



**Unaudited Interim Report for the
Krka Group and the Krka Company
for the First Half of 2016**

Novo mesto, July 2016

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INTRODUCTION

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

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

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

The Supervisory Board discussed the 2016 half-year report for the Krka Group and the Krka Company at its regular meeting on 27 July 2016.

Highlights of the first half of 2016

- The Krka Group sold €603.8 million worth of products and services, and Krka Company sales amounted to €539.7 million.
- The Krka Group sales were up 1% compared to the same period last year, with the Krka Company sales down 5%. The volume of products sold was up 12%.
- The highest absolute as well as relative year-on-year sales growth (up €16.3 million, or 27%) was recorded in Region South-East Europe.
- Contributing 29.1% of total sales, Krka's largest sales region is East Europe.
- The Group generated 93%, and the Company 95% of its sales revenues in markets outside Slovenia.
- The Krka Group generated €94.3 million of operating profit, a 10% year-on-year decrease. The Krka Company reported €75.1 million of operating profit, down 24% from the same period last year. The decrease was due to declining prices of pharmaceuticals in individual markets, and due to less favourable average exchange rates of some currencies compared to the same period last year.
- The Krka Group reported a net profit of €70.1 million, down 38% compared to the same period last year, while the Krka Company generated €56.2 million of net profit, down 48%. Both were attributable to lower operating profit and, in addition, to the negative net financial result due to financial expenses from forward contracts. In the six months to June last year the Krka Company and the Krka Group reported a positive net financial result.
- As at 30 June 2016 Krka's share traded at €57.15 on the Ljubljana Stock Exchange, down 12% from the year-end of 2015. Krka Company's market capitalisation amounted to €1.9 billion.
- The Krka Group allocated €61.8 million to investments in the reported period, of which the Krka Company invested €30.0 million and subsidiaries €31.8 million.
- At the end of the first half of 2016 the Krka Group had 10,821 employees, which is 257 or 2.4% more than at the beginning of the year.

Krka Group and Krka Company financial highlights

In € thousand	Krka Group		Krka Company	
	1-6/2016	1-6/2015	1-6/2016	1-6/2015
Revenues	603,803	599,850	539,658	569,878
EBIT ¹	94,300	104,332	75,135	98,521
EBITDA	147,098	157,255	116,380	139,222
Net profit	70,116	112,289	56,226	108,473
R&D expenses	58,735	56,446	61,533	58,634
Investments	61,755	45,397	30,022	37,832
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
Non-current assets	1,007,181	986,598	1,019,162	999,975
Current assets	921,442	822,606	841,371	761,737
Equity	1,485,829	1,405,984	1,487,256	1,433,211
Non-current liabilities	109,962	110,982	76,147	76,753
Current liabilities	332,832	292,238	297,130	251,748
RATIOS	1-6/2016	1-6/2015	1-6/2016	1-6/2015
EBIT margin	15.6%	17.4%	13.9%	17.3%
EBITDA margin	24.4%	26.2%	21.6%	24.4%
Profit margin (ROS)	11.6%	18.7%	10.4%	19.0%
ROE ²	9.7%	15.9%	7.7%	15.1%
ROA ³	7.5%	12.2%	6.2%	12.0%
Liabilities/Equity	0.298	0.280	0.251	0.251
R&D costs/Revenues	9.7%	9.4%	11.4%	10.3%
NUMBER OF EMPLOYEES (as at)	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
	10,821	10,564	4,849	4,798

SHARE INFORMATION	1-6/2016	1-6/2015
Total number of shares issued	32,793,448	32,793,448
Earnings per share in € ⁴	4.32	6.89
Closing price at end of period in € ⁵	57.15	65.00
Price/Earnings ratio (P/E)	13.22	9.43
Book value in € ⁶	45.31	45.02
Price/Book ratio (P/B)	1.26	1.44
Market capitalisation in € thousand (end of period)	1,874,146	2,131,574

¹ Difference between operating income and 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

Events after the reporting period

On 7 July 2016 Krka, tovarna zdravil, d. d., Novo mesto, held its 22nd Annual General Meeting in Hotel Šport in Otočec, Slovenia. At the AGM, shareholders passed the resolution proposed by the Management Board and Supervisory Board to allocate €186,908,421.49 of the 2015 accumulated profit as follows:

- €85,932,525,20 for dividends (€2.65 gross per share),
- €50,487,948.14 for other revenue reserves, and
- €50,487,948.15 for retained earnings.

Dividend pay-outs are to commence within 30 days of the AGM, to shareholders recorded in the share register of the Central Securities Clearing Corporation (KDD – Centralna klirinško depotna družba, d. d., Ljubljana) as at 12 July 2016.

Shareholders approved and gave their consent to the work of the Management Board and Supervisory

Board for the financial year 2015, and discharged them from liability for the performance of their duties.

The AGM took note of the termination of Matej Pirc's status of member and President of the Supervisory Board of Krka, d. d., Novo mesto, effective as at the day of the AGM, due to his resignation. Shareholders elected Dr Boris Žnidarič the new member of the Supervisory Board and shareholder representative, his term-in-office effective from the day of election until 19 August 2020 inclusive.

Shareholders also approved the proposed amendments of the Articles of Association, which will take effect as at the day they are entered into the court register.

Shareholders appointed Ernst & Young Revizija, poslovno svetovanje, d. o. o., Ljubljana, as the auditor for the business year 2016.

Krka Group ID card

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

Registered office Šmarješka cesta 6, 8501 Novo mesto, Slovenia

Telephone ++386 7 331 21 11

Fax ++386 7 332 15 37

E-mail info@krka.biz

Website www.krka.si

Core business Production of pharmaceutical preparations

Business clarification code 21.200

Year established 1954

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

Tax number 82646716

VAT number SI82646716

Company ID number 5043611

Share capital €54,732,264.71

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

Krka Group business model

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

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

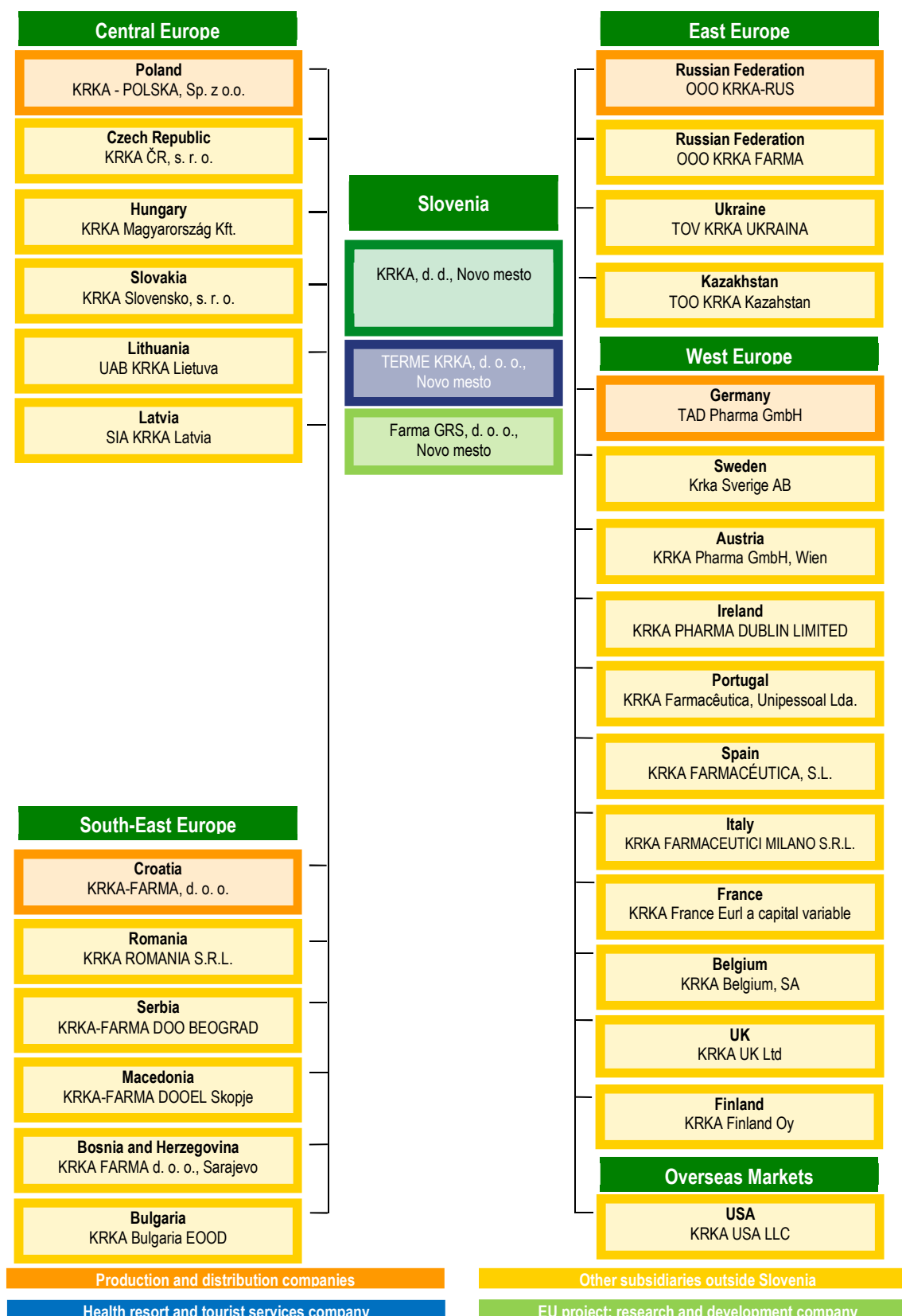
Our modern pharmaceutical production and vertically integrated business model allow us to provide patients in over 70 countries with a wide range of safe, high quality and effective prescription pharmaceuticals, non-prescription products and animal health products. Krka's product assortment primarily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

