



Unaudited Interim Report for the Krka Group and Krka, d. d. for the First Quarter of 2018

Novo mesto, May 2018

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INTRODUCTION

The condensed financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (the Company) for the first quarters of 2018 and the first quarter of 2017 are unaudited, while the financial statements for the full 2017 business year are audited. Krka, d. d., Novo mesto has no authorised capital and has not made any conditional share capital increase.

The 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. Reports on the performance of the Krka Group and the Company are available on the Krka website www.krka.si.

At its regular meeting of 22 May 2018, the Company's supervisory board discussed the unaudited report for the first quarter of 2018 of the Krka Group and the Company.

Business Performance Highlights for the First Quarter of 2018

- The Krka Group sold €338.3 million worth of products and services, and the Company's sales amounted to €329.3 million. This has been Krka's highest sales figure for the first quarter of a year since the company was founded.
- The Krka Group generated sales of products and services in the amount of €17.2 million, or 5% more than in the same period of the previous year.
- The Krka Group generated 94% and the Company 96% of revenues in the markets outside Slovenia.
- All sales regions recorded increase in sales.
- Region South-East Europe recorded the highest absolute sales growth (by €5.5 million) and the highest relative sales growth (14%).
- Accounting for a 31.4% share in total sales, the Company's largest sales region was Region East Europe.
- The Krka Group generated operating profit in total of €61.9 million, or 51% more than in the same period last year. The Company's operating profit amounted to €63.2 million.
- The Krka Group generated net profit in total of €49.4 million or 16% more than in the same period last year, while the Company generated net profit in total of €52.1 million.
- As at 31 March 2018, the Company's share traded at €57.00 on the Ljubljana Stock Exchange, a 1% decrease compared to the year-end of 2017. The Company's market capitalisation amounted to €1.9 billion.
- The Krka Group allocated €19.3 million to investments, of that €16.3 million to the controlling company and €3.0 million to subsidiaries.
- At the end of March, the Krka Group had 10,963 regularly employed persons on payroll, or 131 (1%) more than at the end of 2017. Together with persons employed through agencies, the Krka Group employed 12,238 people.

Financial Highlights of the Krka Group and Krka, d. d.

In € thousand	Krka Group		Company	
	1-3/2018	1-3/2017	1-3/2018	1-3/2017
Revenues	338,290	321,048	329,284	312,151
Operating profit (EBIT) ¹	61,920	40,967	63,169	45,726
EBITDA	90,408	69,524	84,569	67,800
Net profit	49,398	42,694	52,123	45,276
R&D expenses	31,871	31,551	33,595	32,956
Investments	19,262	21,406	16,288	18,047

	31 March 2018	31 Dec 2017	31 March 2018	31 Dec 2017
Non-current assets	1,025,175	1,033,008	1,033,343	1,032,595
Current assets	944,475	886,123	867,651	804,887
Equity	1,533,160	1,487,699	1,542,402	1,493,325
Non-current liabilities	122,045	121,182	88,918	87,911
Current liabilities	314,445	310,250	269,674	256,246

RATIOS	1-3/2018	1-3/2017	1-3/2018	1-3/2017
EBIT margin	18.3%	12.8%	19.2%	14.6%
EBITDA margin	26.7%	21.7%	25.7%	21.7%
Net profit margin	14.6%	13.3%	15.8%	14.5%
Return on equity (ROE) ²	13.1%	11.6%	13.7%	12.4%
Return on assets (ROA) ³	10.2%	8.9%	11.2%	9.7%
Liabilities/Equity	0.285	0.301	0.232	0.271
R&D expenses/Revenues	9.4%	9.8%	10.2%	10.6%

NUMBER OF EMPLOYEES	31 March 2018	31 Dec 2017	31 March 2018	31 Dec 2017
Balance as at	10,963	10,832	5,152	5,020

SHARE INFORMATION	1-3/2018	1-3/2017
Total number of shares issued	32,793,448	32,793,448
Earnings per share (EPS) in € ⁴	6.18	5.29
Closing price at end of period in €	57.00	52.15
Price/Earnings ratio (P/E)	9.23	9.86
Book value in € ⁶	46.75	45.63
Price/Book value (P/B)	1.22	1.14
Market capitalisation in € thousand (end of the period)	1,869,227	1,710,178

¹ The difference between operating income and operating expenses

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

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

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

⁵ Share price on the Ljubljana Stock Exchange

⁶ Equity at the end of the period/Total shares issued

Information on the Controlling Company

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

Registered office Šmarješka cesta 6, 8501 Novo mesto, Slovenia

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E-mail info@krka.biz

Website www.krka.si

Core business Production of pharmaceutical preparations

Business classification code 21.200

Year established 1954

Registration entry 1/00097/00, Okrožno sodišče Novo mesto (District Court in Novo mesto)

Tax number 82646716

VAT number SI82646716

Company ID number 5043611

Share capital €54,732,264.71

Total number of shares issued 32,793,448 ordinary registered no-par value shares, KRKG trading code. Krka has been listed on the Ljubljana Stock Exchange under KRKG trading code since 1997, and since April 2012 additionally on the Warsaw Stock Exchange under KRK trading code.

ID Card of the Krka Group

The Krka Group consists of the controlling company, Krka, d. d., Novo mesto, two subsidiaries in Slovenia, i.e. Terme Krka, d. o. o., Novo mesto and Farma GRS, d. o. o., and 29 subsidiaries outside Slovenia. The controlling company, Krka, d. d., Novo mesto, holds 100% interests in all subsidiaries stated above, except in Ningbo Krka Menovo (60%), Farma GRS (99.7%) and Krka Belgium (95%) – the remaining 5% in the latter is held by the subsidiary Krka France.

The Krka Group engages in development, production, marketing and sales of medicines for human use (prescription pharmaceuticals and non-prescription products), animal health products, and health resort and tourist services.

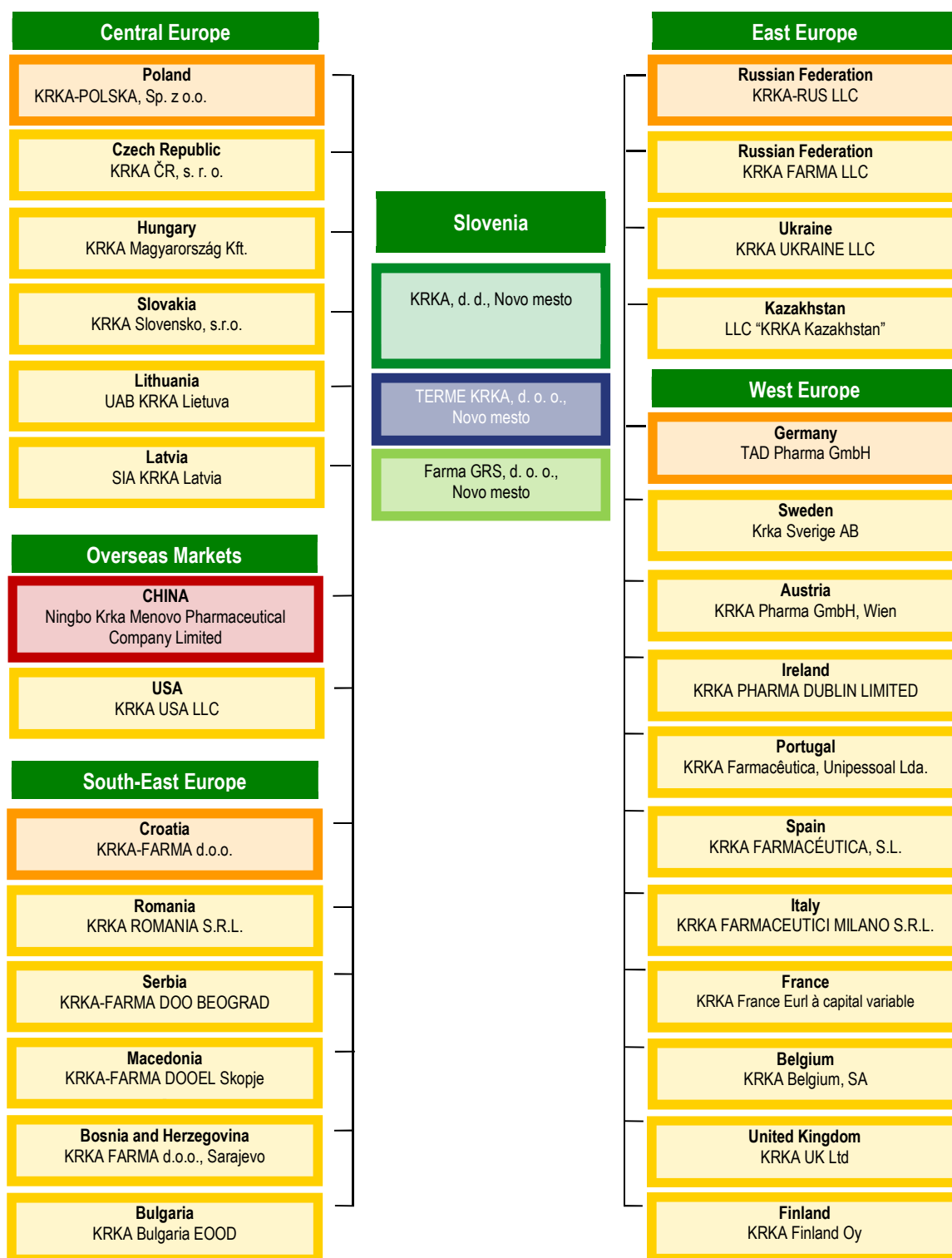
Production takes place in the controlling company in Slovenia and in Krka subsidiaries in the Russian Federation, Poland, Croatia, and Germany. In addition to production, these subsidiaries, apart from Krka-Rus in the Russian Federation, deal with marketing and sales. Other subsidiaries outside

Slovenia deal with marketing and/or sales of Krka products, but do not have production capacities.

Terme Krka, d. o. o., Novo mesto deals with health resort and tourist services; and comprises the following branches: Terme Dolenjske Toplice, Terme Šmarješke Toplice, Hoteli Otočec, and Talaso Strunjan. Terme Krka is also the majority owner of Golf Grad Otočec, d. o. o.

Farma GRS, d. o. o. was established in partnership with companies from pharmaceutical and process manufacturing industries. The company develops new pharmaceutical products, new technological products for pharmaceutical production and contributes to more efficient pharmaceutical production in terms of energy, environment, and business operations. Farma GRS is the sole owner of six micro companies: GRS TEHFARMA, d. o. o., GRS VIZFARMA, d. o. o., GRS PREK FARMA, d. o. o., GRS EKO FARMA, d. o. o., GRS TREN FARMA, d. o. o., and GRS VRED FARMA, d. o. o.

Profile of the Krka Group



Production and distribution companies

Joint venture for development, production and distribution

The EU project: research and development company

Other subsidiaries outside Slovenia

Health resort and tourist services company

Krka Group Development Strategy

The Krka Group updates its development strategy every two years. In November 2017, the Management Board of Krka adopted the 2018–2022 development strategy for the Krka Group, and presented it to the Supervisory Board.

The achievement of strategic objectives is measured at three levels: i) the Krka Group, ii) product and service groups, and iii) business functions. The Group's performance criteria are

monitored by the Management Board, while criteria at the levels of product and service groups and business functions are monitored by the relevant committees. The guiding principle in managing the system of criteria is to increase the competitiveness of the Krka Group as a whole and also of individual companies within the Group.

The key Krka Group objectives and strategies until 2022 are set out below.

Key Strategic Objectives until 2022

- To attain at least 5% average annual sales growth in terms of quantities/value.
- To ensure in a timely manner through an efficient and optimised development-and-production chain sufficient quantities of products in accordance with the required quality standards for attaining target sales growth in line with market sales requirements.
- To focus on maximising long-term profitability of the products from development and production to finished product sales, including all other functions within the Krka Group.
- To ensure growth, in addition to organic growth, with acquisitions and long-term partnerships (including joint ventures); The primary goals are to secure new products and/or markets.
- To maintain – in addition to the range of products making up 'the gold standard' – the largest possible proportion of new products in total sales
- To maintain the largest possible share of vertically integrated products.
- To launch the selected product portfolio onto selected key target markets as the first generic pharmaceutical company.
- To strengthen the competitive advantage of our product portfolio.
- To improve cost effectiveness of assets use.
- To increase the degree of innovation across all business functions.
- To remain independent.

Key Strategies until 2022

- To give priority to the European, Chinese and Central Asian markets.
- To maximise the sales potential in all sales regions (Slovenia, South-East Europe, East Europe, Central Europe, West Europe, Overseas Markets).
- To focus especially on key markets (the Russian Federation, markets of Western Europe, Poland, Slovenia, Romania, Hungary, Ukraine, Czech Republic, and Croatia), with an emphasis on key customers and key products.
- To include a few markets of the Region Overseas Markets among the key markets.
- To establish and strengthen our presence in Western European markets by operating through our own marketing-and-sales subsidiaries and by marketing products under our own brands (Krka and TAD Pharma).
- To seek opportunities for acquisitions of local pharmaceutical companies, business acquisitions, and various types of long-term partnerships (joint ventures) in selected markets with the primary objective of attaining new products and thus entering new therapeutic areas and/or markets.
- To strengthen the pharmaceutical and chemical industries and increase the range of medicines in three key therapeutic areas of prescription pharmaceuticals (medicines for the treatment of cardiovascular diseases, the central nervous system, and the alimentary tract and metabolism) as well as in other promising therapeutic areas (analgesics and oncology)

medicines, antidiabetics, antivirals, and antibiotics) while entering new therapeutic areas. We intend to introduce innovative products in key therapeutic areas (innovative fixed-dose combinations of two or three substances, new strengths, pharmaceutical dosage forms, and new delivery systems).

- To strengthen the range of non-prescription products and animal health products (primarily pet products) in selected therapeutic areas.
- To enter the market of similar biological medicines.
- To strengthen vertical integration from product development to manufacture.
- To ensure a permanent supply of incoming materials and optimise supply. Our aim is the continuous reduction of purchase prices
- To increase the proportions of research, development, and production of certain active ingredients and finished products outside Krka (outsourcing).
- To develop generic medicines and prepare relevant marketing authorisation documents before the product patent on the original medicine expires.
- To strengthen all types of connections in the field of development and other fields as well as with external institutions and companies.
- To ensure functioning and continuous improvement of the integrated management and quality systems, which provide for the manufacture of safe, effective and quality products in accordance with cGXP guidelines and rules on quality in the pharmaceutical industry.
- To invest in the production, development and infrastructure facilities in a stable and optimal manner.
- To reduce the impact of financial risks on the operations of the Krka Group.
- To pursue a stable dividend policy and also consider the Group's financial requirements for investments and acquisitions when determining the net profit share for dividend payout each year, and to allocate at least 50% of net profit of major shareholders for dividend payouts.
- To introduce information technology and provide high availability and information security of implemented IT solutions effectively and in accordance with the regulatory standards.
- To continue the digitisation of operations: introduce information (digital) technology in business processes due to automation and optimisation of processes and procedures, support or strengthen cooperation within the Krka Group and in the entire supply chain, and acquire relevant information for business decisions. Our aim is to offer customers added value.
- To strengthen professional and cost synergies within the Krka Group, and maximise the utilisation of competitive advantages in the business environments of Krka's subsidiaries abroad.
- To strengthen internationalisation within the Krka Group by managing employee potential in an international environment and ensure the activation of all human resource potential.
- To meet our economic, social and environmental responsibilities to the environments in which we operate.
- To strengthen corporate integrity and operate in accordance with legislation, rules, ethical principles and good practices.
- To maintain the reputation of the Krka Group and emphasise zero tolerance for fraud and corruption.

