



**Unaudited consolidated financial statements of
the Krka Group and unaudited financial
statements of Krka, d. d., Novo mesto for 2017
with relevant notes**

Krka, d. d., Novo mesto



Living a healthy life.

CONTENTS

Information on the Krka Group	3
Financial Highlights of the Krka Group and Krka Company	4
Business Operations Analysis	5
Sales	11
Research and Development	14
Investments	16
Employees.....	17
Investor and Share Information	18
Plans for 2018	18
Unaudited Consolidated Statement of Financial Position of the Krka Group.....	19
Unaudited Consolidated Income Statement of the Krka Group	20
Unaudited Consolidated Statement of Other Comprehensive Income of the Krka Group.....	20
Unaudited Consolidated Statement of Changes in Equity of the Krka Group for 2017	21
Unaudited Consolidated Statement of Changes in Equity of the Krka Group for 2016	22
Unaudited Consolidated Statement of Cash Flows of the Krka Group.....	23
Unaudited Statement of Financial Position of Krka, d. d., Novo mesto	24
Unaudited Income Statement of Krka, d. d., Novo mesto.....	25
Unaudited Statement of Other Comprehensive Income of Krka, d. d., Novo mesto.....	25
Unaudited Statement of Changes in Equity of Krka, d. d., Novo mesto for 2017	26
Unaudited Statement of Changes in Equity of Krka, d. d., Novo mesto for 2016	27
Unaudited Statement of Cash Flows of Krka, d. d., Novo mesto.....	28

Based on provisions of Article 386 of the *Financial Instruments Market Act*, Krka, d. d., Šmarješka cesta 6, 8501 Novo mesto hereby presents

RELEVANT NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP AND UNAUDITED FINANCIAL STATEMENTS OF KRKA, D. D., NOVO MESTO FOR 2017

Unaudited consolidated financial statements of the Krka Group and unaudited financial statements of Krka, d. d., Novo mesto for 2017 as well as comparable data for 2016 have been prepared in accordance with the *International Financial Reporting Standards* (IFRS). The comparable 2016 statements have been audited.

Krka, d. d., Novo mesto has no authorised capital and has not made a conditional share capital increase.

Information on the Krka Group

Krka, d. d., Novo mesto (hereinafter the Krka Company) is the controlling company of the Krka Group, which comprised the following companies on 31 December 2017:

	Ownership share of the controlling company 31 Dec 2017 (in %)
TERME KRKA, d. o. o., Novo mesto	100
Farma GRS, d. o. o., Novo mesto	99.7
KRKA-FARMA d.o.o., Zagreb, Croatia	100
KRKA ROMANIA S.R.L., Bucharest, Romania	100
KRKA-FARMA DOO BEOGRAD, Belgrade, Serbia	100
KRKA-FARMA DOOEL Skopje, Skopje, Macedonia	100
KRKA Bulgaria EOOD, Sofia, Bulgaria	100
KRKA FARMA d.o.o., Sarajevo, Sarajevo, Bosnia and Herzegovina	100
KRKA-RUS LLC, Istra, Russian Federation	100
KRKA FARMA LLC, Istra, Russian Federation	100
KRKA UKRAINE LLC, Kiev, Ukraine	100
LLC "KRKA Kazakhstan", Almaty, Kazakhstan	100
KRKA - POLSKA Sp. z o.o., Warsaw, Poland	100
KRKA ČR, s. r. o., Prague, Czech Republic	100
KRKA Magyarország Kft., Budapest, Hungary	100
KRKA Slovensko, s.r.o., Bratislava, Slovakia	100
UAB KRKA Lietuva, Vilnius, Lithuania	100
SIA KRKA Latvija, Riga, Latvia	100
TAD Pharma GmbH, Cuxhaven, Germany	100
Krka Sverige AB, Stockholm, Sweden	100
KRKA Pharma GmbH, Wien, Vienna, Austria	100
KRKA Farmacêutica, Unipessoal Lda., Estoril, Portugal	100
KRKA FARMACÉUTICA, S.L., Madrid, Spain	100
KRKA Farmaceutici Milano S.r.l., Milan, Italy	100
KRKA France Eurl, Paris, France	100
KRKA PHARMA DUBLIN LIMITED, Dublin, Ireland	100
KRKA Belgium, SA, Brussels, Belgium	95
Krka Finland Oy, Espoo, Finland	100
KRKA UK LTD, London, United Kingdom	100
KRKA USA LLC, Wilmington, USA	100
Ningbo Krka Menovo Pharmaceutical Company Limited*	60

* In the process of being established on 31 December 2017, establishment procedure was completed at the beginning of January 2018

The subsidiary Terme Krka, d. o. o., held a 71.1 percent interest in Golf Grad Otočec, d. o. o. at 31 December 2017; Farma GRS, d. o. o. held a 100 percent interest in its subsidiaries GRS TEHFARMA, d. o. o., GRS VIZFARMA, d. o. o., GRS PREK FARMA, d. o. o., GRS EKO FARMA, d. o. o., GRS TREN FARMA, d. o. o., and GRS VRED FARMA, d. o. o.; and the subsidiary Krka France Eurl held a 5 percent interest in subsidiary KRKA Belgium, SA.

Financial Highlights of the Krka Group and Krka Company

In € thousand	Krka Group		Krka Company	
	2017	2016	2017	2016
Revenues	1,266,392	1,174,424	1,197,756	1,071,709
Operating profit (EBIT) ¹	198,741	122,435	196,953	98,920
EBITDA	306,638	228,238	278,627	180,685
Net profit	152,576	108,456	153,730	102,872
R&D expenses	125,864	117,994	131,201	122,874
Investments	105,088	131,817	85,332	80,663
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Non-current assets	1,033,008	1,038,067	1,032,595	1,024,176
Current assets	886,123	873,451	804,887	813,527
Equity	1,487,699	1,444,444	1,493,325	1,440,448
Non-current liabilities	121,182	115,313	87,911	81,691
Current liabilities	310,250	351,761	256,246	315,564
RATIOS	2017	2016	2017	2016
EBIT margin	15.7%	10.4%	16.4%	9.2%
EBITDA margin	24.2%	19.4%	23.3%	16.9%
Net profit margin	12.0%	9.2%	12.8%	9.6%
Return on equity (ROE) ²	10.4%	7.6%	10.5%	7.2%
Return on assets (ROA) ³	8.0%	5.8%	8.4%	5.7%
Liabilities/Equity	0.290	0.323	0.230	0.276
R&D expenses/Revenues	9.9%	10.0%	11.0%	11.5%
NUMBER OF EMPLOYEES	2017	2016	2017	2016
Year-end	10,832	10,889	5020	4889
Average	10,823	10,774	4911	4845
SHARE INFORMATION		2017	2016	
Total number of shares issued		32,793,448	32,793,448	
Earnings per share (EPS) in € ⁴		4.74	3.35	
Dividend per share in €		2.75	2.65	
Closing price at the end of the period in € ⁵		57.50	52.90	
Price/Earnings ratio (P/E)		12.14	15.81	
Book value in € ⁶		45.37	44.05	
Price/Book value (P/B)		1.27	1.20	
Market capitalisation in € thousand (31 Dec)		1,885,623	1,734,773	

¹ The difference between operating income and expenses

² Net profit/Average shareholders' equity in the year

³ Net profit/Average total assets in the year

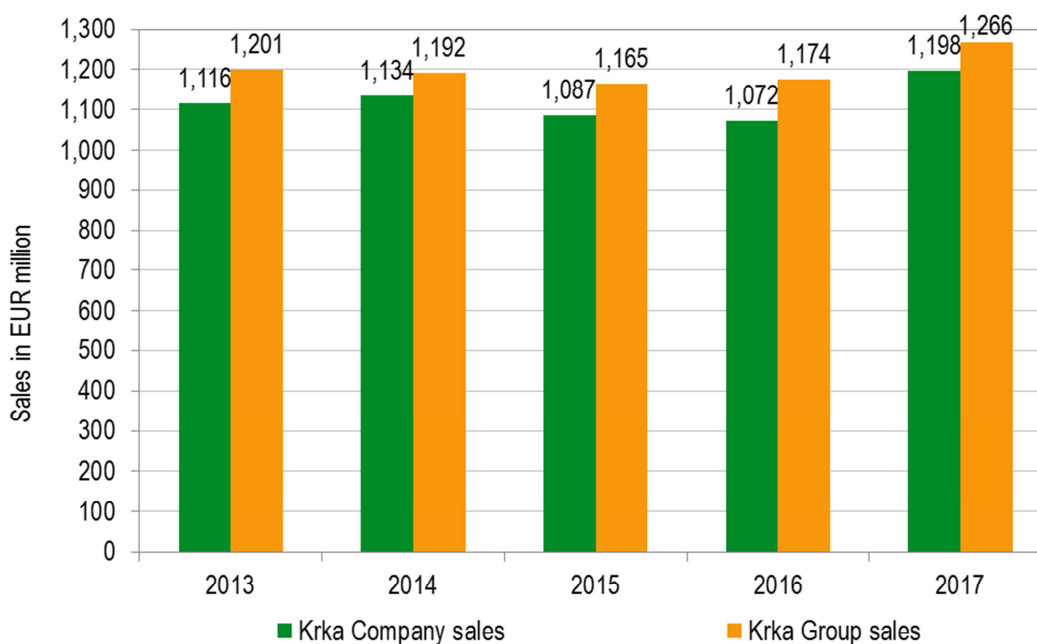
⁴ Profit of the year attributable to equity holders of the controlling company/Average number of shares issued in the year, exclusive of treasury shares

⁵ Share price on the Ljubljana Stock Exchange

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

Business Operations Analysis

Operating income



In 2017, the Krka Group sold products and services worth €1,266.4 million, which is the highest annual sales in its history and €92 million or 8% more than in 2016. Over the past five years, average sales growth reached 5.5% in terms of volume, and 2.1% in terms of value.