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

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

Wishing to increase the competitive advantage of our product assortment we have been allocating a substantial proportion of our sales revenues to research and development, with more than 170 new products currently in the pipeline. A substantial proportion of our revenues are generated by the sales of new products launched on different markets in the past five years.

Krka Group companies



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

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

Krka Group development strategy

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

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

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

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

Key strategic objectives to 2020

- To attain at least 5% average annual growth in sales in terms of volume.
- To ensure, in addition to organic growth, growth with acquisitions and long-term partnerships (including joint ventures).
- To allocate a few hundred million euros for take-overs of interesting and available companies in the five-year strategic period.
- To ensure that new products account for at least one third of total sales.
- To launch the selected product portfolio in our target markets as the first generic pharmaceutical company.
- To strengthen the competitive advantage of our product portfolio.
- To maintain the largest possible share of vertically integrated products.
- To improve the cost-effective use of all assets.
- To increase product cost-effectiveness.
- To improve all business functions in innovative ways.
- To maintain independence.

Key strategies to 2020

- To focus primarily on European 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 strengthen our presence in key markets (Slovenia, Croatia, Romania, Ukraine, Russian Federation, Poland, Hungary, Czech Republic, Slovakia, West Europe), focus on key customers and key products.
- To establish and strengthen our presence in Western European markets by operating through our own marketing-and-sales companies and by marketing products under our own brands.
- To strengthen the pharmaceutical and chemical industries and increase the range of prescription products in three key therapeutic areas (medicines for the treatment of cardiovascular diseases, the alimentary tract and metabolism, and the central nervous system) while entering new therapeutic areas (oncology, anti-virus medicines, similar biological medicines) and expanding the range of non-prescription products in the selected therapeutic areas.
- To enhance vertical integration from development through to product manufacture.
- To ensure a permanent supply of incoming materials, and optimise purchasing by continually reducing purchase prices.
- To develop generic medicines and prepare marketing authorisation documents before the expiry of the patent on the original medicine.
- To strengthen all kinds of connections with external institutions and companies in the field of development.

- To increase investments in production and development capacities and infrastructure.
- To seek possibilities of acquiring local pharmaceutical companies, plan take-overs and mergers and various kinds of long-term business arrangements (joint ventures) in selected markets in order to comply with the primary objective of attaining market shares and entering new therapeutic fields.
- To reduce the impact of financial and economic risks on the Krka Group's operations.
- To pursue a dividend-increase policy, whereby up to 50% of the consolidated profit of major shareholders generated in the year before is allocated to dividends in consideration of the Group's financial requirements for investments and mergers in each year.
- To be open to new business connections (networking) with high potential in relevant projects.
- 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 enhance the internationalisation of all business functions by maintaining English and Russian as the key languages of communication throughout the Group.
- To engage enterprise- and goal-oriented internal human resources.
- To meet our economic, social and environmental responsibilities to the environments in which we operate.
- To operate in accordance with the principles of business excellence and thereby strengthen the identity and positive public image of the Krka Group.

Krka Group business objectives for 2016

- Product and service sales are expected to total €1,210 million.
- Sales in markets outside Slovenia are expected to account for 93% of total sales.
- Prescription pharmaceuticals will remain the most important product group, accounting for 83% of total sales.
- Profit is planned to amount to €160 million.
- We plan for the number of employees to increase both in Slovenia and abroad, together by more than 4%.
- €162 million has been allocated to investments, primarily for expanding and modernising production capacities, research and development capacities, and infrastructure.

BUSINESS REPORT

Financial risk

Foreign exchange risk

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

Foreign exchange markets and commodity markets experienced major volatility in the first six months this year. In January and the first half of February currencies important for Krka depreciated amidst uncertainties related to China's economic growth and price drops in global stock markets. The depreciation of the Russian rouble in this period was underlined by the parallel decline in oil prices.

Oil prices began to increase gradually, yet unsteadily, in the second half of February. Oil prices rose despite failed talks by the key producers to limit output, and despite the fact that data on global production and supplies of oil did not imply a reduction in the surplus of supply over demand.

Expectations about the world's main central banks' measures and the measures actually taken in the first half-year additionally fuelled volatility in foreign exchange markets. Expectations of the FED's dynamics in lifting the benchmark interest rate changed several times in the six months, which affected the USD rate, oil prices and consequently

Interest rate risk

The Krka Group was not exposed to reference interest rate risk in the six months to June because all non-current borrowings had been paid back in

Credit risk

Krka's credit control process involves obtaining credit ratings for customers to which the controlling company and subsidiaries make product sales worth an annual €100,000 or more, and regular, dynamic monitoring of customer payment discipline.

More than 400 customers and more than 90% of the Group's trade receivables were included in the

also the currencies of the countries where Krka sells its products. Uncertainty in foreign exchange markets grew even stronger in May and June due to the EU membership referendum in the UK.

To account for uncertain foreign exchange movements and its major rouble exposure, the Krka Group hedged the risk of the rouble rate in the majority of the first half of the year with forward contracts.

Favourable exchange rate movements resulted in €19.9 million of positive net foreign exchange rate differences in the first six months of 2016. Due to the appreciation of the rouble, our forward contracts resulted in €33.9 million of net financial expenses. With positive foreign exchange rate differences from the rouble amounting to €25.2 million, our rouble exposure decreased the Group's net financial result by €8.7 million. The Group's overall net financial result, taking account of foreign exchange rate differences of all currencies as well as other financial income and expenses, is minus €13.3 million.

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

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

credit control process at the end of the first half of 2016.

Total trade receivables at the end of June were up compared to the beginning of the year, chiefly due to the appreciation of certain currencies and the consequent positive restatement of trade receivables.

Approximately one half of Krka Group's total trade receivables have credit insurance coverage or are hedged with financial instruments.

Our policy of hedging receivables did not change in the reported period.

Liquidity risk

Risks related to the Krka Group's liquidity in the six months to June were managed by effective short-term cash flow planning. Short-term liquidity was ensured through a stable cash flow, pre-agreed current revolving loans, and the daily, rolling weekly, monthly and longer-term planning and monitoring of cash inflows and outflows. While optimising the amounts of cash on their bank accounts,

The amount of past due and outstanding receivables at the end of June was at a level that Krka considers normal and acceptable. Customer payment discipline is estimated to have remained unchanged.

We did not write off any major trade receivables in the first half of the year.

subsidiaries were regularly provided with the required cash.

With the volume of cash inflows exceeding our cash outflows practically every month, liquidity risk is estimated to be low. Only occasionally did we make current borrowings. All our liabilities were settled regularly and in the agreed time frames.

Property, business interruption and liability insurance

In the first half of the year Krka entered into insurance contracts for the 2016 insurance year. These contracts are the result of insurance optimisation and examination of offers in the international insurance market. All Krka companies take out local insurance policies, which comply with the Group insurance policy.

Despite the value of insured assets increasing, the total insurance premium is decreasing. This comes as a result of not only commercial efforts but the high level of technical protection of property from various perils. Property risks additionally decreased in the first six months of 2016 due to different measures recommended by domestic and foreign reinsurers.