2018 Krka Group Business Plan

- Sales of products and services are estimated at €1.300 billion.
- Sales outside Slovenia are expected to account for 93% of total sales.
- Prescription pharmaceuticals remain the most important product group, comprising 81% of the overall sales.
- We plan profit at €153 million.
- We plan to increase the total number of employees in Slovenia and abroad by 2%. The total number of regular employees is projected to exceed 11,200.
- According to the plan, €135 million will be allocated to investments, primarily for extension and modernisation of production, research-and-development capacities and infrastructure.

BUSINESS REPORT

Financial Risk

Foreign Exchange Risk

The Krka Group operates in diverse international markets and is exposed to foreign exchange risks in certain markets. Currency exposure arises from a surplus of assets over liabilities in a particular currency in the financial position statement of the Group.

We aim to mitigate foreign currency risk exposure primarily by natural hedging. We also use derivative financial instruments, however, only to a limited extent. Krka intends to continue its policy of partial hedging against the Russian rouble-related risk in 2018.

The value of the rouble expressed in euros dropped by 2.1% in the first quarter of 2018, but increased when expressed in the US dollars. A decrease of the value of the rouble expressed in euros was primarily caused by strengthening of the euro against the US dollar.

Also in 2018, the US Central Bank has been increasing the interest rate, while due to the low inflation rate the European Central Bank (ECB) has

postponed the expected increase in the interest rate to the future. This decreases the risk of further strengthening of the euro against the US dollar. Due to a low inflation rate, the Russian central bank has been decreasing the key interest rate, which presents a risk to the rouble.

The oil price has impacted the Russian rouble less than it used to, but has reached a high level due to favourable global demand and limited production by OPEC and the Russian Federation. The increased oil production in the US has had only a limited impact on the oil price.

In the first quarter of 2018, we recorded no particularities in the currency exposure of the Krka Group to other currencies.

In the first quarter of 2018, in consideration of net foreign exchange gains or losses; net proceeds or expenses relating to derivative financial instruments; interest rate gains or losses; and other financial revenues and expenses, net financial result totalled €-4.8 million.

Interest Rate Risk

In the first quarter of 2018, the Krka Group was not exposed to changes in reference interest rates, because the Group had no non-current loans.

Credit Risk

The key credit risk of the Krka Group is related to receivables payable by buyers. This means that they clients might fail to settle them by maturity dates.

The Krka Group has introduced a centralised credit control process for all clients to whom Krka sells products and services in total exceeding €100,000. At the end of the first quarter of 2018, trade receivables included in the credit control process accounted for more than 90% of total trade receivables, and involved more than 400 clients.

The Krka Group recorded a low value of receivable write-offs and impairments also because

receivables are dispersed across a large number of clients and sales markets, and the majority of outstanding receivables are payable by clients with whom Krka has been doing business for years.

Our credit risk management policy remained unchanged in the first quarter of 2018. We closely monitored and insured trade receivables from markets with a poor macroeconomic environment and markets in which we detected increased risks in distribution of medicines.

At the end of the first quarter of 2018, more than 60% of trade receivables were insured with an

insurance company, while only a minor part of trade receivables was secured with banking instruments.

At the end of the first quarter of the year, the total value of trade receivables in euros was lower than the total value at the beginning of the year.

Liquidity Risk

In the first quarter of 2018, risks related to the Krka Group's liquidity were managed by effective short-term cash flow planning. Short-term liquidity was ensured by a stable cash flow, pre-agreed short-term revolving and fixed borrowings from banks, and the daily, rolling weekly, monthly and longer-

The maturity structure of receivables remained stable. The percentage of past due receivables compared to total trade receivables remained low also at the end of the first quarter of the year.

term planning and monitoring of cash inflows and outflows. We also optimised cash balances on subsidiaries' bank accounts.

Liquidity risk is estimated to be low. In the period, all our liabilities were settled regularly and on time.

Property, Liability and Business Interruption Insurance

In the first quarter of 2018, Krka concluded new 2018 insurance agreements. An increase in fire insurance premium lagged behind the increase in property value. As far as other premiums are concerned, they are lower than last year due to successful arrangements with insurance companies

and optimisations of insurance policies. Complete termination of the comprehensive car insurance in the controlling company and certain subsidiaries generated savings, and also simplified organisational and technical arrangements.

Investor and Share Information

In the first three months of 2018, the price of Krka's share on the Ljubljana Stock Exchange declined by 0.9%. In the same period, the proportion of treasury shares increased; Slovenian natural persons slightly

decreased their holdings, while the stakes of the international investors and Slovenian legal entities remained unchanged. At the end of March 2018, Krka had a total of 51.324 shareholders.

Shareholder structure (%)

	31 March 2018	31 Dec 2017
Individual Slovenian investors	39.0	39.2
Slovenian Sovereign Holding (Slovenski državni holding)	16.2	16.2
KAD fund and PPS	11.0	11.0
Slovenian companies and funds	7.7	7.7
International investors	23.8	23.8
Treasury shares	2.3	2.1
Total	100.0	100.0

In the first quarter of 2018, Krka acquired 67,017 treasury shares totalling €3,871,222.

On 31 March 2018, Krka held 758,734 treasury shares, or 2.314% of the share capital.

Krka's ten largest shareholders as at 31 March 2018

	Country	Number of shares	Proportion in equity (%)	Voting rights (%)
KAPITALSKA DRUŽBA, D. D.	Slovenia	3,493,030	10.65	10.90
SLOVENSKI DRŽAVNI HOLDING, D. D.	Slovenia	2,949,876	9.00	9.21
REPUBLIC OF SLOVENIA	Slovenia	2,365,126	7.21	7.38
SPLITSKA BANKA, D. D.	Croatia	1,662,968	5.07	5.19
ADDIKO BANK, D. D.	Croatia	1,218,978	3.72	3.81
CLEARSTREAM BANKING SA	Luxembourg	593,704	1.81	1.85
KDPW	Poland	466,344	1.42	1.46
LUKA KOPER, D. D.	Slovenia	433,970	1.32	1.35
UNICREDIT BANK AUSTRIA AG	Austria	432,527	1.32	1.35
ZAVAROVALNICA TRIGLAV, D. D.	Slovenia	388,300	1.18	1.21
Total		14,004,823	42.71	43.72

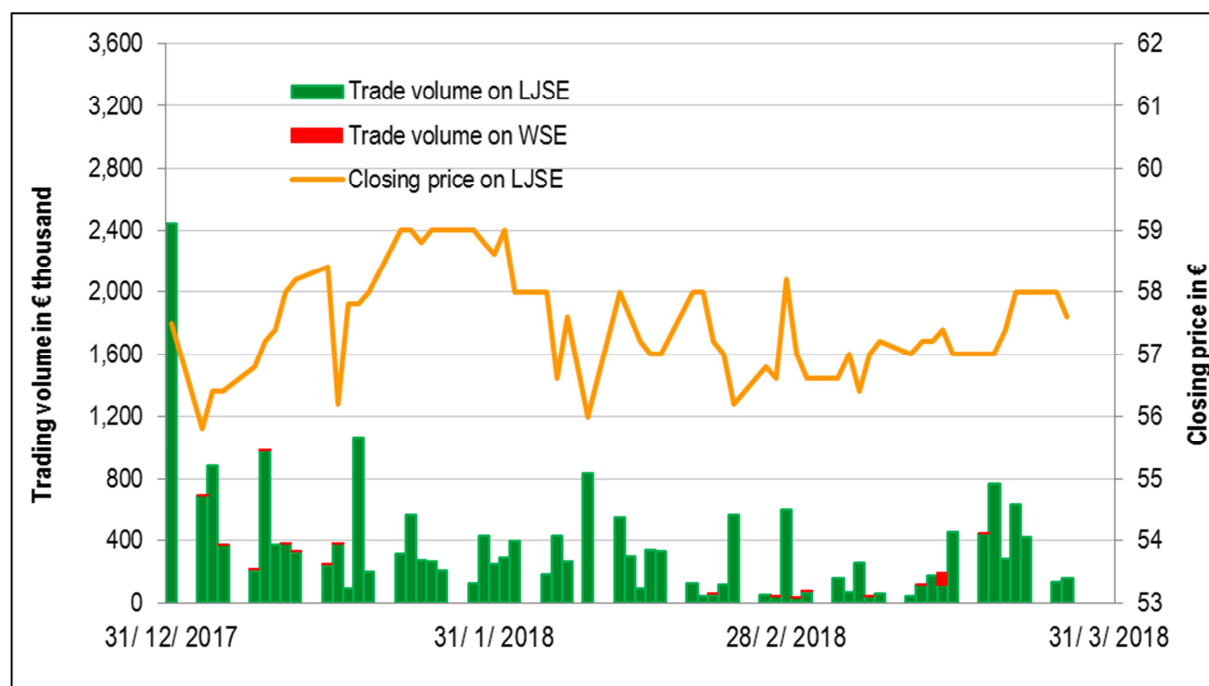
As at 31 March 2018, Krka's ten largest shareholders held 14,004,823 shares, or 42.71% of all issued shares, and represented 43.72% of voting rights.

As at 31 March 2018, members of the Krka Management Board and Supervisory Board held a total of 39,170 Krka shares, or 0.12% of all issued shares. Since the end of 2017, their shareholdings had not changed.

Proportion in equity and voting rights of the Krka Management and Supervisory Board members as at 31 March 2018

	Number of shares	Proportion in equity (%)	Voting rights (%)
Members of the Management Board			
Jože Colarič	22,500	0.069	0.070
David Bratož	0	0	0
Aleš Rotar	13,915	0.042	0.043
Vinko Zupančič	120	0	0
Milena Kastelic	505	0.002	0.002
Total Members of the Management Board	37,040	0.113	0.115
Members of the Supervisory Board			
Jože Mermal	0	0	0
Hans-Helmut Fabry	0	0	0
Borut Jamnik	0	0	0
Julijana Kristl	230	0.001	0.001
Andrej Slapar	0	0	0
Boris Žnidarič	0	0	0
Tomaž Sever	500	0.002	0.002
Franc Šašek	1,400	0.004	0.004
Mateja Vrečer	0	0	0
Total Members of the Supervisory Board	2,130	0.006	0.007

Share trading in the first half of 2018



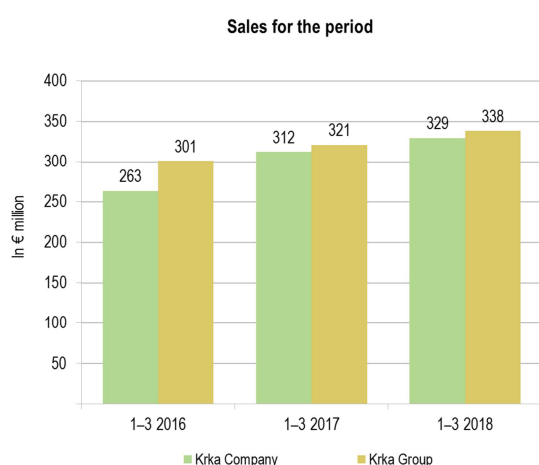
In the first quarter of the year, Krka's share price on the Ljubljana Stock Exchange peaked at the end of January, when it traded at €59.00, and reached its low at the beginning of January, when it amounted to €55.80. On 31 March 2018, Krka's share was worth €57.00.

Krka's market capitalisation on the Ljubljana Stock Exchange as at 31 March 2018 totalled €1.9 billion. In that period, deals in Krka's share generated an average daily trading volume of €0.3 million. Since April 2012, Krka shares have been listed on the Warsaw Stock Exchange as well.

Business Operations Analysis

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

Revenues



Compared to the same period last year, Krka's revenues at the Group level went up by 5%. The

Company sold €329.3 million worth of prescription pharmaceuticals, non-prescription products and animal health products, while the Krka Group generated revenues in total of €338.3 million from sales of the said products and health resort and tourist services. The Group generated 94% of its revenues in markets outside Slovenia.

Taking into account other operating and financial income, the Krka Group generated total revenues in the amount of €344.7 million, and the Company €332.9 million.

See chapter 'Marketing and Sales' for a more detailed analysis of sales results by individual markets and groups of products and services.

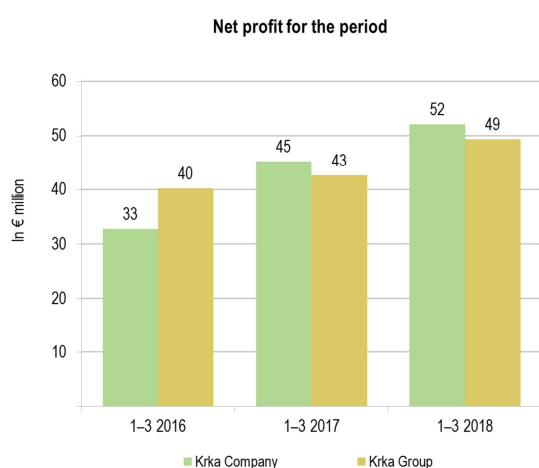
Expenses

Total Krka Group expenses amounted to €287.5 million, or 3% less than in the same period last year.

The Krka Group incurred operating expenses in total of €279.6 million, or 1% less than in the same period last year, which included: €143.3 million for costs of goods sold; €84.9 million for selling and distribution expenses; €31.9 million for R&D expenses; and €19.6 million for general and administrative expenses.

The Krka Group recorded a 1% decrease in costs of goods sold, accounting for 42.3% of revenues. Selling and distribution expenses remained the same as in the same period last year, and accounted for 25.1% of revenues. Group R&D expenses increased by 1%, and accounted for 9.4% of revenues. R&D expenses are recognised as expenses for the period in full as the Group does not capitalise them. General and administrative expenses decreased by 8%, and accounted for 5.8% of revenues.

Operating Results



The Krka Group recorded €61.9 million of operating profit, a 51% rise compared to the same period last year.

The Krka Group profit before tax amounted to €57.1 million, a 24% increase compared to the same period last year. Income tax totalled €7.7 million, and the effective tax rate was 13.5%.

The Krka Group recorded net profit in total of €49.4 million, a 16% increase compared to the same period of 2017.

Assets

The Krka Group assets accounted for €1,969.7 million at the end of March 2018, a 3% increase compared to the end of 2017.

Non-current assets represented 52% of total assets, down by 1.8 of a percentage point from the beginning of the year. Non-current assets totalled €1,025.2 million. The largest item under non-current assets was property, plant and equipment in total of €855.4 million, a 1% drop compared to 2017 year-end, and accounted for 43.4% of total Krka Group assets.

Intangible assets amounted to €109.5 million, a 1% decrease compared to the 2017 year-end.

Current assets increased by 7% in the first half of the year, to €944.5 million. Inventories saw a 6% increase, reaching €330.3 million in the first quarter of the year. Receivables went down by 3% to €510.2 million, (of that trade receivables amounted to €480.3 million, down 4% compared to the 2017 year-end).

Equity and Liabilities

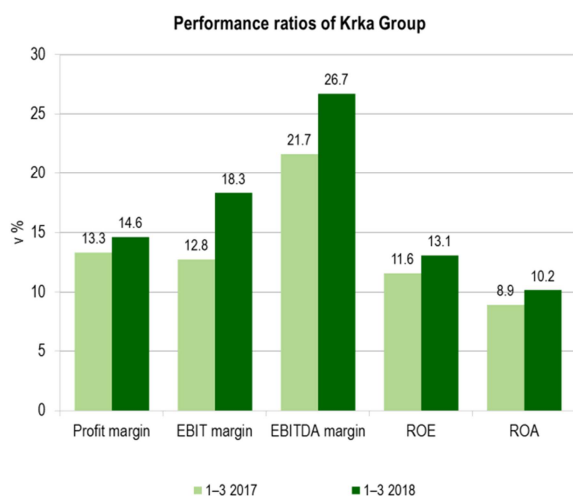
The Krka Group's equity increased by 3% compared to the end of 2017, to €1,533.2 million, and accounted for 77.8% of total equity and liabilities.

