



**Krka Group and Krka, d. d.
Unaudited Interim Report for the
Half Year Ended 30 June 2018**

Novo mesto, July 2018



Living a healthy life.

Contents

Introduction.....	3
Business Performance Highlights for the First Two Quarters.....	3
Financial Highlights of the Krka Group and Krka, d. d.	4
Information on the Controlling Company.....	5
ID Card of the Krka Group	5
Profile of the Krka Group.....	6
Krka Group Development Strategy	7
Business Report	9
Financial Risk.....	9
Investor and Share Information.....	10
Business Operations Analysis.....	12
Marketing and Sales	14
Research and Development.....	26
Investments.....	28
Employees	30
Condensed consolidated financial statements of the Krka Group with notes	32
Consolidated statement of financial position of the Krka Group.....	32
Consolidated income statement of the Krka Group.....	33
Consolidated statement of other comprehensive income of the Krka Group	33
Consolidated statement of changes in equity of the Krka Group	34
Consolidated statement of cash flows of the Krka Group.....	36
Segment reporting of the Krka Group	37
Notes to the consolidated financial statements of the Krka Group.....	38
Condensed financial statements of Krka, d. d., Novo mesto with notes	45
Statement of financial position of Krka, d. d., Novo mesto.....	45
Income statement of Krka, d. d., Novo mesto	46
Statement of other comprehensive income of Krka, d. d., Novo mesto	46
Statement of changes in equity of Krka, d. d., Novo mesto	47
Statement of cash flows of Krka, d. d., Novo mesto.....	49
Segment reporting of Krka, d. d., Novo mesto	50
Notes to the financial statements of Krka, d. d., Novo mesto.....	51
Statement of compliance	58

INTRODUCTION

The condensed consolidated financial statements of the Krka Group and the condensed financial statements of Krka, d.d., Novo mesto (the Company) for the first two quarters of 2018 and the first two quarters 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 Krka, d. d. are available on the Krka website www.krka.si.

At its regular meeting of 25 July 2018, the Company's supervisory board discussed the Krka Group and Krka, d. d. unaudited interim report for the first two quarters of 2018.

Business Performance Highlights for the First Two Quarters

- The Krka Group sold €680.5 million worth of products and services, and the Company's sales amounted to €631.1 million. This has been Krka's highest sales figure for the first two quarters of a year since the company was founded.
- The Krka Group generated sales of products and services in the amount of €25.4 million, or 4% more than in the same period of the previous year.
- The Krka Group generated 93% and the Company 96% of sales revenues in the markets outside Slovenia.
- All sales regions recorded increase in sales.
- Region South-East Europe recorded the highest absolute sales growth (by €8.6 million) and the highest relative sales growth (11%).
- Accounting for a 32.1% share in total sales, the Company's largest sales region was Region East Europe.
- The Krka Group generated operating profit in total of €135.5 million, or 9% more than in the same period last year. The Company's operating profit amounted to €118.0 million.
- The Krka Group generated net profit in total of €101.7 million or 11% more than in the same period last year, while the Company generated net profit in total of €92.4 million.
- As at 30 June 2018, the Company's share traded at €57.80 on the Ljubljana Stock Exchange, a 0.5% increase compared to the 2017 year end. The Company's market capitalisation amounted to €1.9 billion.
- The Krka Group allocated €43.5 million to investments, of that €34.3 million to the controlling company.
- At the end of June, the Krka Group had 11,212 regularly employed persons on payroll, or 380 (4%) more than at the end of 2017. Together with persons employed through agencies, the Krka Group employed 12,364 people, 2% more than at the end of 2017.

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

In € thousand	Krka Group		Krka Company	
	1-6/2018	1-6/2017	1-6/2018	1-6/2017
Revenues	680,475	655,046	631,086	615,010
Operating profit (EBIT) ¹	135,459	124,078	117,972	112,833
EBITDA	190,930	177,279	159,509	152,999
Net profit	101,738	91,663	92,446	83,573
R&D expenses	64,257	62,219	66,974	64,438
Investments	43,524	52,568	34,337	44,289

	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017
Non-current assets	1,017,002	1,033,008	1,020,351	1,032,595
Current assets	964,348	886,123	888,726	804,887
Equity	1,577,882	1,487,699	1,580,459	1,493,325
Non-current liabilities	121,808	121,182	89,176	87,911
Current liabilities	281,660	310,250	239,442	256,246

RATIOS	1-6/2018	1-6/2017	1-6/2018	1-6/2017
EBIT margin	19.9%	18.9%	18.7%	18.3%
EBITDA margin	28.1%	27.1%	25.3%	24.9%
Net profit margin	15.0%	14.0%	14.6%	13.6%
Return on equity (ROE) ²	13.3%	12.3%	12.0%	11.3%
Return on assets (ROA) ³	10.4%	9.5%	9.9%	9.0%
Liabilities/Equity	0.256	0.288	0.208	0.246
R&D expenses/Revenues	9.4%	9.5%	10.6%	10.5%

NUMBER OF EMPLOYEES	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017
Balance as at	11,212	10,832	5,319	5,020

SHARE INFORMATION	1-6/2018	1-6/2017
Total number of shares issued	32,793,448	32,793,448
Earnings per share (EPS) in € ⁴	6.35	5.68
Closing price at end of period in €	57.80	55.00
Price/Earnings ratio (P/E)	9.10	9.68
Book value in € ⁶	48.12	46.52
Price/Book value (P/B)	1.20	1.18
Market capitalisation in € thousand (end of the period)	1,895,461	1,803,640

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

Telephone ++386 (0) 7 331 21 11

Fax ++386 (0) 7 332 15 37

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.

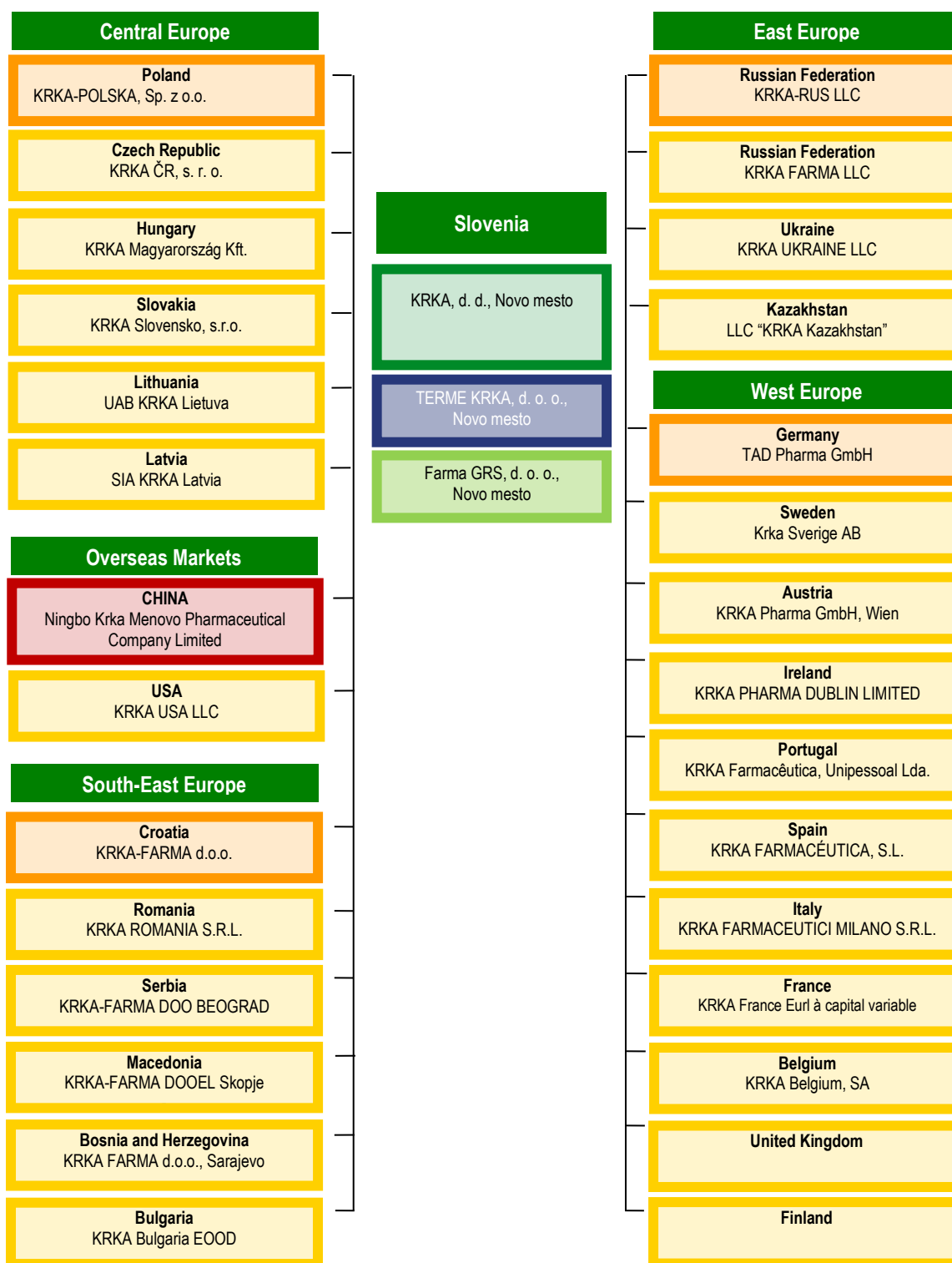
Production takes place in the controlling company in Slovenia and in Krka subsidiaries in the Russian Federation, Poland, Croatia, and Germany. In addition to production, these subsidiaries, apart from Krka-Rus in the Russian Federation, deal with marketing and sales. Other subsidiaries outside

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 West Europe, Poland, Slovenia, Romania, Hungary, Ukraine, Czech Republic, and Croatia), with an emphasis on key customers and key products.
- To place certain 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 selected therapeutic groups of non-prescription products and animal health products, in particular products for companion animals.
 - To enter the market of similar biological medicines.
 - To further develop health resort and tourist industry also by finding strategic partners outside the Krka Group.
 - To enhance vertical integration from development through to product manufacture.
 - To ensure a permanent supply of incoming materials, and optimise supply in order to continuously reduce purchase prices.
 - To increase manufacture and development outsourcing of certain APIs and finished products.
 - To develop generic medicines and prepare their marketing authorisation documentation prior to the expiry of the product patent for the original medicine.
 - To strengthen all types of connections in the field of development and other fields as well as with external institutions and companies.
 - To ensure functionality and continuous improvement of the integrated management system (IMS) and quality system, which guarantee production of safe, effective, and quality products in compliance with cGMP guidelines and regulations relating to quality in pharmaceutical industry.
 - To invest in 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 Krka Group's financial requirements for investments and takeovers
- when determining the net profit share for dividend payout each year, as well as to allocate at least 50% of the net profit of controlling company's equity holders for dividend payout.
- To introduce information technology efficiently and in compliance with regulatory standards, and ensure high availability and information security of the implemented IT solutions.
 - To further pursue digitalization of business operations by: i) introducing digital information technology to business processes in order to allow for automatization and optimisation of processes and procedures; ii) supporting and strengthening cooperation within the Krka Group and the whole supply chain; iii) ensuring appropriate information for taking business decisions in order to increase added value for clients.
 - To strengthen the professional and cost synergy of the Krka Group, and maximise the utilisation of competitive advantages in the business environments in which Krka companies operate abroad.
 - To strengthen internationalisation within the Krka Group by managing the employee potential in an international environment and ensure activation of all human resource potentials.
 - To meet our economic, social and environmental responsibilities to the environment in which we operate.
 - To enhance the corporate identity and operate according to laws, regulations, ethic principles, and good practices.
 - To ensure business coherence and transparency, and enhancing the visibility and positive image of the Krka Group.

2018 Krka Group Business Objectives

- 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. We expect the final value of investments to be lower than planned, but the investments remains within the planned frameworks.

BUSINESS REPORT

Financial Risk

Foreign Exchange Risk

The Krka Group operates in diverse international environments and is exposed to foreign exchange risks in certain markets. Currency exposure arises from an excess of assets over liabilities in a particular currency in the financial position statement of the Group, and from differences between operating income and expenses generated in various currencies.

The key policy of the Krka Group remains to mitigate foreign currency exposure primarily by natural hedging. We also use derivative financial instruments; however, only to a limited extent.

The key currency exposure of the Krka Group arises from exposure to the Russian rouble. Krka intends to continue its policy of partial hedging against the rouble-related risk also in 2018.

In the first two quarters of 2018, the value of the Russian rouble was unstable. In the past periods,

the Russian rouble grew less dependent on oil prices. In the first two quarters of 2018, the price of oil saw a 19% increase in the US dollars, while the value of the rouble expressed in the euro declined by 5.1%, and in the US dollar by 7.8%. In the first two quarters of 2018, the value of the Russian rouble was primarily impacted by constant currency interventions of the Russian monetary authorities, gradual decrease in inflation and interest rates in the Russian Federation, introduction of additional economic sanctions against certain Russian legal and natural entities in April, and changes in the global financial markets.

In consideration of net foreign exchange losses in total of -€13.9 million, net income or expenses relating to derivative financial instruments, interest rate gains or losses and other financial revenues and expenses, net financial result totalled -€14.9 million.

Interest Rate Risk

In the first two quarters 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 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 annually. At the end of the second quarter of 2018, trade receivables included in the credit control process accounted for more than 90% of total receivables, and involved more than 400 clients.

The Krka Group recorded a low value of receivable write-offs and impairments also because credit control is effective, 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 two quarters of 2018. We especially closely monitored and adequately insured trade receivables from clients in the markets with less favourable macroeconomic environment and markets in which we detected increased risks relating to distribution of medicines.

At the end of the second quarter of 2018, more than 60% of trade receivables were insured with a credit insurance company, and only a small portion of trade receivables was secured with banking instruments.

Total trade receivables expressed in the euro declined compared to the beginning of the year, and

were lower than at the end of the second quarter of 2017.

The maturity structure of receivables remained

Liquidity Risk

In the first two quarters 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 pre-agreed short-term revolving and fixed borrowings from banks, and the daily, rolling weekly, monthly and longer-term planning and monitoring of cash inflows and outflows. Cash-pooling operations in selected subsidiaries have

stable. The percentage of overdue receivables relative to total trade receivables remained low also at the end of the second quarter of 2018.

already notably optimized liquidity management in the Krka Group, which is reflected in lower costs, faster execution and improved safety of transactions.

Liquidity risk is estimated to be low. All our liabilities in the period were settled regularly and on time.

Property, Liability and Business Interruption Insurance

The Krka Group concluded new insurance contracts in view of insurance optimisation and consideration of bids. Total insurance premium lagged behind the increase in insured asset value. All group companies are also insured locally in order to provide for optimum protection of property and protect them from indemnity claims.

