141         |
| Purchase of property, plant and equipment  | -13,779        | -17,956        |
| Acquisition of subsidiaries and a share of minority interest without obtained assets | -8,038         | -2,396         |
| Non-current loans  | -1,405         | -612           |
| Proceeds from repayment of non-current loans   | 666            | 7,252          |
| Payments to acquire non-current investments  | -20            | -7             |
| Proceeds from sale of non-current investments  | 17             | 5              |
| Payments/Proceeds in connection with current investments and loans                   | -8,980         | 1,075          |
| Proceeds from derivative financial instruments                                       | 21,292         | 0              |
| <b>Net cash flows used in investing activities</b>                                   | <b>-10,209</b> | <b>-11,976</b> |
| <b>FINANCING ACTIVITIES</b>  |                |                |
| Interest paid  | -450           | -508           |
| Proceeds/Payments in connection with current borrowings                              | 4,993          | -8,065         |
| Dividends and other profit shares paid   | -78            | -23            |
| Repurchase of treasury shares  | -1,841         | -2,383         |
| <b>Net cash flows used in financing activities</b>                                   | <b>2,624</b>   | <b>-10,979</b> |
| <b>Net increase/decrease in cash and cash equivalents</b>                            | <b>34,619</b>  | <b>1,156</b>   |
| Cash and cash equivalents at the beginning of the year                               | 24,622         | 8,203          |
| Effect of exchange rate fluctuations on cash held                                    | 309            | 461            |
| <b>Net cash and cash equivalents at the end of the period</b>                        | <b>59,550</b>  | <b>9,820</b>   |



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

| In € thousand               | European Union     |                    | South-East Europe  |                    | East Europe        |                    | Other              |                    | Total              |                    |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                             | 1-3/2016           | 1-3/2015           | 1-3/2016           | 1-3/2015           | 1-3/2016           | 1-3/2015           | 1-3/2016           | 1-3/2015           | 1-3/2016           | 1-3/2015           |
| <b>Revenues</b>             | <b>171,501</b>     | <b>160,224</b>     | <b>13,789</b>      | <b>12,747</b>      | <b>67,523</b>      | <b>78,749</b>      | <b>10,558</b>      | <b>9,036</b>       | <b>263,371</b>     | <b>260,756</b>     |
| Other operating income      | 605                | 392                | 4                  | 4                  | 109                | 130                | 0                  | 0                  | 718                | 526                |
| Operating expenses          | -145,141           | -140,536           | -9,954             | -9,761             | -63,131            | -70,674            | -6,497             | -6,277             | -224,723           | -227,248           |
| <b>Operating profit</b>     | <b>26,965</b>      | <b>20,080</b>      | <b>3,839</b>       | <b>2,990</b>       | <b>4,501</b>       | <b>8,205</b>       | <b>4,061</b>       | <b>2,759</b>       | <b>39,366</b>      | <b>34,034</b>      |
| Interest income             | 220                | 267                | 0                  | 0                  | 189                | 180                | 0                  | 0                  | 409                | 447                |
| Interest expenses           | -230               | -469               | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | -230               | -469               |
| <b>Net financial result</b> | <b>131</b>         | <b>1,981</b>       | <b>6</b>           | <b>-6</b>          | <b>-3,020</b>      | <b>21,584</b>      | <b>-55</b>         | <b>-963</b>        | <b>-2,938</b>      | <b>22,596</b>      |
| Income tax                  | -2,495             | -4,176             | -355               | -622               | -417               | -1,707             | -376               | -574               | -3,643             | -7,079             |
| <b>Net profit</b>           | <b>24,601</b>      | <b>17,885</b>      | <b>3,490</b>       | <b>2,362</b>       | <b>1,064</b>       | <b>28,082</b>      | <b>3,630</b>       | <b>1,222</b>       | <b>32,785</b>      | <b>49,551</b>      |
| Investments                 | 18,497             | 17,458             | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 18,497             | 17,458             |
| Depreciation                | 14,244             | 13,699             | 434                | 411                | 4,584              | 4,761              | 93                 | 90                 | 19,355             | 18,961             |
| Amortisation                | 914                | 855                | 73                 | 68                 | 360                | 421                | 56                 | 48                 | 1,403              | 1,392              |
|                             | <b>31 Mar 2016</b> | <b>31 Dec 2015</b> | <b>31 Mar 2016</b> | <b>31 Dec 2015</b> | <b>31 Mar 2016</b> | <b>31 Dec 2015</b> | <b>31 Mar 2016</b> | <b>31 Dec 2015</b> | <b>31 Mar 2016</b> | <b>31 Dec 2015</b> |
| <b>Total assets</b>         | <b>1,335,630</b>   | <b>1,294,913</b>   | <b>41,658</b>      | <b>39,325</b>      | <b>431,236</b>     | <b>420,117</b>     | <b>9,835</b>       | <b>7,357</b>       | <b>1,818,359</b>   | <b>1,761,712</b>   |
| <b>Total liabilities</b>    | <b>266,584</b>     | <b>242,426</b>     | <b>8,973</b>       | <b>7,457</b>       | <b>56,374</b>      | <b>57,013</b>      | <b>21,953</b>      | <b>21,605</b>      | <b>353,884</b>     | <b>328,501</b>     |