Other operating income amounted to €10.4 million, an increase of €2.6 million or 33% compared to 2016.

Operating expenses

The Krka Group incurred operating expenses totalling €1,078.1 million, up €18.2 million or 2% compared to 2016. The Krka Company incurred €1,005.7 million in operating expenses, up 3% compared to 2016.

The Krka Group's operating expenses included costs of goods sold, totalling €538.5 million, selling and distribution expenses of €340.5 million, research and development expenses in the amount of €125.9 million, and general and administrative expenses of €73.2 million. The operating expenses to sales ratio was 85% and, in the past five years, ranged between 82% in 2013 and 90% in 2016.

The biggest operating expense item of the Krka Group is costs of goods sold, which declined by 2% compared to 2016; its ratio to sales was 43%, while it accounted for 47% in 2016. Product portfolio and change in the value of inventories of work in progress and finished products influence the total costs of goods sold. Selling and distribution expenses increased by 7% in comparison to the year before, while accounting for 27% of total sales, which is the same as in 2016. Research and development expenses amounted to 10% of total sales, the same as in 2016 and up 7% compared to 2016. General and administrative expenses amounted to 6% of total sales, a decrease of 5% compared to 2016, while their ratio to sales dropped by one percentage point.

The Krka Company's operating expenses included a total of €511.9 million for costs of goods sold, selling and distribution expenses of €304.0 million, research and development expenses in the amount of €131.2 million, and general and administrative expenses of €58.6 million.

The biggest operating expense item of the Krka Company is costs of goods sold, which remained at the 2016 level; its ratio to sales was 43%, while it accounted for 48% in 2016. Product portfolio and change in the value of inventories of work in progress and finished products primarily influence the total costs of goods sold. Selling and distribution expenses increased by 8% in comparison to the year before, while accounting for 25% of total sales, which is one percentage point less than in 2016. The same as in 2016, research and development expenses amounted to 11% of total sales and were up 7% compared to 2016. General and administrative expenses

amounted to 5% of total sales, a decrease of 5% compared to 2016, while their ratio to sales dropped by one percentage point.

Financial income and expenses

In € thousand	Krka Group					Krka Company				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Financial income	24,041	65,679	25,561	1,486	2,114	24,908	78,225	36,735	9,178	5,316
Financial expenses	-46,608	-71,816	-44,283	-103,126	-28,361	-46,599	-72,733	-43,524	-112,313	-28,967
Net financial result	-22,567	-6,137	-18,722	-101,640	-26,247	-21,691	5,492	-6,789	-103,135	-23,651

In 2017, the Krka Group's net financial result amounted to €-22.6 million, while the net financial result of the Krka Company totalled €-21.7 million.

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

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

Krka continued with its policy of partial hedging against the rouble-related risk in 2017. It generated negative financial result from the forward contracts. The cost of hedging against the Russian rouble is accrued due to the differences between the interest rates in the rouble and the euro. Partial hedging ensured a more stable net financial result of the Krka Group, while the hedging costs were half lower than they would have been had we used hedging throughout the year.

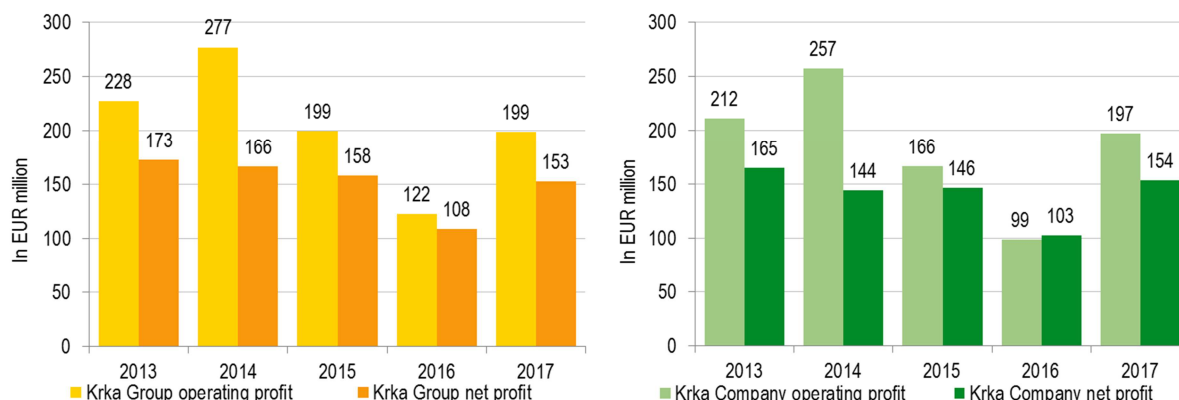
Due to the fall of the rouble value from the beginning until the end of the year, we generated net foreign exchange losses of €-18.0 million. The exposure to other currencies was not hedged. The currency risk management balance in 2017 totalled €-22.5 million.

Financial income of the Krka Group includes interest income in total of €0.9 million and income from dividends and other shares of the profit in total of €1.0 million. Financial expenses comprise interest expenses for borrowings in the amount of €0.2 million and €1.8 million worth other financial expenses.

Financial income of the Krka Company includes interest income in total of €0.7 million and income from dividends and other shares of the profit in a total of €2.0 million. Financial expenses comprise interest expenses for borrowings in the amount of €0.9 million and €1.4 million of other financial expenses. The currency risk management balance of the Krka Company in 2017 totalled €-22.2 million.

Operating results

Operating profit and net profit



Operating profit (EBIT) of the Krka Group totalled €198.7 million, up €76.3 million or 62% compared to 2016. The reason is relatively higher sales growth against the operating expenses, and product mix. The Krka Group generated operating profit increased by amortisation and depreciation (EBITDA) in the amount of €306.6 million, up by €78.4 million or 34%.

Operating profit (EBIT) of the Krka Company amounted to €197.0 million, while operating profit increased by amortisation and depreciation (EBITDA) of the Krka Company was €278.6 million.

Profit before tax of the Krka Group grew by €59.9 million or 51% and totalled €176.2 million in 2017. The effective tax rate of the Krka Group was 13.4%. Profit before tax of the Krka Company amounted to €175.3 million.

The Krka Group generated net profit of €152.6 million, an increase of € 44.1 million or 41% compared to 2016. Net profit of the Krka Company reached €153.7 million.

Assets

In € thousand	Krka Group					Krka Company				
	2017	Share (in %)	2016	Share (in %)	Index 2017/16	2017	Share (in %)	2016	Share (in %)	Index 2017/16
Non-current assets	1,033,008	53.8	1,038,067	54.3	100	1,032,595	56.2	1,024,176	55.7	101
Property, plant and equipment	864,842	45.0	874,100	45.7	99	611,341	33.3	609,543	33.2	100
Intangible assets	110,992	5.8	113,511	5.9	98	28,299	1.5	29,302	1.6	97
Investments and loans	18,358	1.0	18,939	1.0	97	341,899	18.6	349,623	19.0	98
Other	38,816	2.0	31,517	1.7	123	51,056	2.8	35,708	1.9	143
Current assets	886,123	46.2	873,451	45.7	101	804,887	43.8	813,527	44.3	99
Inventories	310,671	16.2	280,653	14.7	111	264,174	14.4	236,214	12.9	112
Trade receivables	500,735	26.1	510,406	26.7	98	456,265	24.8	479,234	26.1	95
Other	74,717	3.9	82,392	4.3	91	84,448	4.6	98,079	5.3	86
Total assets	1,919,131	100.0	1,911,518	100.0	100	1,837,482	100.0	1,837,703	100.0	100

At the end of 2017, the Krka Group assets amounted to €1,919.1 million, an increase of €7.6 million or 0.4% compared to the end of 2016. The proportion between non-current and current assets in the total asset structure was negligibly different compared to the end of 2016: non-current assets decreased by 0.5 of a percentage point, accounting for 53.8%.