The controlling company again concluded a directors and officers liability insurance policy to provide insurance coverage for investment projects. In certain countries, we stopped taking out casco car insurance policies. The termination of casco insurance policies generated significant savings, reduced administrative work, and increased availability of cars.

Investor and Share Information

In the first two quarters of 2018, the price of Krka's share on the Ljubljana Stock Exchange increased by 0.5%. In that period, the number of treasury shares and the stake of Slovenian companies and

funds increased, while the share of individual Slovenian investors and international investors slightly dropped. At the end of June 2018, Krka had 51,020 shareholders.

Shareholder structure (%)

	30 June 2018	31 December 2017
Individual Slovenian investors	39.1	39.2
Slovenian Sovereign Holding (Slovenski državni holding) and the Republic of Slovenia	16.2	16.2
KAD fund and PPS	11.0	11.0
Slovenian companies and funds	7.8	7.7
International investors	23.5	23.8
Treasury shares	2.4	2.1
Total	100.0	100.0

In the first two quarters of 2018, Krka acquired 102,396 treasury shares totalling €5,938,714.

As at 30 June 2018, Krka had 794,113 treasury shares, accounting for 2.422% of share capital.

Krka's ten largest shareholders as at 30 June 2018

	Country	Number of shares	Equity share (%)	Share of voting rights (%)
KAPITALSKA DRUŽBA, D. D.	Slovenia	3,493,030	10.65	10.92
SLOVENSKI DRŽAVNI HOLDING, D. D.	Slovenia	2,949,876	9.00	9.22
REPUBLIC OF SLOVENIA	Slovenia	2,365,126	7.21	7.39
SPLITSKA BANKA D. D.	Croatia	1,662,968	5.07	5.20
ADDIKO BANK D. D.	Croatia	1,196,138	3.65	3.74
CLEARSTREAM BANKING SA	Luxembourg	717,313	2.19	2.24
KDPW	Poland	466,344	1.42	1.46
UNICREDIT BANK AUSTRIA AG	Austria	445,270	1.36	1.39
LUKA KOPER, D. D.	Slovenia	433,970	1.32	1.36
ZAVAROVALNICA TRIGLAV, D. D.	Slovenia	388,300	1.18	1.21
Total		14,118,335	43.05	44.12

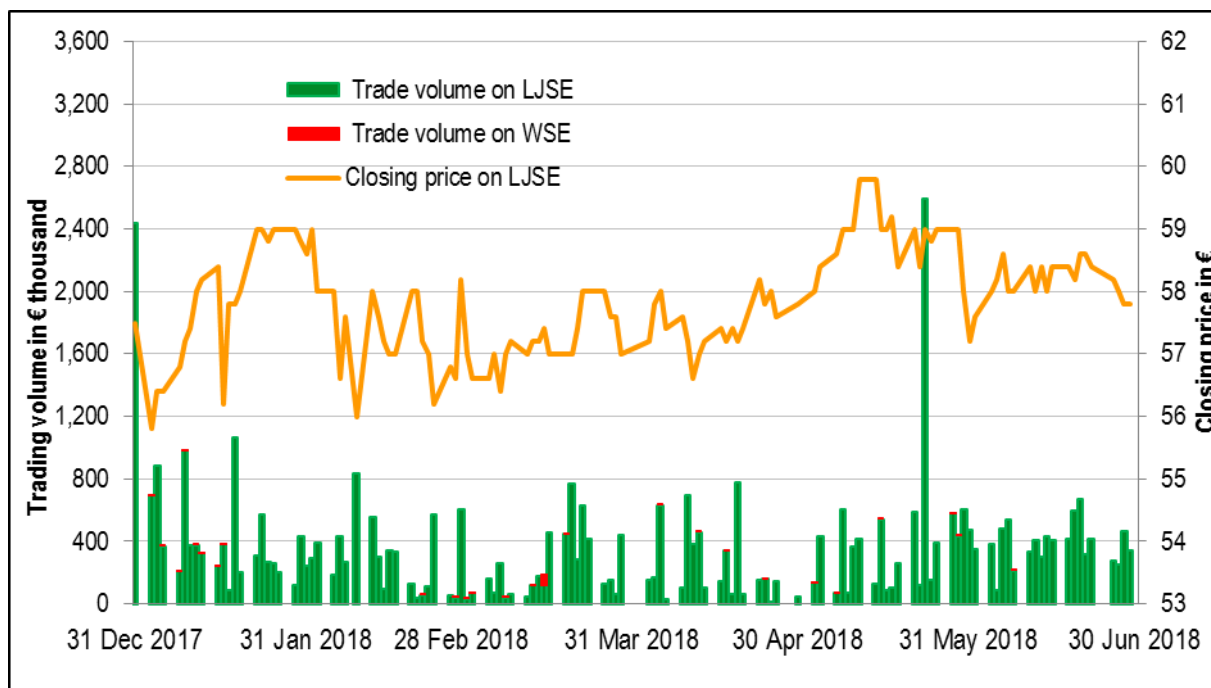
As at 30 June 2018, Krka's ten largest shareholders held 14,118,335 shares, or 43.05% of all issued shares.

As at 30 June 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 have not changed.

Proportion in equity and voting rights of the Krka Management and Supervisory Board members as at 30 June 2018

	Number of shares	Equity share (%)	Share of 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	0.007	0.007

Share trading in the first two quarters of 2018



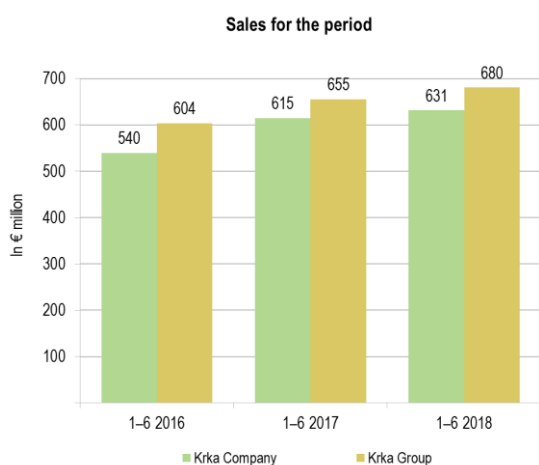
In the first two quarters of the year, Krka's share price on the Ljubljana Stock Exchange peaked in mid-May, when it traded at €59.80, and reached its low at the beginning of January, when it amounted to €55.80. On 30 June 2018, Krka's shares traded at €57.80 per share.

On 30 June 2018, Krka's market capitalisation on the Ljubljana Stock Exchange amounted to €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 increased by 4%. The Company sold €631.1 million worth of prescription pharmaceuticals, non-prescription products and animal health products, while the Krka Group generated revenues in total of €680.5 million from sales of the said products and health resort and tourist services. The Group generated 93% of its sales revenues in markets outside Slovenia.

Taking into account other operating and financial income, the Krka Group generated total revenues in the amount of €689.0 million, and the Company €637.3 million.

Please see chapter 'Marketing and Sales' for a more detailed analysis of sales results by individual

markets and groups of products and services.

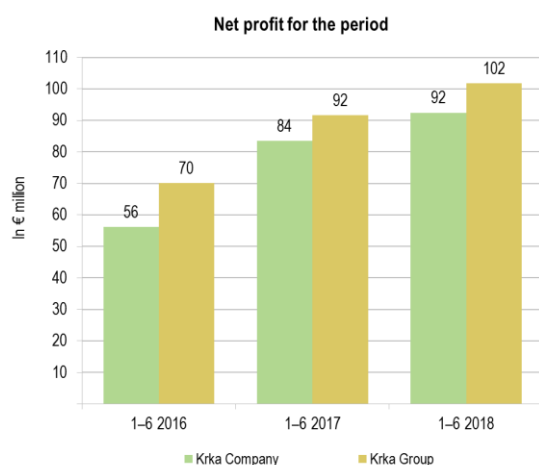
Expenses

Total Krka Group expenses amounted to €568.4 million, or 2% more than in the same period last year.

The Krka Group incurred operating expenses in total of €551.0 million, or 3% more than in the same period last year, which included: €280.8 million for costs of goods sold; €167.2 million for selling and distribution expenses; €64.3 million for R&D expenses; and €38.7 million for general and administrative expenses.

Compared to the same period last year, the Krka Group recorded a 4% increase in costs of goods sold, accounting for 41.3% of revenues. Selling and distribution expenses increased by 2%, and accounted for 24.6% of revenues. R&D expenses are recognised as expenses for the period in full as the Group does not capitalise them. They increased by 3%, and accounted for 9.4% of revenues. General and administrative expenses decreased by 4%, and accounted for 5.7% of revenues.

Operating Results



The Krka Group recorded operating profit of €135.5 million, a 9% rise compared to the same period last year.

Profit before tax amounted to €120.6 million, a 9% increase compared to the same period last year. Income tax totalled €18.8 million, and the effective tax rate was 15.6%.

The Krka Group recorded net profit in total of €101.7 million, an 11% increase compared to the same period of 2017.

Assets

The Krka Group's assets amounted to €1,981.4 million at the end of June 2018, a 3% increase compared to the end of 2017.

Non-current assets represented slightly over 51% of total assets, down 2.5 percentage points from the beginning of the year. Non-current assets totalled €1,017.0 million. The largest item under non-current assets was property, plant and equipment in total of €847.9 million, a 2% drop compared to 2017 year end, and accounted for 42.8% of total Krka Group assets.

Intangible assets amounted to €109.3 million, a 2% decrease compared to the 2017 year end.

Current assets increased by 9% in the first two quarters of the year, to €964.3 million. Inventories saw an 8% increase, reaching €334.2 million in the first two quarters of the year. Receivables went down by 6% to €497.6 million, (of that trade receivables amounted to €470.0 million, down 6% compared to the 2017 year end).

Equity and Liabilities

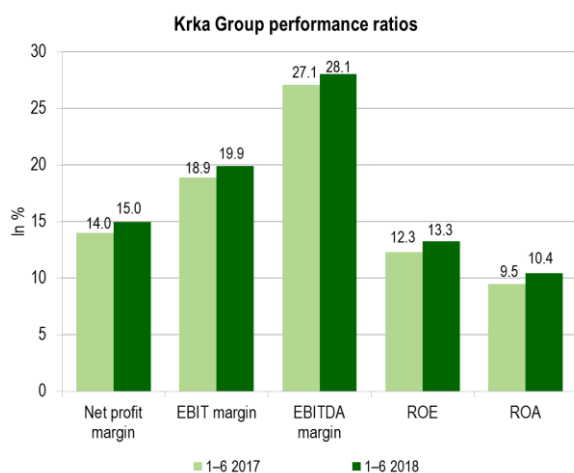
The Krka Group's equity increased by 6% compared to the end of 2017, to €1,577.9 million, and accounted for 79.6% of total equity and liabilities.

Amounting to €121.8 million, non-current liabilities accounted for 6.1% of the Krka Group's balance sheet total. At the end of the period, provisions amounted to €99.4 million (of that €94.1 million for

provisions for post-employment benefits and other non-current employee benefits, €4.3 million for provisions for lawsuits, and €1.0 million for other provisions), which was 1% higher than at the end of 2017.

Current liabilities decreased by 9% compared to the end of 2017 and totalled €281.7 million, or 14.2% of the Krka Group's balance sheet total. Among current liabilities of the Krka Group, trade payables amounted to €110.4 million, a 2% increase over the 2017 year end, while other current liabilities decreased by 11% to €164.5 million.

Performance Ratios



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

The Krka Group net profit margin for the first two quarters of 2018 was 15.0% (the Company 14.6%), its EBIT margin 19.9% (the Company 18.7%), and its EBITDA margin 28.1% (the Company 25.3%).

Annualised ROE at the level of the Krka Group was 13.3% (the Company 12.0%), with annualised ROA at 10.4% (the Company 9.9%).

Marketing and Sales

In the first two quarters of 2018, Krka Group sales amounted to €680.5 million, up €25.4 million, or 4% more than in the same period last year. Sales in markets outside Slovenia reached €636.1 million and accounted for 93% of the total Group sales. In

terms of quantity, we increased sales by 6% over the same period last year. In the same period, the Company generated €631.1 million from sales, a 3% increase.

Sales by Region

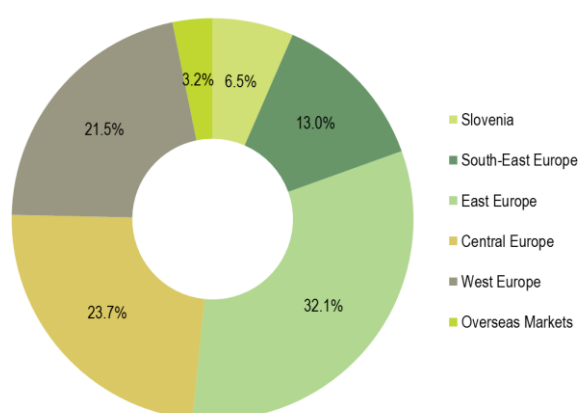
Region East Europe reached the highest sales figure in the Krka Group, i.e. €218.4 million or 32.1% of total group sales. Region Central Europe recorded the second highest sales at €161.5 million or 23.7% of total Krka Group sales. The third largest area in terms of sales was Region West Europe, generating sales in total of €146.0 million, or 21.5% of total Krka Group sales. Sales in Region South-

East Europe totalled €88.4 million (13.0%) and in Overseas Markets €21.8 million (3.2%). Sales in Slovenia amounted to €44.4 million, which is 6.5% of the total Krka Group sales.

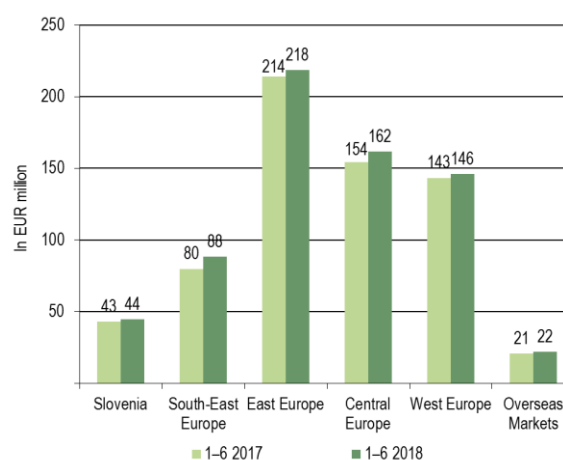
All regions recorded growth in sales.