Investor and share information

In the first half of 2016 the price of Krka's share decreased by 12%. The holdings of individual domestic investors, investment companies, funds and other domestic legal entities were slightly up in

this period, with the shareholdings of international investors slightly down. At the end of June 2016, Krka had 57,420 shareholders.

Shareholder structure (%)

	30 Jun 2016	31 Dec 2015
Individual Slovenian investors	39.9	39.8
Slovenian Sovereign Holding	16.2	16.2
KAD fund and PPS	11.0	11.0
Slovenian legal entities and funds	8.3	8.2
International investors	23.5	23.8
Treasury shares	1.1	1.0
Total	100.0	100.0

In the first half of 2016 Krka repurchased 39,803 treasury shares worth a total of €2,441,393.

As at 30 June 2016 Krka held 366,080 treasury shares, which represents 1.116% of its share capital.

Krka's ten largest shareholders as at 30 June 2016

	Country	No. of shares	Share in equity (%)	Share of voting rights (%)
SLOVENSKI DRŽAVNI HOLDING, D. D.	Slovenia	5,312,070	16.20	16.38
KAPITALSKA DRUŽBA, D. D.	Slovenia	3,493,030	10.65	10.77
SOCIETE GENERALE - SPLITSKA BANKA D. D.	Croatia	2,203,293	6.72	6.79
HYPO ALPE-ADRIA-BANK D. D.	Croatia	1,167,793	3.56	3.60
KDPW	Poland	508,107	1.55	1.57
LUKA KOPER, D. D.	Slovenia	433,970	1.32	1.34
NEW WORLD FUND INC.	USA	400,000	1.22	1.23
ZAVAROVALNICA TRIGLAV, D. D.	Slovenia	388,300	1.18	1.20
THE BANK OF NEW YORK MELLON	USA	278,548	0.85	0.86
SMALLCAP WORLD FUND INC.	USA	231,262	0.71	0.71
Total		14,416,373	43.96	44.45

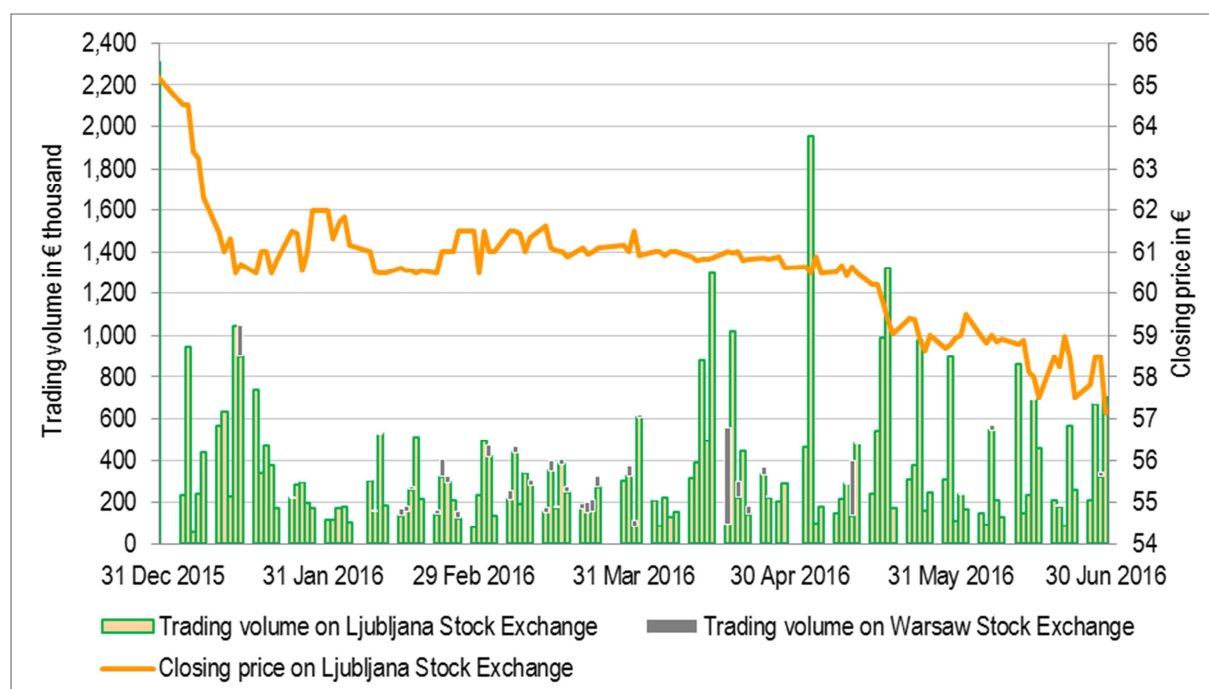
Krka's ten largest shareholders held a total of 14,416,373 shares on 30 June 2016, which is 43.96% of all issued shares.

On 30 June 2016 members of the Krka Management Board and Supervisory Board held a total of 39,195 Krka shares, which is 0.1196% of all issued shares.

Shares in equity and shares of voting rights held by members of the Krka Management Board and Supervisory Board on 30 June 2016

	No. of shares	Share in equity (%)	Share of voting rights (%)
Management Board members			
Jože Colarič	22,500	0.0686	0.0694
Aleš Rotar	13,788	0.0420	0.0425
Vinko Zupančič	120	0.0004	0.0004
David Bratož	0	0.0000	0.0000
Milena Kastelic	505	0.0015	0.0016
Total Management Board	36,913	0.1126	0.1138
Supervisory Board members			
Julijana Kristl	230	0.0007	0.0007
Jože Mermal	0	0.0000	0.0000
Matej Pirc	152	0.0005	0.0005
Simona Razvornik Škofič	0	0.0000	0.0000
Andrej Slapar	0	0.0000	0.0000
Anja Strojín Štampar	0	0.0000	0.0000
Tomaž Sever	500	0.0015	0.0015
Franc Šašek	1,400	0.0043	0.0043
Mateja Vrečer	0	0.0000	0.0000
Total Supervisory Board	2,282	0.0070	0.0070

Share trading in the first half of 2016



In the first six months of 2016 Krka's share price on the Ljubljana Stock Exchange peaked at the beginning of the year, when it stood at €65.20, and reached its low as at 30 June, when it traded at €57.15.

Krka's market capitalisation as at 30 June 2016

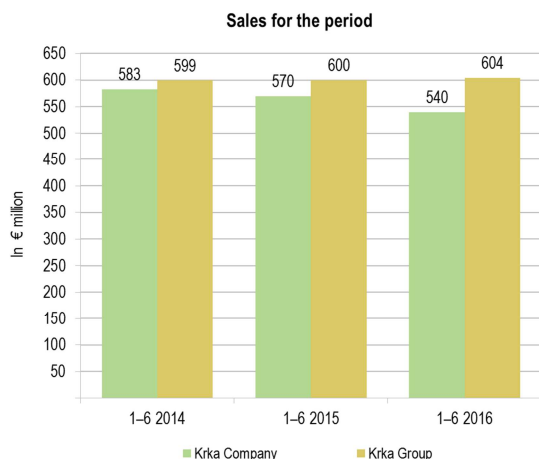
totalled €1.9 billion. Deals in Krka's share generated an average daily trading volume of €0.4 million in the first half of 2016. Krka was the most traded security on the Ljubljana Stock Exchange in the reported period. Since April 2012 Krka's shares have also been listed on the Warsaw Stock Exchange.

Business operations analysis

The business operations analysis includes data for the Krka Group and the Krka Company, whereas

the comments relate primarily to the Group.

Revenues



Year-on-year revenues were up 1% at the level of the Krka Group and down 5% at the level of the Krka Company. The Krka Company sold €539.7 million worth of prescription pharmaceuticals, non-

prescription products and animal health products, while the Krka Group generated €603.8 million of sales revenues from these products plus the health resort and tourist services. The Krka Group generated 93% of its revenues in markets outside Slovenia.

Taking into account other operating and financial income, the Krka Group generated a total of €650.3 million of revenues and the Krka Company generated €584.5 million of revenues.

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

Expenses

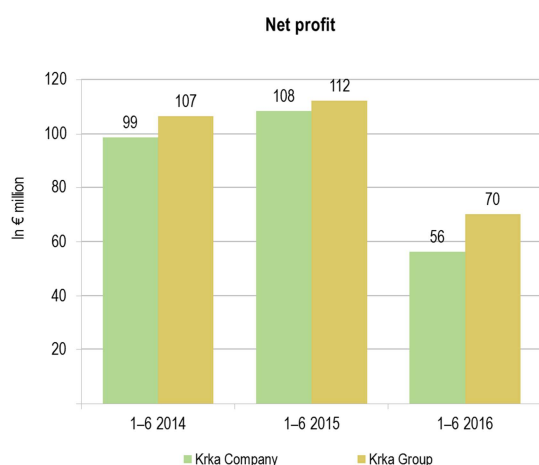
Total Krka Group expenses incurred in the first half of 2016 amounted to €569.3 million, up 14% from the same period last year. This is mainly due to higher financial expenses due to derivatives expenses and the change in the fair value of derivatives in the total amount of €55.2 million.