Amounting to €122.0 million, non-current liabilities accounted for 6.2% of the Krka Group's balance sheet total. At the end of the period, provisions amounted to €99.3 million (of that €93.8 million for provisions for post-employment benefits and other non-current employee benefits, €4.5 for provisions

for lawsuits, and €1.0 million for other provisions), which was 1% higher than at the 2017 year-end.

Current liabilities increased by 1% compared to the end of 2017 and totalled €314.4 million, or 16.0% of the Krka Group's balance sheet total. Among current liabilities of the Krka Group, trade payables amounted to €120.0 million, an 11% increase over the 2017 year-end, while other current liabilities decreased by 7% to €172.5 million.

Performance Ratios



All performance ratios improved in the first quarter of 2018 over the same period last year.

The Krka Group net profit margin for the first quarter of 2018 was 14.6% (the Company 15.8%), its EBIT margin 18.3% (the Company 19.2%), and its EBITDA margin 26.7% (the Company 25.7%).

ROE at the level of the Krka Group was 13.1% (the Company 13.7%), with ROA at 10.2% (the Company 11.2%).

Marketing and Sales

In the first quarter of 2018, Krka Group sales amounted to €338.3 million, up €17.2 million, or 5% more than in the same period last year. Sales in markets outside Slovenia reached €316.5 million and accounted for 94% of Krka Group total sales. In

terms of quantity, we increased sales by 10% compared to the same period last year. In the same period, the Company generated €329.3 million from sales, a 5% increase.

Sales by Region

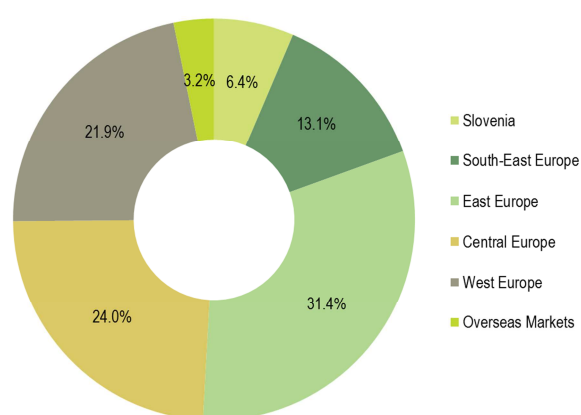
Region East Europe reached the highest sales figure in the Krka Group, i.e. €106.2 million or 31.4% of total group sales. The next largest region in terms of sales was Region Central Europe. It generated sales revenues of €81.2 million, or 24.0% of total Krka Group sales. The third largest area in terms of sales was Region West Europe, generating sales in total of €74.0 million, or 21.9% of total Krka

Group sales. Sales in Region South-East Europe totalled €44.2 million (13.1%), and in Overseas Markets €11.0 million (3.2%). Sales in Slovenia amounted to €21.7 million, or 6.4% of total Krka Group sales.

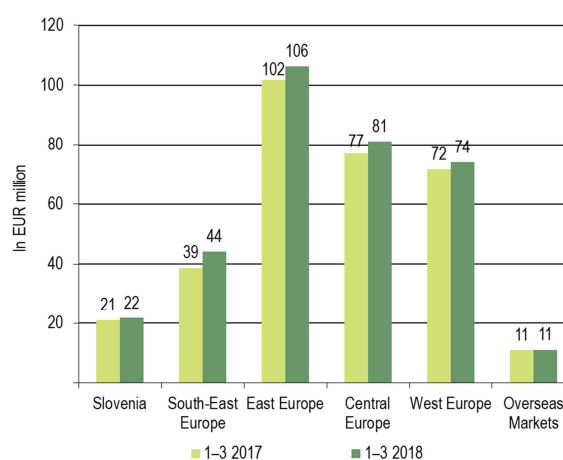
All regions recorded growth in sales.

In € thousand	Krka Group			Company		
	1-3/2018	1-3/2017	Index	1-3/2018	1-3/2017	Index
Slovenia	21,745	21,090	103	14,167	13,888	102
South-East Europe	44,174	38,674	114	43,547	38,682	113
East Europe	106,213	101,795	104	104,050	111,262	94
Central Europe	81,160	76,919	106	84,452	76,644	110
West Europe	74,037	71,668	103	72,517	61,833	117
Overseas Markets	10,961	10,902	101	10,551	9,842	107
Total	338,290	321,048	105	329,284	312,151	105

Krka Group sales by Region First quarter of 2018



Krka Group sales by Region First quarters of 2017 and 2018



Slovenia

In Slovenia, one of Krka's key markets, sales of products and services reached €21.7 million, a 3% increase compared to the same period last year. Sales of prescription pharmaceuticals totalled €13.1 million and contributed the most to product sales. They accounted for 73% of total product sales, and their sales value amounted to €9.6 million. Sales of non-prescription products amounted to €2.8 million, and animal health products €0.7 million. Sales value saw a 2% increase, while sales volume went up by 5% compared to the same period last year. With a 9.1% market share, Krka has remained the leading pharmaceutical company in Slovenia.

Sales of health resort and tourist services amounted to €8.0 million.

The majority of Krka's best-selling products are prescription pharmaceuticals, with leaders Prenessa (perindopril), Prenewel (perindopril/indapamide),

Sorvasta (rosuvastatin), Nolpaza (pantoprazole), and Doreta (tramadol/paracetamol). Our best-selling non-prescription products were Nalgessin S (naproxen), the Septotele brand products and Septabene (benzylamine chloride/cetylpyridinium chloride), and Daleron (paracetamol). Among animal health products, Amatib (amoxicillin), Grovit and Fypryst (fipronil) were the leaders.

Marketing and sales activities focused on the leading products from Krka's key therapeutic groups. Prenessa (perindopril), Prenewel (perindopril/indapamide), Amlessa (perindopril/amlodipine), and Amlewel (perindopril/amlodipine/indapamide) were among key brands of medicines for the treatment of cardiovascular diseases, and we earned further recognition with them in the market of antihypertensive agents. We also strengthened our position of the leading supplier of statins, above all with rosuvastatin, the active ingredient in Sorvasta. Among the medicines for the

treatment of pain, we focused on our new anti-inflammatory medicine, Roticox (etoricoxib), and on an analgesic, Doreta (tramadol/paracetamol). We added a new strength of antidepressant Dulsevia (duloxetine) 90 mg to our medicines for the treatment of the central nervous system, and

South-East Europe

Region East Europe recorded a 14% growth and was among Krka's fastest growing markets. In accordance with our expectations, the region's key markets were Romania and Croatia, which contributed €44.2 million to total sales. Croatia, Serbia, and Bosnia and Herzegovina recorded the highest absolute sales growth figures. Only Albania recorded lower sales than in the same period last year.

We recorded the highest (15%) sales growth in prescription pharmaceuticals, and they accounted for 85% of total sales. Non-prescription products followed with an 11% increase and a 12% share in regional total sales. Animal health products recorded a 3% increase, and accounted for 3% of total sales.

Romania remained Krka's key and largest regional market. Sales amounted to €12.5 million, a 4% increase, so Krka won a 2.6% market share and leadership among primarily foreign suppliers of generic medicines in the Romanian market.

In the leading group of prescription pharmaceuticals (a 7.6% sales volume in the Romanian market), the most important contributors were Atoris (atorvastatin), Co-Prenessa (perindopril/indapamide), Ciprinol (ciprofloxacin), Karbis (candesartan), Nolpaza (pantoprazole), Doreta (tramadol/paracetamol), Oprymea (pramipexole), and Roswera (rosuvastatin). Non-prescription products saw a 23% rise. Herbion brand products sold the best, while Nalgesin (naproxen) and Septolete brands grew the fastest. Sales of Septolete also increased because we launched a new flavour, elder and lime. Sales of animal health products saw a slight decrease in comparison to the same period last year primarily due to a drop in sales of products for farm animals, and even though sales of products for companion animals went up, the increase could not fill the gap. Milprazon (milbemycin oxime/praziquantel), Fypryst (fipronil), and fixed-dose combinations Fypryst Combo (fipronil/S-methoprene), and Ataxxa (imidacloprid/

strengthened brand awareness of Betaklav (amoxicillin/clavulanic acid), our medicine from the group of anti-infectives. We added Flebaven (diosmin) to our range of non-prescription products, and entered a new therapeutic area of chronic venous insufficiency treatment.

permethrin) presented most notable sales growth among products for companion animals.

Sales of products in **Croatia**, the second largest Krka's key market in the region, reached €9.3 million. We recorded a 17% sales growth, which was more than the average growth recorded in the market, strengthened our market share, and placed fourth among all manufacturers of generic medicines. We are also the second largest manufacturer of animal health products in that market. All three product groups recorded growth.

Atoris (atorvastatin), Co-Perineva (perindopril/indapamide), Helax (alprazolam), Emanera (esomeprazole) and Roswera (rosuvastatin) contributed most to the increase in sales value of prescription pharmaceuticals. At the beginning of 2018, we added an important medicine to our range of prescription pharmaceuticals, i.e. Co-Dalneva (perindopril/amlodipine/indapamide). The leading non-prescription products in terms of sales were products of Septolete and Nalgesin (naproxen) brands. Sales of the oral antiseptic Septolete Duo (benzylamine/cetylpyridinium) made a considerable contribution to the sales growth of non-prescription products. Our most successful animal health product was Fypryst (fipronil).

Sales in **Macedonia** amounted to €5.2 million, up by 8% compared to the same period last year. Krka has therefore retained the first place among foreign suppliers of generic medicines. Prescription pharmaceuticals contributed most to the growth and accounted for 88% of sales. Enap (enalapril), Roswera (rosuvastatin), Atoris (atorvastatin), Tanyz (tamsulosin), and Nolpaza (pantoprazole) were also sales leaders. Our two new medicines are Dutrys (dutasteride) and Betaklav (amoxicillin/clavulanic acid) and were launched in February. The Group recorded a 6-percent growth in sales of non-prescription products.

In **Serbia**, we retained unchanged dynamics of growth as last year, and generated €5.2 million from sales of products. The Serbian market is the fourth

largest market in the region. Sales of prescription pharmaceuticals were strong, grew by 34%, and contributed the most to a 28% sales increase. They accounted for more than 85% of total sales. Nalpaza (pantoprazole), Roxera (rosuvastatin), Atoris (atorvastatin), Valsacor (valsartan) and Ampril (ramipril) were top-selling medicines from this group. Our best-selling non-prescription product was Bilobil (ginkgo biloba), followed by Nalgesin (naproxen) and the Herbion brand products. Animal health products recorded a slight drop, while Fypryst (fipronil), Enroxil (enrofloxacin), and Floron (florfenicol) generated highest sales figures.

In **Bosnia and Herzegovina** sales of products totalled €5.1 million, and we maintained the leading position of a foreign supplier of generic medicines in this market. Total sales went up by 29% in that market. All three groups contributed to the rise. In terms of sales value, however, prescription pharmaceuticals led, above all Enap (enalapril), Enap H/HL (enalapril/hydrochlorothiazide), Roswera (rosuvastatin) and Atoris (atorvastatin). Key non-prescription products included Panatus (butamirate), Nalgesin (naproxen) and B-complex. Sales of our animal health products were higher this year than in the same period last year. Best-selling products

East Europe

Region East Europe generated product sales in the amount of €106.2 million, or 4% more than in the same period a year ago.

In order to strengthen sales and marketing activities in the regional markets, especially in the three largest ones (i.e. Belarus, Kazakhstan, and Uzbekistan), we divided the region into three main areas apart from the two key markets of the region. East Europe B includes Belarus, Azerbaijan, Armenia, and Mongolia. East Europe K comprises Kazakhstan, Moldova, and Kyrgyzstan. East Europe U consists of Uzbekistan, Georgia, Turkmenistan, and Tajikistan.

The **Russian Federation** is Krka's key market and its largest individual market. Sales of products reached €74.5 million, a 1% increase compared to the same period in 2017. Increase in sales, expressed in roubles, reached 13%, and sales volume grew by 17%. This was more than the average growth recorded in the market, and we also strengthened Krka's market share. Prescription pharmaceuticals remained most important in terms

included Fypryst (fipronil), Enroxil (enrofloxacin) and Floron (florfenicol).

We recorded an 18% increase in **Bulgaria**. Prescription pharmaceuticals constituted the largest part of total sales with €3.5 million, in particular Roswera (rosuvastatin), Emanera (esomeprazole), Co-Valsacor (valsartan/hydrochlorothiazide), Flosteron (betamethasone), Nalpaza (pantoprazole), and Co-Prenessa (perindopril/indapamide). Emanera (esomeprazole) presented the highest growth among all prescription pharmaceuticals. Compared to the same period last year, non-prescription medicines saw a 2% decline, and animal health product sales dropped by one quarter.

In **Kosovo**, sales of products generated €1.8 million (up by 5%), so Krka continued to rank among the leading suppliers of medicines in that market. Only **Albania** recorded slightly lower sales than in the same period last year. Sales value totalled €0.9 million and was primarily generated by prescription pharmaceuticals, among them Atoris (atorvastatin), Ciprinol (ciprofloxacin), Lorista (losartan) and Ultop (omeprazole). Sales volume and value also increased in the smallest market of the region, **Montenegro**.

of sales, above all Lorista (losartan), Lorista H/ Lorista HD (losartan/hydrochlorothiazide), Nalpaza (pantoprazole), Atoris (atorvastatin), Valsacor (valsartan), Vamloset (valsartan/amlodipine), Enap H/HL (enalapril/hydrochlorothiazide) and Co-Perineva (perindopril/indapamide). We also increased brand awareness of products launched onto the market in the past few years, above all of Dalneva (perindopril/amlodipine), Co-Dalneva (perindopril/amlodipine/indapamide), Dilaxa (celecoxib), Lortenza (losartan/amlodipine), and Telmista (telmisartan), which was launched in 2017.

Total sales of non-prescription products saw an 11% rise. Our most successful products in terms of sales were the Herbion and Septolete Total (benzylamine/cetylpyridinium) brand products. The products that were successfully launched in the last three years included Flebaven (diosmin/hesperidin) and Ulcavis (bismuth). Sales of our animal health products were lower this year than in the same period last year. Our most important product was Enroxil (enrofloxacin).

The production share of Krka Rus, our subsidiary, accounted for 61% of total Krka sales in the Russian Federation.

In the second largest Krka's key market **Ukraine**, the market of pharmaceuticals first recorded growth last year and the trend continued also this year. Krka maintained the position of the leading foreign supplier of generic medicines there and generated sales worth €10.8 million, a 23% rise. Non-prescription products recorded a 16% growth in sales. Krka's key medicines were Atoris (atorvastatin), Co-Prenessa (perindopril/indapamide), Dexamethasone Krka (dexamethasone), and Nolpaza (pantoprazole). The demand significantly exceeded the 2017 seasonal demand, increasing non-prescription product sales by 71%. The leading non-prescription products in terms of sales were products of Herbion and Septolete brands, and Bilobil. Sales of our animal health products were by 6% lower this year than in the same period of 2017.

East Europe B

In the markets of East Europe B, sales totalled €7.8 million, a 24% increase compared to the same period of 2017. We recorded growth in all four markets; three out of four markets recorded a double-digit growth.

Sales in **Belarus** in the first three months totalled €3.0 million, a 16% advance compared to the same period last year. In terms of volume, sales increased by 38%. We are the second largest manufacturer of generic medicines in that market. Prescription products accounted for the largest share in sales, including Lorista (losartan), Fromilid (clarithromycin), and Amlessa (perindopril/amlodipine). The leading non-prescription products were Septolete and Herbion brand products.

In **Mongolia**, despite unstable economic conditions and the fact that new prices for pharmaceuticals from the reimbursement list still had not been determined, we recorded sales in total of €2.5 million, or 35% more than in the same period last year. We remained the leading foreign supplier of generic prescription pharmaceuticals and non-prescription products in the market. We put on the markets the following prescription pharmaceuticals: Emanera (esomeprazole), Niperten (bisoprolol), and Valodip (amlodipine/valsartan). In particular, sales of Valsacor (valsartan) and Septanazal

(xylometazoline/dexpanthenol) presented a sharp rise.