At the end of 2017, the Krka Company's assets totalled €1,837.5 million, €0.2 million less than at the end of 2016. The proportion between non-current and current assets in total asset structure was slightly different compared to the end of 2016: non-current assets increased by 0.5 of a percentage point, accounting for 56.2%.

Non-current assets of the Krka Group amounted to €1,033.0 million, down €5.1 million or 0.5% compared to the end of 2016. The most important item in the Krka Group's asset structure was property, plant and equipment (PPE) in total of €864.8 million or 45% (of which the Krka Company's PPE accounted for €611.3 million or 71% of the Krka Group's PPE). Intangible assets worth €111.0 million accounted for 6% of total assets (of which the Krka Company's assets accounted for €28.3 million or 25% of the Krka Group's intangible assets). Non-current loans of the Krka Group totalled €9.5 million or 0.5% of the total Krka Group's assets.

Current assets of the Krka Group amounted to €886.1 million, up €12.7 million or 1% compared to the end of 2016. Trade receivables due from customers outside the Krka Group totalled €500.7 million (of which the Krka Company accounted for €191.1 million or 38% of trade receivables due from customers outside the Krka Group), and inventories €310.7 million. In order to ensure sufficient quantities of a large number of various products in accordance with the needs of over 70 markets, the inventories increased. The current loans of the Krka Group amounted to €1.4 million.

Non-current assets of the Krka Company totalled €1,032.6 million, up €8.4 million or 1% compared to the end of 2016. The most important item in the amount of €611.3 million was property, plant and equipment, which accounted for one third of total assets of the Krka Company. Investments in subsidiaries amounted to €321.9 million or 18% of the Krka Company's assets, while trade receivables due from subsidiaries totalled €38.6 million or 2% of the assets of the Krka Company. Intangible assets in the value of €28.3 million accounted for 2% of total assets. Non-current loans of the Krka Company totalled €11.2 million or 0.6% of the total Krka Company's assets.

Current assets of the Krka Company amounted to €804.9 million, €8.6 million or 1% decrease compared to the end of 2016. Trade receivable totalled €456.3 million, while inventories amounted to €264.2 million. Current loans of the Krka Company totalled €34.9 million or 2% of the total Krka Company's assets.

Equity and liabilities

In € thousand	Krka Group					Krka Company				
	2017	Share (in %)	2016	Share (in %)	Index 2017/16	2017	Share (in %)	2016	Share (in %)	Index 2017/16
Equity	1,487,699	77.5	1,444,444	75.6	103	1,493,325	81.3	1,440,448	78.4	104
Non-current liabilities	121,182	6.3	115,313	6.0	105	87,911	4.8	81,691	4.4	108
Current liabilities	310,250	16.2	351,761	18.4	88	256,246	13.9	315,564	17.2	81
Total equity and liabilities	1,919,131	100.0	1,911,518	100.0	100	1,837,482	100.0	1,837,703	100.0	100

As at 31 December 2017, the Krka Group's equity saw a €43.3 million or 3% increase compared to the end of 2016. The increase was attributed to the Krka Group's net profit of €152.6 million. Equity was reduced by the dividends paid in total of €88.6 million, further repurchase of treasury shares in the amount of €10.9 million, and other comprehensive income after tax totalling €-9.7 million. Translation reserves of €-8.4 million accounted for the largest item of that amount (foreign exchange losses arising from the translation of individual items of the financial statements of foreign operations into the reporting currency).

The provisions of the Krka Group totalled €98.1 million (of which post-employment and other non-current employee benefits accounted for €92.7 million, provisions for lawsuits €4.5 million, and other provisions €0.9 million). Compared to the end of 2016, the 8% increase may be attributed primarily to the actuarial increase of provisions for post-employment and other non-current employee benefits of €2.7 million and provisions for lawsuits of €4.3 million, of which €4.0 million for potential lawsuits relating to intellectual property of the controlling company.

Among current liabilities of the Krka Group, trade payables dropped by €20.1 million (of which payables to foreign suppliers accounted for €16.9 million and payables to domestic suppliers €2.5 million), while other current liabilities decreased by €35.9 million (of which accrued discounts on products sold accounted for €24.4 million and derivative financial instruments €12.4 million).

The Krka Group recorded no current or non-current borrowings at the end of 2017.

As at 31 December 2017, the Krka Company's equity increased by €52.9 million or 4% compared to the end of 2016. The increase was attributed to the Krka Company's net profit of €153.7 million, while the reduction was attributed to other comprehensive income after tax of €-1.3 million, dividends paid in the amount of €88,6 million, and repurchase of treasury shares in total of €10.9 million.

The provisions of the Krka Company totalled €85.5 million (of which post-employment and other non-current employee benefits accounted for €81.5 million, and provisions for lawsuits €4.0 million) and increased by 8% compared to the end of 2016 due to forming of provisions for potential intellectual property lawsuits in the amount of €4.0 million and due to actuarial increase of provisions for post-employment and other non-current employee benefits of €2.6 million.

Of the Krka Company's current liability items, trade payables rose by €10.6 million, while other current liabilities saw a decrease of €7.3 million. At the end of 2017, the Krka Company's current borrowings from subsidiaries totalled €27.5million.

Cash flow statement

In € thousand	Krka Group		Krka Company	
	2017	2016	2017	2016
Net cash from operating activities	227,827	213,492	272,448	120,082
Net cash used in investing activities	-120,132	-115,149	-84,089	-63,440
Net cash used in financing activities	-100,091	-95,916	-178,141	-57,809
Net change in cash and cash equivalents	7,604	2,427	10,218	-1,167

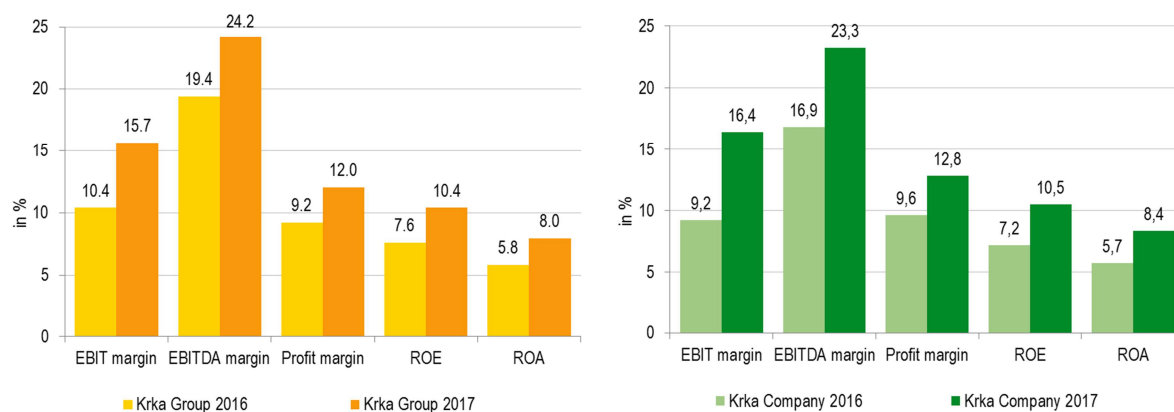
Net increase in cash and cash equivalents of the Krka Group (without effect of exchange rate fluctuations) was €7.6 million in 2017, because positive cash flow from operating activities exceeded the negative cash flows from investment and financing activities.

The Krka Group generated profit from operations before changes in net current assets totalling €289.3 million. The changes in current assets that increased profit included changes in trade receivables and provisions, while changes in inventories, trade payables, deferred revenues, and other current liabilities had a negative effect on profit.

Negative cash flow from investing activities totalling €120.1 million were accrued due to the acquisition of property, plant and equipment, net outflows related to derivative financial instruments, acquisition of intangible assets, and non-current loans; positive cash flow were generated by current investments and loans. The negative cash flow from financing activities in the amount of €100.1 million primarily resulted from pay-outs of dividends and other profit shares totalling €88.8 million, and repurchased treasury shares in the amount of €10.9 million.

Net increase in cash and cash equivalents of the Krka Company (without effect of exchange rate fluctuations) was €10.2 million.

Performance ratios



All ratios for 2017 are better than in 2016.