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

### Costs by nature

€224,723 thousand

| In € thousand   | 1–3/2016       | 1–3/2015       | Index     |
|---|----------------|----------------|-----------|
| Costs of goods and material   | 77,771         | 89,551         | 87        |
| Costs of services   | 74,378         | 71,230         | 104       |
| Employee benefit costs  | 49,768         | 49,029         | 102       |
| Amortisation and depreciation                                       | 20,758         | 20,353         | 102       |
| Inventory write-offs and allowances                                 | 1,515          | 1,100          | 138       |
| Receivables impairment and write-offs                               | 45             | 5,556          | 1         |
| Other operating expenses  | 4,662          | 7,070          | 66        |
| <b>Total costs</b>  | <b>228,897</b> | <b>243,889</b> | <b>94</b> |
| Change in the value of inventories of products and work in progress | -4,174         | -16,641        | 25        |
| <b>Total</b>  | <b>224,723</b> | <b>227,248</b> | <b>99</b> |

### Employee benefit costs

€49,768 thousand

| In € thousand  | 1–3/2016      | 1–3/2015      | Index      |
|--|---------------|---------------|------------|
| Gross wages and salaries and continued pay                       | 40,535        | 39,442        | 103        |
| Social security contributions                                    | 2,665         | 2,605         | 102        |
| Pension insurance contributions                                  | 4,835         | 4,596         | 105        |
| Post-employment benefits and other non-current employee benefits | 341           | 842           | 40         |
| Other employee benefit costs                                     | 1,392         | 1,544         | 90         |
| <b>Total employee benefit costs</b>                              | <b>49,768</b> | <b>49,029</b> | <b>102</b> |

### Other operating expenses

€4,662 thousand

| In € thousand   | 1–3/2016     | 1–3/2015     | Index     |
|---|--------------|--------------|-----------|
| Grants and assistance for humanitarian and other purposes           | 200          | 302          | 66        |
| Environmental protection expenses                                   | 525          | 608          | 86        |
| Other taxes and levies  | 3,105        | 5,033        | 62        |
| Loss on sale of property, plant and equipment and intangible assets | 89           | 279          | 32        |
| Other expenses  | 743          | 848          | 88        |
| <b>Total other operating expenses</b>                               | <b>4,662</b> | <b>7,070</b> | <b>66</b> |

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

## Financial income and expenses

| In € thousand  | 1–3/2016       | 1–3/2015      | Index        |
|--|----------------|---------------|--------------|
| Net foreign exchange differences                           | 11,315         | 22,650        | 50           |
| Interest income  | 409            | 447           | 91           |
| Change in fair value of investments through profit or loss | 6              | 0             |              |
| Proceeds from sale of investments                          | 0              | 24            | 0            |
| Derivatives income   | 21,292         | 0             |              |
| – income   | 21,292         | 0             |              |
| <b>Total financial income</b>                              | <b>33,022</b>  | <b>23,121</b> | <b>143</b>   |
| Interest expenses  | -230           | -469          | 49           |
| Change in fair value of investments through profit or loss | 0              | -12           | 0            |
| Derivatives expenses                                       | -35,697        | 0             |              |
| – change in fair value                                     | -35,697        | 0             |              |
| Other financial expenses                                   | -33            | -44           | 75           |
| <b>Total financial expenses</b>                            | <b>-35,960</b> | <b>-525</b>   | <b>6,850</b> |
| <b>Net financial result</b>                                | <b>-2,938</b>  | <b>22,596</b> |              |

### Income tax

€3,643 thousand

Current income tax amounts to €3,615 thousand, which is 9.9% of pre-tax profit. Together with the deferred tax of €28 thousand, the total income tax expense in the income statement equals €3,643

thousand. The effective tax rate is 10.0%, down 2.5 of a percentage point from the same period last year.