The Group incurred €513.4 million of operating expenses, a 3% year-on-year increase, among which the costs of goods sold were €261.1 million, selling and distribution expenses €154.8 million, R&D expenses €58.7 million, and general and

administrative expenses €38.9 million.

The Group costs of goods sold increased by 5%, on a costs to sales ratio of 43.2%. Selling and distribution expenses decreased by 1%, on a costs to sales ratio of 25.6%. R&D expenses increased by 4%, on a costs to sales ratio of 9.7%. The Group does not capitalise R&D expenses, therefore they are recognised as expenses for the period in full. General and administrative expenses increased by 5%, on a costs to sales ratio of 6.4%.

Operating result



The Krka Group recorded €94.3 million of operating profit, down 10% compared to the same period last year.

Profit before tax amounted to €81.0 million, a 37% year-on-year decrease. Income tax totalled €10.9 million, and the effective tax rate was 13.5%.

The Krka Group recorded €70.1 million of net profit, down 38% compared to the same period last year, with the Krka Company net profit totalling €56.2 million, down 48%.

Assets

The Krka Group assets were worth €1,928.6 million at the end of June 2016, an increase by 7% compared to the end of 2015.

Non-current assets represent 52.2% of total assets, the proportion down 2.3 of a percentage point from the beginning of the year. The largest item under non-current assets, which totalled €1,007.2 million, was property, plant and equipment on €847.5 million (a 3% increase from the end of 2015), which

represents 43.9% of the Krka Group's total assets. Intangible assets amounted to €114.7 million, down 2% from the end of 2015.

Current assets increased by 12% in the first half of 2016, to €921.4 million, with inventories decreasing by 1% to €271.4 million, and receivables increasing by 13% to €524.1 million (of which trade receivables amounted to €487.9 million, up 13% from the beginning of the year).

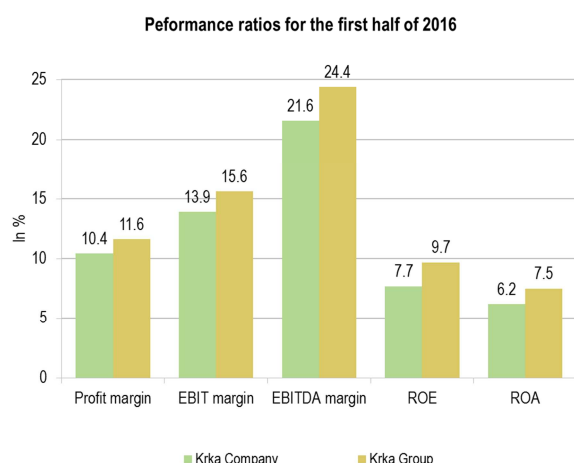
Equity and liabilities

From the end of 2015 the Krka Group's equity increased by 6% to €1,485.8 million, and represents 77.0% of total equity and liabilities.

Amounting to €110.0 million, non-current liabilities represent 5.7% of the Krka Group's total assets. Provisions, which amounted to €84.7 million at the end of the period, were at the same level as at the end of 2015.

Current liabilities increased by 14% from the end of 2015 and totalled €332.8 million, which is 17.3% of the Krka Group's total assets. Among current liabilities, trade payables amounted to €109.8 million, up 6% compared to the year-end of 2015, with other current liabilities up 22% to €219.2 million.

Performance ratios



The Krka Group profit margin for the six months to June 2016 was 11.6% (Krka Company 10.4%), its EBIT margin 15.6% (Krka Company 13.9%) and its EBITDA margin 24.4% (Krka Company 21.6%).

ROE at the level of the Group was 9.7% (Krka Company 7.7%), with ROA at 7.5% (Krka Company 6.2%).

Marketing and sales

Krka Group sales in the six months to June were €603.8 million, a 1% year-on-year increase. Sales volume was up 12% compared to the same period last year.

The Krka Company sold €539.7 million worth of products, down 5% compared to the same period last year.

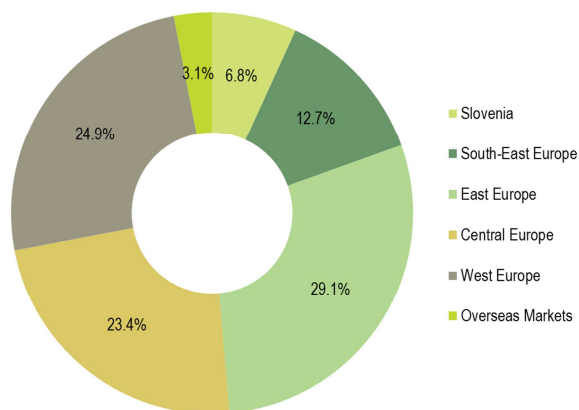
Sales by Region

Sales were the highest in Region East Europe, where they amounted to €175.5 million, which is 29.1% of total Group sales. Region West Europe reported the second best result with €150.4 million of sales, which represents 24.9% of total sales. The third largest area in terms of sales in the reported period was Region Central Europe, where Krka sold €141.4 million worth of products, which is 23.4% of

overall sales. In Region South-East Europe sales amounted to €76.8 million, which represents 12.7% of Group sales. Sales in Krka's domestic market totalled €41.2 million, which is 6.8% of total Krka Group sales. Product sales in Region Overseas Markets amounted to €18.5 million, which represents 3.1% of Group sales.

In € thousand	Krka Group			Krka Company		
	1-6/2016	1-6/2015	Index	1-6/2016	1-6/2015	Index
Slovenia	41,161	38,734	106	26,471	25,680	103
South-East Europe	76,799	60,513	127	78,890	65,621	120
East Europe	175,542	185,942	94	151,215	175,594	86
Central Europe	141,428	137,226	103	143,764	140,879	102
West Europe	150,412	162,690	92	122,679	148,625	83
Overseas Markets	18,461	14,745	125	16,639	13,479	123
Total	603,803	599,850	101	539,658	569,878	95

Krka Group sales by Region, January–June 2016



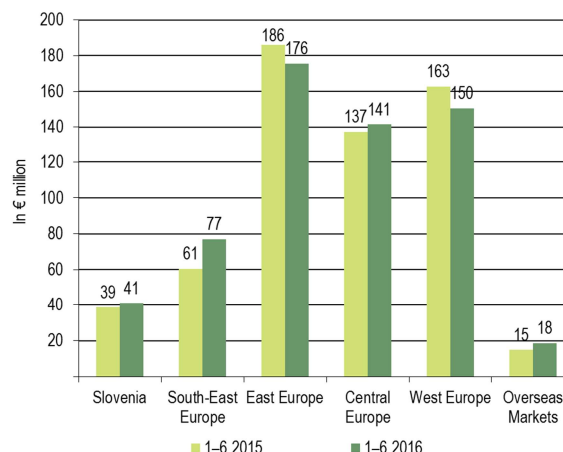
Slovenia

We sold €41.2 million worth of products and services in Krka's domestic market. The main contributors to product sales were prescription pharmaceuticals, which contributed €19.2 million in the reported period, representing 79% of Krka Group product sales. Non-prescription product sales amounted to €4.2 million, and animal health product sales €1.0 million. Health resort and tourist service sales were up one tenth from the same period last year, to €15.4 million.

Six-month sales value was up 3% compared to the same period last year, with sales volume up 6%. Holding a 9.3% market share, Krka remains the leading pharmaceutical company in Slovenia.

We are renowned for our wide range of pharmaceuticals for the treatment of cardiovascular diseases, the central nervous system and the alimentary tract. As to our brands of products controlling blood pressure, we are singling out Prenessa (perindopril) and the fixed-dose combinations Prenewel (perindopril and indapamide), Amlessa (perindopril and amlodipine) and Amlewel (perindopril and indapamide and amlodipine). As to products controlling cholesterol levels, we strengthened the brand Sorvasta (rosuvastatin) and the newly launched Rosmela (amlodipine and rosuvastatin), a combination product controlling blood-pressure and cholesterol levels. In the area of antidepressants our focus is on the brand Dulsevia (duloxetine), and in the area of antipsychotics on Aryzalera (aripiprazole). As to

Krka Group sales by Region, January–June 2015 and 2016



analgesics, a new pharmaceutical form was added to our assortment of Doreta (tramadol and paracetamol) products, the sustained-release Doreta SR. Our stomach acid pharmaceuticals include proton pump inhibitors, among them Nolpaza (pantoprazole) and Emozul (esomeprazole).