In € thousand	Krka Group			Krka Company		
	1-6/2018	1-6/2017	Index	1-6/2018	1-6/2017	Index
Slovenia	44,389	42,978	103	28,130	27,234	103
South-East Europe	88,356	79,797	111	87,479	79,093	111
East Europe	218,388	213,984	102	193,765	205,862	94
Central Europe	161,518	154,399	105	165,244	155,961	106
West Europe	146,002	143,233	102	136,585	128,445	106
Overseas Markets	21,822	20,655	106	19,883	18,415	108
Total	680,475	655,046	104	631,086	615,010	103

Krka Group sales by Region January–June 2018



Krka Group sales by Region in first two quarters of 2017 and 2018



Slovenia

In Slovenia, one of Krka's key markets, in the first two quarters, sales of products and services reached €44.4 million. Sales of products totalled €26.0 million accounting for just short of 3% growth compared to the same period last year. Sales of prescription pharmaceuticals generated €19.7 million, the most significant proportion of the sales value. The sales of non-prescription products rose to €5.0 million, or 10% more than in the same period last year. In the domestic market, our market share was 8.6%, and we retained the leading position among pharmaceutical manufacturers. Sales of animal health products generated €1.3 million, accounting for an 8% growth. Sales of health resort and tourist services reached €17.3 million, or 5% more than in the same period last year.

Sales of Krka's prescription pharmaceuticals were driven by: Prenewel (perindopril/indapamide), Sorvasta (rosuvastatin), Prenessa (perindopril),

Nalgessin (naproxen), and Nolpaza (pantoprazol). The key therapeutic group further remained medicines for the treatment of cardiovascular disease with the leading brand names as follows: Prenessa (perindopril), fixed-dose combinations Prenewel (perindopril/indapamide), Amlessa (perindopril/amlodipine), and Amlewel (perindopril/amlodipine/indapamide). We supplemented leading medicines for lowering cholesterol and triglyceride blood levels, Sorvasta (rosuvastatin) and the already established Rosmela (rosuvastatin/amlodipine), with Ravalsya (rosuvastatin/valsartan). Nolpaza (pantoprazole) and Emozul (esomeprazole) were leaders among pharmaceuticals for alimentary and metabolic diseases. We added Bismuth oxide Krka to the portfolio. From our range of medicines for the treatment of diseases of the central nervous system, we primarily focused on the antidepressant Dulsevia (duloxetine); antipsychotic Kventiax (quetiapine), including prolonged-release tablets;

and two anti-dementia medicines, Memaxa (memantine) and Yasnal (donepezil). Among medicines for relieving pain, we paid most attention to marketing Doreta (tramadol/paracetamol) and Roticox (etoricoxib). We were also strengthening brand awareness of Krka's antimicrobial agents, primarily Betaklav (amoxicillin/clavulanic acid). To our first antiviral medicine for the treatment of HIV infections, Emtricitabine/Tenofovir disoproxil Krka (emtricitabine/tenofovir), we added another, Darunavir Krka (darunavir).

Besides the already established brand names from our non-prescription product range, we were also increasing awareness of the newly launched Flebaven (diosmin) 500 mg and 1000 mg tablets, the first medicine from our new therapeutic area of chronic venous insufficiency treatment.

South-East Europe

Region South-East Europe generated €88.4 million and recorded the steepest 11% growth in terms of sales among our sales regions. Serbia, Bosnia and Herzegovina, and Croatia recorded highest sales growth in terms of value. All regional markets recorded sales growth, except Romania and Albania.

Even though **Romania** saw a 5% decline in sales compared to the same period last year, it remained the most important regional market, and also Krka's key market. Prescription pharmaceuticals contributed most to its total sales of €25.7 million placing Krka first among primarily foreign suppliers of generic medicines in the market. Sales of Krka's prescription pharmaceuticals were driven by: Atoris (atorvastatin), Co-Prenessa (perindopril/indapamide), Karbis (candesartan), Ciprinol (ciprofloxacin), Roswera (rosuvastatin), Doreta (tramadol/paracetamol), and Oprymea (pramipexole). Our top-ranking non-prescription product was Bilobil (ginkgo leaf extract), and we paid special attention to marketing flu and cold products, primarily Septolete Omni (benzylamine/cetylpyridinium); Herbion brand products, and our pain-relieving medicine, Nalgesin (naproxen). Among animal health products, our top-selling products were those for protection of companion animals against parasites, including Fypryst (fipronil), Ataxxa (permethrin/imidacloprid), and Milprazon (milbemycin oxime/praziquantel).

Croatia is also one of Krka's key markets. We generated sales of €17.7 million there, recorded

Our food supplement, Magnezij Krka 300 (magnesium citrate) and the already established brand name, Nalgesin S (naproxen), further remained in the field of our marketing endeavour. Sales of Krka's non-prescription products were driven by: Nalgesin S (naproxen); Magnezij Krka 300; Magnesol; and the Septolete brand products.

Our most promoted animal health products were those marketed under the *From ears to tail* brand name, including Ataxxa (permethrin/imidacloprid); Fypryst Combo (fipronil/S-methoprene); Milprazon (milbemycin oxime/praziquantel); and Dehinel (pyrantel embonate/praziquantel). Sales of Krka's animal health products were driven by Fypryst (fipronil), Amatib (amoxicillin), and Grovit.

12% growth, and retained fourth place among suppliers of generic medicines, and second place among suppliers of animal health products. All product groups contributed to the growth, but prescription pharmaceuticals most significantly again. Of them, we should mention Co-Perineva (perindopril/indapamide), Atoris (atorvastatin), Helax (alprazolam), Roswera (rosuvastatin), Emanera (esomeprazole), Dalneva (perindopril/amlodipine), and Doreta (tramadol/paracetamol). Key non-prescription products included Nalgesin (naproxen) and B-complex. Sales of Krka's animal health products were driven by Fypryst (fipronil), and Enroxil (enrofloxacin).

After a period of quick growth, **Serbia** took third place among regional markets. Sales amounted to €11.1 million, an increase of 38% compared to the same period last year. All three product groups saw growth. Prescription pharmaceuticals, however, remained most important, among them: Nolpaza (pantoprazole), Roxera (rosuvastatin), Atoris (atorvastatin), Ampril (ramipril), Valsacor (valsartan), Valsacombi (valsartan/hydrochlorothiazide), and Co-Amlessa (perindopril/amlodipine/indapamide). The leading non-prescription products in terms of sales were Bilobil (ginkgo leaf extract) and Nalgesin (naproxen). Among animal health products, Fypryst (fipronil) and Enroxil (enrofloxacin) recorded strongest sales.

In **Macedonia**, Krka retained high growth, generated €10.3 million from sales of products, recorded an 11% growth, and was leading among

the foreign suppliers of medicines. We recorded growth in all product groups, and as expected, prescription pharmaceuticals led again. Sales of Krka's medicines were driven by: Enap (enalapril), Roswera (rosuvastatin), Atoris (atorvastatin), Tanyz (tamsulosin), Nolpaza (pantoprazole), and Lorista (losartan). The leading non-prescription products in terms of sales were Bilobil (ginkgo leaf extract), Daleron (paracetamol), and Septanazal (xylometazoline/dexpanthenol).

Sales in **Bosnia and Herzegovina** totalled €9.4 million, or 37% more than in the first two quarters last year. Prescription pharmaceuticals contributed most to sales, which were driven by Enap H and Enap HL (enalapril/hydrochlorothiazide), Roswera (rosuvastatin), Enap (enalapril), Atoris (atorvastatin), and Lexaurin (bromazepam). Our non-prescription product sales were driven by Nalgessin (naproxen) and B-complex. Among animal health products, our sales drivers were Fypryst (fipronil) and Rycarfa (carprofen).

We increased our sales in **Bulgaria** by 18% over first two quarters last year. Sales of prescription pharmaceuticals in total of €7.9 million accounted for the largest share in sales, and above all we should mention sales drivers as follows: Roswera (rosuvastatin), Flosteron (betamethasone), and Co-

East Europe

Region East Europe generated a total of €218.4 million and remained Krka's leading sales region. Many of the regional markets contributed to the 2% sales increase, but not the Russian. Due to the depreciation of the Russian rouble, it recorded a slight drop in sales value expressed in the euro, even though the sales value expressed in the national currency advanced.

The **Russian Federation** remained Krka's largest individual market and also a key one. Krka's sales of products reached €153.2 million, or 2% less over the same period last year, despite the 12% growth both in sales volume and value expressed in the Russian rouble. We strengthened our market share by sales growth dynamics that surpassed average growth in the entire Russian pharmaceutical market.

Prescription pharmaceuticals accounted for the largest share in sales, and sales were driven in particular by: Lorista (losartan), Lorista H and Lorista HD (losartan/hydrochlorothiazide), Atoris (atorvastatin), Nolpaza (pantoprazole), Perineva

(Valsacor (valsartan/hydrochlorothiazide). The following agents recorded highest growth rates: Flosteron (betamethasone), Nolpaza (pantoprazole), Emanera (esomeprazole), and Roswera (rosuvastatin). Also non-prescription products recorded strong sales.

In **Kosovo**, we generated product sales in the amount of €3.4 million, or 3% more than in the same period a year ago. Prescription products accounted for the largest share in sales, including Lorista H (losartan/hydrochlorothiazide), and Enap H and Enap HL (enalapril/hydrochlorothiazide). Daleron (paracetamol) and the Septotele brand products drove sales of non-prescription products.

The sales in **Albania** totalled €1.9 million, down 8% compared to the same period last year. The decrease resulted from the reduction of prices of medicines in the Albanian market. Sales of pharmaceuticals were driven by Atoris (atorvastatin), Ultop (omeprazole), and Lorista (losartan). Sales of non-prescription products were driven by Daleron (paracetamol) and the Pikovit brand products.

In **Montenegro**, our smallest regional market, we sold €0.9 million worth of products.

(perindopril), Valsacor (valsartan), Roxera (rosuvastatin), Zyllt (clopidogrel), Vamloset (valsartan/amlodipine), and Enap (enalapril). New pharmaceuticals, such as Co-Dalneva (perindopril/amlodipine/indapamide), Dalneva (perindopril/amlodipine), Dilaxa (celecoxib), Lortenza (losartan/amlodipine), and Telmista (telmisartan) also presented quick growth.

Sales of non-prescription products were up 2%, and sales drivers were Herbion cough syrup and Septotele Total (benzylamine chloride/cetylpyridinium chloride). Our recently launched Flebaven (diosmin/hesperidin) and Ulcavis (bismuth), and newest Panatus (butamirate) and Magnesol, all presented strong sales. Sales of our animal health products were lower this year than in the same period of 2017 due to a drop recorded in the group of medicines for farm animals. Enroxil (enrofloxacin) was the leading pharmaceutical in terms of sales.

In the first two quarters of 2018, the share of products manufactured by the Krka Rus plant and sold in the Russian Federation, reached 64%.

In **Ukraine**, Krka's second largest key regional market, 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 €23.7 million, a 22% growth. Prescription products accounted for the leading proportion in total sales, and presented a 22% sales growth. Key pharmaceuticals included Co-Prenessa (perindopril/indapamide), Dexamethason (dexamethasone), Nolpaza (pantoprazole), and Atoris (atorvastatin). Sales of non-prescription products saw a 27% increase, and animal health products a 1% rise.

East Europe B

In East Europe B, which includes Belarus, Mongolia, Armenia, and Azerbaijan, sales of our products generated €14.4 million. The growth was 20%. The sales went up in all four markets quarter over quarter, and reached two-digit growth in three of them.

In **Belarus**, sales in terms of value went up by 10%. Prescription pharmaceuticals constituted the largest part of total sales with €5.6 million, in particular Lorista H and Lorista HD (losartan/hydrochlorothiazide), Nolpaza (pantoprazole), and Co-Amlessa (perindopril/amlodipine/indapamide). Sales of Krka's non-prescription products were driven by products of the Septotele and Duovit brands. We should also mention strong sales of the newly launched Septanazal (xylometazoline/dexpanthenol). We retained third place among foreign suppliers of generic medicines.

In **Mongolia**, the economic environment remained unstable. New prices for pharmaceuticals from the reimbursement list have still not been determined, so sales of our products generated a total of €4.7 million, or 53% more than in the same period last year. The rise was particularly high in sales of prescription pharmaceuticals Valsacor (valsartan), Amlessa (perindopril/amlodipine), and Nolpaza (pantoprazole), and non-prescription products Septanazal (xylometazoline/dexpanthenol) and Nalgesin (naproxen). We retained the position of the leading foreign supplier of medicines in the market.

In **Armenia**, we sold €1.7 million worth of products and reached a 16% growth. Most of it was generated by sales of prescription pharmaceuticals, primarily Captopril (captopril), Nolpaza (pantoprazole), and Co-Amlessa (perindopril/amlodipine/indapamide). Among non-prescription products, sales were driven by products of the Herbion and Septotele brands.

Our sales in **Azerbaijan** totalled €2.4 million. Key prescription pharmaceuticals contributed most to the 3% increase, among them Amlessa (perindopril/amlodipine), Co-Prenessa (perindopril/indapamide), Nolpaza (pantoprazole), Enap H and Enap HL (enalapril/hydrochlorothiazide), and Enap (enalapril). Sales of our non-prescription products and animal health products were lower this year than in the same period last year.

East Europe K

East Europe K comprises markets of Kazakhstan, Moldova, and Kyrgyzstan, and generated a total of €14.1 million from product sales. This was similar to the comparable period last year.

In **Kazakhstan** we generated a total of €8.7 million, which was the same amount as last year. The sales value of prescription pharmaceuticals reached €6.4 million, a 6% drop compared to the same period last year. A decrease in tender sales, which give exclusive priority to domestic pharmaceuticals, represented the main reason for the fall. The following prescription products accounted for the largest share in sales: Enap (enalapril), Atoris (atorvastatin) and Valsacor (valsartan). Leaders among other medicines were: Nolpaza (pantoprazole), Valodip (amlodipine/valsartan), Roxera (rosuvastatin), Dexamethasone (dexamethasone), Emanera (esomeprazole), and Co-Prenessa (perindopril/indapamide). The sales of non-prescription products amounted to €2.2 million, up 20%, and animal health product sales advanced by 51%.

In **Moldova**, sales reached €4 million and were 9% higher than in the same 2017 period. We increased our market share and ranked second among all suppliers of medicines. Sales of prescription pharmaceuticals totalled €3.1 million, an 11% rise. Sales of non-prescription products amounted to €0.8 million, and was the same as last year. Ampril (ramipril), Lorista (losartan), and Rawel (indapamide) were most important prescription pharmaceuticals in terms of sale. Sales were also

driven by our non-prescription products Nalgesin (naproxen), Septanazal (xylometazoline/dexpanthenol), and products sold under Herbion and Septotele brands. Our animal health products recorded a 43% growth.

In **Kyrgyzstan**, sales reached €1.4 million, a 21% drop compared to the same period of 2017. Prescription pharmaceuticals accounted for 80% of total sales and went up 6%, while non-prescription products recorded a fall due to bad seasonal sales in winter, and saw a significant drop compared to the same period last year. Sales drivers included Hiconcil (amoxicillin), Lorista (losartan), and Atoris (atorvastatin).