In **Azerbaijan**, we sold €1.3 million worth of products. Non-prescription products recorded a 3% drop, and we did not engage in sales of animal health products there, but even so, we recorded a 4% growth due to strong sales of prescription pharmaceuticals. We attained high sales growth figures primarily with our key medicines Amlessa (perindopril/amlodipine), Atoris (atorvastatin), Enap (enalapril), Lorista (losartan), and Co-Prenessa (perindopril/indapamide).

We recorded sales in total of €1.0 million in **Armenia**, or 71% more than in the same period a year ago. Prescription pharmaceuticals accounted for the major part of the sales total, which was attained primarily with sales of Amlessa (perindopril/amlodipine), Kaptopril (captopril), and Enap H/HL (enalapril/hydrochlorothiazide). Non-prescription products presented a 55% increase in sales value, and best-selling products were products of the Herbion and Septolete brands.

East Europe K

East Europe K generated product sales in the amount of €6.8 million, or 3% less than in the same period a year ago. Kazakhstan recorded lower sales, which in turn affected total product sales of the East Europe K.

In **Kazakhstan**, the use of medicines has been on a downward trend. Our product sales figure reached €4.0 million, a 6% fall compared to the same 2017 period. The sales value of prescription pharmaceuticals reached €2.8 million, an 11% drop compared to the same period last year. The drop was primarily caused because tender sales of medicines have declined. Since 2018, SK Farmacija, a state-owned company, has been given the exclusive right of purchasing medicines, and they exclusively favour medicines of domestic origin if they exist. Even so, tender sales accounted for an important proportion in total sales, in particular sales of Enap (enalapril), Atoris (atorvastatin), and Valsacor (valsartan). Other two medicines with notable impact on sales total were Nolpaza (pantoprazole) and Co-Prenessa (perindopril/indapamide). The sales value of non-prescription products reached €1.2 million, a 7% increase compared to the same period last year. As far as sales are considered, our most important

products included Herbion, Duovit, and Pikovit brand products.

In **Moldova**, the pharmaceutical market saw a decline in the first months of 2018. Our product sales reached €2.1 million and were 4% higher than in the same 2017 period. Krka's market share increased to 5.8% and ranked second among all suppliers of medicines. Sales of prescription pharmaceuticals totalled €1.6 million (a 3% drop). Sales of non-prescription products amounted to €0.5 million, or 29% more than in the same period last year. Animal health products recorded a 61% growth in sales. Among prescription pharmaceuticals, best-selling medicines were: Ampril (ramipril), Lorista (losartan), and Kaptopril (captopril). Our best-selling non-prescription products were the Septotele brand products, and Septanazol (xylometazoline/dexpanthenol).

In **Kyrgyzstan**, sales reached €0.7 million, a 4% drop compared to the same period of 2017. Sales of prescription pharmaceuticals that accounted for good 80% of total sales saw an increase, but sales of non-prescription products went down. Best selling prescription pharmaceuticals were Hiconcil (amoxicillin), Lorista (losartan), and Atoris (atorvastatin). In March, we extended our range of products with two important medicines: Valsacor (valsartan) and Ulcavis (bismuth).

East Europe U

Sales of our products in the markets of East Europe U totalled €6.3 million, an 8% rise compared to the same period last year.

In **Uzbekistan**, product sales amounted to €4.7 million, a 19% increase compared to the same period last year, and recorded a 46% sales volume increase. Our best-selling prescription pharmaceuticals included Lorista (losartan),

Central Europe

Region Central Europe includes the Visegrad Group countries and the Baltic states. We sold €81.2 million worth of products there. We recorded the highest absolute and relative sales growth in the Czech Republic. We also achieved a two-digit sales increase in Estonia and Lithuania. Other markets also contributed to a 6% sales increase, except Hungary, where we recorded slightly lower sales than last year.

Amlessa (perindopril/amlodipine), Nolpaza (pantoprazole), and Lorista H/Lorista HD (losartan/hydrochlorothiazide). Our best-selling non-prescription products were the Pikovit and Septotele brand products. In 2018, we also plan to launch Bravadin (ivabradine), Flebaven (diosmin/hesperidin), Nalgesin Forte and Bilobil Intense. We expect the positive trend to continue because the business environment has stabilised and local currency has been fully convertible since last September.

In **Georgia**, sales value totalled €0.9 million (up 7%) and the sales volume went up by 39% over the the same period last year. With a 3.2% market share, we ranked third among foreign suppliers of generic medicines. The main sales drivers were prescription pharmaceuticals, especially Lorista H/Lorista HD (losartan/hydrochlorothiazide), Co-Amlessa (perindopril/amlodipine/indapamide), and Enap H/HL (enalapril/hydrochlorothiazide).

In **Turkmenistan**, national importers of medicines had difficulties in obtaining foreign currencies for settlement of their outstanding liabilities, so timely and low-risk payments by clients were hard to maintain. Sales value reached €0.4 million and was short of the last year's figure. Basic sales drivers were prescription pharmaceuticals, primarily Nolpaza (pantoprazole), Amlessa (perindopril/amlodipine), and Enap (enalapril). The best-selling non-prescription products were products of the Herbion and Pikovit brands.

In **Tajikistan**, sales totalled €0.4 million, an upsurge in sales compared to the same period last year. We also put on the market Co-Amlessa (perindopril/amlodipine/indapamide), Lortenza (losartan/amlodipine), and Maruxa (memantine). Amlessa (perindopril/amlodipine, also in a fixed-dose combination with indapamide) presented a leap in primary sales.

In **Poland**, Krka's key and leading regional market, sales totalled €36.5 million, a 3% rise over the same period in 2017. The main sales drivers were prescription pharmaceuticals, most notably pharmaceuticals from the reimbursement list. In most key therapeutic groups, also sales of new medicines significantly contributed to a rise. Sales drivers included Atoris (atorvastatin), Roswera (rosuvastatin), Doreta (tramadol/paracetamol), Valsacor (valsartan), Nolpaza (pantoprazole), Co-

Valsacor (valsartan/hydrochlorothiazide), Tolura (telmisartan), and Emanera (esomeprazole). We retained the leading position among all producers as far as prescription pharmaceuticals from the reimbursement list free for patients aged 75 years plus were regarded, as we had more products on the list than any other producer. Non-prescription products presented a decline compared to the same period last year. The best-sellers, Septotele brand products, were followed by Bilobil (ginkgo biloba). Sales of our animal health products remained on the same level as last year. The best-selling products were Fypryst (fipronil), Floron (florfenicol), and Milprazon (milbemycin oxime/praziquantel).

The **Czech Republic**, also one of Krka's key markets, placed second among the regional markets with a 24% growth and €13.3 million sales total. Top sales drivers were prescription pharmaceuticals, primarily Lexaurin (bromazepam), Atoris (atorvastatin), Asentra (sertraline), Fromilid (clarithromycin), Mirzaten (mirtazapine), Prenewel (perindopril/indapamide), and Tonanda (perindopril/amlodipine/indapamide). We recorded a 46% increase in sales of non-prescription products primarily resulting from improved cooperation with pharmacy chains. The Septotele brand products and Nalgesin (naproxen) retained their respective leading positions. Animal health product sales remained on the same level as last year. Fypryst (fipronil) was our best-selling animal health product.

Hungary was our third largest key market in the region. Prescription pharmaceuticals contributed the most to €11.5 million sales value, a 4% decline over the same period last year. Co-Prenessa (perindopril/indapamide), Atoris (atorvastatin), Roxera (rosuvastatin), Fromilid (clarithromycin), Co-Dalnessa (perindopril/amlodipine/indapamide), Nolpaza (pantoprazole), Emozul (esomeprazole), and Zyllt (clopidogrel) were the leaders. In comparison to the same period last year, non-prescription product sales doubled and totalled €0.9 million primarily driven by Septotele Extra (benzylamine/cetylpyridinium), Bilobil (ginkgo biloba), and Septanazal (xylometazoline/dexpanthenol). Animal health product sales went up by 7%. The leading products were again Fypryst (fipronil) and Amatib (amoxicillin).

In **Slovakia**, our product sales totalled €9.5 million and by 0.4% exceeded sales in the same period last

year. Sales were driven by prescription pharmaceuticals, above all by Atoris (atorvastatin), Nolpaza (pantoprazole), Co-Valsacor (valsartan/hydrochlorothiazide), Co-Amlessa (perindopril/amlodipine/indapamide), Sorvasta (rosuvastatin), and Valsacor (valsartan). Non-prescription products presented an 11% rise, with Nalgesin (naproxen) and the Septotele brand products as leaders. Animal health product sales were slightly lower than last year. The best-selling products were Floron (florfenicol) and Enroxil (enrofloxacin).

In **Lithuania**, sales saw a 10% growth and totalled €4.8 million. Sales were driven by prescription pharmaceuticals, among them Atoris (atorvastatin), Nolpaza (pantoprazole), Co-Valsacor (valsartan/hydrochlorothiazide), Co-Amlessa (perindopril/amlodipine/indapamide), and Roswera (rosuvastatin). Septabene (benzylamine/cetylpyridinium), Daleron (paracetamol), and Nalgesin (naproxen) were among the bestselling non-prescription products that presented a 5% increase. Sales of animal health products increased by 8%.

In **Latvia**, we sold €3.5 million worth of products and reached a 9% growth. We increased our market share and strengthened Krka's position among the suppliers of generic medicines in the Latvian market. Atoris (atorvastatin) was the leader in the group of prescription pharmaceuticals, which contributed to the sales increase the most. Atoris was followed by Emtricitabine/Tenofovir Krka (emtricitabine/tenofovir), Nolpaza (pantoprazole), and Sorvasta (rosuvastatin). Septabene (benzylamine/cetylpyridinium) and Daleron (paracetamol) were the leading products among non-prescription products. Animal health products presented a 16-percent growth in sales.

In **Estonia**, sales reached €2.1 million, a 15% rise compared to the same period last year. Prescription pharmaceuticals remained most important in terms of sales, among them: Co-Prenessa (perindopril/indapamide), Roswera (rosuvastatin), Atoris (atorvastatin) and Co-Dalnessa (perindopril/amlodipine/indapamide). Sales of non-prescription products saw a 56% rise primarily due to strong sales of the Septotele brand products, the leading Krka brand in the Estonian market.

West Europe

We achieved a 3% rise and sold products worth €74.0 million in the markets of Krka's region West Europe. We consider all markets of West Europe our key markets. Sales were the strongest in Germany, France and Spain. Sales through Krka's subsidiaries went up by 5% compared to the same period last year and accounted for two thirds of Krka's total sales in the region. Sales value attained by sales through unrelated parties was €24.7 million and was comparable to the figure from the same period last year.

Prescription pharmaceuticals generated 2% higher sales than in the same period last year and accounted for 89% of total sales in the region. Medicines containing esomeprazole, clopidogrel, and pantoprazole were best-selling medicines, but we also successfully launched medicines containing rosuvastatin and ivabradine. Sales of animal health products accounted for 9% of the regional sales, up 4% compared to the same period last year. Products containing milbemycin oxime and praziquantel generated highest sales. In comparison to the same period last year, non-prescription products recorded the highest sales growth of two thirds.

In **Germany**, which remained Krka's key market in the region, sales amounted to €19.4 million, a 17% decrease compared to the same period last year. The drop resulted from a decrease in tender sales. We generated the majority of sales in the amount of €18.1 million by sales through our subsidiary, TAD Pharma. Prescription products took the leading proportion in total sales, and our most important products were medicines for the treatment of cardiovascular diseases and for the treatment of diseases of the alimentary tract and metabolism, followed by medicines for the treatment of the central nervous system. We remain the leading supplier of sartans in terms of quantities in the German market. With medicines Pantoprazole TAD (pantoprazole) and Esomeprazole TAD (esomeprazole), we became the leading supplier of generic medicines for the treatment of reflux disease and ulcers.

The sales in **France** totalled €10.0 million, down 5% compared to the same period last year. We recorded a 10% decrease in sales through unrelated parties, but even so they accounted for 80% of Krka's total sales in the market. Medicines containing esomeprazole and clopidogrel were best-

selling medicines for human use, while products containing a fixed-dose combination of milbemycin oxime and praziquantel came first in sales of animal health products. Sales through our subsidiary, Krka France, recorded a 24% growth, and the leaders were medicines containing sildenafil, tadalafil, esomeprazole, or rosuvastatin.

Sales in **Spain** totalled €9.1 million, or 9% more than in the same period last year. We were strengthening sales of Krka's own brands through our subsidiary, Krka Farmacéutica, which recorded a 12% growth accounting for almost 90% of Krka sales in that market. We performed well primarily because of tender sales in Andalusia. Leading prescription pharmaceuticals contained donepezil, a fixed-dose combination of tramadol and paracetamol, atorvastatin, pramipexole, and bisoprolol.

In **Scandinavian countries**, sales value reached €9.1 million and exceeded the sales in the same period last year by 50%. Denmark, Finland and Norway followed the leading Swedish market. We recorded the highest, 120%, sales growth in Finland, primarily due to successful performance of our subsidiary Krka Finland.

In **Italy**, sales amounted to €7.2 million, an increase of 24% compared to the same period last year. Sales growth resulted from sales under Krka's own brands accounting for just fewer than 60% of the sales in the market, and also from sales through unrelated parties. Our most widely marketed prescription medicines were those containing esomeprazole, clopidogrel, or pantoprazole.

In the **United Kingdom**, we generated product sales in the amount of €5.8 million, or 73% more than in the same period a year ago. Leaders included prescription pharmaceuticals containing quetiapine, perindopril, irbesartan, or olanzapine.

In **Portugal**, we maintained one of the leading generic market shares, generated sales value in the amount of €5.0 million, and retained the same level as last year. Sales of products under Krka's own brands saw an increase of 10% and accounted for just short of 70% in total Krka sales in the market. In **Ireland**, we generated €2.4 million with sales of our products, which was comparable to the last year's figure for the same period. The sales value recorded in the **Benelux** reached €2.4 million, a 2%

drop compared to the same period last year. Sales through our subsidiary, Krka Belgium, resulted in a 13% increase in sales, and effectively compensated for lower sales through unrelated parties. In **Austria**, sales amounted to €1.9 million, a 4% decrease compared to the same period last year. We also recorded a 1% drop in sales of products

Overseas Markets

Region Overseas Markets generated product sales in the amount of €11 million, or 1% more than in the same period a year ago. In almost all markets of the region, we sell the greatest part of prescription pharmaceuticals under our own brand names, and they accounted for 90% of the amount.

The **Middle East** remains locked in a complex situation, which hinders business operations. Despite this, we recorded a 13% growth and generated sales in total of €6.5 million, primarily driven by sales of prescription pharmaceuticals. Our most important markets further remained Iran, Iraq, and Lebanon, and the leading medicines were Asentra (sertraline), Nolpaza (pantoprazole), and Vizarsin (sildenafil).

Sales generated in the markets of the **Far East and Africa** amounted to €4.1 million, and were by 15%

marketed under Krka's own brands through our subsidiary Krka Pharma Wien. In **other European countries**, the most sales were made through unrelated parties, and we generated sales in total of €1.7 million, or 25% less than the in same period last year.

lower than in the same period last year. The Republic of South Africa, Vietnam and Malaysia were our leading markets of the region in terms of sales. Sales were driven by the following medicines: Lanzul (lansoprazole), Coryol (carvedilol), Enap (enalapril), Atoris (atorvastatin), and Kamiren (doxazosin).

The smallest of the three regional offices is the one that operates in the **Americas**. It generated sales in total of €0.3 million. The 17% increase was recorded primarily in the markets of Central America. Our best-selling prescription pharmaceuticals were: Valsaden (valsartan/hydrochlorothiazide), Valsacor (valsartan), Vizarsin (sildenafil), Vasilip (simvastatin), and Nolpaza (pantoprazole).