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

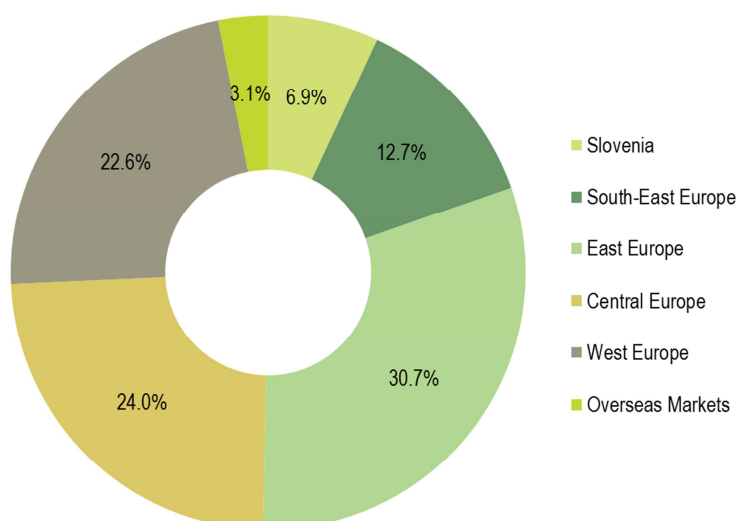
In € thousand	Krka Group					Krka Company				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Revenues	1,266,392	1,174,424	1,164,607	1,191,614	1,200,827	1,197,756	1,071,709	1,086,526	1,134,169	1,116,339
EBIT	198,741	122,435	199,434	276,953	227,588	196,953	98,920	166,162	257,167	211,527
– EBIT margin	15.7%	10.4%	17.1%	23.2%	19.0%	16.4%	9.2%	15.3%	22.7%	18.9%
EBITDA	306,638	228,238	306,742	374,535	321,732	278,627	180,685	248,998	329,217	282,993
– EBITDA margin	24.2%	19.4%	26.3%	31.4%	26.8%	23.3%	16.9%	22.9%	29.0%	25.4%
Net profit	152,576	108,456	158,185	166,161	172,766	153,730	102,872	146,262	144,385	164,673
– Net profit margin	12.0%	9.2%	13.6%	13.9%	14.4%	12.8%	9.6%	13.5%	12.7%	14.8%
Assets	1,919,131	1,911,518	1,809,204	1,795,745	1,759,884	1,837,482	1,837,703	1,761,712	1,768,487	1,701,235
ROA	8.0%	5.8%	8.8%	9.3%	10.2%	8.4%	5.7%	8.3%	8.3%	10.1%
Equity	1,487,699	1,444,444	1,405,984	1,351,899	1,332,611	1,493,325	1,440,448	1,433,211	1,381,313	1,332,246
ROE	10.4%	7.6%	11.5%	12.4%	13.4%	10.5%	7.2%	10.4%	10.6%	12.8%

Sales

Krka Group and Krka Company sales by Region

In € thousand	Krka Group			Krka Company		
	2017	2016	Index 2017/2016	2017	2016	Index 2017/2016
Slovenia	88,039	85,143	103	53,742	52,897	102
South-East Europe	160,937	152,374	106	162,172	159,181	102
East Europe	388,220	332,286	117	379,600	300,682	126
Central Europe	303,610	286,693	106	305,604	293,454	104
West Europe	286,089	282,412	101	260,684	232,818	112
Overseas Markets	39,497	35,516	111	35,954	32,677	110
Total	1,266,392	1,174,424	108	1,197,756	1,071,709	112

Group sales by Region



In 2017, the Krka Group sold products and services worth €1,266.4 million, which is 8% more than in 2016. Sales in markets outside Slovenia amounted to €1,178.4 million, accounting for 93% of the Krka Group sales.

The highest sales were recorded by Region East Europe with 30.7%, where we generated €388.2 million in sales and reached 17% growth compared to 2016. This represented the highest growth among all Krka's sales regions. In the Russian Federation, which remains Krka's key and largest individual market, we sold €270.9 million worth of products and achieved a 20% growth rate. Prescription pharmaceuticals recorded a 21% increase and contributed the most to increasing Krka's share at that market. The pharmaceutical market in Ukraine started to grow again after years of decline and stagnation. Krka maintained the position of the leading foreign supplier of generic medicines there and generated sales worth €45.2 million, presenting a 14% growth. After the stabilisation of the business environment, the Kazakh pharmaceutical market recorded a fast growth. We sold €15.6 million worth of products, which is a 22% increase in comparison to the year before. In Uzbekistan, the decrease in purchasing power further continued until September 2017, when the official and market exchange rates were put in balance and other measures were undertaken to open and liberalise the Uzbek market and economy. Product sales there amounted to €14.5 million, an increase by 7% compared to the previous year. Double-digit sales growth was also reached in Tajikistan (30%), Armenia (27%), Azerbaijan (22%), Belarus (13%), and Georgia (12%).

Region Central Europe recorded the second highest product sales at €303.6 million, which is a 6% increase compared to 2016. In Poland, the key and largest market in the region, we sold €145.0 million worth of products and reached a 3% growth. This ranks us fourth among foreign suppliers of generic medicines. The Czech Republic as the key market in terms of sales, ranks second in the region. As a result of sales that amounted to €45.8 million and was 21% higher than in 2016, we became the third-ranked foreign supplier of generic medicines. In Hungary, which is also one of Krka's major markets, we recorded a 3% sales growth and sales in the amount of €45.1 million. This ranks us second among primarily foreign suppliers of generic medicines in this market. We recorded sales growth also in Latvia (16%), Estonia (9%), and Slovakia (5%). Sales increased in all markets in the region except in Lithuania.

The third highest sales were recorded by Region West Europe with €286.1 million or 1% increase over 2016. The largest sales markets were Germany, France and Spain. Sales through subsidiaries remained at the 2016 level and accounted for approximately two thirds of total sales in the region. In Germany, our most important Western European market, we sold €80.8 million worth of products, which is a 13% decrease compared to 2016 due to lower sales of products through public tenders. We generated over 90% of sales in the German market through our subsidiary TAD Pharma. Double-digit market growth was recorded in the United Kingdom (36%), Portugal (19%), Ireland (18%), Italy (16%), Scandinavian countries (13%), and France (11%).

Sales in the markets of South-East Europe in 2017 amounted to €160.9 million worth of products, a 6% increase over 2016. In Romania, the largest and Krka's key market in the region, we sold products worth €54.2 million, which is at the 2016 level. As a result, we are first among mainly foreign providers of generic medicines in the market. In Croatia, which is also Krka's key market, we sold €31.1 million worth of products. With a 12% sales growth, we strengthened our market share and ranked fourth among all manufacturers of generic medicines and second among manufacturers of medicines for veterinary use. Sales growth was recorded in all markets in the region, except for Romania and Bosnia and Herzegovina.

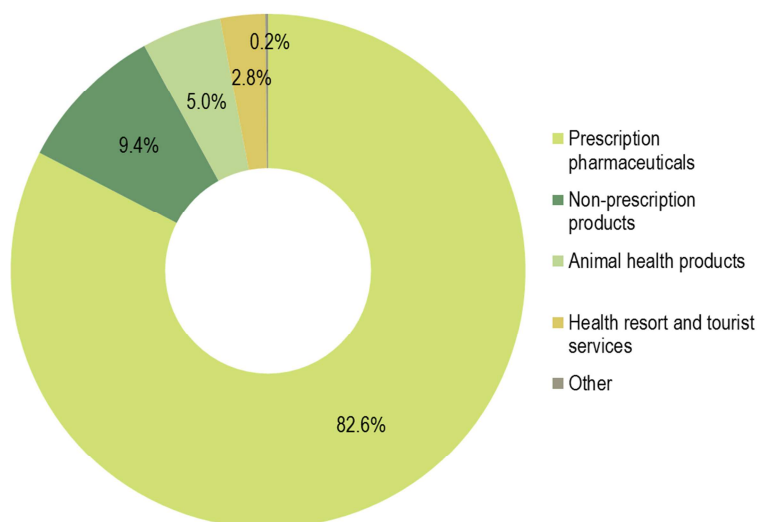
Sales of products and services in Slovenia amounted to €88.0 million (health resort and tourist services yielded €35.7 million with growth of 6%) Product sales growth in terms of value accounted for 3%. We maintained the position of the leading supplier of medicines in Slovenia with a 9% market share.

Sales of Krka's products in Region Overseas Markets generated €39.5 million in 2017, an 11% increase. The biggest contribution was made by individual markets of the Middle East, the Far East, and Africa, especially Iran and the Republic of South Africa.