East Europe U

East Europe U consists of Uzbekistan, Georgia, Tajikistan, and Turkmenistan. We generated €12.9 million by sales of our products there and recorded an 8% increase compared to the same period last year. While sales saw a rise in Uzbekistan, Georgia, and Tajikistan, they dropped in Turkmenistan.

In **Uzbekistan**, the sales volume amounted to €9.4 million, or 31% more quarter over quarter. The increase was mostly driven by prescription pharmaceuticals Amlessa (perindopril/amlodipine), Lorista (losartan), and Nolpaza (pantoprazole); and by products of Pikovit and Septotele brands among non-prescription products. In the period, we

Central Europe

The sales dynamics of Region Central Europe remained the same as in the first quarter, and the region recorded a 5% growth. Two key markets, Poland and the Czech Republic (19% growth), contributed the most to sales value total of €161.5 million. Sales increased also in other regional markets, except in Lithuania and Latvia.

In **Poland**, Krka's key and leading regional market, sales totalled €74.7 million, a 2% rise over the same period in 2017. Krka ranked fourth among foreign suppliers of generic medicines, and sixth among all suppliers of generic pharmaceuticals. As expected, prescription pharmaceuticals accounted for the major part of sales total. We should mention Atoris (atorvastatin), Roswera (rosuvastatin), Doreta (tramadol/paracetamol), Valsacor (valsartan), Co-Valsacor (valsartan/hydrochlorothiazide), and Nolpaza (pantoprazole). Non-prescription products

successfully launched Bravadin (ivabradine), Nalgesin Forte (naproxen), and Bilobil Intense (ginkgo leaf extract).

In **Georgia**, we ranked second among foreign suppliers of generic medicines, and generated €2.0 million by sales of our products, or 14% more than in the same period last year. In the leading group of prescription pharmaceuticals, the most important contributors were Lorista H and Lorista HD (losartan/hydrochlorothiazide), Enap H and Enap HL (enalapril/hydrochlorothiazide), and Co-Amlessa (perindopril/amlodipine/indapamide). Products of the Herbion and Panzynom brands drove sales of non-prescription products.

Sales in **Tajikistan** totalled €0.8 million, a 36% increase over the same period last year. We launched Co-Amlessa (perindopril/amlodipine/indapamide), Lortenza (losartan/amlodipine), and Maruxa (memantine) there. The following medicines presented significant sales growth: Amlessa (perindopril/amlodipine) from the group of prescription pharmaceuticals; and Herbion brand syrups from the group of non-prescription products.

In **Turkmenistan**, prescription pharmaceuticals constituted the largest part of total sales with €0.7 million, in particular Nolpaza (pantoprazole) and Amlessa (perindopril/amlodipine). Sales of Krka's non-prescription products were driven by products of the Herbion and Pikovit brands.

lagged behind the last year's sales figure by 15% because the unfavourable situation persisted. Our leading non-prescription products were the Septotele brand products and Bilobil (ginkgo leaf extract). Among animal health products, our top-selling products were Fypryst (fipronil) and Floron (florfenicol).

In the **Czech Republic**, Krka's key and second largest regional market, sales totalled €26.2 million, a 19% rise. We ranked third among foreign suppliers of generic medicines in the market. Prescription pharmaceuticals contributed the most to sales, especially Atoris (atorvastatin), Lexaurin (bromazepam), and Asentra (sertraline). They were followed by Pragiola (pregabalin), Tonanda (perindopril/amlodipine/indapamide), Tonarssa (perindopril/amlodipine), Sorvasta (rosuvastatin), and Doreta (tramadol/paracetamol). Key non-

prescription products included Nalgesin (naproxen), products of the Septotele brand, and Bisacodyl-K (bisacodyl). Fypryst (fipronil) and Dehinel Plus (febantel/pyrantel embonate/praziquantel) drove sales of animal health products.

The third key regional market is **Hungary**. Sales amounted to €23.9 million, an increase of 4% compared to the same period last year. Krka held fifth place among suppliers of generic medicines in Hungary. As expected, prescription pharmaceuticals led again, and of them Co-Prenessa (perindopril/indapamide) generated strongest sales. Atoris (atorvastatin), Roxera (rosuvastatin), Zyllt (clopidogrel), Co-Dalnessa (perindopril/amlodipine/indapamide), Emozul (esomeprazole) and Fromilid (clarithromycin) followed. Sales were driven among non-prescription products by Bilobil (ginkgo leaf extract), and among animal health products by Fypryst (fipronil) and Milprazon (milbemycin oxime/praziquantel).

In **Slovakia**, we generated €18.3 million by product sales, a 4% increase. Prescription pharmaceuticals contributed to the increase the most, above all: Atoris (atorvastatin), Nolpaza (pantoprazole), Co-Prenessa (perindopril/indapamide), Prenessa (perindopril), Co-Amlessa (perindopril/amlodipine/indapamide), and Amlessa (perindopril/amlodipine). Among non-prescription products Nalgesin led in terms of sales, and among animal health products Fypryst (fipronil) and Enroxil (enrofloxacin).

In **Lithuania**, changes introduced to the system for setting prices of prescription pharmaceuticals included in the reimbursement list impacted our business operations in the period. Krka ranked third among the suppliers of generic medicines in the Lithuanian market, even though we recorded a 6%

West Europe

We consider whole Region West Europe as our key market. Our product sales there generated €146.0 million, or 2% more than in the same period last year. Germany remained our primary regional market, and was followed by markets of Scandinavia, Spain, and France. In terms of sales, we focused on our products marketed through Krka's subsidiaries under our own brand names. They saw a 9% increase, and accounted for a 70% share in total regional sales. Sales through unrelated parties decreased by 10% in comparison to the same period last year.

drop in sales, which totalled €8.2 million. Sales were driven by prescription pharmaceuticals, above all by Atoris (atorvastatin), Nolpaza (pantoprazole), Valsacombi (valsartan/hydrochlorothiazide), Prenewel (perindopril/indapamide), and Co-Amlessa (perindopril/amlodipine/indapamide). Sales were driven by products of the Septotele brand and Nalgesin (naproxen) among non-prescription products, and Fypryst (fipronil) and Enroxil (enrofloxacin) among animal health products drove.

In **Latvia** we generated €6.5 million by product sales, or 1% less over the second quarter last year. Krka ranked second among the suppliers of generic medicines in Latvia. In terms of sales, prescription pharmaceuticals were most important, above all Atoris (atorvastatin), Sorvasta (rosuvastatin), Prenewel (perindopril/indapamide), Nolpaza (pantoprazole), and Co-Amlessa (perindopril/amlodipine/indapamide). Sales were driven among non-prescription products by the Septotele brand products and Daleron (paracetamol), and among animal health products by Fypryst (fipronil) and Milprazon (milbemycin oxime/praziquantel).

In **Estonia**, the smallest market of this region, we generated €3.9 million by product sales and recorded a 9% sales growth. The following prescription pharmaceuticals accounted for the largest share in sales: Co-Prenessa (perindopril/indapamide), Roswera (rosuvastatin), Atoris (atorvastatin), and Co-Dalnessa (perindopril/amlodipine/indapamide). Sales were driven by products of the Septotele brand from the non-prescription product group, and by Fypryst (fipronil) from the animal health product group.

Prescription pharmaceuticals generated a sales total of €130.0 million, and accounted for the most significant 89% of total sales in the region. They were driven primarily by medicines containing esomeprazole, clopidogrel, and pantoprazole. Sales of animal health product amounted to €13.9 million, a 10% rise compared to the same period last year. Sales were driven by generic medicines for internal parasite treatment and control containing milbemycin oxime and praziquantel. Sales generated by non-prescription products reached €2.2 million, and saw a 44% increase.

Despite a 12% drop in sales, sales generated in **Germany** amounted to €38.6 million. Germany therefore remained our most important regional market. Sales through our subsidiary TAD Pharma accounted for more than 90% of the regional sales. The decrease resulted from the expiry of tender sales of pharmaceuticals for alimentary and metabolic diseases. Sales were driven by pharmaceuticals containing valsartan, candesartan, and pantoprazole. The share of fixed-dose combinations, especially those containing ramipril and amlodipine, rose significantly. In Germany, this placed us among the leading suppliers of fixed-dose combinations for the treatment of cardiovascular diseases.

In **Scandinavia**, sales saw a 37% growth and totalled €18.7 million. Our product sales were most substantial in Sweden, followed by Finland, Denmark and Norway. Finland was the fastest growing Krka's market in Scandinavia. Product sales there advanced by 87% over the same period last year, and we more than doubled sales through our subsidiary Krka Finland. Sales through our subsidiary Krka Sverige went up by 24%, and sales through subsidiaries in the Scandinavian markets reached a total of 93%. Sales were driven by medicines containing candesartan, losartan, esomeprazole, pantoprazole, and duloxetine. In Norway, we retained our marketing position by many medicines, above all those containing esomeprazole, pantoprazole, and pramipexole.

In **Spain**, our product sales generated €18.4 million, and growth reached 15%. We successfully supplied our products to the market through our subsidiary, Krka Farmaceutica. It was awarded tenders for medicine supplies to Andalusia, where we increased the share of products sold under our own brand names. Their share amounted to 87% of total Krka sales in the Spanish market. Sales were driven by medicines containing donepezil; a fixed-dose combination of tramadol and paracetamol; bisoprolol, quetiapine, and pramipexole.

The sales in **France** totalled €18.1 million, down 11% compared to the same period last year. Sales through unrelated parties dropped, but still represented the largest part of our total sales in the French market. However, we partly compensated for the drop by a 16% increase in sales of products marketed under Krka's own brands. Their share has already exceeded 20% of total Krka sales in France. Sales were driven by medicines containing

milbemycin oxime and praziquantel, esomeprazole, clopidogrel, and gliclazide.

In **Italy**, we recorded a 26% rise in sales, which amounted to €15.5 million. Sales were driven by medicines containing clopidogrel, esomeprazole, and pantoprazole. Sales through our subsidiary, Krka Farmaceutici Milano, went up by 26% and accounted for 60% of Krka's total sales in the market.

In **Portugal**, product sales totalled €10.1 million, or 7% less over the same period last year. Sales through unrelated parties dropped, and we increased sales through our subsidiary, Krka Farmacêutica, by 9%, accounting for 70% of Krka sales in the Portuguese market. Sales were driven by medicines containing esomeprazole, olanzapine, and a fixed-dose combination of perindopril and indapamide. We should also mention the increase in sales of non-prescription products and animal health products.

In the **United Kingdom**, we generated product sales in the amount of €9.3 million, or 3% more than in the same period a year ago. Sales were driven by prescription pharmaceuticals, above all those containing quetiapine, perindopril, and irbesartan. Our subsidiary, Krka UK, more than doubled its sales relative to the same period last year, and accounted for 15% of total Krka sales in the market.

Krka sales in **Benelux** amounted to €5.0 million, and saw a 26% increase. We increased our sales through unrelated parties by 11%, and sales through our subsidiary, Krka Belgium, by 89%.

In **Ireland**, product sales totalled €4.8 million, which was the same as last year. Sales through our subsidiary, Krka Pharma Dublin, went up by 3%, and accounted for 85% of total sales value in the market. We further remained the leading supplier of medicines containing pregabalin, duloxetine, and aripiprazole in the Irish market.

Krka product sales in **Austria** went up by 9% and totalled €4.0 million. We generated over 90% of sales in the Austrian market through our subsidiary, Krka Pharma Wien.

In **other European countries**, the majority of sales were made through unrelated parties, and sales amounted to €3.5 million.

In the middle of July 2018 an arbitration award was issued with regard to the dispute between Krka and Ceva Sante Animale S.A, France over an alleged breach of the distribution contract on distribution of Krka's milbemicin and praziquantel in the countries of the European Union and the European Economic Area. The arbitration found that Krka allegedly

violated the distribution agreement in a certain part, and therefore should paid Ceva Sante Animale S.A. compensation in the amount of €1.385 million. Krka will examine the legal remedies available to protect its interests. Krka has already made a provision for this lawsuit last year.

Overseas Markets

Sales in the markets of our sales region Overseas Markets amounted to €21.8 million. All three regional sales offices contributed to the 6% increase in sales. Prescription pharmaceuticals, in most markets marketed under our own brands, accounted for the major part of sales in terms of value.

The **Middle East** remains locked in a complex situation. Our business operations remained hindered also in this quarter. Even so, sales value totalled €11.6 million, up 8% compared to the same period last year. Our leading markets were Iran, Iraq, and Lebanon, and sales were driven by Asentra (sertraline), Nolpaza (pantoprazole), Vizarsin (sildenafil), Letizen (cetirizine), and Yasnal (donepezil).

In the markets of the **Far East** and **Africa** we recorded overall sales of €9.7 million, and a 2% growth. Our product sales were most substantial in the Republic of South Africa, and were followed by Vietnam, China, Malaysia, and Ghana. Sales were driven by Lanzul (lansoprazole), Palprostes (fruit extract of dwarf fan palm), Emanera (esomeprazole), Tenox (amlodipine), and Coryol (carvedilol).

The smallest of the three regional offices is the one that operates in the **Americas**. It recorded total product sales of €0.6 million, up 13%, which were primarily generated in the markets of Central America. Sales were driven by prescription pharmaceuticals, among them Valsacor (valsartan), Valsaden (valsartan/hydrochlorothiazide), Emanera (esomeprazole), Vizarsin (sildenafil), and Rawel (indapamide).

Sales by product and service group

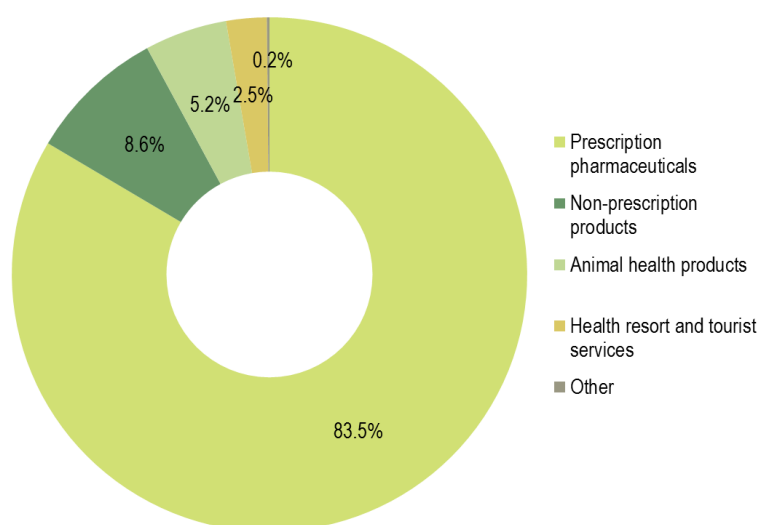
In the period from January to June 2018, human health products were the most important product group in the sales structure of the Krka Group, and accounted for 92.1% of overall sales in the period. Prescription pharmaceuticals constituted 83.5% of the Krka Group's total sales, and were followed by non-prescription products (8.6%), and animal health products (5.2%).