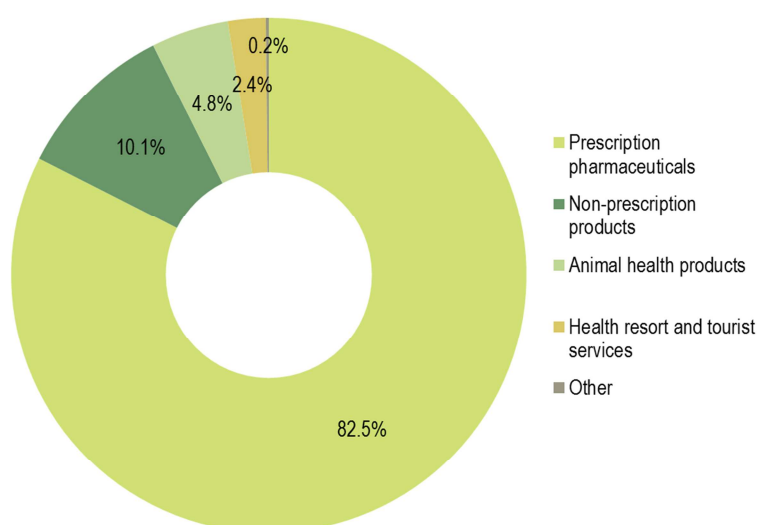
Sales by Product and Service Group

In the period from January to March 2018, human health products were the most important product group in the sales structure of the Krka Group, and accounted for 92.6% of overall sales in the period from January to March 2018. Prescription pharmaceuticals constituted 82.5% of the Krka Group's total sales, and were followed by non-prescription products and animal health products.

Except for animal health products, all other product and service groups recorded an increase in sales. In comparison to the same period last year, the sales of prescription pharmaceuticals increased by 6%, and non-prescription products by 11%. Sales of health resort and tourist services constituted 2.4% of total Krka Group sales, a 6% increase over the last year.

In € thousand	Krka Group			Company		
	1-3/2018	1-3/2017	Index	1-3/2018	1-3/2017	Index
Human health products	313,229	295,210	106	311,525	292,978	106
– Prescription pharmaceuticals	279,029	264,356	106	278,366	263,048	106
– Non-prescription products	34,200	30,854	111	33,159	29,930	111
Animal health products	16,431	17,624	93	16,710	18,161	92
Health resorts and tourist services	8,006	7,588	106			
Other	624	626	100	1,049	1,012	104
Total	338,290	321,048	105	329,284	312,151	105

Krka Group sales by product and service group, January–March 2018



Prescription Pharmaceuticals

Prescription pharmaceuticals recorded sales in total of €279.0 million, a 6% rise. All regions saw an increase in sales, but the increment was most significant in the following regions: South East Europe (15%), Overseas Markets (11%), Central Europe (5%), and East Europe (5%).

Among the largest Krka's markets, sales went up the most in Poland (by 4%) and in the Russian

Federation (by 1%). Compared to the same 2017 period, the sales in other major markets went up by: 37% in the Scandinavian countries, 25% in the Czech Republic, 17% in Croatia, 16% in Ukraine, 14% in Italy, 6% in Spain, and 3% in Romania.

Our medium-sized markets recorded sales increases as follows: 85% UK, 34% Serbia, 30% Bosnia and Herzegovina, 26% Uzbekistan, 22%

Bulgaria, 11% Lithuania, 10% Latvia, and 8% Macedonia.

In small markets, sales of prescription pharmaceuticals recorded the steepest (i.e. triple) growth in Montenegro, and more than double growth in Finland. Growth rates were as follows: Tajikistan (85%), Armenia (74%), Kyrgyzstan (62%), Mongolia (43%), Georgia (28%), and Belarus (22%). Also Azerbaijan and Kosovo recorded double-digit growth.

In West Europe, we have been strengthening our position through our subsidiaries. They have recorded significant growth rates, the highest in Finland and in Belgium, where sales more than doubled. Other markets of the region presented growth rates as follows: Sweden 35%, France 22%, Italy 15%, and Spain 12%.

The ten leading prescription pharmaceuticals in terms of sales included medicines containing perindopril (Prenessa*, Co-Prenessa*, Amlessa*, Co-Amlessa*), valsartan (Valsacor, Valsacombi*, Vamloset*, Valarox*), losartan (Lorista*, Lorista H*, Tenloris*), atorvastatin (Atoris, Atordapin*), pantoprazole (Nolpaza*), rosuvastatin (Roswera*, Rosudapin*), enalapril (Enap, Enap H*, Elernap*), esomeprazole (Emanera*), clopidogrel (Zyllt), and tramadol (Doreta*, Tadol).

Compared to the same period last year, Krka recorded the highest absolute sales growth with Valsacor (valsartan), Bravadin* (ivabradine), Roticox* (etoricoxib), Co-Amlessa (perindopril/amlodipine/indapamide), Zyllt* (clopidogrel), Adolax* (oxycodone/naloxone), Nolpaza (pantoprazole), Atoris (atorvastatin), and Kventiax* (quetiapine).

In the first quarter of 2018, we launched a completely new medicine, Valarox* (valsartan/rosuvastatin) for concomitant treatment of high blood pressure and high cholesterol levels. It

Non-Prescription Products

We sold €34.2 million worth of non-prescription products, 11% more than in the same period last year.

Sales increased in the following regions: Slovenia (7%), South East Europe (11%), East Europe (10%), Central Europe (19%), and West Europe (67%).

has already been made available in Poland and Lithuania.

We extended our range of products for treatment of HIV infections with two completely new medicines: Efavemten (efavirenz/emtricitabine/tenofovir) launched in Germany, and Darunavir launched in Latvia.

In addition to these, we also launched several existing medicines onto new markets:

- Rosuvador* (rosuvastatin) in Germany, France, Italy, Spain, and Portugal;
- Co-Amlessa* (perindopril/amlodipine/indapamide) in Croatia and Armenia;
- Valsacor (valsartan) in Kyrgyzstan;
- Olssa* (olmesartan/amlodipine) in Latvia and Estonia;
- Bravadin* (ivabradine) in France, Germany, Portugal, Ireland, and Azerbaijan;
- A fixed-dose combination lercanidipine/enalapril in Italy;
- Niperten* (bisoprolol) in Armenia and Mongolia;
- Glyclada* (gliclazide) in Serbia and Ukraine;
- Betaklav* (amoxicillin/clavulanic acid) in the Czech Republic, Finland, Lithuania, Estonia, and Macedonia;
- Roticox* (etoricoxib) in Hungary and France;
- Oxycaloxon* (oxycodone/naloxone) in Germany;
- Ulcavis* (bismuth) in Armenia, Macedonia, and Montenegro;
- Dutrys* (dutasteride) in Macedonia;
- Tadilecto* (tadalafil) in the Czech Republic, Lithuania, Estonia and Spain;
- Zylaxera* (aripiprazole) in Serbia and Azerbaijan;
- Ecansya* (capecitabine) in Moldova and Montenegro;
- A fixed-dose combination emtricitabine/tenofovir in the Czech Republic.

East Europe accounted for 55% of total sales. The Russian Federation saw an 11% sales increase, the highest by far. Also other markets of the region recorded growth. The increase was most significant as follows: Ukraine (71%), Moldova (29%), Mongolia (20%), and Kazakhstan (7%).

Also other large markets of the region recorded growth, which was as follows: 23% in Romania, 18% in Croatia and in Bosnia and Herzegovina, 6% in Macedonia, 1% in Serbia, 107% in Hungary, 46% in the Czech Republic, 11% in Slovakia, 5% in Lithuania, 26% in Germany, and sales almost tripled in Portugal.

Key products drove the sales increase. Septolete, Bilobil and Nalgesin presented highest growth rates,

Animal Health Products

Sales of animal health product amounted to €16.4 million, 7% less than in the same period last year.

Sales increased in the following regions: Slovenia (5%), West Europe (4%), and South East Europe (3%). They decreased in East Europe.

Of large markets, Italy recorded a four-fold, Portugal 94%, Benelux 72%, and the UK 10% increase in sales. Of other large markets, sales rose four-fold in Spain, by 23% in Croatia, by 8% in Lithuania, and by 7% in Hungary.

Health Resort and Tourist Services

Terme Krka generated €8.0 million from sales of services, or 6% more than in the same period last year. They recorded the same number of overnight stays of domestic and foreign guests as in the first quarter of 2017. Among foreign guests, most overnight stays were recorded by Italians (i.e. more

and also products launched onto the prime markets last year, i.e. Flebaven (diosmin/hesperidin) and Magnezij Krka 300, fared well. We launched lozenges with new lemon and elder flavour under the Septolete Total* (benzylamine chloride/cetylpyridinium chloride) brand onto markets of the Czech Republic, the Russian Federation, Estonia, Lithuania, Romania, Finland and Portugal.

The five top-ranking animal health products in terms of sales were: Fypryst* (fipronil), Milprazon* (milbemycin oxime/praziquantel), Floron* (florfenicol), Enroxil* (enrofloxacin), and Dehinel Plus (febantel/praziquantel/pyrantel embonate). They accounted for more than one half of Krka's total animal health product sales. At the beginning of 2018, Krka as the first generic manufacturer launched Fypryst* Combo (fipronil/S-methoprene) onto the markets of West Europe (Italy, Germany, France, Portugal, and Benelux) and the Czech Republic.

than one third) – roughly the same as last year, but the number of overnight stays by guests from the Netherlands went up by 8%. All business units recorded a sales increase as follows: Dolenjske Toplice 8%, Talaso Strunjan 2%, Šmarješke Toplice 4%, and Hoteli Otočec 7%.

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

Research and Development

In the first quarter of 2018, we obtained marketing authorisations for three new products in eight dosage forms and strengths.

Prescription Pharmaceuticals

We obtained marketing authorisations under the European decentralised procedures for **Parnido** (paliperidone) prolonged release tablets of three strengths. This atypical antipsychotic is taken only once daily. The new technology, OROS, was introduced to Krka for production of this active ingredient, which is released from a tablet by osmosis.

European Medicine Agency (EMA) gave a positive opinion for **Pemetrexed Krka** (pemetrexed) 100 mg and 500 mg powder for solution for infusion, so we continued to expand the range of Krka's medicines for the treatment of cancer. It is the medicine of choice for the treatment of patients with locally advanced or metastatic non-small cell lung cancer.

In the Russian Federation, we obtained our first marketing authorisation for **Co-Vamloset** (valsartan/amlodipine/hydrochlorothiazide) film coated tablets in three strengths. This fixed-dose combination is used for managing blood pressure in patients with moderate to severe hypertension.

In Germany, we completed the decentralised procedure for **Aripipan** (aripiprazole) 20 mg tablets, used for treating diseases of the central nervous system. Our broad range of strengths allows for tailoring of the treatment to the needs of individual patients affected by complex diseases, for example schizophrenia.

We expanded marketing opportunities in the European markets with new marketing authorisations for our medicines. In Denmark, Sweden, and Finland, we obtained marketing authorisations for an anti-infective for systemic use, **Moxifloxacin Krka** (moxifloxacin) solution for infusion, and in Iceland for **Quetiapin Krka** (quetiapine) prolonged release tablets, a medicine

In the same period, we obtained 184 new marketing authorisations in various markets for 50 products.

used for the treatment of diseases of the central nervous system.

In various eastern European countries, we obtained new marketing authorisations for fixed-dose combinations for the treatment of cardiovascular diseases: **Lortenza** (losartan/amlodipine) film-coated tablets in Kyrgyzstan, **Vamloset** (valsartan/amlodipine) film-coated tablets in Mongolia, **Valarox** (rosuvastatin/valsartan) film-coated tablets in Moldova, and **Bloxazoc** (metoprolol) prolonged release tablets in Kazakhstan.

We also obtained new marketing authorisations for a medicine for the treatment of central nervous system, **Zylaxera** (aripiprazole) tablets, in Ukraine; and for antibiotics as follows: **Azibiot** (azithromycin) powder for oral suspension in Ukraine; **Betaklav** (amoxicillin/clavulanic acid) tablets and powder for oral suspension in Turkmenistan; **Levaxela** (levofloxacin) solution for infusion in Azerbaijan and Mongolia (in Mongolia also available as film-coated tablets); **Moflaxa** (moxifloxacin) solution for infusion in Azerbaijan; Cefamezin (cefazolin) powder for solution for injection in Mongolia. A medicine for the treatment of HIV infections **Emtricitabin/Tenofovir Krka** (emtricitabine/tenofovir) film-coated tablets obtained new marketing authorisations in Kazakhstan.

In the markets of South-Eastern Europe, we increased the number of marketing authorisations for medicines from key therapeutic groups. We obtained new marketing authorisations for a medicine used for the treatment of cardiovascular diseases **Rameam** (ramipril/amlodipine) capsules in Serbia; a medicine used for treating erectile dysfunction, **Tadorsyo** (tadalafil) film-coated tablets in three strengths, in Serbia; and a nonsteroidal anti-inflammatory drug (NSAID) **EtoxiB** (etoricoxib) in Bosnia and Herzegovina.

Non-Prescription Products

In Bosnia and Herzegovina, and Macedonia, we concluded marketing authorisation procedures for **Flebaven** (diosmin/hesperidin) 500 mg tablets and 1,000 mg film-coated tablets.

We extended marketing opportunities for **Flebaven 450 mg/50 mg** (diosmin/hesperidin) in Azerbaijan and Uzbekistan.

Animal Health Products

In the first quarter of 2018, we extended marketing opportunities for fixed-dose combination of fipronil and S-methoprene spot-on solution, which protects dogs, cats and ferrets from parasitic skin infections and infestations. We obtained marketing authorisations for the product under the decentralised procedure in the UK, Italy, Finland, Ireland, Portugal, and Cyprus. In most countries, we obtained authorisations for marketing it as a non-prescription animal health product. Also in Serbia, we extended marketing authorisations for **Dehinel** (praziquantel/pyrantel embonate) film-coated tablets for cats. The fixed-dose combination is used for the treatment of gastrointestinal infestations in cats.

Investments

In the first quarter of 2018, the Krka Group allocated €19.3 million to investments, of that €16.3 million to the controlling company and €3.0 million to the subsidiaries. We invested primarily in increasing and updating the production, development, and research capacities.

Krka's key investment is a product development and quality control facility, Razvojno-kontrolni center 4 (Slovene abbreviation: RKC 4), at the production site in Novo mesto. The building has been placed in the vicinity of the other three similar laboratories for product development and control.

Preparation works for the €54 million building started at the end of June 2015, and in the autumn 2016 the building was completed and glazed. The connection structure between the two buildings, RKC 3 and RKC 4, was also built. Setting up of the laboratory rooms was finished in the summer 2017 and the facilities were handed over to the users. Additional furnishing of the rooms intended for development is in its final stage. According to the

We received a notification for **Magnezij Krka 300/ Magnezij B₂ Krka 300** (magnesium citrate) in Macedonia and Hungary.

In Serbia, we obtained new marketing authorisations for **Septolete Total** (benzylamine chloride/cetylpyridinium chloride) lozenges with elder and lemon, and honey and lemon flavours.

We increased the number of marketing authorisations in the group of medicines for the treatment of farm animals and strengthened the existing brands. In Moldova, we obtained a marketing authorisation under the national procedure for **Toltarox** (toltrazuril) oral solution, which is used to treat *Coccidia* spp. infestations in different types of poultry. In Azerbaijan, we obtained marketing authorisations for **Amatib** (amoxicillin) oral powder for treating infections in pigs and poultry, and **Doxatib** (doxycycline) powder for use in drinking water. It is the medicine of choice for the treatment of respiratory tract infections in pigs and chickens.

plan, the supply and setting up of the pharmaceutical equipment are due by the autumn 2018, and the installation and start up by the end of 2018. The completion of facilities for Analytics Development is due at the end of 2018, and installation of the equipment is planned for the first half of 2019.