Krka Group and Krka Company sales by product and service group

In € thousand	Krka Group			Krka Company		
	2017	2016	Index 2017/2016	2017	2016	Index 2017/2016
Human health products	1,165,277	1,074,954	108	1,133,407	1,005,442	113
– Prescription pharmaceuticals	1,046,086	963,727	109	1,029,129	908,406	113
– Non-prescription products	119,191	111,227	107	104,278	97,036	107
Animal health products	63,213	62,793	101	60,745	61,861	98
Health resorts and tourist services	35,696	33,708	106			
Other	2,206	2,969	74	3,604	4,406	82
Total	1,266,392	1,174,424	108	1,197,756	1,071,709	112

Krka Group sales by product and service group



Prescription pharmaceuticals remain Krka's most important sales group. Their sales amounted to €1,046.1 million, which is a 9% increase over 2016. Sales of prescription pharmaceuticals exceeded one billion euros for the first time in Krka's history.

Among the ten largest individual markets, sales of prescription pharmaceuticals saw the highest growth in relative terms in the Russian Federation, Czech Republic, and Ukraine, as well as in the United Kingdom, Finland, and Serbia among other markets. Krka's largest individual markets for prescription pharmaceuticals included the Russian Federation, Poland, Germany, Romania, and Hungary.

As far as sales of prescription pharmaceuticals are concerned, medicines for the treatment of cardiovascular diseases remained the key therapeutic group in 2017, followed by pharmaceuticals for diseases of the central nervous system, and medicines for alimentary and metabolic diseases.

In 2017, sales of new products, i.e. products launched in individual markets in the past five years, accounted for 33% of the Krka Group total sales. The most important new products were Pragiola* (pregabalin) launched at the end of 2014, and Dulsevia* (duloxetine) launched in 2015. They ranked among the 20 leading products in terms of 2017 sales. The leading products in terms of absolute sales growth were Vamloset* (valsartan/amlodipine), Meaxin* (imatinib), and Roticox* (etoricoxib), which was launched in 2017.

Medicines containing perindopril (Prenessa*, Co-Prenessa*, Amlessa*, Co-Amlessa*) remained the leading group in terms of sales in 2017. They were followed by medicines containing losartan (Lorista*, Lorista H*, Tenloris*), atorvastatin (Atoris, Atordapin*), pantoprazole (Nolpaza*), and valsartan (Valsacor, Valsacombi*, Vamloset*). Among the ten leading prescription pharmaceuticals in terms of sales were medicines containing esomeprazole (Emanera*), rosuvastatin (Roswera*, Rosudapin*), enalapril (Enap, Enap-H*, Elnap*), tramadol (Doreta*, Tadol), and clopidogrel (Zyllt*).

Sales of non-prescription products amounted to €119.2 million, a 7% increase compared to 2016. Among the ten largest markets, sales saw the highest growth in relative terms in Kazakhstan, the Czech Republic, and Ukraine, and among other markets in Finland, Tajikistan, and Belarus. Herbion, Septolete, Bilobil, and Nalgesin S* are Krka's most important non-prescription product brands.

Animal health product sales totalled €63.2 million, up 1% from 2016. As far as our ten leading markets are concerned, the sales in the Czech Republic, the Russian Federation, and Slovenia increased the most in relative terms. Among other markets, the rise was most notable in Lithuania, Poland, Portugal, and France. Krka's most successful animal health product in terms of sales was Milprazon* (milbemycin oxime/praziquantel), followed by Floron (florfenicol), Enroxil* (enrofloxacin), Fypryst* (fipronil), and Ecocid* S.

Sales of health resort and tourist services increased by 6% and amounted to €35.7 million. Other sales totalled €2.2 million.

Research and Development

In 2017, Krka obtained marketing authorisations for 23 new products (17 prescription pharmaceuticals, three non-prescription products, and three animal health products) in 46 pharmaceutical dosage forms and strengths. A total of 555 new marketing authorisations were obtained for 119 products in various markets in this year.

We submitted patent applications for four inventions and, based on priority applications from 2016, three international patent applications. Krka registered 57 trademarks in Slovenia, and submitted 73 international and 32 national trademark applications in 2017.

New prescription pharmaceuticals

Krka's key therapeutic area of medicines for the treatment of cardiovascular diseases was supplemented with new combinations of amlodipine with olmesartan, candesartan, and perindopril. We obtained marketing authorisations for the combination of olmesartan and amlodipine in film-coated tablets in three strengths. The combination integrates two mechanisms of action to reduce high blood pressure. It contains olmesartan, an angiotensin II receptor antagonist, and amlodipine, a calcium channel blocker. Due to the complementary effect of both active ingredients, the combination reduces the likelihood of certain adverse effects and improves tolerability. Our bioequivalence study demonstrates that the use of the generic medicine Olmita/Olmira (olmesartan/amlodipine) is as safe and effective as the reference medicine. We obtained the marketing authorisation for the medicine under the European decentralised procedure. It may be used by patients who cannot adequately control their blood pressure by taking medicines that contain one active ingredient only. A clinical study demonstrated that the fixed-dose combination is effective also as a replacement therapy. We obtained the marketing authorisation for the medicine OlmeAmlo (olmesartan/amlodipine) for use in patients that already take amlodipine and olmesartan in separate tablets and in the same doses as contained in the fixed-dose combination. The use of the medicine as a replacement therapy optimises the treatment as patients need to take fewer tablets per day, which improves patient compliance.

We obtained the marketing authorisation under the European decentralised procedure for the fixed-dose combination of candesartan/amlodipine in tablets of two strengths. The interaction of two active ingredients with different mechanisms of action is more effective in lowering high blood pressure than the treatment with only one active ingredient, and at the same time it also reduces the risk of adverse effects. The fixed-dose combination is used as a replacement therapy in patients already treated with candesartan and amlodipine in separate tablets and the same doses. The fixed-dose combination of two active ingredients in one tablet improves patient compliance during the treatment, as they need to take fewer tablets per day.

We also obtained marketing authorisations for the fixed-dose combination of perindopril/amlodipine in tablets of four strengths. Perindopril as an ACE inhibitor and amlodipine as a calcium channel blocker are complementary, and the combination is used for the treatment of high blood pressure and/or stable coronary arterial disease. The medicine is one of the basic and most important medicines for treating high blood pressure. In 2017, we obtained the marketing authorisation for Krka's generic variety of the fixed-dose combination, which is an equivalent therapeutic replacement for the originator's.

We obtained marketing authorisations for Krka's medicines for the treatment of erectile dysfunction Viavardis/Vardegin (vardenafil) 5 mg, 10 mg, and 20 mg film-coated tablets, and Tadilecto/Tadagis (tadalafil) 2.5 mg, 5 mg, 10 mg, and 20 mg film-coated tablets. Marketing authorisations for the two medicines were obtained under the European decentralised procedures in several European countries. Both active ingredients are selective enzyme phosphodiesterase type 5 inhibitors (PDE-5) that act quickly and prolong an erection. High efficacy is already evident after the first dose and is maintained after long-term use as well. Vardenafil is an effective and safe medicine intended for patients suffering from diabetes and cardiovascular diseases, and patients after radical prostatectomy. Tadalafil in lower doses is also intended for the treatment of benign prostatic hyperplasia. Both new medicines are vertically integrated, which means that Krka manages processes for preparation and evaluation of the active ingredient and the finished product. Krka's broad range of medicines for the treatment of erectile dysfunction comprises sildenafil, vardenafil, and tadalafil in different pharmaceutical forms and strengths.

We obtained marketing authorisations under the European decentralised procedures for the new medicine Adolax/Oxynador/Nolxado/Dolnada (oxycodone/naloxone) prolonged-release tablets in three strengths. It

contains the combination of an opioid oxycodone and naloxone that bind to opioid receptors. The medicine relieves moderate to severe pain when the treatment with opioids is required.

We obtained the marketing authorisation under the European decentralised procedure for the new strength of Dulsevia/Duloxalta (duloxetine) 90 mg gastro-resistant capsules. This medicine from the group of combined serotonin-noradrenaline reuptake inhibitors is used in the treatment of depression, generalised anxiety disorder, and neuropathic pain associated with diabetes. In addition to 30 mg and 60 mg capsules, a new strength is available allowing for administration of one capsule only in cases when higher doses are required.

New medicines were added to Krka's portfolio of analgesics. We obtained the marketing authorisation for the medicine Dekenor/Dexfenia (dexketoprofen) solution for injection. The product belongs to non-steroidal anti-inflammatory medicines that inhibit the cyclooxygenase pathway and reduce the synthesis of prostaglandins. It is used for the treatment of acute moderately severe to severe pain when oral treatment is not appropriate, e.g. postoperative pain, renal colics, and back pain. Dexketoprofen solution for injection may be given intravenously and intramuscularly. In both cases, the analgesic effect occurs quickly. It may be combined with opioid medicines in patients with postoperative pain. This allows for lower opioid doses, which reduces the risk of adverse effects that depend on the opioid doses.