### Property, plant and equipment

€607,267 thousand

| In € thousand                                | 31 Mar 2016    | 31 Dec 2015    | Index      |
|--|----------------|----------------|------------|
| Land   | 22,928         | 22,826         | 100        |
| Buildings                                    | 269,903        | 275,657        | 98         |
| Equipment                                    | 284,647        | 295,893        | 96         |
| Property, plant and equipment being acquired | 29,789         | 15,691         | 190        |
| <b>Total property, plant and equipment</b>   | <b>607,267</b> | <b>610,067</b> | <b>100</b> |

The value of property, plant and equipment represents just over 33% of the Krka Company's

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

### Intangible assets

€30,578 thousand

| In € thousand                                     | 31 Mar 2016   | 31 Dec 2015   | Index     |
|---|---------------|---------------|-----------|
| Concessions, patents, licences and similar rights | 26,283        | 27,642        | 95        |
| Intangible assets being acquired                  | 4,295         | 3,915         | 110       |
| <b>Total intangible assets</b>                    | <b>30,578</b> | <b>31,557</b> | <b>97</b> |

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

## Loans

€113,120 thousand

| In € thousand                                     | 31 Mar 2016    | 31 Dec 2015    | Index      |
|---|----------------|----------------|------------|
| <b>Non-current loans</b>                          | <b>28,643</b>  | <b>26,300</b>  | <b>109</b> |
| – loans to subsidiaries                           | 20,785         | 18,908         | 110        |
| – loans to others                                 | 7,858          | 7,392          | 106        |
| <b>Current loans</b>                              | <b>84,477</b>  | <b>75,907</b>  | <b>111</b> |
| – portion of non-current loans maturing next year | 1,795          | 2,459          | 73         |
| – loans to subsidiaries                           | 36,186         | 37,040         | 98         |
| – loans to others                                 | 46,309         | 36,230         | 128        |
| – current interest receivable                     | 187            | 178            | 105        |
| <b>Total loans</b>                                | <b>113,120</b> | <b>102,207</b> | <b>111</b> |

Non-current loans represent 25% of total loans.

Non-current loans to others include loans that the Company extends in accordance with its internal

acts to its employees and that are primarily housing loans.

Current loans to others include €46,000 thousand of short-term bank deposits with maturities longer than 30 days.

## Investments

€8,049 thousand

| In € thousand                           | 31 Mar 2016  | 31 Dec 2015   | Index      |
|---|--------------|---------------|------------|
| <b>Non-current investments</b>          | <b>7,964</b> | <b>7,578</b>  | <b>105</b> |
| – available-for-sale financial assets   | 7,964        | 7,578         | 105        |
| <b>Current investments</b>              | <b>85</b>    | <b>11,808</b> | <b>1</b>   |
| – shares and interests held for trading | 85           | 79            | 108        |
| – derivatives                           | 0            | 11,729        | 0          |
| <b>Total investments</b>                | <b>8,049</b> | <b>19,386</b> | <b>42</b>  |

Available-for-sale financial assets include €711 thousand of investments in shares and interests in Slovenia, and €7,253 thousand of investments in shares and interests abroad.

## Inventories

€223,670 thousand

| In € thousand            | 31 Mar 2016    | 31 Dec 2015    | Index     |
|--------------------------|----------------|----------------|-----------|
| Material                 | 95,587         | 103,895        | 92        |
| Work in progress         | 64,445         | 61,941         | 104       |
| Products                 | 55,138         | 54,934         | 100       |
| Merchandise              | 8,110          | 9,172          | 88        |
| Inventory advances       | 390            | 626            | 62        |
| <b>Total inventories</b> | <b>223,670</b> | <b>230,568</b> | <b>97</b> |

## Trade and other receivables

€436,169 thousand

| In € thousand   | 31 Mar 2016    | 31 Dec 2015    | Index      |
|---|----------------|----------------|------------|
| Current trade receivables   | 420,979        | 402,189        | 105        |
| – current receivables due from subsidiaries                         | 228,614        | 217,352        | 105        |
| – current receivables due from customers other than Group companies | 192,365        | 184,837        | 104        |
| Other current receivables   | 15,190         | 16,602         | 91         |
| <b>Total receivables</b>  | <b>436,169</b> | <b>418,791</b> | <b>104</b> |

## Cash and cash equivalents

€59,550 thousand

| In € thousand                          | 31 Mar 2016   | 31 Dec 2015   | Index      |
|--|---------------|---------------|------------|
| Cash in hand                           | 2             | 1             | 200        |
| Bank balances                          | 59,548        | 24,621        | 242        |
| <b>Total cash and cash equivalents</b> | <b>59,550</b> | <b>24,622</b> | <b>242</b> |

## Equity

€1,464,475 thousand

| In € thousand                  | 31 Mar 2016      | 31 Dec 2015      | Index      |
|--------------------------------|------------------|------------------|------------|
| Share capital                  | 54,732           | 54,732           | 100        |
| Treasury shares                | -21,912          | -20,071          | 109        |
| Reserves:                      | 162,657          | 159,965          | 102        |
| – reserves for treasury shares | 21,912           | 20,071           | 109        |
| – share premium                | 105,897          | 105,897          | 100        |
| – legal reserves               | 14,990           | 14,990           | 100        |
| – statutory reserves           | 30,000           | 30,000           | 100        |
| – fair value reserve           | -10,142          | -10,993          | 92         |
| Retained earnings              | 1,268,998        | 1,238,585        | 102        |
| <b>Total equity</b>            | <b>1,464,475</b> | <b>1,433,211</b> | <b>102</b> |