All product and service groups presented an increase in sales. In comparison to the same period last year, the sales of prescription pharmaceuticals increased by 4%, non-prescription products by 8%, and animal health products by 1%.

Sales of health resort and tourist services constituted 2.5% of total Krka Group sales, a 5% increase over the last year.

In € thousand	Krka Group			Krka Company		
	1-6/2018	1-6/2017	Index	1-6/2018	1-6/2017	Index
Human health products	626,875	602,411	104	593,235	578,453	103
– Prescription pharmaceuticals	568,333	548,184	104	538,735	526,562	102
– Non-prescription products	58,542	54,227	108	54,500	51,891	105
Animal health products	35,186	34,987	101	35,698	34,654	103
Health resort and tourist services	17,300	16,536	105			
Other	1,114	1,112	100	2,153	1,903	113
Total	680,475	655,046	104	631,086	615,010	103

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



Prescription Pharmaceuticals

Prescription pharmaceuticals recorded sales in total of €568.3 million, a 4% rise. All regions saw an increase in sales, but the increment was most significant in the following regions: South-East Europe (10%), Overseas Markets (9%), Central Europe (4%), and East Europe (3%).

Among the largest Krka's markets, sales went up the most in Poland, by 3%, but saw a 2% decline in the Russian Federation. However, sales in roubles growth by 12%. Compared to the same 2017 period, the sales of prescription pharmaceuticals in other major markets went up by: 28% in the Scandinavian countries; 22% in Ukraine; 20% in Italy; 18% in the Czech Republic; 11% in Croatia; 11% in Spain; 3% in Slovakia; and 1% in Slovenia.

The medium-sized markets recorded sales increases as follows: 40% in both Serbia, and

Bosnia and Herzegovina; 35% in Uzbekistan; 20% in Bulgaria; and 10% Macedonia.

Among the small markets, sales of prescription pharmaceuticals recorded the steepest growth in Finland, where it doubled. It went up by 62% in Mongolia; 57% in Montenegro; 35% in Tajikistan; 26% in Georgia; 19% in Armenia; 13% in Belarus; 11% in Moldova; 9% in Austria; and 8% in Estonia.

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 24%, Italy 22%, Spain 14%, and France 13%.

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

Compared to the same period last year, Krka recorded the highest absolute sales growth with Valsacor (valsartan), Roswera* (rosuvastatin), Roticox* (etoricoxib), Co-Amlessa (perindopril/amlodipine/indapamide), Prenessa* (perindopril), Zyllt* (clopidogrel), Kventiax* (quetiapine); Asentra (sertraline), Ezoleta* (ezetimibe), and Atoris (atorvastatin).

In the first half of the year, we launched a completely new medicine, Valarox* (valsartan/rosuvastatin). It is now available in Poland, Lithuania, Slovenia, and Hungary. The medicine allows for concomitant treatment of high blood pressure and high cholesterol levels. We expanded our range of medicines for the treatment of hypertension by launching a triple combination Co-Vamloset (valsartan/amlodipine/hydrochlorothiazide), which is available in the Russian Federation.

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, Slovakia, and Slovenia.

In June, we also supplemented our portfolio of prescription pharmaceuticals with a new antipsychotic, Parnido* (paliperidone), available in Hungary, Portugal, Spain, and Scandinavia.

Non-Prescription Products

The sales value of non-prescription products reached €58.5 million, an 8% increase compared to the same period last year.

Sales increased in the following regions: Slovenia (10%), South-East Europe (21%), East Europe (3%), Central Europe (12%), and West Europe (44%).

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

- Co-Amlessa* (perindopril/amlodipine/indapamide) in Croatia and Tajikistan;
- A fixed-dose combination perindopril/amlodipine in Finland;
- Valsacor (valsartan) in Kyrgyzstan;
- Olssa* (olmesartan/amlodipine) in Latvia and Estonia;
- Telassmo* (telmisartan/amlodipine) in the Czech Republic, Poland, and Hungary;
- Ezoleta* (ezetimibe) in Germany, France, Italy, Spain, Austria, Benelux, Finland, Ireland, Portugal, Poland, the Czech Republic, Hungary, and Slovakia;
- Rosuvador* (rosuvastatin) in Germany, France, Italy, Spain, Austria, Belgium, and Portugal;
- Bravadin* (ivabradine) in France, Germany, Italy, Spain, Benelux, Portugal, Ireland, Azerbaijan, and Uzbekistan;
- A fixed-dose combination lercanidipine/enalapril in Italy and France;
- Niperten* (bisoprolol) in Armenia and Mongolia;
- Glyclada* (gliclazide) in Serbia and Ukraine;
- Betaklav* (amoxicillin/clavulanic acid) in the Czech Republic, Finland, Lithuania, Estonia, Macedonia, Austria, Italy, and Spain;
- Roticox* (etoricoxib) in Hungary and France;
- Oxycaloxon* (oxycodone/naloxone) in Germany;
- Ulcavis* (bismuth) in Slovenia, Armenia, Azerbaijan, Kyrgyzstan, Ukraine, Moldova, Macedonia, Serbia, Bulgaria, and Montenegro;
- Dutrys* (dutasteride) in Macedonia;
- Tadilecto* (tadalafil) in the Czech Republic, Lithuania, Latvia, 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.

Region East Europe contributed more than 50% to total sales. Of that, majority was generated by the Russian Federation, where a 2% rise in sales was recorded. Also other markets of the region recorded growth. Among the large markets of this region, increments were as follows: Belarus 2%, Kazakhstan 20%, Uzbekistan 16%, Mongolia 34%, and Ukraine 27%.

Also other markets recorded growth rates as follows: Croatia 26%, Serbia 44%, Macedonia 17%, Bosnia and Herzegovina 22%, Romania 21%, the Czech Republic 40%, Slovakia 30%, Hungary 63%, Germany 26%, and Portugal 183%.

Animal Health Products

Sales of our animal health products amounted to €35.2 million, up 1% compared to the same period last year.

All regions saw an increase in sales except Region East Europe and Overseas Markets. The highest sales growth was recorded by Region West Europe (10%).

As regards individual markets, we recorded most substantial sales growth in: Croatia, Lithuania, the Czech Republic, Hungary, the United Kingdom, Benelux, Italy, and Spain.

Health Resort and Tourist Services

In the first two quarters of 2018, Terme Krka generated a total of €17.3 million from sales, or 5% more than in the same period last year. The number of overnight stays was roughly the same over 2017 second quarter with domestic guests accounting for 76%. Among foreign guests, Italians accounted for 25% of overnight stays, and were followed by Russians (10%), Austrians, Germans, and Dutch.

We had good sales with key brand products Septolete (a 32% increase), Nalgesin (a 26% increase), and Bilobil (an 8% increase) presented. Also our new products, Flebaven (diosmin/hesperidin) and Magnezij Krka 300 (magnesium citrate), generated good sales figures.

The five top-ranking animal health products in terms of sales were: Fypryst* (fipronil; fipronil/S-methoprene), Milprazon* (milbemycin oxime/praziquantel), Enroxil* (enrofloxacin), Floron* (florfenicol), and Dehinel plus (febantel/pyrantel embonate/praziquantel). Sales were driven by Fypryst* and Milprazon*, and their sales figures advanced by more than 20%. Products for companion animals accounted for more than 50% of total animal health products.

At the beginning of 2018, Krka as the first generic manufacturer launched Fypryst Combo (fipronil/S-methoprene) onto the markets of West Europe, in Italy.

Business units recoded sales increase as follows: Dolenjske Toplice 7%, Talaso Strunjan 2%, and Šmarješke Toplice 4%. Sales generated by Hoteli Otočec matched the sales levels of the first two quarters last year.

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

Research and Development

In the first two quarters of 2018, we obtained marketing authorisations for 8 new products in 18 dosage forms and strengths.

Prescription Pharmaceuticals

Krka obtained marketing authorisations under the European decentralised procedures for **Parnido** (paliperidone) prolonged-release tablets in three strengths. The medicine is an atypical antipsychotic and is taken only once daily. Krka has introduced OROS, the new laser technology for production of tablets from which active ingredients are released by osmosis.

We extended our portfolio of oncology medicines. Under the centralised procedure, we obtained marketing authorisations for **Pemetrexed Krka** (pemetrexed) powder for solution for infusion in two strengths. This medicine of choice is used for the treatment of patients with locally advanced or metastatic non-small cell lung cancer.

We also obtained the marketing authorisation for **everolimus** tablets. The medicine regulates blood supply to tumour and inhibits cancer cell growth and distribution. It is indicated for the treatment of breast cancer and renal cancer. This is a medicine of choice for the treatment of certain types of neuroendocrine tumours.

Under the European decentralised procedure we obtained relevant marketing authorisations in three European countries for an antihistamine **doxylamine** (doxylamine succinate) 15 mg film-coated tablets. It is used as a short-term treatment for sleep problems in adults. It helps to reduce difficulty in falling asleep and improves quality of sleep.

Krka's key therapeutic group are medicines for the treatment of cardiovascular diseases. Our range of anti-hypertensives was extended with two new strengths of the **perindopril/amlodipine** fixed-dose combination in tablet form. The 2.85 mg/2.5 mg and 5.7 mg/5 mg tablets are indicated for the initial treatment of hypertension. We obtained marketing authorisations for them under the European decentralised procedure in 15 countries.

In the Russian Federation, Krka obtained the first marketing authorisation for **Co-Vamloset**

In the same period, we obtained 400 new marketing authorisations in various markets for 84 products.

(valsartan/amlodipine/hydrochlorothiazide) film-coated tablets in three strengths. The fixed-dose combination controls blood pressure in patients with severe hypertension.

The registration procedure for **eplerenone** film-coated tablets in two strengths has been completed. The medicine is used in combination with other medicines for the treatment of heart failure. The active ingredient is one of the new aldosterone receptor antagonists. The risk of adverse reactions is lower than with the older active ingredient, spironolactone.

We also obtained marketing authorisations for an antiviral medicine, **Entecavir TAD** (entecavir) film-coated tablets in two strengths. It is used to treat chronic hepatitis B virus infection. According to the guidelines, it is one of the medicines of choice for the treatment of that disease.

We added an antipsychotic, **Aripipan** (aripiprazole) 20 mg tablets, to our portfolio of pharmaceuticals for diseases of the central nervous system. The medicine is now available in five strengths. Due to its wide dosing range, the treatment can be adjusted to the needs of patients with serious diseases, for example schizophrenia.

We carried out a new bioequivalence study with naproxen in the markets of Western Europe to obtain new marketing authorisations for **Naproxen 550** (naproxen) film-coated tablets for relieving pain and inflammation and reducing fever.

In the European markets, we extended marketing opportunities by obtaining new marketing authorisations for our medicines. In Denmark, Sweden, and Finland, we also obtained marketing authorisations for an anti-infective for systemic use, **Moxifloxacin Krka** (moxifloxacin) solution for infusion, and in Iceland for **clarithromycin** film-coated tablets.

In Iceland, we also obtained marketing authorisations for the well-established medicine for

lowering cholesterol and triglyceride blood levels, **atorvastatin** 10 mg, 20 mg, and 40 mg film-coated tablets.

In European markets, we obtained marketing authorisations for an antipsychotic from our range of medicines for the treatment of diseases of the central nervous system, **Quetiapine Krka** (quetiapine) prolonged-release tablets in five strengths. In Iceland, we also obtained marketing authorisations for an antidepressant **Sertraline Krka** (sertraline) film-coated tablets in two strengths.

In Iceland, we obtained a marketing authorisation for antifungal capsules, **fluconazole**.

In various Eastern European countries, we obtained new marketing authorisations for medicines for the treatment of cardiovascular diseases. We were granted marketing authorisations for **Lortenza** (losartan/amlodipine) film-coated tablets in Kyrgyzstan, and **Vamloset** (valsartan/amlodipine) film-coated tablets in Mongolia. In Moldova, we obtained marketing authorisations for **Valarox** (rosuvastatin/valsartan) film-coated tablets, **Atordapin** (amlodipine/atorvastatin) film-coated tablets, and **Niperten Combi** (bisoprolol/amlodipine). In Kazakhstan, we were granted a marketing authorisation for **Bloxazoc** (metoprolol) prolonged-release tablets.

In Ukraine, we obtained new marketing authorisations for **Zylaxera** (aripiprazole) tablets and **Quentiax** (quetiapine) film-coated tablets, both from the range for the treatment of diseases of the central nervous system. In Moldova, we launched **Elicea** (escitalopram) film-coated tablets, **Elicea Q-Tab** (escitalopram) orodispersible tablets, and **Alventa** (venlafaxine) prolonged-release capsules.

We put our antibiotics on new markets as follows: **Azibiot** (azithromycin) powder for oral suspension in Ukraine, Kazakhstan and Georgia; **Betaklav** (amoxicillin/clavulanic acid) tablets and powder for oral suspension in Turkmenistan; **Moflaxa** (moxifloxacin) solution for infusion in Azerbaijan. In Azerbaijan and Mongolia, we also introduced **Levaxela** (levofloxacin) solution for infusion, and in Mongolia, **Levaxela** (levofloxacin) film-coated tablets. We also obtained marketing authorisations for **Cefamezin** (cefazolin) powder for solution for injection in Mongolia; and for **Emtricitabine/Tenofovir Krka**

(emtricitabine/tenofovir) fixed-dose combination film-coated tablets for the treatment of HIV infections in Kazakhstan.

We obtained new marketing authorisations: in Moldova for an agent used for controlling gastric acid, **Zulbex** (rabeprazole) gastro-resistant tablets, and a non-steroidal anti-inflammatory drug (NSAID), **Etoxib** (etoricoxib) film-coated tablets; in Azerbaijan for a corticosteroid, **Flosteron** (betamethasone) suspension for injection; and in Mongolia for an antidiabetic agent for the treatment of type II diabetes, **Gliclada** (gliclazide) prolonged-release tablets.

In the markets of South-Eastern Europe, we increased the number of marketing authorisations for medicines from key therapeutic groups. From our range of medicines for the treatment of cardiovascular diseases, we obtained new marketing authorisations for **Rameam** (ramipril/amlodipine) capsules in Serbia and Bosnia and Herzegovina; **Amlessa** (perindopril/amlodipine) tablets in Kosovo; **Co-Amlessa** (perindopril/amlodipine/indapamide) tablets in Albania, and **Teldipin** (telmisartan/amlodipine) tablets in Serbia.