We updated two medicines from the group of opioid analgesics, tramadol capsules and solution for injection in two strengths. We obtained marketing authorisations for both under the European decentralised procedures. Tramadol belongs to the opioid medicines with an analgesic effect. It binds to opioid receptors in the central nervous system and induces a weak stimulation of the central pain inhibitory system, which reduces the sensation of pain. The medicine is used for the treatment of moderately severe to severe pain. Unlike other opioids, tolerance and physical or psychological dependence do not develop when taking tramadol. Adverse effects are also rare. It is especially suitable for patients for whom non-opioid analgesics are not appropriate. The medicine in capsules is easier to take. It is also available as solution for injection for intravenous, intramuscular, or subcutaneous administration. The analgesic effect occurs quickly.

We obtained marketing authorisations under the European decentralised procedure for the new pharmaceutical forms of Meaxin/Imanivec (imatinib) 100 mg and 400 mg dispersible tablets. It is used for the treatment of chronic myeloid leukemia, acute lymphoblastic leukaemia with the Philadelphia chromosome, myelodysplastic/myeloproliferative diseases, hypereosinophilic syndrome, chronic eosinophilic leukemia, and dermatofibrosarcoma protuberans. Tablets may be dispersed in a small amount of water or apple juice for easier administration. They are suitable for patients who are unable to swallow, suffer from gastrointestinal disorders, in particular children and elderly, and also other patients who prefer liquids.

Two new products were added to Krka's new group of medicines for the treatment of patients infected with human immunodeficiency virus (HIV). We received a positive opinion from the European Medicines Agency (EMA) for Darunavir Krka film-coated tablets in three strengths and Efavirenz/Emtricitabine/Tenofovir disoproxil Krka film-coated tablets. Darunavir belongs to the group of protease inhibitors that form an integral part in combinations of medicines for the treatment of HIV-infected patients. Efavirenz/Emtricitabine/Tenofovir disoproxil Krka film-coated tablets include three antiretroviral agents that inhibit the reverse transcriptase enzyme necessary for viral replication. Efavirenz is a non-nucleoside inhibitor, emtricitabine is a nucleoside inhibitor, and tenofovir a nucleotide reverse transcriptase inhibitor. The combination allows for taking just one tablet a day. This makes administration easier and improves patient compliance, which is very important in the chronic treatment of diseases such as HIV infection.

We obtained the marketing authorisation under the European decentralised procedure for Glypvilo (vildagliptin) tablets. This is the first selective inhibitor of dipeptidyl peptidase-4 enzyme in Krka's portfolio of medicines for the treatment of diabetes. It may be used for the treatment of diabetes already at the earliest stages of the disease as monotherapy or in combination with other medicines. The medicine has a very good safety profile, does not cause hypoglycemia, and, unlike some older medicines, does not impact the body weight.

We obtained marketing authorisations for European markets under the European decentralised procedure for a new formulation of dexamethasone 0.5 mg tablets. Dexamethasone is a corticosteroid with anti-inflammatory, analgesic, and anti-allergic properties with effect on the immune system. It is used for the symptomatic treatment of rheumatic diseases, systemic connective tissue diseases, allergic disorders, and skin conditions, eye disorders, gastrointestinal disorders, respiratory diseases, blood disorders, kidneys, some forms of cancer, and rejection reactions to organ transplants.

We obtained the marketing authorisation under the national procedure for a new medicine strength in Hungary, Kventiax SR (quetiapine) 400 mg prolonged-release tablets, and supplemented our range of medicines containing quetiapine. This broad-spectrum antipsychotic medicine is used for treating mental illnesses (schizophrenia, bipolar disorder, and major depression). The prolonged-release tablets are now available in five strengths. Taking one tablet a day simplifies the treatment.

New non-prescription products

Magnezij Krka 300 water soluble granules are a food supplement containing magnesium citrate and B₂. Both ingredients help reduce fatigue and exhaustion, and support normal functioning of the nervous system. Magnesium citrate is also vital for proper functioning of muscles. The product does not contain preservatives, artificial colouring agents, flavours, and sweeteners.

We obtained marketing authorisations under the European decentralised procedure for the new medicine Flebaven/Flebazol/Fladios (diosmin) 500 mg film-coated tablets and 1000 mg tablets in 12 countries. Both dosage forms contain micronised diosmin of the pharmacopoeial quality and are intended for the treatment of symptoms of chronic venous insufficiency in adults, which is manifested as heavy legs, leg pain, and leg cramps at night, and for the symptomatic treatment of deteriorated haemorrhoid-related problems in adults. We obtained marketing authorisations for both products also in the markets of eastern and south-eastern Europe.

We expanded our market opportunities by obtaining new marketing authorisations for Septolete Total/Septabene (benzylamine hydrochloride/cetylpyridinium chloride) lozenges. The product has anti-inflammatory, analgesic, and antiseptic effects, and is used to treat infections and pain in the mouth and throat. We additionally obtained marketing authorisations for the product under the European decentralised procedure in the Czech Republic, Ireland, and Germany, and obtained the status of a non-prescription product.

New animal health products

We obtained marketing authorisations under decentralised procedures for Dehinel/Anthelmin (pyrantel embonate/praziquantel) film-coated tablets in 24 countries. It contains a fixed-dose combination of active ingredients for the treatment of mixed gastrointestinal parasite infestations in cats. It completes Krka's range of modern animal health products for the treatment of parasites in companion animals. We obtained marketing authorisations for the medicine also in Ukraine, Moldova, Bosnia and Herzegovina, and Macedonia.

We supplemented our portfolio of medicines for the treatment of farm animals with the two new medicines. We obtained the marketing authorisation under the European decentralised procedure for Santiola (clozantel) solution for injection, which completes Krka's portfolio of products for the treatment of parasitic infestations. It is indicated for the treatment of fasciolosis, gastrointestinal infestations and *Oestridae* spp. in cattle and sheep. In Kazakhstan and Azerbaijan, we obtained the marketing authorisations for Toltarox (toltrazuril) oral solution that is added to drinking water. It is used to treat *Coccidia* spp. infestations in different types of poultry.

Investments

In 2017, the Krka Group allocated €105.1 million to investments, €85.3 million to the controlling company, and €19.8 million to subsidiaries. We invested primarily in increasing and updating the production, and development and research capacities.

In Slovenia, Croatia, and the Russian Federation, approximately thirty investment projects are in progress intended to increase our production capacities.

Krka's key investment is the product development and quality control facility, the Razvojno-kontrolni center 4 (RKC 4), at the production site in Ločna, Novo mesto. The investment is estimated at €54 million. The construction of the 18,000 m² building and external works are in the final stage.

On the same location, we are also building a multipurpose warehouse with additional capacity for the storage of finished products, raw and packaging materials. 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, qualification, and equipment and system start-ups will last two years. The investment is estimated at €31.5 million.

On the same location, you can also find Notol 2, a state-of-the-art facility for the production of solid pharmaceutical dosage forms. The production there was started in January 2015, and the plant was officially opened in November of the same year. The plant has been designed in a way that allows a gradually increase in capacities. To satisfy increasing market demand and set up the production of new products, Krka purchased and installed additional technological equipment totalling €23 million in 2017.

Also in progress is the €11 million project to extend our pellet-coating capacity at OTO, the solid dosage forms production plant, which will be completed in 2018.

The new investment in Krško provided capacities for technologies that require treatment with hydrogen and thus further increased capacities for the independent production of pharmaceutical ingredients. The construction of €4.5 million hydrogenation plant, Hidrogeniranje 2, started in June 2017. By the end of the year, we performed system and equipment qualifications and start-ups. The test production of hydrogenation started at the beginning of 2018.

We are expanding the production plant for animal health products with biocidal effect in Bršljin, Novo mesto. The value of the investment is estimated at €4.6 million and the production with new equipment will start 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. The second stage of equipment installation in the new plant is finished. All technological production equipment has been assembled and operates. Production capacity has increased to two thirds of the planned final capacity, a total of 2.5 billion tablets and capsules a year. In 2018, we will also built a wastewater treatment plant. 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 have completed the refurbishment of the production and distribution centre in Jastrebarsko, Croatia and acquired new manufacturing facilities and laboratory capacities for solid dosage forms of oncology medicines.

Completed is the €5.5 million investment in Krka's subsidiary Farma GRS. We have provided additional capacities for research and development in the Chemical development centre, as well as increased capacities for the small-scale production of pharmaceutical ingredients in line with the good manufacturing practice.

Several smaller investments are in progress in all business units of the Terme Krka subsidiary. The heating system was replaced in Strunjan, which will reduce negative environmental impact and provide lower thermal energy prices in accordance with the legislation and the objectives of the Strunjan Nature Reserve. Hotel Laguna is also undergoing renovation. We are expanding accommodation capacities and building a smaller pool. In Šmarješke Toplice, a system for regulating discharge of wastewater was set up and energy system renovated. Completed is the renovation of facilities in the medical rehabilitation centre in Dolenjske Toplice and hotel rooms in Hotel Šport, Otočec. In 2017, investments in Terme Krka totalled €3 million.