## Borrowings

€71,050 thousand

| In € thousand                                     | 31 Mar 2016   | 31 Dec 2015   | Index      |
|---|---------------|---------------|------------|
| <b>Current borrowings</b>                         | <b>71,050</b> | <b>66,244</b> | <b>107</b> |
| – portion of non-current loans maturing next year | 500           | 500           | 100        |
| – borrowings from subsidiaries                    | 70,436        | 65,443        | 108        |
| – current interest payable                        | 114           | 301           | 38         |
| <b>Total borrowings</b>                           | <b>71,050</b> | <b>66,244</b> | <b>107</b> |

## Provisions

€73,927 thousand

| In € thousand   | 31 Mar 2016   | 31 Dec 2015   | Index      |
|---|---------------|---------------|------------|
| Provisions for post-employment benefits and other non-current employee benefits | 73,927        | 73,585        | 100        |
| <b>Total provisions</b>   | <b>73,927</b> | <b>73,585</b> | <b>100</b> |

## Deferred revenue

€3,071 thousand

| In € thousand  | 31 Mar 2016  | 31 Dec 2015  | Index     |
|--|--------------|--------------|-----------|
| Grants received from the European Regional Development Fund and Republic of Slovenia budget for the project Pharmaceuticals Production in the new Noto 2 Plant | 2,583        | 2,650        | 97        |
| Grants received from the European Regional Development Fund received for the Sinteza 4 project   | 3            | 4            | 75        |
| Grants received from the European Regional Development Fund – development of new technologies (FBD project)  | 413          | 437          | 95        |
| Grants received from the European Regional Development Fund for setting up information and technology solutions system (GEN-I)                                 | 18           | 19           | 95        |
| Property, plant and equipment received free of charge  | 32           | 36           | 89        |
| Emission coupons   | 22           | 22           | 100       |
| <b>Total deferred revenue</b>  | <b>3,071</b> | <b>3,168</b> | <b>97</b> |

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

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

## Trade payables

€125,845 thousand

| In € thousand                  | 31 Mar 2016    | 31 Dec 2015    | Index     |
|--------------------------------|----------------|----------------|-----------|
| Payables to subsidiaries       | 55,679         | 58,766         | 95        |
| Payables to domestic suppliers | 37,526         | 34,124         | 110       |
| Payables to foreign suppliers  | 31,575         | 35,733         | 88        |
| Payables from advances         | 1,065          | 3,442          | 31        |
| <b>Total trade payables</b>    | <b>125,845</b> | <b>132,065</b> | <b>95</b> |

## Other current liabilities

€70,065 thousand

| In € thousand   | 31 Mar 2016   | 31 Dec 2015   | Index      |
|---|---------------|---------------|------------|
| Accrued contractual discounts on products sold                  | 12,985        | 12,985        | 100        |
| Payables to employees – gross wages, other receipts and charges | 27,506        | 26,185        | 105        |
| Derivatives   | 23,968        | 0             |            |
| Other   | 5,606         | 6,760         | 83         |
| <b>Total other current liabilities</b>                          | <b>70,065</b> | <b>45,930</b> | <b>153</b> |

## Contingent liabilities

€15,587 thousand

| In € thousand                       | 31 Mar 2016   | 31 Dec 2015   | Index     |
|-------------------------------------|---------------|---------------|-----------|
| Guarantees issued                   | 14,967        | 21,306        | 70        |
| Other                               | 620           | 620           | 100       |
| <b>Total contingent liabilities</b> | <b>15,587</b> | <b>21,926</b> | <b>71</b> |

## MANAGEMENT BOARD STATEMENT OF RESPONSIBILITIES

The Management Board of Krka, d. d., Novo mesto hereby states that the condensed financial statements of the Krka Company and the condensed consolidated financial statements of the Krka Group for the three months ended 31 March 2016 were drawn up so as to provide a true and fair view of the financial standing and operating results of the Krka Company and the Krka Group. The condensed statements for the period January–March 2016 were drawn up using the same accounting principles as for the annual financial statements of the Krka Company and the Krka Group for the full year 2015.

The condensed interim financial statements for the three months ended 31 March 2016 were drawn up

Novo mesto, 26 April 2016

pursuant to IAS 34 – Interim Financial Reporting, and must be read in conjunction with the annual financial statements drawn up for the business year ended 31 December 2015.

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

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



Jože Colarič,  
President of the Management Board and Chief Executive



Dr Aleš Rotar,  
Member of the Management Board



Dr Vinko Zupančič,  
Member of the Management Board



David Bratož,  
Member of the Management Board



Milena Kastelic,  
Member of the Management Board – Worker Director