As to other therapeutic areas, Krka's antimicrobial pharmaceuticals also have a strong presence, with two new products launched in this group in the reported period, the parenteral form of Moloxin (moxifloxacin) and the new brand Linezolid Krka (linezolid). As to non-prescription products, brand identity was strengthened for established products and for the Septabene product assortment, and as to animal health products, most attention was devoted to the recently launched ectoparasiticide Ataxxa (imidacloprid and permethrin).

Our main sales drivers among prescription pharmaceuticals in the first six months were Prenessa (perindopril), including the combination with indapamide, Nolpaza (pantoprazole), Sorvasta (rosuvastatin), Doreta (tramadol and paracetamol) and Atoris (atorvastatin). The leading non-prescription products were Nalgessin S (naproxen), B-complex, the Daleron (paracetamol) group of products, Bilobil (ginkgo biloba), and the Septotele and Septabene groups of products. The best sales results in the group of animal health products were recorded for Fypryst (fipronil), Grovit and Enroxil (enrofloxacin).

South-East Europe

Product sales in the markets of **South-Eastern Europe** amounted to €76.8 million in the six months to June. After prices decreased considerably in the Region's most important markets in 2015, sales in the first half of 2016 witnessed a 27% year-on-year increase both in terms of volume and value. Sales growth was recorded in all markets, apart from Montenegro, with the largest market contributors in absolute terms being Romania, Serbia and Croatia.

Sales there totalling €26.5 million, which is a 68% year-on-year increase, **Romania** remains one of Krka's key markets. The main sales drivers were prescription pharmaceuticals, especially Atoris (atorvastatin), Dulsevia (duloxetine), Karbis (candesartan), including its combination with hydrochlorothiazide, Oprynea (pramipexole), Prenessa/Co-Prenessa (perindopril and its combination with indapamide), and Roswera (rosuvastatin). Uncertainty has continued in the Romanian market into 2016, with the disclosure of prices and the formation of the reimbursement list continually delayed, which has also affected sales.

As to non-prescription products, we devoted special attention to accelerating sales for cold and flu products, especially Septotele Omni (benzylamine and cetylpyridinium), and for analgesics. As to animal health products, we continue working intensely to accelerate sales of products for the treatment of companion animals.

The sales result in **Croatia**, another one of Krka's key markets, was the second best in the Region. Product sales there totalled €14.0 million, up 9%. This has preserved our position as the fourth-ranked generic pharmaceutical company in the country and the second-ranked provider of animal health pharmaceuticals.

The main sales drivers were prescription pharmaceuticals, especially Atoris (atorvastatin), Co-Perineva (perindopril and indapamide), Dalneva (perindopril and amlodipine), Doreta (tramadol and paracetamol), Emanera (esomeprazole), Nolpaza (pantoprazole), Perineva (perindopril), Roswera (rosuvastatin), and Valsacor (valsartan), including its combination with hydrochlorothiazide. Our leading non-prescription product in terms of sales was Nalgesin (naproxen). A major acquisition in the group of non-prescription products is the new form of the oral antiseptic Septotele Duo (benzylamine

and cetylpyridinium). The main sales driver among animal health products was Fypryst (fipronil), and the new addition in this group is Attaxa (imidacloprid and permethrin), a product for the treatment of external parasites in companion animals.

Sales in **Bosnia and Herzegovina** totalled €9.8 million, up 6% compared to the first half of last year. The main sales drivers were prescription pharmaceuticals, among which the most important products were Enap (enalapril), including the combination with hydrochlorothiazide, Lorista (losartan), including the combination with hydrochlorothiazide, Roswera (rosuvastatin), Atoris (atorvastatin), Lexaurin (bromazepam) and Ampril (ramipril), including the combination with hydrochlorothiazide. Sales growth was also recorded for non-prescription products, among which the sales leaders were Septotele, B-complex, Bilobil (ginkgo biloba) and Nalgesin (naproxen).

In **Macedonia** Krka remains the leading foreign manufacturer of pharmaceuticals. The value of six-month sales totalled €8.5 million, an 11% year-on-year increase. Despite decreasing reference prices the main sales drivers were the prescription pharmaceuticals Enap (enalapril), including the combination with hydrochlorothiazide, Roswera (rosuvastatin), Tanyz (tamsulosin), Atoris (atorvastatin), and Lorista (losartan), including the combination with hydrochlorothiazide. The positive sales trend continued for animal health products as well, their sales up 23% from the same period last year.

Sales in **Serbia** amounted to €6.1 million, a year-on-year increase by 76%. The most important prescription pharmaceuticals were Nolpaza (pantoprazole), Roxera (rosuvastatin), Valsacor (valsartan), including the combination with hydrochlorothiazide, Atoris (atorvastatin) and Ampril (ramipril), including the combination with hydrochlorothiazide. The leading non-prescription products were Bilobil and Septotele. As to animal health products, the sales results were the best for Fypryst (fipronil).

Product sales in **Bulgaria** totalled €6.3 million, which is on the level of the same period last year. The major contributors to overall sales were prescription pharmaceuticals, especially Nolpaza (pantoprazole), Co-Amlessa (perindopril,

indapamide and amlodipine) and Emanera (esomeprazole), and animal health products. There are changes regarding prescribing practices pending in the Bulgarian market. They will take effect in the second half of the year and will introduce generic prescribing for certain groups of products.

Krka remains one of the leading providers of pharmaceuticals in **Kosovo**. Sales there totalled €3.2 million, up 9% compared to the first half of last year. In **Albania** sales amounted to €1.9 million, a 9% year-on-year increase. The leading prescription

East Europe

Region East Europe comprises several Eastern European and Asian markets, the most important of which remains Krka's key and largest individual market, the Russian Federation. Another key market is Ukraine, where we managed to increase sales. In the majority of other markets in the Region, as in the Russian Federation, however, difficult economic conditions prevented euro-denominated sales value in the reported period from matching those from a year ago. Nevertheless, with our sales volumes up almost 6% in most markets, we preserved or even improved our market shares.

Product sales in the **Russian Federation** totalled €123.1 million, an 8% year-on-year decrease in euros. Lower euro-denominated sales value was the result of the local currency's less favourable average exchange rate as compared to the same period last year. Rouble-denominated sales increased by 11%, and sales volume was up 4%.

Our best-selling product was Lorista (losartan), including the combination with hydrochlorothiazide, followed by Atoris (atorvastatin), Enap (enalapril), including the combination with hydrochlorothiazide, Perineva (perindopril), including the combination with indapamide, Nolpaza (pantoprazole), Zyllt (clopidogrel), Roxera (rosuvastatin), Valsacor (valsartan), including the combination with hydrochlorothiazide, Orsoten (orlistat) and Herbion cough syrup. The highest absolute growth was recorded for Valsacor (valsartan). Good sales results are increasingly being recorded also for the following products, introduced to the market in the last two years: Septotele Total (benzylamin and cetylpyridinium), SeptaNazal (xylometazoline and dexpanthenol), Bravadin (ivabradine), Vamloset (valsartan and amlodipine), Dalneva (perindopril and amlodipine), Lortenza (losartan and amlodipine)

pharmaceuticals in terms of sales were Enap (enalapril), including the combination with hydrochlorothiazide, Lorista (losartan), including the combination with hydrochlorothiazide, and Atoris (atorvastatin). Good results were also recorded for the newly launched products Helex (alprazolam), Fromilid granules (clarithromycin) and Tolura (telmisartan). Product sales in **Montenegro** totalled €0.5 million, down 8% compared to the same period last year. Sales via government tenders contributed the most to overall sales value. We are planning to open a representative office there to facilitate more efficient operations.

and Vizarsin (sildenafil), and for products launched in the last nine months: Co Dalneva (perindopril, indapamide and amlodipine), Dilaxa (celecoxib) and Ulkavis (bismuth). Six-month sales of animal health products increased by 4% compared to the same period last year, amounting to €6.6 million, the best-selling product being Floron (florfenicol).

According to the independent source IMS, Krka's sales dynamics is exceeding the dynamics of the market in the Russian Federation, therefore we are increasing our market share. More than a half of all our products sold there are produced in the Krka-Rus 2 factory. This is strengthening our increasingly important status of a domestic producer in the Russian Federation.