Krka established a joint venture with Chinese partner Ningbo Menovo Pharmaceutical, in which Krka holds a 60% share and the partner a 40% share. The agreement establishing Ningbo Krka Menovo Pharmaceutical and its articles of association were signed by the partners on 15 November 2017. Immediately after the signing of the agreement, activities were initiated for the joint venture's approval by the Chinese authorities and its registration. The company was registered with Chinese authorities on 5 December 2017. In January 2018, Ningbo Krka Menovo Pharmaceutical opened its bank account and a few days later – on 22 January 2018 – the partners paid in the first tranche of subscribed capital. The joint venture is headed by a three-member Board of Directors, in which Krka has two representatives, one being the President. The first meeting of the Board took place on 14 March 2018. The company will initially focus on registering Krka's products in China, as obtaining marketing permits is a prerequisite for selling products at that market. The first major sales results are expected in two to three years.

Employees

At the end of 2017, the Krka Group employed 10,832 people, 5134 (47.4%) in Slovenia and 5698 (52.6%) abroad.

The share of employees with at least university-level qualifications is 55%, or 6,011 employees. They include 175 employees with a doctoral degree and 364 employees with a master's degree or specialisation.

Investor and Share Information

On the last trading date in 2017, the Krka share price on the Ljubljana Stock Exchange totalled €57.50, which is a 9% increase over the 2016 year-end, when it amounted to €52.90. In the same period, the value of the blue-chip index of the Ljubljana Stock Exchange (SBITOP) rose by 12%. At the end of last year, Krka's market capitalisation amounted to €1,886 million.

Krka shares are the most traded security on the Ljubljana Stock Exchange. In 2017, the average daily trading volume of Krka shares on the Ljubljana Stock Exchange reached €0.6 million. In 2017, the company acquired 201,116 treasury shares and held 691,717 treasury shares on 31 December 2017.

Plans for 2018

According to the 2018 plans, sales of the Krka Group are projected at €1.3 billion and net profit at €153 million. The Management Board will strive to exceed Krka's planned goals in case of favourable business conditions. Krka intends to allocate €135 million for investment projects to increase and upgrade production capacities and the infrastructure. In 2018, Krka plans to increase the number of employees in Slovenia and abroad by 2%; the total number of regular employees is projected to exceed 11,200.

The business plan for 2018 was based on the Krka Group development strategy for the period from 2018 to 2022. It was founded on estimates, assessments, projections, and other available data the Management Board had on disposal at the time. The Management Board believed that the estimates were reasonable. If business conditions in 2018 differ significantly from the projections, operation results could also differ from the plan.

Novo mesto, March 2018

Krka, d. d., Novo mesto
Management Board

Unaudited Consolidated Statement of Financial Position of the Krka Group

In € thousand	31 Dec 2017	31 Dec 2016
Assets		
Property, plant and equipment	864,842	874,100
Intangible assets	110,992	113,511
Loans	9,543	8,801
Investments	8,815	10,138
Deferred tax assets	38,475	31,260
Other non-current assets	341	257
Total non-current assets	1,033,008	1,038,067
Assets held for sale	41	467
Inventories	310,671	280,653
Trade receivables	500,735	510,406
Other receivables	27,302	33,777
Loans	1,426	9,441
Investments	0	77
Cash and cash equivalents	45,948	38,630
Total current assets	886,123	873,451
Total assets	1,919,131	1,911,518
Equity		
Share capital	54,732	54,732
Treasury shares	-40,588	-29,690
Reserves	111,477	109,678
Retained earnings	1,361,107	1,308,668
Total equity holders of the parent	1,486,728	1,443,388
Non-controlling interests within equity	971	1,056
Total equity	1,487,699	1,444,444
Liabilities		
Provisions	98,075	90,807
Deferred revenue	10,953	12,158
Deferred tax liabilities	12,154	12,348
Total non-current liabilities	121,182	115,313
Trade payables	108,340	128,437
Income tax payable	16,142	1,666
Other current liabilities	185,768	221,658
Total current liabilities	310,250	351,761
Total liabilities	431,432	467,074
Total equity and liabilities	1,919,131	1,911,518

Unaudited Consolidated Income Statement of the Krka Group

In € thousand	2017	2016
Revenues	1,266,392	1,174,424
Costs of goods sold	-538,540	-547,669
Gross profit	727,852	626,755
Other operating income	10,433	7,863
Selling and distribution expenses	-340,455	-317,418
R&D expenses	-125,864	-117,994
General and administrative expenses	-73,225	-76,771
Operating profit	198,741	122,435
Financial income	24,041	65,679
Financial expenses	-46,608	-71,816
Net financial result	-22,567	-6,137
Profit before tax	176,174	116,298
Income tax	-23,598	-7,842
Net profit	152,576	108,456
Attributable to:		
– equity holders of the parent	152,600	108,452
– non-controlling interest	-24	4
Basic earnings per share (in €)	4.74	3.35
Diluted earnings per share (in €)	4.74	3.35

Unaudited Consolidated Statement of Other Comprehensive Income of the Krka Group

In € thousand	2017	2016
Net profit	152,576	108,456
Other comprehensive income for the year		
Other comprehensive income for the year reclassified to profit or loss in future periods		
Translation reserve	-8,378	26,021
Change in fair value of available-for-sale financial assets	-1,345	2,558
Deferred tax effect	256	-581
Net other comprehensive income for the year reclassified to profit or loss in future periods	-9,467	27,998
Other comprehensive income for the year that will not be reclassified to profit or loss in future periods		
Recalculation of post-employment benefits	-235	-2,961
Deferred tax effect	-6	559
Net other comprehensive income for the year that will not be reclassified to profit or loss in future periods	-241	-2,402
Total other comprehensive income for the year (net of tax)	-9,708	25,596
Total comprehensive income for the year (net of tax)	142,868	134,052
Attributable to:		
– equity holders of the parent	142,892	134,048
– non-controlling interest	-24	4

Unaudited Consolidated Statement of Changes in Equity of the Krka Group for 2017

In € thousand	Reserves								Retained earnings			Total equity holders of the parent	Non-controlling interests within equity	Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other profit reserves	Retained earnings	Profit for the year			
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	152,600	152,600	-24	152,576
Total other comprehensive income for the year (net of tax)	0	0	0	0	0	0	-721	-8,378	0	-609	0	-9,708	0	-9,708
Total comprehensive income for the year (net of tax)	0	0	0	0	0	0	-721	-8,378	0	-609	152,600	142,892	-24	142,868
Transactions with owners, recognised in equity														
Formation of other profit reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	0	27,007	-27,007	0	0	0	0
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
Repurchase of treasury shares	0	-10,898	0	0	0	0	0	0	0	0	0	-10,898	0	-10,898
Formation of reserves for treasury shares	0	0	10,898	0	0	0	0	0	0	0	-10,898	0	0	0
Purchase of a stake in Golf Grad Otočec	0	0	0	0	0	0	0	0	0	-10	0	-10	-61	-71
Dividends paid	0	0	0	0	0	0	0	0	0	-88,644	0	-88,644	0	-88,644
Total transactions with owners, recognised in equity	0	-10,898	10,898	0	0	0	0	0	27,007	-16,828	-109,731	-99,552	-61	-99,613
Balance at 31 Dec 2017	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

Unaudited Consolidated Statement of Changes in Equity of the Krka Group for 2016

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

Unaudited Consolidated Statement of Cash Flows of the Krka Group

In € thousand	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	152,576	108,456
Adjustments for:	136,751	166,828
– amortisation/depreciation	107,897	105,803
– foreign exchange differences	-1,667	4,506
– investment income	-25,276	-23,844
– investment expenses	30,328	70,748
– interest expenses and other financial expenses	1,871	1,756
– financial income	0	17
– income tax	23,598	7,842
Operating profit before changes in net operating current assets	289,327	275,284
Change in trade receivables	11,834	-73,529
Change in inventories	-30,018	-7,775
Change in trade payables	-13,222	14,034
Change in provisions	5,605	1,519
Change in deferred revenues	-1,205	-1,223
Change in other current liabilities	-23,399	28,703
Income tax paid	-11,095	-23,521
Net cash from operating activities	227,827	213,492
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	922	919
Proceeds from sale of current investments	2	0
Dividends received	15	835
Proceeds from sale of property, plant and equipment	1,283	1,197
Purchase of intangible assets	-5,385	-4,414
Purchase of property, plant and equipment	-106,507	-116,996
Acquisition of subsidiaries and a share of minority interest without obtained assets	-70	-40
Non-current loans	-2,386	-2,662
Proceeds from repayment of non-current loans	1,372	1,345
Payments to acquire non-current investments	-152	-82
Proceeds from sale of non-current investments	41	68
Proceeds in connection with current investments and loans	8,353	28,430
Payments in connection with derivative financial instruments	-27,094	-45,041
Proceeds from derivative financial instruments	9,474	21,292
Net cash used in investing activities	-120,132	-115,149
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-444	-296
Dividends and other profit shares paid	-88,749	-86,001
Repurchase of treasury shares	-10,898	-9,619
Net cash used in financing activities	-100,091	-95,916
Net increase in cash and cash equivalents	7,604	2,427
Cash and cash equivalents at beginning of the year	38,630	35,826
Effect of exchange rate fluctuations on cash and cash equivalents	-286	377
Net cash and cash equivalents at end of the year	45,948	38,630