In October 2017, Krka started building a multipurpose warehouse on the same site to ensure additional storage rooms for incoming materials and finished products. This will increase the speed and flexibility of the production, and improve the availability of products and market supply. The construction of the building, installation of logistic and other equipment, qualifications, equipment and system start-ups will take two years. The investment is estimated at €36 million.

Notol 2, the advanced facility for manufacturing solid dosage forms, which started running in 2015, is also on this site. We have been acquiring additional technological equipment in order to meet

the market demand and manufacture new products. We plan to allocate €10 million for it this year. When the plant is fully equipped, it will be able to operate at its planned volume, i.e. 4.5 billion tablets, film-coated tablets, and capsules per year. So far, we have invested €201.5 million in it.

The new investment in Krško provided capacities for technologies that require treatment with hydrogen and further increased capacities for the independent production of pharmaceutical ingredients. Construction of a €4.5 million hydrogenation plant, Hidrogeniranje 2, started in June 2017, and trial production at the beginning of 2018.

We are increasing production capacities for animal health products with biocidal effect in the Bršljin plant in Novo mesto. The investment is estimated at €4.6 million, and according to the plan the production on the new equipment is due at the end of 2018.

Krka-Rus 2 plant in Istra in the Russian Federation is among the most important investments in Krka's subsidiaries. We have completed the second stage of equipping the plant, which has cost Krka €22 million. All technological and production equipment has been installed and operates. Production capacity has been increased to two thirds of the planned final capacity, a total of 2.5 billion tablets and capsules a year. We expect to obtain all the required documents by the autumn 2018 to start constructing a water treatment plant. The investment is estimated at €2.6 million. In 2018, we plan to invest €1.8 million in increasing laboratory capacities. Over 60% of products intended for the Russian market are produced by Krka-Rus, giving Krka the status of a domestic producer in the Russian Federation.

We completed a €5.5 million investment in Krka's subsidiary, Farma GRS. We arranged additional capacities for research and development at the Chemical development centre, and increased capacities for the small-scale production of pharmaceutical ingredients in line with the good manufacturing practice. The production started in February.

Several small investments are in progress in all business units of the subsidiary Terme Krka. Hotel Laguna in Strunjan has also been refurbished. We are expanding accommodation capacities and building a small pool. We plan to redevelop the beach and refurbish the catering facility. The documents for erection of roller coasters in Dolenjske Toplice and refurbishment of the terrace at the Balnea Wellness Centre are in the process of preparation. In 2018, the subsidiary Terme Krka plans to allocate to investments more than €3 million.

We established a joint venture Ningbo Krka Menovo with our long-term Chinese partner Menovo in the city of Ningbo. The *Memorandum* and the company's *Articles of Association* were signed in November 2017, and the company was established at the beginning of 2018. The initial share capital totalling €30 million has been allocated to finance development activities, land purchases, and building production capacities. The newly established company engages in development, production and marketing of finished products. Its first job is to obtain as many marketing authorisations in China for products from Krka's portfolio as possible in two to three years, and then to manufacture them there. First sales results in China are expected in three years.

Employees

At the end of March 2018, the Krka Group employed 10,963 persons, of that 5,695 abroad, or 52% of total Krka Group headcount. Of all Krka

Group employees, 55% hold at least a university degree.

Educational structure of the Krka Group

	31 March 2018		31 Dec 2017	
	Number of employees	Share (%)	Number of employees	Share (%)
Doctoral degree (PhD)	178	1.6	175	1.6
Master of Science	374	3.4	364	3.4
University degree	5,477	50.0	5,472	50.5
Higher professional education	1,530	14.0	1,485	13.7
Vocational college education	270	2.5	267	2.5
Secondary school education	1,999	18.2	1,927	17.8
Other	1,135	10.3	1,142	10.5
Krka Group	10,963	100.0	10,832	100.0

We offer scholarships and in this way guarantee the influx of new employees. At the end of March 2018, there were 60 scholarship holders. We discover new talents also by giving the opportunity to secondary and university students for obligatory work placement.

Our employees undergo extra training at home and abroad. Courses are run to upgrade professional skills focusing on quality, management, personal development, foreign languages, and informatics. Induction seminars are attended by all our new employees. More than 85 in-house trainers of the marketing-and-sales network train new employees and their managers to implement Krka's strategy successfully in individual markets. Trainers educate and train employees and managers at training courses and sessions, and also by giving individual support in the field.

Our employees learn about the most recent developments at university faculties, institutes and other institutions in Slovenia and abroad. At the end of March 2018, 137 Krka employees were also part-time students of whom 43 were involved in specialisation or postgraduate studies. Krka supports them by partly funding the fees and by granting them study leave.

Krka is the only certificate-awarding body in Slovenia with authority to examine and approve candidates who take exams in one of the six programmes of the National Vocational Qualification (NVQ) from the field of pharmaceuticals. By

examining and approving candidates under the NVQ system between 2002 and end of April 2018, we awarded 1,348 NVQ certificates to Krka employees and 142 to participants from other organisations in the pharmaceutical industry, a total of 1,490 certificates for four vocational qualifications. In 2018, we plan to award another 86 NVQ certificates.

We provide for the well-being of our employees and good interpersonal relationships by arranging a wide range of cultural and sports events. We participate in areas that contribute to the quality of life beyond the working environment. Our employees have access to a wide range of sports activities at Trim klub Krka. The Krka Culture and Arts Society contributes to the cultural life. It organises gallery exhibitions, and includes a choir, a theatre club, creative workshops, and arranges cultural events.

Since its foundation, Krka has been supporting volunteers that have now become an integral part of our organisational culture. Since 2012, we have been organising a charity campaign *Krka's Week of Charity and Volunteering*. Over the past seven years more than 7,000 Krka volunteers have participated in the campaign. The employees share positive feelings and experience on the slogan *Charity is also a part of us*. This April, 1,100 Krka employees in Slovenia participated in various activities, or 20% of all Krka and Terme Krka employees. In 2018, 10% of those who joined the campaign were first-time volunteers. For a day, our

colleagues from Krka's companies and representative offices in the Russian Federation, Poland, the Czech Republic, Ukraine, Hungary, Germany, Serbia, Turkmenistan, Spain, Romania, Macedonia, Kazakhstan, Azerbaijan, Belarus, Bosnia and Herzegovina, Mongolia, and Croatia joined the campaign. Our colleagues from Kosovo and Finland participated in the event for the first time. So far, we have extended our humanitarian campaign to 20 countries.

In one week, we donated 120 litres of blood, collected almost 4 tonnes of clothing, toys, footwear, books, food and other necessities for adults and children, as well as 350 kg of pet food. We kept company to the elderly at 31 retirement

homes, and to the wards and pupils at 10 occupational activity centres, schools with special curriculum, and other institutes and institutions across Slovenia. At the Ljubljana Zoo, we engaged in landscaping tasks. We rounded off the campaign by opening our doors to the visitors from the Slovenian Third Age University and employees of various humanitarian organisations and retirement homes who we collaborate with during our campaign. Krka's central production site in Ločna, Novo mesto was visited by 2,000 people.

We collected more than 800 litres of blood, 23 tonnes of various necessity items, and 3 tonnes of pet food during the seven campaigns.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP WITH NOTES

Consolidated statement of financial position of the Krka Group

In € thousand	31 March 2018	31 Dec 2017	Index
Assets			
Property, plant and equipment	855,378	864,842	99
Intangible assets	109,546	110,992	99
Loans	9,937	9,543	104
Investments	9,841	8,815	112
Deferred tax assets	40,017	38,475	104
Other non-current assets	456	341	134
Total non-current assets	1,025,175	1,033,008	99
Assets held for sale	41	41	100
Inventories	330,347	310,671	106
Trade receivables	480,265	500,735	96
Other receivables	29,930	27,302	110
Loans	21,118	1,426	1,481
Investments	6,242	0	
Cash and cash equivalents	76,532	45,948	167
Total current assets	944,475	886,123	107
Total assets	1,969,650	1,919,131	103
Equity			
Share capital	54,732	54,732	100
Treasury shares	-44,465	-40,588	110
Reserves	112,919	111,477	101
Retained earnings	1,406,722	1,361,107	103
Total equity holders of the controlling company	1,529,908	1,486,728	103
Non-controlling interests within equity	3,252	971	335
Total equity	1,533,160	1,487,699	103
Liabilities			
Provisions	99,290	98,075	101
Deferred revenues	10,685	10,953	98
Deferred tax liabilities	12,070	12,154	99
Total non-current liabilities	122,045	121,182	101
Trade payables	119,993	108,340	111
Income tax payable	21,958	16,142	136
Other current liabilities	172,494	185,768	93
Total current liabilities	314,445	310,250	101
Total liabilities	436,490	431,432	101
Total equity and liabilities	1,969,650	1,919,131	103

Consolidated income statement of the Krka Group

In € thousand	1–3/2018	1–3/2017	Index
Sales revenues	338,290	321,048	105
Costs of goods sold	-143,262	-145,005	99
Gross profit	195,028	176,043	111
Other operating income	3,241	2,339	139
Selling and distribution expenses	-84,858	-84,518	100
R&D expenses	-31,871	-31,551	101
General and administrative expenses	-19,620	-21,346	92
Operating profit	61,920	40,967	151
Financial income	3,125	18,767	17
Financial expenses	-7,923	-13,533	59
Net financial result	-4,798	5,234	-92
Profit before tax	57,122	46,201	124
Income tax	-7,724	-3,507	220
Net profit	49,398	42,694	116
Attributable to:			
– equity holders of the controlling company	49,492	42,681	116
– non-controlling interest	-94	13	-723
Basic earnings per share (in €)	1.54	1.32	117
Diluted earnings per share (in €)	1.54	1.32	117

* Net profit for the period/Average number of shares issued in the period exclusive of treasury shares.

** All shares issued by the controlling company are ordinary shares, hence the diluted earnings per share ratio equalled the basic earnings per share.

Consolidated statement of other comprehensive income of the Krka Group

In € thousand	1-3/2018	1-3/2017	Index
Net profit	49,398	42,694	116
Other comprehensive income for the period			
Other comprehensive income for the period reclassified to profit or loss at a future date			
Translation reserves	-3,266	11,166	-29
Change in fair value of available-for-sale financial assets	1,026	142	723
Deferred tax effect	-195	-27	722
Net other comprehensive income for the period reclassified to profit or loss at a future date	-2,435	11,281	-22
Total other comprehensive income for the period (net of tax)	-2,435	11,281	-22
Total comprehensive income for the period (after tax)	46,963	53,975	87
Attributable to:			
– equity holders of the controlling company	47,057	53,962	87
– non-controlling interest	-94	13	-723

Consolidated statement of changes in equity of the Krka Group

In € thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the controlling company	Non-controlling interests within equity	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserves	Other profit reserves	Retained earnings	Profit for the period			
Balance at 1 Jan 2018	54,732	-40,588	40,588	105,897	14,990	30,000	-12,523	-67,475	1,129,172	90,233	141,702	1,486,728	971	1,487,699
Net profit	0	0	0	0	0	0	0	0	0	0	49,492	49,492	-94	49,398
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	831	-3,266	0	0	0	-2,435	0	-2,435
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	831	-3,266	0	0	49,492	47,057	-94	46,963
Transactions with owners recognised in equity														
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	141,702	-141,702	0	0	0
Purchase of treasury shares	0	-3,877	0	0	0	0	0	0	0	0	0	-3,877	0	-3,877
Formation of reserves for treasury shares	0	0	3,877	0	0	0	0	0	0	0	0	-3,877	0	0
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	2,375	2,375
Total transactions with owners recognised in equity	0	-3,877	3,877	0	0	0	0	0	0	141,702	-145,579	-3,877	2,375	-1,502
Balance at 31 March 2018	54,732	-44,465	44,465	105,897	14,990	30,000	-11,692	-70,741	1,129,172	231,935	45,615	1,529,908	3,252	1,533,160

In € thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the controlling company	Non-controlling interests within equity	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserves	Other profit reserves	Retained earnings	Profit for the period			
Balance at 1 Jan 2017	54,732	-29,690	29,690	105,897	14,990	30,000	-11,802	-59,097	1,102,165	107,670	98,833	1,443,388	1,056	1,444,444
Net profit	0	0	0	0	0	0	0	0	0	0	42,681	42,681	13	42,694
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	115	11,166	0	0	0	11,281	0	11,281
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	115	11,166	0	0	42,681	53,962	13	53,975
Transactions with owners recognised in equity														
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	98,833	-98,833	0	0	0
Purchase of treasury shares	0	-1,987	0	0	0	0	0	0	0	0	0	-1,987	0	-1,987
Formation of reserves for treasury shares	0	0	1,987	0	0	0	0	0	0	0	-1,987	0	0	0
Total transactions with owners recognised in equity	0	-1,987	1,987	0	0	0	0	0	0	98,833	-100,820	-1,987	0	-1,987
Balance at 31 March 2017	54,732	-31,677	31,677	105,897	14,990	30,000	-11,687	-47,931	1,102,165	206,503	40,694	1,495,363	1,069	1,496,432

Consolidated statement of cash flows of the Krka Group

In € thousand	1–3/2018	1–3/2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	49,398	42,694
Adjustments for:	34,417	48,115
– amortisation/depreciation	28,488	28,557
– foreign exchange differences	-983	2,857
– investment income	-3,935	-414
– investment expenses	2,679	13,147
– interest expenses and other financial expenses	444	461
– income tax	7,724	3,507
Operating profit before changes in net operating current assets	83,815	90,809
Change in trade receivables	16,701	-15,901
Change in inventories	-19,676	-3,660
Change in trade payables	11,245	-10,445
Change in provisions	830	926
Change in deferred revenues	-268	-298
Change in other current liabilities	-12,989	-24,687
Income tax paid	-3,591	-4,759
Net cash from operating activities	76,067	31,985
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,696	136
Proceeds from sale of current investments	0	2
Dividends received	958	0
Proceeds from sale of property, plant and equipment	-26	376
Purchase of intangible assets	-436	-710
Purchase of property, plant and equipment	-18,224	-24,133
Non-current loans	-412	-482
Proceeds from repayment of non-current loans	301	289
Payments to acquire non-current investments	-117	-22
Proceeds from sale of non-current investments	3	0
Payments in connection with current investments and loans	-25,072	-6,912
Payments in connection with derivative financial instruments	-2,278	-17,836
Net cash from investing activities	-43,607	-49,292
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-59	-103
Proceeds in connection with current borrowings	0	20,000
Dividends and other profit shares paid	0	-48
Purchase of treasury shares	-3,877	-1,987
Proceeds of payments from non-controlling interests	2,375	0
Net cash used in financing activities	-1,561	17,862
Net increase in cash and cash equivalents	30,899	555
Cash and cash equivalents at the beginning of the period	45,948	38,630
Effect of exchange rate fluctuations on cash held	-315	290
Net cash and cash equivalents at the end of the period	76,532	39,475