In the six months to June 2016 the trend of the pharmaceuticals market shrinking in **Ukraine** continued. Even though it was primarily foreign producers that witnessed lower sales, the value of sales placed with our immediate customers increased by 48%. Almost four fifths of the €18.4 million of sales came from prescription pharmaceuticals. Our best-selling prescription pharmaceuticals in the reported period were Enap (enalapril), including the combination with hydrochlorothiazide, Dexamethason (dexamethasone), Nolpaza (pantoprazole), Atoris (atorvastatin) and Prenessa (perindopril), including the combination with indapamide. In the group of non-prescription products, the most important products were Herbion, Bilobil (ginkgo biloba) and Panzynorm, and as to animal health products the leader was Fypryst (fipronil), followed by Salinomycin and Enroxil (enrofloxacin).

Product sales in **Uzbekistan** totalled €7.6 million, down 23% compared to the first half of 2015. The

decline in the value of the pharmaceuticals market was chiefly driven by the depreciation of the local currency and the population's lower purchasing power. Krka nevertheless remains the leading EU generic pharmaceutical company in the Uzbek market. Overall sales were mainly driven by prescription pharmaceuticals, especially Lorista (losartan), including the combination with hydrochlorothiazide, Enap (enalapril), including the combination with hydrochlorothiazide, and Amlessa (perindopril and amlodipine). Sales results were also good for Lortenza (losartan and amlodipine), launched this year. The leading non-prescription products in terms of sales were Pikovit and Duovit, this group of products recently supplemented with Septolete Total (benzylamine and cetylpyridinium).

In **Kazakhstan** sales totalled €6.8 million, down 20% compared to the first half of 2015. A major depreciation of the local currency, low oil prices – the country's main exports item – and the state banks' restricted lending with interest rates rising, have degraded the business environment and pushed down the population's purchasing power. Our leading group of products in terms of sales were prescription pharmaceuticals, especially Enap (enalapril), including the combination with hydrochlorothiazide, Prenessa (perindopril), including the combination with indapamide, and Candecor (candesartan). As to non-prescription products, the best sales results were recorded for Herbion and Duovit. A new product launched in this group in the first half of the year was Pikovit Unique.

Amid a substantial shrinking of the pharmaceuticals market in **Belarus**, Krka's product sales there totalled €5.2 million, down 17% compared to the same period last year. We rank as the third foreign provider of generic pharmaceuticals in the country. The largest proportion of sales came from prescription pharmaceuticals, especially Lorista (losartan), including the combination with hydrochlorothiazide, Nolpaza (pantoprazole) and Amlessa (perindopril and amlodipine). The leading non-prescription products were Septolete and Pikovit.

Severe pressure to reduce prices shrank the value of the pharmaceuticals market in **Moldova**. The value of our sales there totalled €3.0 million, which is an 11% year-on-year decrease; nevertheless, sales volume and our market share were up and Krka remains among the leading producers of pharmaceuticals there. Sales were driven mainly by prescription pharmaceuticals, especially Ampril

(ramipril) and Rawel (indapamide). The leading non-prescription products in terms of sales were Septolete, Panzynom and Septanazol (xylometazoline and dexpanthenol).

Krka has preserved the status of the leading foreign provider of pharmaceuticals in **Mongolia**. Amidst deteriorated economic conditions our sales there amounted to €2.5 million, down 6% compared to the same period last year. The sales of non-prescription products were down, while sales results for prescription pharmaceuticals remained on the level of the first half of last year. A new reimbursement list took effect in the country in May. Several Krka's products have successfully been included on the list, therefore demand for our prescription pharmaceuticals was up as soon as in June, and we expect a further major positive sales impact in the second half of the year. Good results were also recorded for the newly launched Herbion Iceland moss syrup, a non-prescription product.

Sales results in **Turkmenistan** were affected by the lack of foreign convertible currencies and the ban on imports of products already produced by local providers. Krka's six-month sales there totalled €2.4 million, up 4% from the same period last year. The highest sales growth, of 11%, was recorded for non-prescription products, the leading ones being Herbion and Pikovit.

In **Azerbaijan** the first half-year was marked by a substantial drop in the pharmaceuticals market, a result of last year's passing of the act regulating pharmaceuticals prices. Our sales there totalled €1.9 million, up 2%, and were chiefly driven by the 44% increase in the sales of non-prescription products. We increased our market share to 3%, climbing to the position of the third-ranked pharmaceuticals provider in the market.

Sales in **Kyrgyzstan** amounted to €1.7 million, up 59%, a result of our promotion activities and the stabilisation of the local currency's rate. With the volume of sales up in **Georgia**, sales value there totalled €1.5 million, down 7% compared to the same period last year. Krka remains the second-ranked foreign generic pharmaceutical company in this market. The leading products in terms of sales were Lorista (losartan), including the combination with hydrochlorothiazide, Sorvasta (rosuvastatin) and Tenox (amlodipine). In **Armenia** sales totalled €1.0 million, up 9% mainly due to the 26% increase in the sales of non-prescription products. In **Tajikistan** we are facing the population's

deteriorating purchasing power and major reductions in the prices of pharmaceuticals. Our

Central Europe

Sales in the markets of Region Central Europe amounted to €141.4 million in the reported period, up 3% from the same period in 2015 in terms of value and 6% in terms of volume.

Poland remains the leading market in the Region and Krka's key market. Sales there amounted to €72.2 million, up 4%, mainly driven by prescription pharmaceuticals, including Atoris (atorvastatin), Roswera (rosuvastatin), Valsacor (valsartan), including the combination with a diuretic, Doreta (tramadol and paracetamol), Lorista (losartan), including the combination with a diuretic, Nolpaza (pantoprazole), and Tolura (telmisartan) and Karbis (candesartan), both including combinations with a diuretic. The leading brands of non-prescription products in terms of sales were Bilobil (ginkgo biloba) and Septotele, followed by Naklofen Top (diclofenac) and the Septanazal (xylometazoline and dexpanthenol). The most important animal health products in terms of sales were Fypryst (fipronil) and Floron (florfenicol). Krka is the fourth-ranked foreign generic pharmaceutical company in Poland, its sales growing faster than the market.

In **Hungary**, one of Krka's key markets, sales for the period were on the same level as in the six months last year both in terms of volume and value, the latter totalling €22.3 million. The leading group of products in terms of sales was prescription pharmaceuticals, among which the key products remain Prenessa (perindopril), including the combination with a diuretic, Atoris (atorvastatin), Roxera (rosuvastatin), Dalnessa (perindopril and amlodipine), including the combination with a diuretic, Nolpaza (pantoprazole) and Zyllt (clopidogrel). Bilobil (ginkgo biloba) remains the most important non-prescription product, and Fypryst (fipronil) and Enroxil (enrofloxacin) the most important in the group of animal health products.

Six-month sales in the **Czech Republic**, another one of Krka's key markets, remained influenced by changes to the country's health care system and the related price drops. By changing our sales structure we nevertheless managed to increase the value of sales by 4% to €12.4 million. Krka has preserved its market share and remains one of the most successful generic pharmaceutical companies in the market. The leading product in the group of

sales there amounted to €0.3 million.

prescription pharmaceuticals became Lexaurin (bromazepam), followed by Tanyz (tamsulosin), Tonarssa (perindopril and amlodipine), including the combination with a diuretic, Atoris (atorvastatin), Emanera (esomeprazole), Prenessa (perindopril), including the combination with a diuretic, and Pragiola (pregabalin). As to non-prescription products and animal health products, the main sales drivers were Nalgesin (naproxen) and Septotele, and Fypryst (fipronil) and Dehinel (febantel), respectively.

The volume of sales was up 2% in **Slovakia**, sales value there increased by 4% to €18.0 million. Our best-selling products in the reported period were the prescription pharmaceuticals Prenessa (perindopril), including the combination with a diuretic, Nolpaza (pantoprazole), Valsacor (valsartan), including the combination with a diuretic, Atoris (atorvastatin) and Amlessa (perindopril and amlodipine), including the combination with a diuretic. The sales of non-prescription products were up 4%, the main sales drivers Nalgesin (naproxen) and Septotele. The leading animal health products were Enroxil (enrofloxacin) and Fypryst (fipronil), overall sales for this product group were up 8%.