We obtained new marketing authorisations: in Kosovo for our opioid analgesics, **Adolax** (oxycodone/naloxone) prolonged-release tablets; and in Albania for a glucocorticoid, **Dexamethasone** (dexamethasone) tablets, and a fixed-dose combination, **Emtricitabin/Tenofovir Krka** film-coated tablets for the treatment of HIV infections.

In Serbia, we introduced a medicine for the treatment of depression and generalised anxiety disorder, **Dulsevia** (duloxetine) gastro-resistant capsules, and in Bosnia and Herzegovina an anti-dementia medicine **Yasnal** (donepezil) orodispersible tablets.

We obtained marketing authorisations in Serbia for a medicine used to treat erectile dysfunction, **Tadorsyo** (tadalafil) film-coated tablets, and in Bosnia and Herzegovina for a non-steroidal anti-inflammatory drug (NSAID), **Etoxib** (etoricoxib) film-coated tablets.

We expanded marketing opportunities in the overseas markets for many Krka's established products. From the group of medicines for the treatment of cardiovascular diseases, we have

already introduced **Tolucombi** (telmisartan/hydrochlorothiazide) tablets, **Valsaden** (valsartan/hydrochlorothiazide) film-coated tablets, **Atoris** (atorvastatin) film-coated tablets, **Rawel SR** (indapamide) prolonged-release tablets, and **Coryol** (carvedilol) tablets. We also introduced a medicine for controlling gastric acid, **Nolpaza** (pantoprazol)

Non-Prescription Products

We completed the marketing authorisation procedure for **Flebaven 450 mg/50 mg** (diosmin/hesperidin) film-coated tablets in Azerbaijan, Kyrgyzstan, and Uzbekistan. We further extended markets for **Flebaven** (diosmin) 500 mg film-coated tablets and 1 000 mg tablets to the countries of South-Eastern Europe, Bosnia and Herzegovina, and Macedonia.

We obtained notifications for **Magnezij Krka 300/Magnezij B₂ Krka 300** (magnesium

Animal Health Products

In the first two quarters of 2018, we extended marketing opportunities by obtaining new marketing authorisations for **Fyperix/Amflee/Fypermid Combo** (fipronil/S-methoprene) spot-on solution, an animal health product. The fixed-dose combination protects dogs, cats and ferrets from parasitic skin infections and infestations. Krka 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. In Serbia, we obtained the marketing authorisation for **Dehinel** (pyrantel embonate/praziquantel) film-coated tablets for cats. The fixed-dose combination is used for the treatment of gastrointestinal infestations in cats.

In the group of medicines for the treatment of farm animals, we increased the number of marketing authorisations and strengthened the existing

Investments

In the first six months of 2018, the Krka Group allocated €43.5 million to investments, of that €34.3 million to the controlling company. We invested primarily in increasing and updating production, and in development-and-research capacities.

Krka's key investment is the product development and quality control facility, Razvojno-kontrolni center

powder for solution for injection; an antihistamine **Aller Tec** (levocetirizine) film-coated tablets; and **Vizarsin** (sildenafil) film-coated tablets for the treatment of erectile dysfunction. As a marketing authorisation holder, we launched the medicines in Saudi Arabia, Lebanon, Sudan, Jamaica, and Trinidad and Tobago.

citrate) in Macedonia and Hungary. We launched **Ulcamed** (bismuth) film-coated tablets in Albania, and **Pikovit Unique** chewable tablets in Mongolia.

In Serbia, Bosnia and Herzegovina, Ukraine, Turkmenistan and Moldova, we obtained new marketing authorisations for **Septolete Total** (benzylamine chloride/cetylpyridinium chloride) lozenges available in two flavours, elder and lemon, and honey and lemon.

brands. In Moldova, we obtained a marketing authorisation for **Toltarox** (toltrazuril) oral solution used to treat *Coccidia* spp. infestations in different poultry species. In Azerbaijan, we obtained marketing authorisations for **Amatib** (amoxicillin) oral powder for the treatment of infections in pigs and poultry, and **Doxatib** (doxycycline) powder for use in drinking water.

In Kazakhstan, we obtained the marketing authorisations for a fixed-dose combination, **Fypryst** (fipronil) cutaneous spray for the treatment of and protection against external parasites in dogs and cats; general tonic and rehydrate, **Calfoset** solution for injection, for the treatment and prevention of digestive disorders, **Tyavalt** (tiamulin) granules for the preparation of drinking water for pigs and poultry, and non-steroidal anti-inflammatory agent, **Rycarfa** (carprofen).

4 (RKC 4), at the production site in Novo mesto. The building has been built 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 the building was completed and glazed in the autumn of 2016.

The connection structure between the two buildings, RKC 3 and RKC 4, has also been built. Setting up of the laboratory rooms was finished in the summer of 2017, and the facilities were put to use. Additional furnishing of the rooms intended for development is in its final stage. According to the plan, the supply and setting up of the pharmaceutical equipment are due by the autumn of 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 room for incoming materials and finished products. This will increase the speed and flexibility of production, and improve product availability and market supply. The construction of the building, installation of the logistic and other equipment, equipment and system qualifications and start-ups will take two years. By the end of March 2019, the building should be roofed and shelving racks constructed. According to the plan, final integration with Raw Materials Warehouse and weighing rooms should be finished by the end of 2019. The investment is estimated at €36 million.

Notol 2, the advanced facility for manufacturing solid dosage forms, which started running in 2015, is also at this site. We have been acquiring additional technological equipment in order to meet the market demand and manufacture new products, and have allocated €10 million for that 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 €202 million in it.

Investing in the new plant in Krško has provided facilities for hydrogenation 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.

The plant for production of animal health products with biocidal effect in Bršljin, Novo mesto, has been extended. The investment is estimated at €4.6 million. Production on new lines will start at the end of 2018.

Krka has started constructing a new office building in Ljubljana. The building will be connected to the existing one and ready for use in mid-2019. The building will have four floors underground and four above the ground. The preparation works for construction started in October 2017. According to the plan, the building should be constructed and glazed by the end of this year, and finishing works should be completed by March 2019.

Krka-Rus 2 plant in Istra in the Russian Federation is one of 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 to start constructing a water treatment plant by the autumn of 2018. The investment is estimated at €2.6 million. In 2018, Krka plans to invest €1.8 million in increasing laboratory capacities. Krka-Rus manufactures 64% of products intended for the Russian market, which gives 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. Production was started in February.

Several low investments in the total value of more than €3 million are in progress in all business units of the subsidiary Terme Krka.

We have established a joint venture Ningbo Krka Menovo with our long-term Chinese partner Menovo in the city of Ningbo. The initial share capital of €30 million has been allocated to financing development activities, land purchases and building production capacities. The new 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 to manufacture them there. In three years, we expect first sales results in China.

Employees

At the end of June 2018, the Krka Group employed 11,212 persons, of that 5,758 abroad, or 51% of the total Krka Group headcount. Of all employees in the Krka Group, 54% have completed at least university level education.

- At the end of June, the Krka Group had 380

employees or 4% more than at the end of 2017. Together with agency workers was in the Krka Group 12,364 employees, 2% more than at the end of 2017.

Educational structure of the Krka Group

	30 June 2018		31 December 2017	
	Number of employees	Share (%)	Number of employees	Share (%)
PhD	183	1.6	175	1.6
Master of Science	376	3.4	364	3.4
University degree	5,528	49.3	5,472	50.5
Higher professional education	1,577	14.1	1,485	13.7
Vocational college education	280	2.5	267	2.5
Secondary school education	2,126	19.0	1,927	17.8
Other	1,142	10.1	1,142	10.5
Krka Group	11,212	100.0	10,832	100.0

We ensure a continuous inflow of new employees by giving study grants. At the end of June 2018, there were 56 Krka scholarship holders, primarily pharmacy and chemistry students. We also grant scholarships to exceptional students from other fields of interest to Krka. In the first two quarters of 2018, we granted 13 new scholarships.

Krka has always been investing in knowledge and development of its employees. Employees are eager to learn and get promoted also by extending their education grades. Krka has been supporting 55 employees, who have enrolled into postgraduate studies (specialist, master's or doctoral degrees), and a total of 151 have enrolled into part-time graduate studies.

Krka is the only certificate-awarding body in Slovenia with authority to examine and approve candidates taking the National Vocational Qualification (NVQ) exams in the area of pharmaceuticals. In the period from 2002 until June 2018, we awarded 1,490 certificates: 1,348 to Krka employees, and 142 to employees of other companies and pharmacies. At the moment, 65 employees are included in the process of obtaining national vocational qualification (NVQ).

Through various activities, the Krka Group has been endorsing employees' initiatives, innovations, cooperation, team work, loyalty, and commitment.

For decades, we have been awarding recognitions to employees, who have been employed at the Krka Group for 10, 20, 30, 35, and 40 years. This year, 800 employees from Slovenia and abroad received rewards for their contributions.

Every year, we also select the best employees and managers. This is one of the ways in which we strengthen the loyalty of the employees and the positive atmosphere in the company. This year, 49 best employees and 19 best managers were selected at the level of organisational units, while at the Group level ten best employees and five best managers were chosen from 140 award winners.

In May employee innovations for the year 2017 were awarded. Ideas presented by employees significantly contribute to cost reduction and work process improvement. In 2017, 469 colleagues contributed 614 useful proposals, and we awarded 550 of them. In the first two quarters of 2018, 250 colleagues handed in 282 useful proposals. At this year's ceremony, the Chamber of Commerce of Dolenjska and Bela krajina conferred on innovators from Krka four gold awards and one silver award.

With preventive and curative healthcare for employees, and with a wide range of activities, we provide for comprehensive quality of work and life of our employees, which contributes to their satisfaction, increases the Company's employment appeal attracting top experts, and contributes to successful performance. Employees get together on Krka Sports Day, when we reward our best athletes

and organisational units for their mass participation and results. We also organised the traditional Krka Day for more than 2,300 attendants, primarily Krka employees and their family members. Active socialising of the employees helps us live up to Krka's value of partnership and trust and provide for loyalty and good interpersonal relationships in the Krka Group.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP WITH NOTES

Consolidated statement of financial position of the Krka Group

In € thousand	30 June 2018	31 Dec 2017	Index
Assets			
Property, plant and equipment	847,858	864,842	98
Intangible assets	109,272	110,992	98
Loans	10,978	9,543	115
Investments	9,600	8,815	109
Deferred tax assets	38,842	38,475	101
Other non-current assets	452	341	133
Total non-current assets	1,017,002	1,033,008	98
Assets held for sale	41	41	100
Inventories	334,222	310,671	108
Trade receivables	470,003	500,735	94
Other receivables	27,636	27,302	101
Loans	40,609	1,426	2,848
Investments	5,665	0	
Cash and cash equivalents	86,172	45,948	188
Total current assets	964,348	886,123	109
Total assets	1,981,350	1,919,131	103
Equity			
Share capital	54,732	54,732	100
Treasury shares	-46,536	-40,588	115
Reserves	109,434	111,477	98
Retained earnings	1,456,941	1,361,107	107
Total equity holders of the controlling company	1,574,571	1,486,728	106
Non-controlling interests within equity	3,311	971	341
Total equity	1,577,882	1,487,699	106
Liabilities			
Provisions	99,436	98,075	101
Deferred revenues	10,375	10,953	95
Deferred tax liabilities	11,997	12,154	99
Total non-current liabilities	121,808	121,182	101
Trade payables	110,420	108,340	102
Borrowings	1	0	
Income tax payable	6,703	16,142	42
Other current liabilities	164,536	185,768	89
Total current liabilities	281,660	310,250	91
Total liabilities	403,468	431,432	94
Total equity and liabilities	1,981,350	1,919,131	103

Consolidated income statement of the Krka Group

In € thousand	1–6/2018	1–6/2017	Index
Sales revenues	680,475	655,046	104
Costs of goods sold	-280,845	-269,353	104
Gross profit	399,630	385,693	104
Other operating income	5,982	5,126	117
Selling and distribution expenses	-167,215	-164,434	102
R&D expenses	-64,257	-62,219	103
General and administrative expenses	-38,681	-40,088	96
Operating profit	135,459	124,078	109
Financial income	2,553	10,415	25
Financial expenses	-17,442	-23,715	74
Net financial result	-14,889	-13,300	112
Profit before tax	120,570	110,778	109
Income tax	-18,832	-19,115	99
Net profit	101,738	91,663	111
Attributable to:			
– equity holders of the controlling company	101,782	91,662	111
– non-controlling interest	-44	1	
Basic earnings per share (in €)	3.18	2.84	112
Diluted earnings per share (in €)	3.18	2.84	112

* 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	1–6/2018	1–6/2017	Index
Net profit	101,738	91,663	111
Other comprehensive income for the period			
Other comprehensive income for the period reclassified to profit or loss at a future date			
Translation reserves	-8,584	-5,097	168
Change in fair value of available-for-sale financial assets	785	-2,462	
Deferred tax effect	-149	468	
Net other comprehensive income for the period reclassified to profit or loss at a future date	-7,948	-7,091	112
Other comprehensive income for the period that will not be reclassified to profit or loss at a future date			
Recalculation of post-employment benefits	-2	0	
Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date	-2	0	
Total other comprehensive income for the period (net of tax)	-7,950	-7,091	112
Total comprehensive income for the period (after tax)	93,788	84,572	111
Attributable to:			
– equity holders of the controlling company	93,791	84,571	111
– non-controlling interest	-3	1	

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	101,782	101,782	-44	101,738
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	634	-8,625	0	0	0	-7,991	41	-7,950
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	634	-8,625	0	0	101,782	93,791	-3	93,788
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	-5,948	0	0	0	0	0	0	0	0	0	-5,948	0	-5,948
Formation of reserves for treasury shares	0	0	5,948	0	0	0	0	0	0	0	0	-5,948	0	0
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	2,343	2,343
Total transactions with owners recognised in equity	0	-5,948	5,948	0	0	0	0	0	0	141,702	-147,650	-5,948	2,343	-3,605
Balance at 30 June 2018	54,732	-46,536	46,536	105,897	14,990	30,000	-11,889	-76,100	1,129,172	231,935	95,834	1,574,571	3,311	1,577,882

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	91,662	91,662	1	91,663
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	-1,994	-5,097	0	0	0	-7,091	0	-7,091
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	-1,994	-5,097	0	0	91,662	84,571	1	84,572
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	-3,503	0	0	0	0	0	0	0	0	0	-3,503	0	-3,503
Formation of reserves for treasury shares	0	0	3,503	0	0	0	0	0	0	0	-3,503	0	0	0
Total transactions with owners recognised in equity	0	-3,503	3,503	0	0	0	0	0	0	98,833	-102,336	-3,503	0	-3,503
Balance at 30 June 2017	54,732	-33,193	33,193	105,897	14,990	30,000	-13,796	-64,194	1,102,165	206,503	88,159	1,524,456	1,057	1,525,513