Segment reporting of the Krka Group

In € thousand	European Union		South-East Europe		East Europe		Other		Elimination		Total	
	1-3/2018	1-3/2017	1-3/2018	1-3/2017	1-3/2018	1-3/2017	1-3/2018	1-3/2017	1-3/2018	1-3/2017	1-3/2018	1-3/2017
Revenues to non-group companies	200,488	190,207	18,887	15,826	106,213	101,795	12,702	13,220	0	0	338,290	321,048
Revenues between Group companies	59,961	55,678	9,980	6,985	64,526	73,249	0	0	-134,467	-135,912	0	0
Other operating income	1,644	562	8	2	1,589	1,775	0	0	0	0	3,241	2,339
Operating expenses	-173,006	-167,670	-12,546	-11,247	-86,197	-95,380	-7,862	-8,123	0	0	-279,611	-282,420
Operating expenses to Group companies	-94,119	-88,236	-10,659	-8,317	-118,223	-118,996	-1	-3	223,002	215,552	0	0
Operating profit	29,126	23,099	6,349	4,581	21,605	8,190	4,840	5,097	0	0	61,920	40,967
Interest income	51	49	0	0	1,646	87	1	0	0	0	1,698	136
Interest revenues to Group companies	80	216	0	0	1	1	0	0	-81	-217	0	0
Interest expenses	-5	-49	0	0	1	1	0	0	0	0	-4	-48
Interest expenses to Group companies	-79	-61	0	0	-10	-139	0	0	89	200	0	0
Net financial result	-709	2,032	-273	213	-3,681	3,052	-135	-63	0	0	-4,798	5,234
Income tax	-3,171	-3,701	-607	-481	-3,507	1,078	-439	-403	0	0	-7,724	-3,507
Net profit	25,246	21,430	5,469	4,313	14,417	12,320	4,266	4,631	0	0	49,398	42,694
Investments	18,420	20,364	94	65	747	977	1	0	0	0	19,262	21,406
Depreciation	18,430	17,609	522	494	7,510	8,466	164	104	0	0	26,626	26,673
Amortisation	1,150	1,109	79	64	582	656	51	55	0	0	1,862	1,884
	31 March 2018	31 Dec 2017	31 March 2018	31 Dec 2017	31 March 2018	31 Dec 2017	31 March 2018	31 Dec 2017	31 March 2018	31 Dec 2017	31 March 2018	31 Dec 2017
Total assets	1,508,732	1,461,851	43,237	40,855	404,076	405,694	13,605	10,731	0	0	1,969,650	1,919,131
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	37,951	38,163	0	0	0	0	0	0	0	0	37,951	38,163
Total liabilities	317,488	327,324	11,846	9,453	84,575	77,273	22,581	17,382	0	0	436,490	431,432

Notes to the consolidated financial statements of the Krka Group

Costs by nature

€279,611 thousand

In € thousand	1-3/2018	1-3/2017	Index
Cost of goods and material	93,003	104,477	89
Cost of services	61,331	58,476	105
Employee benefit cost	90,886	88,347	103
Amortisation and depreciation	28,488	28,557	100
Inventory write-off and allowances	4,638	2,213	210
Receivables impairment and write-off	660	2,404	27
Other operating expenses	9,604	10,641	90
Total costs	288,610	295,115	98
Change in the value of inventories of products and work in progress	-8,999	-12,695	71
Total	279,611	282,420	99

Employee benefit costs

€90,886 thousand

In € thousand	1-3/2018	1-3/2017	Index
Gross wages and salaries and continued pay	70,737	68,830	103
Social security contributions	5,146	5,028	102
Pension insurance contributions	9,431	9,444	100
Payroll tax	256	244	105
Post-employment benefits and other non-current employee benefits	1,203	1,207	100
Other employee benefits cost	4,113	3,594	114
Total employee benefit costs	90,886	88,347	103

Other operating expenses

€9,604 thousand

In € thousand	1-3/2018	1-3/2017	Index
Grants and assistance for humanitarian and other purposes	328	337	97
Environmental protection expenses	981	911	108
Other taxes and levies	6,307	8,193	77
Loss on sale of property, plant and equipment and intangible assets	402	74	543
Other expenses	1,586	1,126	141
Total other operating expenses	9,604	10,641	90

Other taxes and levies include taxes (claw-back and similar) that have recently been imposed in certain markets, where the Krka Group operates.

Financial income and expenses

In € thousand	1–3/2018	1–3/2017	Index
Net foreign exchange differences	0	18,629	0
Interest income	1,698	136	1,249
Gains on disposal of available-for-sale financial assets	0	2	0
Financial instruments income	1,427	0	
– change in fair value	1,427	0	
Total financial income	3,125	18,767	17
Net foreign exchange differences	-5,201	0	
Interest expenses	-4	-48	8
Financial instruments expenses	-2,278	-13,072	17
– incurred expenses	-2,278	-17,836	13
– change in fair value	0	4,764	0
Other financial expenses	-440	-413	107
Total financial expenses	-7,923	-13,533	59
Net financial result	-4,798	5,234	-92

Income tax

€7,724 thousand

Income tax amounted to €9,578 thousand, or 16.8% of profit before tax. Together with deferred tax of €-1,854 thousand, total income tax expenses in the

income statement equalled €7,724 thousand. The effective tax rate was 13.5%.

Property, plant and equipment

€855,378 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Land	40,076	38,863	103
Buildings	401,609	409,682	98
Equipment	361,324	375,115	96
Property, plant and equipment being acquired	46,970	36,650	128
Advances for property, plant and equipment	5,399	4,532	119
Total property, plant and equipment	855,378	864,842	99

The value of property, plant and equipment accounted for good 43% of the Krka Group's balance sheet total. Please see the chapter 'Investments' in the Business Report for details on

Krka's major investments.

Intangible assets

€109,546 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Goodwill	42,644	42,644	100
Trademark	37,951	38,163	99
Concessions, patents, licences and similar rights	25,188	26,644	95
Intangible assets being acquired	3,763	3,541	106
Total intangible assets	109,546	110,992	99

Loans

€31,055 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Non-current loans	9,937	9,543	104
– loans to others	9,937	9,543	104
Current loans	21,118	1,426	1,481
– portion of non-current loan maturing next year	866	1,330	65
– loans to others	20,252	94	21,545
– current interest receivable	0	2	0
Total loans	31,055	10,969	283

Non-current loans constitute 32% of total loans.

Non-current loans to other entities comprise non-current loans that are extended by the Krka Group in accordance with internal acts to its employees.

These loans are used for the purchase or renovation of housing facilities.

Non-current loans to other entities comprise bank deposits of the controlling company with a maturity exceeding 90 days in total of €20,000 thousand.

Investments

€16,083 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Non-current investments	9,841	8,815	112
– available-for-sale financial assets	9,841	8,815	112
Current investments including derivative financial instruments	6,242	0	
– derivative financial instruments	1,143	0	
– other current investments	5,099	0	
Total investments	16,083	8,815	182

Available-for-sale financial assets comprised shares and interests in companies in Slovenia in total of €808 thousand, and €9,033 thousand of

investments in shares and interests in companies abroad.

Inventories

€330,347 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Material	124,040	119,775	104
Work in progress	85,718	77,743	110
Products	104,324	102,211	102
Merchandise	9,731	8,070	121
Advances for inventories	6,534	2,872	228
Total inventories	330,347	310,671	106

Trade and other receivables

€510,195 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Current trade receivables	480,265	500,735	96
Other current receivables	29,930	27,302	110
Total receivables	510,195	528,037	97

Cash and cash equivalents

€76,532 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Cash on hand	68	120	57
Bank balances	76,464	45,828	167
Total cash and cash equivalents	76,532	45,948	167

Equity

€1,533,160 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Share capital	54,732	54,732	100
Treasury shares	-44,465	-40,588	110
Reserves	112,919	111,477	101
– reserves for treasury shares	44,465	40,588	110
– share premium	105,897	105,897	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserves	-11,692	-12,523	93
– translation reserves	-70,741	-67,475	105
Retained earnings	1,406,722	1,361,107	103
Total equity holders of the controlling company	1,529,908	1,486,728	103
Non-controlling interests within equity	3,252	971	335
Total equity	1,533,160	1,487,699	103

Provisions

€99,290 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Provisions for lawsuits	4,495	4,507	100
Provisions for post-employment benefits and other non-current employee benefits	93,795	92,710	101
Other provisions	1,000	858	117
Total provisions	99,290	98,075	101

Deferred revenues

€10,685 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
The project 'Production of pharmaceuticals in the new Notol 2 plant' is partly funded by the European Regional Development Fund and budget of the Republic of Slovenia.	2,050	2,117	97
Grants from the budget for Dolenjske and Šmarješke Toplice health resorts and for Golf Grad Otočec	3,750	3,785	99
Grants from the European Regional Development Fund for developing new technologies (a FBD project)	221	242	91
Grants from the European Regional Development Fund for setting up information and technology solutions system GEN-I	9	10	90
Grants from the European Regional Development Fund for Development Centres of the Slovene Economy	4,595	4,752	97
Subsidy for acquisition of electric vehicles	7	7	100
Property, plant and equipment received for free	24	31	77
Emission coupons	29	9	322
Total deferred revenues	10,685	10,953	98

The Development Centres of the Slovene Economy and FBD projects are partly funded by the European Union from the European Regional Development Fund. The projects are carried out within the framework of the Operational programme for

strengthening regional development potentials for the period 2007–2013; Priority axis 1: Competitiveness and Research Excellence; main type of activity 1.1: Improvement of competitiveness and research excellence.

Trade payables

€119,993 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Payables to domestic suppliers	43,463	43,256	100
Payables to foreign suppliers	74,298	61,790	120
Payables from advances	2,232	3,294	68
Total trade payables	119,993	108,340	111

Other current liabilities

€172,494 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Accrued contractual discounts on products sold	100,997	125,680	80
Payables to employees – gross salaries, other receipts and charges	41,251	38,551	107
Derivative financial instruments	0	284	0
Other	30,246	21,253	142
Total other current liabilities	172,494	185,768	93

Contingent liabilities

€18,153 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Guarantees issued	17,533	18,396	95
Other	620	620	100
Total contingent liabilities	18,153	19,016	95

Fair value

In € thousand	31 March 2018		31 Dec 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans	9,937	9,937	9,543	9,543
Available-for-sale financial assets	9,841	9,841	8,815	8,815
Current loans	21,118	21,118	1,426	1,426
Current investments	6,242	6,242	0	0
– derivative financial instruments	1,143	1,143	0	0
– other investments	5,099	5,099	0	0
Trade receivables	480,265	480,265	500,735	500,735
Cash and cash equivalents	76,532	76,532	45,948	45,948
Trade payables and other liabilities excluding amounts owed to the state, to employees and advances	-240,896	-240,896	-241,876	-241,876
Other current liabilities	0	0	-284	-284
– derivative financial instruments	0	0	-284	-284
Total	363,039	363,039	324,307	324,307

In terms of fair value, investments are classified into three levels:

- Level 1 – assets at market price;
- Level 2 – assets not classified within level 1 and the value of which is determined directly or indirectly based on observable market data;
- Level 3 – assets the value of which cannot be determined using observable market data.

The fair value of non-current loans and borrowings is calculated based on the discounted cash flow of the principal and interest. The 2% discounted interest rates for 2017 and 2016 applied.

The fair value of securities held for trading is computed on the basis of the stock exchange quotation of the respective securities as at reporting date, and it is not decreased by any costs that may arise upon the sale or purchase of securities.

Fair value of assets

In € thousand	31 March 2018				31 Dec 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Available-for-sale financial assets	8,460	0	1,381	9,841	7,434	0	1,381	8,815
Derivative financial instruments	0	0	1,143	1,143	0	0	0	0
Other investments	0	0	5,099	5,099	0	0	0	0
Total assets at fair value	8,460	0	7,623	16,083	7,434	0	1,381	8,815
Assets for which fair value is disclosed								
Non-current loans	0	0	9,937	9,937	0	0	9,543	9,543
Current loans	0	0	21,118	21,118	0	0	1,426	1,426
Trade receivables	0	0	480,265	480,265	0	0	500,735	500,735
Cash and cash equivalents	0	0	76,532	76,532	0	0	45,948	45,948
Total assets for which fair value is disclosed	0	0	587,852	587,852	0	0	557,652	557,652
Total	8,460	0	595,475	603,935	7,434	0	559,033	566,467

Liabilities at fair value

In € thousand	31 March 2018				31 Dec 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities at fair value								
Derivative financial instruments	0	0	0	0	0	0	284	284
Total liabilities at fair value	0	0	0	0	0	0	284	284
Liabilities for which fair value is disclosed								
Trade payables and other liabilities excluding amounts owed to the state, to employees and advances	0	0	240,896	240,896	0	0	241,876	241,876
Total liabilities for which fair value is disclosed	0	0	240,896	240,896	0	0	241,876	241,876
Total	0	0	240,896	240,896	0	0	242,160	242,160

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

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

In € thousand	31 March 2018	31 Dec 2017	Index
Assets			
Property, plant and equipment	607,689	611,341	99
Intangible assets	27,247	28,299	96
Investments in subsidiaries	325,413	321,898	101
Trade receivables from subsidiaries	36,302	38,644	94
Loans	14,746	11,187	132
Investments	9,840	8,814	112
Deferred tax assets	12,030	12,342	97
Other non-current assets	76	70	109
Total non-current assets	1,033,343	1,032,595	100
Assets held for sale	41	41	100
Inventories	269,120	264,174	102
Trade receivables	466,168	456,265	102
Other receivables	12,862	15,395	84
Loans	52,468	34,895	150
Investments	1,143	0	
Cash and cash equivalents	65,849	34,117	193
Total current assets	867,651	804,887	108
Total assets	1,900,994	1,837,482	103
Equity			
Share capital	54,732	54,732	100
Treasury shares	-44,465	-40,588	110
Reserves	185,487	180,779	103
Retained earnings	1,346,648	1,298,402	104
Total equity	1,542,402	1,493,325	103
Liabilities			
Provisions	86,582	85,503	101
Deferred revenues	2,336	2,408	97
Total non-current liabilities	88,918	87,911	101
Trade payables	160,880	159,119	101
Borrowings	24,220	27,525	88
Income tax payable	20,331	15,127	134
Other current liabilities	64,243	54,475	118
Total current liabilities	269,674	256,246	105
Total liabilities	358,592	344,157	104
Total equity and liabilities	1,900,994	1,837,482	103

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

In € thousand	1-3/2018	1-3/2017	Index
Revenues	329,284	312,151	105
Costs of goods sold	-141,425	-141,289	100
Gross profit	187,859	170,862	110
Other operating income	767	251	306
Selling and distribution expenses	-75,319	-75,016	100
R&D expenses	-33,595	-32,956	102
General and administrative expenses	-16,543	-17,415	95
Operating profit	63,169	45,726	138
Financial income	2,814	17,917	16
Financial expenses	-7,615	-13,721	55
Net financial result	-4,801	4,196	-114
Profit before tax	58,368	49,922	117
Income tax	-6,245	-4,646	134
Net profit	52,123	45,276	115
Basic earnings per share (in €)	1.63	1.40	116
Diluted earnings per share ** (in €)	1.63	1.40	116

* Net profit for the period/Average number of shares issued in the period exclusive of treasury shares.

** All shares issued by the company are ordinary shares, hence the diluted earnings per share ratio equalled the basic earnings per share.