Unaudited Statement of Financial Position of Krka, d. d., Novo mesto

In € thousand	31 Dec 2017	31 Dec 2016
Assets		
Property, plant and equipment	611,341	609,543
Intangible assets	28,299	29,302
Investments in subsidiaries	321,898	321,185
Trade receivables due from subsidiaries	38,644	23,515
Loans	11,187	18,302
Investments	8,814	10,136
Deferred tax assets	12,342	12,101
Other non-current assets	70	92
Total non-current assets	1,032,595	1,024,176
Assets held for sale	41	41
Inventories	264,174	236,214
Trade receivables	456,265	479,234
Other receivables	15,395	21,408
Loans	34,895	52,504
Investments	0	77
Cash and cash equivalents	34,117	24,049
Total current assets	804,887	813,527
Total assets	1,837,482	1,837,703
Equity		
Share capital	54,732	54,732
Treasury shares	-40,588	-29,690
Reserves	180,779	170,583
Retained earnings	1,298,402	1,244,823
Total equity	1,493,325	1,440,448
Liabilities		
Provisions	85,503	78,903
Deferred revenue	2,408	2,788
Total non-current liabilities	87,911	81,691
Trade payables	159,119	148,562
Borrowings	27,525	105,269
Income tax payable	15,127	0
Other current liabilities	54,475	61,733
Total current liabilities	256,246	315,564
Total liabilities	344,157	397,255
Total equity and liabilities	1,837,482	1,837,703

Unaudited Income Statement of Krka, d. d., Novo mesto

In € thousand	2017	2016
Revenues	1,197,756	1,071,709
Costs of goods sold	-511,870	-510,131
Gross profit	685,886	561,578
Other operating income	4,879	3,312
Selling and distribution expenses	-304,038	-281,290
R&D expenses	-131,201	-122,874
General and administrative expenses	-58,573	-61,806
Operating profit	196,953	98,920
Financial income	24,908	78,225
Financial expenses	-46,599	-72,733
Net financial result	-21,691	5,492
Profit before tax	175,262	104,412
Income tax	-21,532	-1,540
Net profit	153,730	102,872
Basic earnings per share (in €)	4.77	3.17
Diluted earnings per share (in €)	4.77	3.17

Unaudited Statement of Other Comprehensive Income of Krka, d. d., Novo mesto

In € thousand	2017	2016
Net profit	153,730	102,872
Other comprehensive income for the year		
Other comprehensive income for the year reclassified to profit or loss in future periods		
Change in fair value of available-for-sale financial assets	-1,345	2,558
Deferred tax effect	256	-581
Net other comprehensive income for the year reclassified to profit or loss in future periods	-1,089	1,977
Other comprehensive income for the year that will not be reclassified to profit or loss in future periods		
Recalculation of post-employment benefits	-245	-2,619
Deferred tax effect	23	559
Net other comprehensive income for the year that will not be reclassified to profit or loss in future periods	-222	-2,060
Total other comprehensive income for the year (net of tax)	-1,311	-83
Total comprehensive income for the year (net of tax)	152,419	102,789

Unaudited Statement of Changes in Equity of Krka, d. d., Novo mesto for 2017

In € thousand	Reserves							Retained earnings			Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Other profit reserves	Retained earnings	Profit for the year	
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	153,730	153,730
Total other comprehensive income for the year (net of tax)	0	0	0	0	0	0	-702	0	-609	0	-1,311
Total comprehensive income for the year (net of tax)	0	0	0	0	0	0	-702	0	-609	153,730	152,419
Transactions with owners, recognised in equity											
Formation of other profit reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	27,007	-27,007	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	93,253	-93,253	0
Repurchase of treasury shares	0	-10,898	0	0	0	0	0	0	0	0	-10,898
Formation of reserves for treasury shares	0	0	10,898	0	0	0	0	0	0	-10,898	0
Dividends paid	0	0	0	0	0	0	0	0	-88,644	0	-88,644
Total transactions with owners, recognised in equity	0	-10,898	10,898	0	0	0	0	27,007	-22,398	-104,151	-99,542
Balance at 31 Dec 2017	54,732	-40,588	40,588	105,897	14,990	30,000	-10,696	1,129,172	26,398	142,832	1,493,325

Unaudited Statement of Changes in Equity of Krka, d. d., Novo mesto for 2016

In € thousand	Reserves							Retained earnings			Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Other profit reserves	Retained earnings	Profit for the year	
Balance at 1 Jan 2016	54,732	-20,071	20,071	105,897	14,990	30,000	-10,993	1,051,677	50,040	136,868	1,433,211
Net profit	0	0	0	0	0	0	0	0	0	102,872	102,872
Total other comprehensive income for the year (net of tax)	0	0	0	0	0	0	999	0	-1,082	0	-83
Total comprehensive income for the year (net of tax)	0	0	0	0	0	0	999	0	-1,082	102,872	102,789
Transactions with owners, recognised in equity											
Formation of other profit reserves under the resolution of the Management and Supervisory Boards	0	0	0	0	0	0	0	50,488	-50,488	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	136,868	-136,868	0
Repurchase of treasury shares	0	-9,619	0	0	0	0	0	0	0	0	-9,619
Formation of reserves for treasury shares	0	0	9,619	0	0	0	0	0	0	-9,619	0
Dividends paid	0	0	0	0	0	0	0	0	-85,933	0	-85,933
Total transactions with owners, recognised in equity	0	-9,619	9,619	0	0	0	0	50,488	447	-146,487	-95,552
Balance at 31 Dec 2016	54,732	-29,690	29,690	105,897	14,990	30,000	-9,994	1,102,165	49,405	93,253	1,440,448

Unaudited Statement of Cash Flows of Krka, d. d., Novo mesto

In € thousand	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	153,730	102,872
Adjustments for:	110,280	116,846
– amortisation/depreciation	81,674	81,765
– foreign exchange differences	148	-4,689
– investment income	-25,326	-34,836
– investment expenses	30,074	70,391
– interest expenses and other financial expenses	2,178	2,675
– income tax	21,532	1,540
Operating profit before changes in net operating current assets	264,010	219,718
Change in trade receivables	8,193	-88,001
Change in inventories	-27,960	-5,646
Change in trade payables	18,131	6,218
Change in provisions	4,927	1,238
Change in deferred revenues	-380	-380
Change in other current liabilities	5,234	3,201
Income tax paid	293	-16,266
Net cash from operating activities	272,448	120,082
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	882	1,379
Proceeds from sale of current investments	2	0
Dividends received	15	835
Proportionate profit of subsidiaries	1,027	11,051
Proceeds from sale of property, plant and equipment	581	945
Purchase of intangible assets	-4,917	-4,140
Purchase of property, plant and equipment	-87,989	-66,201
Acquisition of subsidiaries and a share of minority interest without obtained assets	-951	-19,250
Refund of subsequent payments in subsidiaries	237	79
Non-current loans	-2,169	-2,512
Proceeds from repayment of non-current loans	17,221	5,198
Payments to acquire non-current investments	-45	-71
Proceeds from sale of non-current investments	40	68
Proceeds in connection with current investments and loans	9,597	32,928
Payments in connection with derivative financial instruments	-27,094	-45,041
Proceeds from derivative financial instruments	9,474	21,292
Net cash used in investing activities	-84,089	-63,440
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-839	-1,355
Repayment of non-current borrowings	0	-500
Acquisition/Repayment of current borrowings	-77,655	39,666
Dividends and other profit shares paid	-88,749	-86,001
Repurchase of treasury shares	-10,898	-9,619
Net cash used in financing activities	-178,141	-57,809
Net increase/decrease in cash and cash equivalents	10,218	-1,167
Cash and cash equivalents at beginning of the year	24,049	24,622
Effect of exchange rate fluctuations on cash held	-150	594
Net cash and cash equivalents at end of the year	34,117	24,049