Consolidated statement of cash flows of the Krka Group

In € thousand	1–6/2018	1–6/2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	101,738	91,663
Adjustments for:	71,599	74,000
– amortisation/depreciation	55,471	53,201
– foreign exchange differences	-3,079	-1,548
– investment income	-3,734	-10,985
– financial income	2,913	13,336
– investment expenses	-57	0
– interest expenses and other financial expenses	1,253	881
– income tax	18,832	19,115
Operating profit before changes in net operating current assets	173,337	165,663
Change in trade receivables	29,669	8,878
Change in inventories	-23,551	-20,134
Change in trade payables	1,326	-3,965
Change in provisions	589	491
Change in deferred revenues	-578	-607
Change in other current liabilities	-20,890	-28,437
Income tax paid	-29,273	-4,075
Net cash from operating activities	130,629	117,814
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	223	268
Proceeds from sale of current investments	0	2
Dividends received	959	1
Proceeds from sale of property, plant and equipment	2,494	749
Purchase of intangible assets	-1,967	-2,292
Purchase of property, plant and equipment	-40,594	-47,161
Non-current loans	-1,390	-1,266
Proceeds from repayment of non-current loans	645	724
Payments to acquire non-current investments	-120	-33
Proceeds from sale of non-current investments	7	8
Payments in connection with current investments and loans	-44,817	-24,835
Payments in connection with derivative financial instruments	-2,278	-25,820
Proceeds from derivative financial instruments	1,294	0
Net cash from investing activities	-85,544	-99,655
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-482	-167
Proceeds in connection with current borrowings	1	0
Dividends and other profit shares paid	0	-91
Purchase of treasury shares	-5,948	-3,503
Proceeds of payments from non-controlling interests	2,343	0
Net cash used in financing activities	-4,086	-3,761
Net increase in cash and cash equivalents	40,999	14,398
Cash and cash equivalents at the beginning of the period	45,948	38,630
Effect of exchange rate fluctuations on cash held	-775	0
Net cash and cash equivalents at the end of the period	86,172	53,028

Segment reporting of the Krka Group

In € thousand	European Union		South-East Europe		East Europe		Other		Elimination		Total	
	1-6/2018	1-6/2017	1-6/2018	1-6/2017	1-6/2018	1-6/2017	1-6/2018	1-6/2017	1-6/2018	1-6/2017	1-6/2018	1-6/2017
Revenues to non-group companies	399,745	385,607	37,012	30,123	218,388	213,984	25,330	25,332	0	0	680,475	655,046
Revenues between Group companies	112,623	115,747	19,827	14,174	115,812	127,940	0	0	-248,262	-257,861	0	0
Other operating income	2,714	2,694	19	101	3,249	2,331	0	0	0	0	5,982	5,126
Operating expenses	-338,942	-328,924	-25,599	-21,988	-171,515	-171,061	-14,942	-14,121	0	0	-550,998	-536,094
Operating expenses to Group companies	-184,021	-183,467	-21,543	-16,851	-247,185	-249,225	-4	-5	452,753	449,548	0	0
Operating profit	63,517	59,377	11,432	8,236	50,122	45,254	10,388	11,211	0	0	135,459	124,078
Interest income	106	100	0	0	122	168	1	0	0	0	229	268
Interest revenues to Group companies	134	405	0	0	2	1	0	0	-136	-406	0	0
Interest expenses	-13	-157	0	0	-2	2	0	0	0	0	-15	-155
Interest expenses to Group companies	-156	-126	0	0	-24	-214	0	0	180	340	0	0
Net financial result	-3,004	1,567	-367	313	-11,756	-15,125	238	-55	0	0	-14,889	-13,300
Income tax	-8,428	-9,061	-1,318	-1,155	-8,142	-7,647	-944	-1,252	0	0	-18,832	-19,115
Net profit	52,085	51,883	9,747	7,394	30,224	22,482	9,682	9,904	0	0	101,738	91,663
Investments	41,293	50,812	189	126	1,833	1,630	209	0	0	0	43,524	52,568
Depreciation	36,154	33,126	1,039	915	14,273	15,157	371	174	0	0	51,837	49,372
Amortisation	2,289	2,294	156	127	1,090	1,303	99	105	0	0	3,634	3,829
	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017
Total assets	1,517,909	1,461,851	44,173	40,855	403,132	405,694	16,136	10,731	0	0	1,981,350	1,919,131
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	37,739	38,163	0	0	0	0	0	0	0	0	37,739	38,163
Total liabilities	294,779	327,324	10,398	9,453	79,760	77,273	18,531	17,382	0	0	403,468	431,432

Notes to the consolidated financial statements of the Krka Group

Costs by nature

€550,998 thousand

In € thousand	1-6/2018	1-6/2017	Index
Cost of goods and material	179,263	192,231	93
Cost of services	121,363	120,540	101
Employee benefit cost	184,528	173,986	106
Amortisation and depreciation	55,471	53,201	104
Inventory write-off and allowances	9,445	7,730	122
Receivables impairment and write-off	573	1,209	47
Formation of provisions for lawsuits	44	0	
Other operating expenses	18,368	17,463	105
Total costs	569,055	566,360	100
Change in the value of inventories of products and work in progress	-18,057	-30,266	60
Total	550,998	536,094	103

Employee benefit costs

€184,528 thousand

In € thousand	1-6/2018	1-6/2017	Index
Gross wages and salaries and continued pay	142,168	135,064	105
Social security contributions	12,180	10,083	121
Pension insurance contributions	18,952	18,907	100
Payroll tax	514	546	94
Post-employment benefits and other non-current employee benefits	2,409	2,388	101
Other employee benefits cost	8,305	6,998	119
Total employee benefit costs	184,528	173,986	106

Other operating expenses

€18,368 thousand

In € thousand	1-6/2018	1-6/2017	Index
Grants and assistance for humanitarian and other purposes	859	814	106
Environmental protection expenses	2,128	2,000	106
Other taxes and levies	12,829	12,279	104
Loss on sale of property, plant and equipment and intangible assets	635	185	343
Other expenses	1,917	2,185	88
Total other operating expenses	18,368	17,463	105

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	1-6/2018	1-6/2017	Index
Interest income	229	268	85
Gains on disposal of available-for-sale financial assets	0	2	0
Financial instruments income	2,265	10,144	22
– realised income	1,294	0	
– change in fair value	971	10,144	10
Income from dividends and other shares of the profit	1	1	100
Other financial income	58	0	
Total financial income	2,553	10,415	25
Net foreign exchange differences	-13,906	-9,587	145
Interest expenses	-15	-155	10
Financial instruments expenses	-2,278	-13,150	17
– incurred expenses	-2,278	-25,820	9
– change in fair value	0	12,670	0
Other financial expenses	-1,243	-823	151
Total financial expenses	-17,442	-23,715	74
Net financial result	-14,889	-13,300	112

Income tax

€18,832 thousand

Income tax amounted to €19,602 thousand, or 16.3% of profit before tax. Together with deferred tax of €-770 thousand, total income tax expenses in

the income statement equalled €18,832 thousand. The effective tax rate was 15.6%.

Property, plant and equipment

€847,858 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Land	40,048	38,863	103
Buildings	395,267	409,682	96
Equipment	352,402	375,115	94
Property, plant and equipment being acquired	55,704	36,650	152
Advances for property, plant and equipment	4,437	4,532	98
Total property, plant and equipment	847,858	864,842	98

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

€109,272 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Goodwill	42,644	42,644	100
Trademark	37,739	38,163	99
Concessions, patents, licences and similar rights	24,909	26,644	93
Intangible assets being acquired	3,980	3,541	112
Total intangible assets	109,272	110,992	98

Loans

€51,587 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Non-current loans	10,978	9,543	115
– loans to others	10,978	9,543	115
Current loans	40,609	1,426	2.848
– portion of non-current loan maturing next year	491	1,330	37
– loans to others	40,118	94	42,679
– current interest receivable	0	2	0
Total loans	51,587	10,969	470

Non-current loans constitute 21% 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 €40,000 thousand.

Investments

€15,265 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Non-current investments	9,600	8,815	109
– available-for-sale financial assets	9,600	8,815	109
Current investments including derivative financial instruments	5,665	0	
– derivative financial instruments	686	0	
– other current investments	4,979	0	
Total investments	15,265	8,815	173

Available-for-sale financial assets comprised shares and interests in companies in Slovenia in total of €810 thousand, and €8,790 thousand of

investments in shares and interests in companies abroad.

Inventories

€334,222 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Material	123,329	119,775	103
Work in progress	89,106	77,743	115
Products	104,850	102,211	103
Merchandise	11,328	8,070	140
Advances for inventories	5,609	2,872	195
Total inventories	334,222	310,671	108

Trade and other receivables

€497,639 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Current trade receivables	470,003	500,735	94
Other current receivables	27,636	27,302	101
Total receivables	497,639	528,037	94

Cash and cash equivalents

€86,172 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Cash on hand	77	120	64
Bank balances	86,095	45,828	188
Total cash and cash equivalents	86,172	45,948	188

Bank balances comprise also bank deposits of controlling company with a maturity to 90 days in total of €13,470 thousand.

Equity

€1,577,882 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Share capital	54,732	54,732	100
Treasury shares	-46,536	-40,588	115
Reserves	109,434	111,477	98
– reserves for treasury shares	46,536	40,588	115
– share premium	105,897	105,897	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserves	-11,889	-12,523	95
– translation reserves	-76,100	-67,475	113
Retained earnings	1,456,941	1,361,107	107
Total equity holders of the controlling company	1,574,571	1,486,728	106
Non-controlling interests within equity	3,311	971	341
Total equity	1,577,882	1,487,699	106

Provisions

€99,436 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Provisions for lawsuits	4,286	4,507	95
Provisions for post-employment benefits and other non-current employee benefits	94,124	92,710	102
Other provisions	1,026	858	120
Total provisions	99,436	98,075	101

Deferred revenues

€10,375 thousand

In € thousand	30 June 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.	1,984	2,117	94
Grants from the budget for Dolenjske and Šmarješke Toplice health resorts and for Golf Grad Otočec	3,715	3,785	98
Grants from the European Regional Development Fund for developing new technologies (a FBD project)	197	242	81
Grants from the European Regional Development Fund for setting up information and technology solutions system GEN-I	8	10	80
Grants from the European Regional Development Fund for Development Centres of the Slovene Economy	4,437	4,752	93
Subsidy for acquisition of electric vehicles	6	7	86
Property, plant and equipment received for free	27	31	87
Emission coupons	1	9	11
Total deferred revenues	10,375	10,953	95

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

€110,420 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Payables to domestic suppliers	41,421	43,256	96
Payables to foreign suppliers	68,057	61,790	110
Payables from advances	942	3,294	29
Total trade payables	110,420	108,340	102

Other current liabilities

€164,536 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Accrued contractual discounts on products sold	90,491	125,680	72
Payables to employees – gross salaries, other receipts and charges	46,879	38,551	122
Derivative financial instruments	0	284	0
Other	27,166	21,253	128
Total other current liabilities	164,536	185,768	89

Contingent liabilities

€18,140 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Guarantees issued	17,520	18,396	95
Other	620	620	100
Total contingent liabilities	18,140	19,016	95

Fair value

In € thousand	30 June 2018		31 Dec 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans	10,978	10,978	9,543	9,543
Available-for-sale financial assets	9,600	9,600	8,815	8,815
Current loans	40,609	40,609	1,426	1,426
Current investments	5,665	5,665	0	0
– derivative financial instruments	686	686	0	0
– other investments	4,979	4,979	0	0
Trade receivables	470,003	470,003	500,735	500,735
Cash and cash equivalents	86,172	86,172	45,948	45,948
Current borrowings	-1	-1	0	0
Trade payables and other liabilities excluding amounts owed to the state, to employees and advances	-218,647	-218,647	-241,876	-241,876
Other current liabilities	0	0	-284	-284
– derivative financial instruments	0	0	-284	-284
Total	404,379	404,379	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 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	30 June 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	8,220	0	1,380	9,600	7,434	0	1,381	8,815
Derivative financial instruments	0	0	686	686	0	0	0	0
Other investments	0	0	4,979	4,979	0	0	0	0
Total assets at fair value	8,220	0	7,045	15,265	7,434	0	1,381	8,815
Assets for which fair value is disclosed								
Non-current loans	0	0	10,978	10,978	0	0	9,543	9,543
Current loans	0	0	40,609	40,609	0	0	1,426	1,426
Trade receivables	0	0	470,003	470,003	0	0	500,735	500,735
Cash and cash equivalents	0	0	86,172	86,172	0	0	45,948	45,948
Total assets for which fair value is disclosed	0	0	607,762	607,762	0	0	557,652	557,652
Total	8,220	0	614,807	623,027	7,434	0	559,033	566,467

Liabilities at fair value

In € thousand	30 June 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	1	1	0	0	0	0
Trade payables and other liabilities excluding amounts owed to the state, to employees and advances	0	0	218,647	218,647	0	0	241,876	241,876
Total liabilities for which fair value is disclosed	0	0	218,648	218,648	0	0	241,876	241,876
Total	0	0	218,648	218,648	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	30 June 2018	31 Dec 2017	Index
Assets			
Property, plant and equipment	604,904	611,341	99
Intangible assets	27,157	28,299	96
Investments in subsidiaries	325,413	321,898	101
Trade receivables from subsidiaries	26,812	38,644	69
Loans	14,382	11,187	129
Investments	9,600	8,814	109
Deferred tax assets	12,007	12,342	97
Other non-current assets	76	70	109
Total non-current assets	1,020,351	1,032,595	99
Assets held for sale	41	41	100
Inventories	281,598	264,174	107
Trade receivables	449,735	456,265	99
Other receivables	14,304	15,395	93
Loans	73,947	34,895	212
Investments	686	0	
Cash and cash equivalents	68,415	34,117	201
Total current assets	888,726	804,887	110
Total assets	1,909,077	1,837,482	104
Equity			
Share capital	54,732	54,732	100
Treasury shares	-46,536	-40,588	115
Reserves	187,363	180,779	104
Retained earnings	1,384,900	1,298,402	107
Total equity	1,580,459	1,493,325	106
Liabilities			
Provisions	86,959	85,503	102
Deferred revenues	2,217	2,408	92
Total non-current liabilities	89,176	87,911	101
Trade payables	152,298	159,119	96
Borrowings	17,029	27,525	62
Income tax payable	5,554	15,127	37
Other current liabilities	64,561	54,475	119
Total current liabilities	239,442	256,246	93
Total liabilities	328,618	344,157	95
Total equity and liabilities	1,909,077	1,837,482	104