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

In € thousand	1-3/2018	1-3/2017	Index
Net profit	52,123	45,276	115
Other comprehensive income for the period			
Other comprehensive income for the period reclassified to profit or loss at a future date			
Change in fair value of available-for-sale financial assets	1,026	142	723
Deferred tax effect	-195	-27	722
Net other comprehensive income for the period reclassified to profit or loss at a future date	831	115	723
Total other comprehensive income for the period (net of tax)	831	115	723
Total comprehensive income for the period (net of tax)	52,954	45,391	117

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 2018	54,732	-40,588	40,588	105,897	14,990	30,000	-10,696	1,129,172	26,398	142,832	1,493,325
Net profit	0	0	0	0	0	0	0	0	0	52,123	52,123
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	831	0	0	0	831
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	831	0	0	52,123	52,954
Transactions with owners recognised in equity											
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	142,832	-142,832	0
Purchase of treasury shares	0	-3,877	0	0	0	0	0	0	0	0	-3,877
Formation of reserves for treasury shares	0	0	3,877	0	0	0	0	0	0	-3,877	0
Total transactions with owners recognised in equity	0	-3,877	3,877	0	0	0	0	0	142,832	-146,709	-3,877
Balance at 31 March 2018	54,732	-44,465	44,465	105,897	14,990	30,000	-9,865	1,129,172	169,230	48,246	1,542,402

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	
Balance at 1 Jan 2017	54,732	-29,690	29,690	105,897	14,990	30,000	-9,994	1,102,165	49,405	93,253	1,440,448
Net profit	0	0	0	0	0	0	0	0	0	45,276	45,276
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	115	0	0	0	115
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	115	0	0	45,276	45,391
Transactions with owners recognised in equity											
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	93,253	-93,253	0
Purchase of treasury shares	0	-1,987	0	0	0	0	0	0	0	0	-1,987
Formation of reserves for treasury shares	0	0	1,987	0	0	0	0	0	0	-1,987	0
Total transactions with owners recognised in equity	0	-1,987	1,987	0	0	0	0	0	93,253	-95,240	-1,987
Balance at 31 March 2017	54,732	-31,677	31,677	105,897	14,990	30,000	-9,879	1,102,165	142,658	43,289	1,483,852

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

In € thousand	1-3/2018	1-3/2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	52,123	45,276
Adjustments for:	28,030	39,087
– amortisation/depreciation	21,400	22,074
– foreign exchange differences	341	-1,122
– investment income	-2,838	-261
– investment expenses	2,386	13,101
– interest expenses and other financial expenses	496	649
– income tax	6,245	4,646
Operating profit before changes in net operating current assets	80,153	84,363
Change in trade receivables	-5,274	-55,619
Change in inventories	-4,946	4,259
Change in trade payables	606	4,271
Change in provisions	693	667
Change in deferred revenues	-72	-93
Change in other current liabilities	10,053	4,140
Income tax paid	-924	-2,681
Net cash from operating activities	80,289	39,307
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	132	294
Proceeds from sale of current investments	0	2
Dividends received	2,211	0
Proportionate profit of subsidiaries	-772	0
Proceeds from sale of property, plant and equipment	69	17
Purchase of intangible assets	-339	-662
Purchase of property, plant and equipment	-15,314	-19,787
Acquisition of subsidiaries and a share of minority interest without obtained assets	-3,515	-57
Refund of subsequent payments in subsidiaries	0	237
Non-current loans	-1,426	-482
Proceeds from repayment of non-current loans	298	6,675
Payments to acquire non-current investments	-6	-6
Proceeds from sale of non-current investments	1	0
Payments in connection with current investments and loans	-20,002	-6,242
Payments in connection with derivative financial instruments	-2,278	-17,836
Net cash from investing activities	-40,941	-37,847
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-105	-362
Payments/Proceeds in connection with current borrowings	-3,312	578
Dividends and other profit shares paid	0	-48
Purchase of treasury shares	-3,877	-1,987
Net cash used in financing activities	-7,294	-1,819
Net increase/decrease in cash and cash equivalents	32,054	-359
Cash and cash equivalents at beginning of the year	34,117	24,049
Effect of exchange rate fluctuations on cash held	-322	339
Net cash and cash equivalents at the end of the period	65,849	24,029

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

In € thousand	European Union		South-East Europe		East Europe		Other		Total	
	1-3/2018	1-3/2017	1-3/2018	1-3/2017	1-3/2018	1-3/2017	1-3/2018	1-3/2017	1-3/2018	1-3/2017
Revenues	194,663	174,879	18,476	13,921	104,049	111,262	12,096	12,089	329,284	312,151
Other operating income	540	126	12	8	215	117	0	0	767	251
Operating expenses	-162,139	-158,012	-12,070	-10,600	-85,020	-89,941	-7,653	-8,123	-266,882	-266,676
Operating profit	33,064	16,993	6,418	3,329	19,244	21,438	4,443	3,966	63,169	45,726
Interest income	125	105	0	0	9	138	0	0	134	243
Interest expenses	-85	-263	0	0	0	0	0	0	-85	-263
Net financial result	-24	1,547	732	-17	-5,434	2,729	-75	-63	-4,801	4,196
Income tax	-3,269	-1,727	-634	-338	-1,903	-2,178	-439	-403	-6,245	-4,646
Net profit	29,771	16,813	6,516	2,974	11,907	21,989	3,929	3,500	52,123	45,276
Investments	16,288	18,047	0	0	0	0	0	0	16,288	18,047
Depreciation	14,357	14,289	457	434	5,031	5,833	164	104	20,009	20,660
Amortisation	822	792	78	63	440	504	51	55	1,391	1,414
	31 March 2018	31 Dec 2017	31 March 2018	31 Dec 2017	31 March 2018	31 Dec 2017	31 March 2018	31 Dec 2017	31 March 2018	31 Dec 2017
Total assets	1,360,540	1,299,639	44,328	41,563	479,739	485,553	16,387	10,727	1,900,994	1,837,482
Total liabilities	232,229	227,306	11,021	9,530	92,914	89,939	22,428	17,382	358,592	344,157

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

Costs by nature

€266,882 thousand

In € thousand	1-3/2018	1-3/2017	Indeks
Cost of goods and material	98,938	101,048	98
Cost of services	86,328	84,565	102
Employee benefit cost	56,119	53,324	105
Amortisation and depreciation	21,400	22,074	97
Inventory write-off and allowances	1,801	1,665	108
Receivables impairment and write-off	501	13	3,854
Other operating expenses	6,410	7,477	86
Total costs	271,497	270,166	100
Change in the value of inventories of products and work in progress	-4,615	-3,490	132
Total	266,882	266,676	100

Employee benefit costs

€56,119 thousand

In € thousand	1-3/2018	1-3/2017	Indeks
Gross wages and salaries and continued pay	44,275	42,166	105
Social security contributions	2,731	2,567	106
Pension insurance contributions	5,362	5,124	105
Post-employment benefits and other non-current employee benefits	1,089	1,064	102
Other employee benefits cost	2,662	2,403	111
Total employee benefit costs	56,119	53,324	105

Other operating expenses

€6,410 thousand

In € thousand	1-3/2018	1-3/2017	Indeks
Grants and assistance for humanitarian and other purposes	248	219	113
Environmental protection expenses	637	574	111
Other taxes and levies	4,182	5,933	70
Loss on sale of property, plant and equipment and intangible assets	108	29	372
Other expenses	1,235	722	171
Total other operating expenses	6,410	7,477	86

Other taxes and levies include taxes (claw-back and similar) that have recently been imposed in several markets of Krka's operations.

Financial income and expenses

In € thousand	1-3/2018	1-3/2017	Index
Net foreign exchange differences	0	17,672	0
Interest income	134	243	55
Gains on disposal of available-for-sale financial assets	0	2	0
Financial instruments income	1,427	0	
– change in fair value	1,427	0	
Income from dividends and other shares of the profit	1,253	0	
– profits of subsidiaries	1,253	0	
Total financial income	2,814	17,917	16
Net foreign exchange differences	-4,840	0	
Interest expenses	-85	-263	32
Financial instruments expenses	-2,278	-13,072	17
– incurred expenses	-2,278	-17,836	13
– change in fair value	0	4,764	0
Other financial expenses	-412	-386	107
Total financial expenses	-7,615	-13,721	55
Net financial result	-4,801	4,196	

Income tax

€6,245 thousand

Income tax amounted to €6,128 thousand, or 10.5% of profit before tax. Together with deferred tax of €117 thousand, total income tax expenses in the

income statement equalled €6,245 thousand. The effective tax rate was 10.7%.

Property, plant and equipment

€607,689 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Land	26,928	25,771	104
Buildings	259,872	265,027	98
Equipment	276,837	287,290	96
Property, plant and equipment being acquired	39,199	29,149	134
Advances for property, plant and equipment	4,853	4,104	118
Total property, plant and equipment	607,689	611,341	99

The value of property, plant and equipment represents just over 32% of the Company's total assets. Please see the chapter 'Investments' in the

Business Report for details on Krka's major investments.

Intangible assets

€27,247 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Concessions, patents, licences and similar rights	23,586	24,811	95
Intangible assets being acquired	3,661	3,488	105
Total intangible assets	27,247	28,299	96

Intangible assets comprise registration documentation for new pharmaceuticals and software.

Loans

€67,214 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Non-current loans	14,746	11,187	132
– loans to subsidiaries	5,079	1,950	260
– loans to others	9,667	9,237	105
Current loans	52,468	34,895	150
– portion of non-current loan maturing next year	1,334	3,765	35
– loans to subsidiaries	30,953	30,981	100
– loans to others	20,127	96	20,966
– current interest receivable	54	53	102
Total loans	67,214	46,082	146

Non-current loans constitute 22% of total loans.

Non-current loans to others include loans that the Company extends in accordance with its internal acts to its employees for the purchase or renovation of housing facilities.

Non-current loans to other entities comprise bank deposits with a maturity exceeding 90 days in total of €20,000 thousand.

Investments

€10,983 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Non-current investments	9,840	8,814	112
– available-for-sale financial assets	9,840	8,814	112
Current investments including derivative financial instruments	1,143	0	
– derivative financial instruments	1,143	0	
Total investments	10,983	8,814	125

Available-for-sale financial assets comprise shares and interests in companies in Slovenia in total of €807 thousand, and €9,033 thousand of

investments in shares and interests in companies abroad.

Inventories

€269,120 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Material	110,229	111,925	98
Work in progress	79,731	76,063	105
Products	63,356	63,533	100
Merchandise	9,313	9,811	95
Advances for inventories	6,491	2,842	228
Total inventories	269,120	264,174	102

Trade and other receivables

€479,030 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Current trade receivables	466,168	456,265	102
– current trade receivables from subsidiaries	267,249	265,168	101
– current trade receivables from customers other than subsidiaries	198,919	191,097	104
Current receivables relating to dividends of subsidiaries	753	0	
Other current receivables	12,109	15,395	79
Total receivables	479,030	471,660	102

Cash and cash equivalents

€65,849 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Cash on hand	1	1	100
Bank balances	65,848	34,116	193
Total cash and cash equivalents	65,849	34,117	193

Equity

€1,542,402 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Share capital	54,732	54,732	100
Treasury shares	-44,465	-40,588	110
Reserves:	185,487	180,779	103
– reserves for treasury shares	44,465	40,588	110
– share premium	105,897	105,897	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserves	-9,865	-10,696	92
Retained earnings	1,346,648	1,298,402	104
Total equity	1,542,402	1,493,325	103

Borrowings

€24,220 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Current borrowings	24,220	27,525	88
– borrowings from subsidiaries	24,144	27,455	88
– current interest payable	76	70	109
Total borrowings	24,220	27,525	88

Provisions

€86,582 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Provisions for lawsuits	4,000	4,000	100
Provisions for post-employment benefits and other non-current employee benefits	82,582	81,503	101
Total provisions	86,582	85,503	101

Deferred revenues

€2,336 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
The project Production of pharmaceuticals in the new Notol 2 plant is partly funded by the European Regional Development Fund and budget of the Republic of Slovenia.	2,050	2,117	97
Grants from the European Regional Development Fund for developing new technologies (a FBD project)	221	242	91
Grants from the European Regional Development Fund for setting up information and technology solutions system GEN-I	9	10	90
Subsidy for acquisition of electric vehicles	7	7	100
Property, plant and equipment received for free	20	23	87
Emission coupons	29	9	322
Total deferred revenues	2,336	2,408	97

The FBD project is partly funded by the European Union from the European Regional Development Fund. It is carried out within the framework of the Operational programme for strengthening regional

development potentials for the period 2007–2013; Priority axis 1: Competitiveness and Research Excellence: main type of activity 1.1: Improvement of competitiveness and research excellence.

Trade payables

€160,880 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Payables to subsidiaries	80,152	80,358	100
Payables to domestic suppliers	39,752	37,900	105
Payables to foreign suppliers	39,383	37,967	104
Payables from advances	1,593	2,894	55
Total trade payables	160,880	159,119	101

Other current liabilities

€64,243 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Accrued contractual discounts on products sold	16,844	17,967	94
Payables to employees – gross salaries, other receipts and charges	30,144	29,605	102
Derivative financial instruments	0	284	0
Other	17,255	6,619	261
Total other current liabilities	64,243	54,475	118

Contingent liabilities

€15,389 thousand

In € thousand	31 March 2018	31 Dec 2017	Index
Guarantees issued	14,769	15,722	94
Other	620	620	100
Total contingent liabilities	15,389	16,342	94

Fair value

In € thousand	31 March 2018		31 Dec 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables from subsidiaries	36,302	36,302	38,644	38,644
Non-current loans	14,746	14,746	11,187	11,187
Available-for-sale financial assets	9,840	9,840	8,814	8,814
Current loans	52,468	52,468	34,895	34,895
Current investments	1,143	1,143	0	0
– derivative financial instruments	1,143	1,143	0	0
Trade receivables	466,168	466,168	456,265	456,265
Cash and cash equivalents	65,849	65,849	34,117	34,117
Current borrowings	-24,220	-24,220	-27,525	-27,525
Trade payables and other liabilities excluding amounts owed to the state, to employees and advances	-188,470	-188,470	-175,620	-175,620
Other current liabilities	0	0	-284	-284
– derivative financial instruments	0	0	-284	-284
Total	433,826	433,826	380,493	380,493

In terms of fair value, investments are classified into three levels:

- Level 1 – assets at market price;
- Level 2 – assets not classified within level 1 and the value of which is determined directly or indirectly based on observable market data;
- Level 3 – assets the value of which cannot be determined using observable market data.

The fair value of non-current loans and borrowings is calculated based on the discounted cash flow of the principal and interest. The 2% discounted interest rates for 2017 and 2016 applied.

The fair value of securities held for trading is computed on the basis of the stock exchange quotation of the respective securities as at reporting date, and it is not decreased by any costs that may arise upon the sale or purchase of securities.

Fair value of assets

In € thousand	31 March 2018				31 Dec 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Available-for-sale financial assets	8,460	0	1,380	9,840	7,434	0	1,380	8,814
Derivative financial instruments	1,143	0		1,143	0	0	0	0
Total assets at fair value	9,603	0	1,380	10,983	7,434	0	1,380	8,814
Assets for which fair value is disclosed								
Trade receivables from subsidiaries	0	0	36,302	36,302	0	0	38,644	38,644
Non-current loans	0	0	14,746	14,746	0	0	11,187	11,187
Current loans	0	0	52,468	52,468	0	0	34,895	34,895
Trade receivables	0	0	466,168	466,168	0	0	456,265	456,265
Cash and cash equivalents	0	0	65,849	65,849	0	0	34,117	34,117
Total assets for which fair value is disclosed	0	0	635,533	635,533	0	0	575,108	575,108
Total	9,603	0	636,913	646,516	7,434	0	576,488	583,922

Liabilities at fair value

In € thousand	31 March 2018				31 Dec 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities at fair value								
Derivative financial instruments	0	0	0	0	0	0	284	284
Total liabilities at fair value	0	0	0	0	0	0	284	284
Liabilities for which fair value is disclosed								
Current borrowings	0	0	24,220	24,220	0	0	27,525	27,525
Trade payables and other liabilities excluding amounts owed to the state, to employees and advances	0	0	188,470	188,470	0	0	175,620	175,620
Total liabilities for which fair value is disclosed	0	0	212,690	212,690	0	0	203,145	203,145
Total	0	0	212,690	212,690	0	0	203,429	203,429

STATEMENT OF COMPLIANCE

The Management Board of Krka, d. d., Novo mesto hereby states that the condensed financial statements of Krka and the condensed consolidated financial statements of the Krka Group for the nine months ended 31 March 2018 were drawn up so as to provide a true and fair view of the financial standing and operating results of Krka and the Krka Group. The condensed statements for the first quarter of 2018 were drawn up using the same accounting principles as for the annual financial statements of Krka and the Krka Group for 2017.

The condensed interim financial statements for the period that ended on 31 March 2018 were drawn up pursuant to IAS 34 – *Interim Financial Reporting*,

Novo mesto, 26 April 2018

and must be read in conjunction with the annual financial statements drawn up for the business year that ended on 31 December 2017.

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

The Management Board states that all transactions between in the Krka Group subsidiaries were executed according to the concluded purchase contracts, using market prices for products and services. No significant business transactions were concluded with any other related parties.



Jože Colarič
President of the Management Board and CEO



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