Sales in **Lithuania** were €8.0 million, a 6% year-on-year decrease. The most important prescription pharmaceuticals in terms of sales were Valsacor (valsartan), Prenessa (perindopril) and Amlessa (perindopril and amlodipine), all including combinations with a diuretic. The leading non-prescription product was Septotele, followed by Panzynorm, and in the group of animal health products the best-sellers were Fypryst (fipronil) and Enroxil (enrofloxacin).

The fastest growing market in the Region in the six months to June was **Latvia**, Krka's sales there up 13% compared to the same period last year, totalling €5.3 million. The main sales drivers were the prescription pharmaceuticals Prenessa (perindopril), including the combination with a diuretic, Atoris (atorvastatin), and Amlessa (perindopril and amlodipine), including the combination with a diuretic. The Septanazal (xylometazoline and dexpanthenol) and Nalgesin (naproxen) were the leading non-prescription products in terms of sales, and the leading animal

health products were Fypryst (fipronil) and Dehinel (febantel).

In **Estonia** we sold 11% more products than in the same period last year, resulting in €3.3 million of sales. The most important prescription pharmaceuticals were Prenessa (perindopril),

West Europe

Product sales in Region West Europe totalled €150.4 million, down 8% compared to the first half of last year. Despite sales volume increasing by 14%, price erosion caused the value of sales to drop. The proportion of sales generated by Krka's subsidiaries was up to 64%, while sales via third-party partners decreased compared to the same period last year and represented 36% of overall sales in the Region.

Prescription pharmaceuticals represent 86% of sales in the Region. The most important products are the generic pharmaceuticals with esomeprazole, duloxetine, pregabalin, pantoprazole and clopidogrel. Krka holds the leading market shares in terms of the volume of sold products in Western Europe for the generic pantoprazole, esomeprazole, clopidogrel, perindopril, galantamine, ropinirole, duloxetine, pregabalin and aripiprazole.

Animal health product sales doubled from the first half of 2015, amounting to €18.4 million. Accounting for almost 40% of animal health product sales in the Region, the best-selling product remains the combination of milbemycin and praziquantel in the form of tablets, used to prevent and treat internal parasite infestations in companion animals. Substantial sales growth has also been recorded for products containing the active ingredient carprofen. As to individual markets, the highest growth has been recorded in the UK, Portugal and Germany, with the most important individual market remaining France. The majority of animal health product sales are generated via third-party partners, although the proportion of sales via subsidiaries has increased to 36% in the first half of 2016.

Non-prescription product sales were up 17% from the same period last year, however they only represent a little over 1% of total sales in the Region. The most important markets for these products remain Germany and Portugal.

In **Germany**, our most important and largest West European market, product sales totalled €49.8

including the combination with a diuretic, Roswera (rosuvastatin), and Valsacor (valsartan), including the combination with a diuretic. The leading non-prescription product remains Septolete, followed by Herbion and Nalgesin (naproxen), and as to animal health products, the sales results were the best for Fypryst (fipronil).

million, up 4% from the same period last year. More than four fifths of sales were generated by the subsidiary TAD Pharma. The best-selling products were Pregabador (pregabalin), Pantoprazol TAD, Duloxalta (duloxetine) and Candecor (candesartan), including the combination with hydrochlorothiazide. In June we were the only company in the market to launch a product of the Bisodipin (bisoprolol and amlodipine) brand, a single-tablet fixed-dose combination used to treat high blood pressure.

The Region's second-ranking market in terms of sales was **Spain**, where we sold €19.7 million worth of products. The 13% year-on-year sales decrease in Spain is the result of some of the public tenders in Andalusia having expired.

In **France** sales were up 4% compared to the first half of 2015, to €18.3 million, mainly driven by the launched animal health products and increased sales via the subsidiary Krka France, which currently generates as much as one third of overall sales in this market.

Six-month sales in the **Scandinavian countries** fell behind last year's in the same period by 38%, totalling €13.5 million. This is due to severe price reductions, especially for duloxetine and aripiprazole in Sweden and Denmark. In Finland and Norway sales increased by 9% and 23%, respectively.

In **Italy** product sales were up 20% to €11.2 million. The sales of Krka's brands via its subsidiary Krka Farmaceutici Milano was up 52% and now represents more than a half of overall sales in this market. Sales in the **UK** totalled €10.7 million. Having faced a severe erosion of prices in this market as well, our sales decreased by 37% compared to the first half of last year. In **Portugal** Krka sold €9.7 million worth of products, a 7% year-on-year decrease. Despite major price pressures and the consequently lower sales, Krka's market share has been increasing, preserving Krka's position as the fastest growing generic

pharmaceutical company in Portugal. In the **Benelux countries** products were sold primarily via third-party partners and generated sales revenues of €5.1 million, down 16% compared to the same period last year. Meanwhile sales via the subsidiary Krka Belgium more than doubled compared to the same period last year, so that they now represent as much as 12% of overall sales in this market. Sales in **Ireland** totalled €3.9 million, up 20% compared to the same period last year. Three quarters of sales there are generated via the

Overseas Markets

Six-month product sales in Region Overseas Markets amounted to €18.5 million, up 25% compared to the same period last year. Sales increased in all three sales offices. The majority of sales, 88%, came from prescription pharmaceuticals, which are sold under our own brands in most of the Region's markets.

The sales office **Middle East** sold €9.2 million worth of products despite the difficult situation there, up 34% compared to the same period last year. Our most important markets remain Iran, Iraq and Lebanon, and our best-selling products Nolpaza (pantoprazole), Asentra (sertraline), Letizen (cetirizine), Vizarsin (sildenafil), Zyllt (clopidogrel), Yasnal (donepezil), Valsacor (valsartan) and Ultop (omeprazole).

Sales by product and service groups

The Krka Group generated 91.0% of overall sales during the six months to June 2016 in human health products, making this Krka's most important product group. The largest proportion of sales, 82.7%, is generated in prescription pharmaceuticals, followed

subsidiary Krka Pharma Dublin, which witnessed an 18% sales increase. In **Austria** product sales increased by 31% to €3.2 million. The Vienna-based subsidiary Krka Pharma remains the leading generic provider of pregabalin, duloxetine and aripiprazole in the Austrian market, having recorded a 49% year-on-year increase in sales. Sales via third-party partners in the other European countries totalled €5.3 million, up 28% compared to the first half of last year.

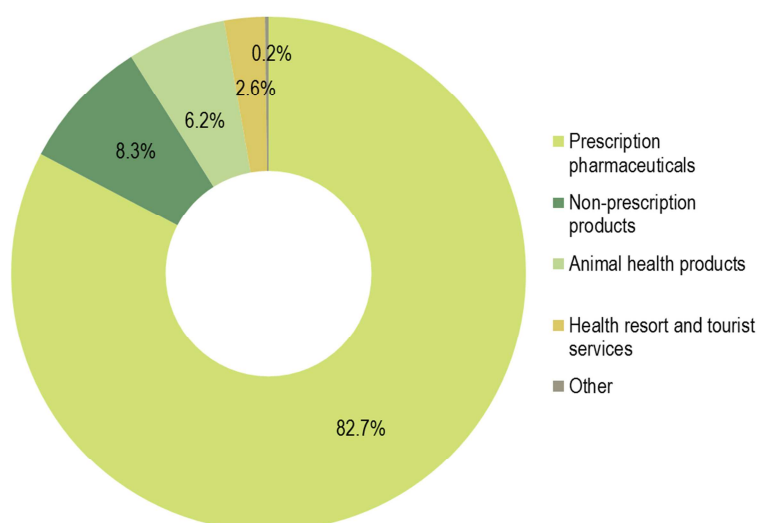
The sales office **Far East and Africa** reported a 15% sales increase and €8.8 million of sales. The most important markets were the Republic of South Africa, China, Ghana and Malaysia. We achieved the best results for products with lansoprazole, for Sabal (*serenoa repens*), for products with amlodipine, enalapril, simvastatin, and for products of the Emanera (esomeprazole) brand.

Mainly due to good sales results in the markets of Central America, six-month product sales in the sales office the **Americas** totalled €0.5 million, up 71% compared to the same period last year. The leading prescription pharmaceuticals in terms of sales were Valsacor (valsartan), including the combination with hydrochlorothiazide, Tolura (telmisartan), including the combination with hydrochlorothiazide, and Vizarsin (sildenafil).

by non-prescription products on 8.3% and animal health products on 6.2% of total Group sales. Health resort and tourist services represent 2.6% of overall Krka Group sales, and 0.2% is other sales revenues.