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

In € thousand	1-6/2018	1-6/2017	Index
Revenues	631,086	615,010	103
Costs of goods sold	-264,539	-260,069	102
Gross profit	366,547	354,941	103
Other operating income	1,462	2,183	67
Selling and distribution expenses	-149,423	-147,247	101
R&D expenses	-66,974	-64,438	104
General and administrative expenses	-33,640	-32,606	103
Operating profit	117,972	112,833	105
Financial income	4,766	11,586	41
Financial expenses	-16,667	-24,482	68
Net financial result	-11,901	-12,896	92
Profit before tax	106,071	99,937	106
Income tax	-13,625	-16,364	83
Net profit	92,446	83,573	111
Basic earnings per share (in €)	2.89	2.59	111
Diluted earnings per share ** (in €)	2.89	2.59	111

* 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	1-6/2018	1-6/2017	Index
Net profit	92,446	83,573	111
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	785	-2,462	
Deferred tax effect	-149	468	
Net other comprehensive income for the period reclassified to profit or loss at a future date	636	-1,994	
Total other comprehensive income for the period (net of tax)	636	-1,994	
Total comprehensive income for the period (net of tax)	93,082	81,579	114

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	92,446	92,446
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	636	0	0	0	636
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	636	0	0	92,446	93,082
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	-5,948	0	0	0	0	0	0	0	0	-5,948
Formation of reserves for treasury shares	0	0	5,948	0	0	0	0	0	0	-5,948	0
Total transactions with owners recognised in equity	0	-5,948	5,948	0	0	0	0	0	142,832	-148,780	-5,948
Balance at 30 June 2018	54,732	-46,536	46,536	105,897	14,990	30,000	-10,060	1,129,172	169,230	86,498	1,580,459

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	83,573	83,573
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	-1,994	0	0	0	-1,994
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	-1,994	0	0	83,573	81,579
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	-3,503	0	0	0	0	0	0	0	0	-3,503
Formation of reserves for treasury shares	0	0	3,503	0	0	0	0	0	0	-3,503	0
Total transactions with owners recognised in equity	0	-3,503	3,503	0	0	0	0	0	93,253	-96,756	-3,503
Balance at 30 June 2017	54,732	-33,193	33,193	105,897	14,990	30,000	-11,988	1,102,165	142,658	80,070	1,518,524

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

In € thousand	1-6/2018	1-6/2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	92,446	83,573
Adjustments for:	54,624	59,128
– amortisation/depreciation	41,537	40,166
– foreign exchange differences	764	-171
– investment income	-4,790	-11,728
– investment expenses	2,525	13,267
– interest expenses and other financial expenses	963	1,230
– income tax	13,625	16,364
Operating profit before changes in net operating current assets	147,070	142,701
Change in trade receivables	18,460	-8,595
Change in inventories	-17,423	-18,161
Change in trade payables	-8,761	7,074
Change in provisions	685	40
Change in deferred revenues	-191	-195
Change in other current liabilities	10,370	1,599
Income tax paid	-23,011	2,278
Net cash from operating activities	127,199	126,741
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	269	566
Proceeds from sale of current investments	0	2
Dividends received	959	1
Proportionate profit of subsidiaries	2,210	1,028
Proceeds from sale of property, plant and equipment	181	170
Purchase of intangible assets	-1,592	-2,182
Purchase of property, plant and equipment	-30,795	-38,134
Acquisition of subsidiaries and a share of minority interest without obtained assets	-3,515	-951
Refund of subsequent payments in subsidiaries	0	237
Non-current loans	-3,013	-1,212
Proceeds from repayment of non-current loans	601	10,358
Payments to acquire non-current investments	-9	-20
Proceeds from sale of non-current investments	2	8
Payments in connection with current investments and loans	-39,804	-23,780
Payments in connection with derivative financial instruments	-2,278	-25,820
Proceeds in connection with derivative financial instruments	1,294	0
Net cash from investing activities	-75,490	-79,729
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-220	-587
Payments in connection with current borrowings	-10,468	-35,615
Dividends and other profit shares paid	0	-91
Purchase of treasury shares	-5,948	-3,503
Net cash used in financing activities	-16,636	-39,796
Net increase in cash and cash equivalents	35,073	7,216
Cash and cash equivalents at beginning of the year	34,117	24,049
Effect of exchange rate fluctuations on cash held	-775	95
Net cash and cash equivalents at the end of the period	68,415	31,360

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

In € thousand	European Union		South-East Europe		East Europe		Other		Total	
	1-6/2018	1-6/2017	1-6/2018	1-6/2017	1-6/2018	1-6/2017	1-6/2018	1-6/2017	1-6/2018	1-6/2017
Revenues	378,810	359,329	35,530	27,065	193,765	205,862	22,981	22,754	631,086	615,010
Other operating income	1,009	1,932	24	21	429	230	0	0	1,462	2,183
Operating expenses	-313,835	-305,508	-24,351	-20,756	-161,582	-163,975	-14,808	-14,121	-514,576	-504,360
Operating profit	65,984	55,753	11,203	6,330	32,612	42,117	8,173	8,633	117,972	112,833
Interest income	250	214	0	0	22	213	0	0	272	427
Interest expenses	-146	-560	0	0	0	0	0	0	-146	-560
Net financial result	-1,210	2,127	712	-37	-11,643	-14,932	240	-54	-11,901	-12,896
Income tax	-7,620	-8,086	-1,294	-918	-3,767	-6,108	-944	-1,252	-13,625	-16,364
Net profit	57,154	49,794	10,621	5,375	17,202	21,077	7,469	7,327	92,446	83,573
Investments	34,337	44,289	0	0	0	0	0	0	34,337	44,289
Depreciation	28,024	26,511	906	796	9,502	9,842	371	175	38,803	37,324
Amortisation	1,641	1,661	154	125	839	951	100	105	2,734	2,842
	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017
Total assets	1,375,423	1,299,639	45,483	41,563	469,206	485,553	18,965	10,727	1,909,077	1,837,482
Total liabilities	213,748	227,306	10,279	9,530	86,076	89,939	18,515	17,382	328,618	344,157

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

Costs by nature

€514,576 thousand

In € thousand	1-6/2018	1-6/2017	Index
Cost of goods and material	183,603	196,897	93
Cost of services	171,797	172,272	100
Employee benefit cost	114,970	103,337	111
Amortisation and depreciation	41,537	40,166	103
Inventory write-off and allowances	4,310	3,596	120
Receivables impairment and write-off	498	-44	
Other operating expenses	12,339	11,375	108
Total costs	529,054	527,599	100
Change in the value of inventories of products and work in progress	-14,478	-23,239	62
Total	514,576	504,360	102

Employee benefit costs

€114,970 thousand

In € thousand	1-6/2018	1-6/2017	Index
Gross wages and salaries and continued pay	89,474	81,202	110
Social security contributions	7,424	5,195	143
Pension insurance contributions	10,893	10,314	106
Post-employment benefits and other non-current employee benefits	2,179	2,129	102
Other employee benefits cost	5,000	4,497	111
Total employee benefit costs	114,970	103,337	111

Other operating expenses

€12,339 thousand

In € thousand	1-6/2018	1-6/2017	Index
Grants and assistance for humanitarian and other purposes	677	575	118
Environmental protection expenses	1.388	1.284	108
Other taxes and levies	8.769	7.871	111
Loss on sale of property, plant and equipment and intangible assets	248	116	214
Other expenses	1.257	1.529	82
Total other operating expenses	12.339	11.375	108

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	1-6/2018	1-6/2017	Index
Interest income	272	427	64
Gains on disposal of available-for-sale financial assets	0	2	0
Financial instruments income	2,265	10,144	22
– realised income	1,294	0	
– change in fair value	971	10,144	10
Income from dividends and other shares of the profit	2,229	1,013	220
– dividends	1	1	100
– profits of subsidiaries	2,228	1,012	220
Total financial income	4,766	11,586	41
Net foreign exchange differences	-13,426	-10,004	134
Interest expenses	-146	-560	26
Financial instruments expenses	-2,278	-13,150	17
– incurred expenses	-2,278	-25,820	9
– change in fair value	0	12,670	0
Other financial expenses	-817	-768	106
Total financial expenses	-16,667	-24,482	68
Net financial result	-11,901	-12,896	92

Income tax

€13,625 thousand

Income tax amounted to €13,439 thousand, or 12.7% of profit before tax. Together with deferred tax of €186 thousand, total income tax expenses in

the income statement equalled €13,625 thousand. The effective tax rate was 12.8%.

Property, plant and equipment

€604,904 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Land	26,928	25,771	104
Buildings	256,844	265,027	97
Equipment	270,406	287,290	94
Property, plant and equipment being acquired	46,738	29,149	160
Advances for property, plant and equipment	3,988	4,104	97
Total property, plant and equipment	604,904	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

€27,157 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Concessions, patents, licences and similar rights	23,491	24,811	95
Intangible assets being acquired	3,666	3,488	105
Total intangible assets	27,157	28,299	96

Intangible assets comprise registration documentation for new pharmaceuticals and software.

Loans

€88,329 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Non-current loans	14,382	11,187	129
– loans to subsidiaries	3,683	1,950	189
– loans to others	10,699	9,237	116
Current loans	73,947	34,895	212
– portion of non-current loan maturing next year	3,014	3,765	80
– loans to subsidiaries	30,865	30,981	100
– loans to others	40,012	96	41,679
– current interest receivable	56	53	106
Total loans	88,329	46,082	192

Non-current loans constitute 16% 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 €40,000 thousand.

Investments

€10,286 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Non-current investments	9,600	8,814	109
– available-for-sale financial assets	9,600	8,814	109
Current investments including derivative financial instruments	686	0	
– derivative financial instruments	686	0	
Total investments	10,286	8,814	117

Available-for-sale financial assets comprise shares and interests in companies in Slovenia in total of €810 thousand, and €8,790 thousand of

investments in shares and interests in companies abroad.

Inventories

€281,598 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Material	114,821	111,925	103
Work in progress	84,263	76,063	111
Products	66,410	63,533	105
Merchandise	10,596	9,811	108
Advances for inventories	5,508	2,842	194
Total inventories	281,598	264,174	107

Trade and other receivables

€464,039 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Current trade receivables	449,735	456,265	99
– current trade receivables from subsidiaries	248,289	265,168	94
– current trade receivables from customers other than subsidiaries	201,446	191,097	105
Other current receivables	14,304	15,395	93
Total receivables	464,039	471,660	98

Cash and cash equivalents

€68,415 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Cash on hand	1	1	100
Bank balances	68,414	34,116	201
Total cash and cash equivalents	68,415	34,117	201

Bank balances comprise also bank deposits with a maturity to 90 days in total of €13,470 thousand.

Equity

€1,580,459 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Share capital	54,732	54,732	100
Treasury shares	-46,536	-40,588	115
Reserves:	187,363	180,779	104
– reserves for treasury shares	46,536	40,588	115
– share premium	105,897	105,897	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserves	-10,060	-10,696	94
Retained earnings	1,384,900	1,298,402	107
Total equity	1,580,459	1,493,325	106

Borrowings

€17,029 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Current borrowings	17,029	27,525	62
– borrowings from subsidiaries	16,986	27,455	62
– current interest payable	43	70	61
Total borrowings	17,029	27,525	62

Provisions

€86,959 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Provisions for lawsuits	4,000	4,000	100
Provisions for post-employment benefits and other non-current employee benefits	82,959	81,503	102
Total provisions	86,959	85,503	102

Deferred revenues

€2,217 thousand

In € thousand	30 June 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.	1,984	2,117	94
Grants from the European Regional Development Fund for developing new technologies (a FBD project)	197	242	81
Grants from the European Regional Development Fund for setting up information and technology solutions system GEN-I	8	10	80
Subsidy for acquisition of electric vehicles	6	7	86
Property, plant and equipment received for free	21	23	91
Emission coupons	1	9	11
Total deferred revenues	2,217	2,408	92

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

€152,298 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Payables to subsidiaries	76,409	80,358	95
Payables to domestic suppliers	37,462	37,900	99
Payables to foreign suppliers	37,841	37,967	100
Payables from advances	586	2,894	20
Total trade payables	152,298	159,119	96

Other current liabilities

€64,561 thousand

In € thousand	30 June 2018	31 Dec 2017	Index
Accrued contractual discounts on products sold	16,845	17,967	94
Payables to employees – gross salaries, other receipts and charges	35,948	29,605	121
Derivative financial instruments	0	284	0
Other	11,768	6,619	178
Total other current liabilities	64,561	54,475	119

Contingent liabilities

€15,389 thousand

In € thousand	30 June 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	30 June 2018		31 Dec 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables from subsidiaries	26,812	26,812	38,644	38,644
Non-current loans	14,382	14,382	11,187	11,187
Available-for-sale financial assets	9,600	9,600	8,814	8,814
Current loans	73,947	73,947	34,895	34,895
Current investments	686	686	0	0
– derivative financial instruments	686	686	0	0
Trade receivables	449,735	449,735	456,265	456,265
Cash and cash equivalents	68,415	68,415	34,117	34,117
Current borrowings	-17,029	-17,029	-27,525	-27,525
Trade payables and other liabilities excluding amounts owed to the state, to employees and advances	-175,383	-175,383	-175,620	-175,620
Other current liabilities	0	0	-284	-284
– derivative financial instruments	0	0	-284	-284
Total	451,165	451,165	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 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	30 June 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	8,220	0	1,380	9,600	7,434	0	1,380	8,814
Derivative financial instruments	686	0		686	0	0	0	0
Total assets at fair value	8,906	0	1,380	10,286	7,434	0	1,380	8,814
Assets for which fair value is disclosed								
Trade receivables from subsidiaries	0	0	26,812	26,812	0	0	38,644	38,644
Non-current loans	0	0	14,382	14,382	0	0	11,187	11,187
Current loans	0	0	73,947	73,947	0	0	34,895	34,895
Trade receivables	0	0	449,735	449,735	0	0	456,265	456,265
Cash and cash equivalents	0	0	68,415	68,415	0	0	34,117	34,117
Total assets for which fair value is disclosed	0	0	633,291	633,291	0	0	575,108	575,108
Total	8,906	0	634,671	643,577	7,434	0	576,488	583,922

Liabilities at fair value

In € thousand	30 June 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	17,029	17,029	0	0	27,525	27,525
Trade payables and other liabilities excluding amounts owed to the state, to employees and advances	0	0	175,383	175,383	0	0	175,620	175,620
Total liabilities for which fair value is disclosed	0	0	192,412	192,412	0	0	203,145	203,145
Total	0	0	192,412	192,412	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 six months ended 30 June 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 two quarters 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 30 June 2018 were drawn up pursuant to IAS 34 – *Interim Financial Reporting*,

Novo mesto, 13 July 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