In € thousand	Krka Group			Krka Company		
	1-6/2016	1-6/2015	Index	1-6/2016	1-6/2015	Index
Human health products	549,708	558,780	98	500,915	543,730	92
– Prescription pharmaceuticals	499,400	507,924	98	457,609	498,333	92
– Non-prescription products	50,308	50,856	99	43,306	45,397	95
Animal health products	37,335	26,012	144	36,690	24,144	152
Health resort and tourist services	15,425	14,006	110			
Other	1,335	1,052	127	2,053	2,004	102
Total	603,803	599,850	101	539,658	569,878	95

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



Prescription pharmaceuticals

The Group sold €499.4 million worth of prescription pharmaceuticals in the first half of the year, down 2% compared to the same period of 2015, but the sales volume was up 12%. Sales value increased in regions South-East Europe (up 29%), Overseas Markets (up 23%), Central Europe (up 1%) and Slovenia (1%), while it decreased in regions East Europe (down 4%) and West Europe (down 14%).

With respect to the largest markets for Krka's prescription pharmaceuticals, sales value increased in Poland (by 3%), but decreased in the Russian Federation (down 5%) and Germany (down 8%), where sales results in the first half of 2015 had been very good due to important product launches. As to other large markets, year-on-year sales of prescription pharmaceuticals were up the most in Romania (up 81%) and Ukraine (37%).

With respect to mid-size markets, the highest sales growth rates were recorded in Serbia (up 99%), Italy (up 17%), Macedonia (up 12%) and Croatia (9%).

Among the markets considered small in terms of the sales of Krka's prescription pharmaceuticals, sales increased the most in Kyrgyzstan (up 85%), Austria (up 31%), the Benelux (up 30%), Kosovo (up 15%), Ireland (up 14%) and Latvia (up 13%).

The ten leading prescription pharmaceuticals in terms of sales are Atoris (atorvastatin), Lorista* (losartan), Nolpaza* (pantoprazole), Prenessa* (perindopril), Enap (enalapril), Valsacor (valsartan),

Emanera* (esomeprazole), Roswera* (rosuvastatin), Zyllt* (clopidogrel) and Dulsevia* (duloxetine).

The highest year-on-year sales growth rates in absolute terms were recorded for Nolpaza* (pantoprazole), Roswera* (rosuvastatin) and Doreta (tramadol and paracetamol), while it was Ralago* (rasagiline), launched on the majority of markets this year, that recorded the best sales results among the newest products.

We were the first provider in Europe to launch the fixed-dose combination Rosudapin* (rosuvastatin and amlodipine) in Poland and Slovenia in the first half of 2016. We were among the first generic providers to launch Ralago* (rasagiline), a treatment for Parkinson's disease, on several markets, including Central European markets (in Hungary, Slovakia, Lithuania, Latvia and Estonia), Western European markets (in Portugal, Finland, Ireland, Spain and Austria) and Romania.

We also launched other existing products on new markets:

- candesartan and hydrochlorothiazide in Belgium;
- Vamloset (valsartan and amlodipine) in Azerbaijan and Uzbekistan;
- Prenessa (perindopril) in Moldova;
- Co-Amlessa (perindopril, indapamide and amlodipine) in Belarus;
- carvedilol in Spain;

- Alortia* (losartan and amlodipine) in Georgia and Uzbekistan;
- Levalox* (levofloxacin) in Lithuania, Ireland, France and Austria;
- Furocef* (cephuroxime) in Lithuania, Latvia and Spain;
- linezolid in Germany, Slovenia, Finland, Ireland and Slovakia;
- Dilaxa* (celecoxib) in the Russian Federation;

Non-prescription products

The sales of non-prescription products amounted to €50.3 million, a decrease by 1% compared to the same period last year, with sales volume up 4%.

Sales increased in regions Slovenia (up 22%), Central Europe (up 22%), South-East Europe (up 19%), West Europe (up 17%) and Overseas Markets (up 10%), while they decreased in Region East Europe (down 17%).

With respect to larger markets, the highest sales growth rates were recorded in the Czech Republic (up 98%), Hungary (up 97%), Romania (up 31%),

Animal health products

Animal health product sales totalled €37.3 million, up 44% compared to the same period last year. Sales growth was recorded in all markets apart from Slovenia, increasing the most in regions West Europe (up 98%), Central Europe (up 24%) and East Europe (up 7%).

As to the largest markets, sales increased the most in Germany and the UK – fivefold and twofold, respectively – and they were also up in France (up 44%), Poland (19%) and the Russian Federation (4%). As to the other large markets, sales growth was the highest in Hungary (up 33%), Lithuania (up

Health resort and tourist services

In the six months to June 2016 the Terme Krka Group generated €15.4 million of sales, an increase by 10% compared to the first half last year. Overnight stays by domestic guests were up 9%, this group representing 74% of the almost 165,000 total overnight stays. The most numerous group of foreign guests were Italians, which represent 30% of all foreign guests. Overnight stays by Russian guests started to increase again, their numbers up 15%, and we also witnessed a 10% increase in the

- Doreta* SR (tramadol and paracetamol) sustained release tablets in Poland, Portugal, Slovakia and Slovenia;
- Ulcavis (bismuth) in the Russian Federation;
- the oncology assortment imatinib and letrozole in Serbia,
- Ecansya (capecitabine) in Latvia.

Bosnia and Herzegovina (up 28%), Croatia (up 23%), Turkmenistan (up 11%), Poland (up 10%), Kazakhstan (up 10%) and Slovakia (up 4%). Sales were also up considerably in Ukraine, while they were down in Eastern European markets, especially in the Russian Federation, Belarus, Uzbekistan and Moldova.

The successful sales of newly launched products Septotele total/Septabene and Septanazal also continued, and the sales of Nalgesin* (naproxen) were also up.

33%), the Czech Republic (up 32%) and Ukraine (up 28%).

The top five sales leaders are Milprazon* (milbemycin oxime and praziquantel), Fypryst* (fipronil), Floron* (florfenicol), Enroxil* (enrofloxacin) and Dehinel plus (febantel and pyrantel embonate and praziquantel). A new product launched this year is Ataxxa* (imidacloprid and permethrin), a spot-on solution for dogs, which we launched on certain markets of Central and South-East Europe and in Slovenia.

number of Austrian guests.

As to Terme Krka business units, the largest was Talaso Strunjan, where sales were up 9%, followed by Terme Dolenjske Toplice, where sales increased by 18%, and Terme Šmarješke Toplice with an 8% increase in sales. The Hoteli Otočec business unit reported sales comparable to those of the same period last year.

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

Research and development

In the first half of 2016 we obtained marketing authorisations for three new products: Bixebro/Bravadin film-coated tablets, the Moloxin 400 mg/250 ml solution for infusion, and Flebaven

Prescription pharmaceuticals

Applying decentralised procedures we obtained marketing authorisations in 11 European countries for **Bixebro/Bravadin** (ivabradine) film-coated tablets in the strengths of 5 mg and 7.5 mg. The product is a medicine for cardiovascular system used to treat patients with angina pectoris.

A marketing authorisation was obtained under the decentralised procedure in 14 European countries for the **Moloxin** (moxifloxacin) 400 mg/250 ml solution for infusion. Having a wide-spectrum antimicrobial action, Moloxin is used to treat pneumonia, dermal infections and soft tissue infections. Together with Moloxin tablets, it supplements Krka's portfolio of antimicrobial pharmaceuticals.

We expanded marketing opportunities in European markets by obtaining marketing authorisations for Krka's key cardiovascular pharmaceuticals and analgesics. An important new product is the innovative cardiovascular combination **Alortya/Tenloris/LosAmlo** (losartan and amlodipine) in the form of film-coated tablets in four strengths, which we were the first to obtain marketing authorisations for under the decentralised procedure in Slovenia, Germany and the Czech Republic. The complementary action of the product's two active substances reduces the likelihood of adverse effects and improves treatment tolerability. Applying decentralised procedures we obtained approvals to market **Olimesta/Olmecor/Olimestra** (olmesartan) film-coated tablets in three strengths, and the fixed-dose combination **Olimesta Comp/Olimesta Combi/Olmecor HCT/Co-Olimestra** (olmesartan and hydrochlorothiazide) in the form of film-coated tablets in four strengths. Applying the national procedure we acquired marketing authorisation in Portugal for the combination analgesic **tramadol and paracetamol Krka** in the form of 75 mg/650 mg film-coated tablets.

Additional marketing authorisations were obtained in different markets of East Europe for Krka's key

film-coated tablets.

We acquired 170 new marketing authorisations in different markets in this period.

products from various indication areas. As to cardiovascular treatments, we obtained approvals for **Roswera** (rosuvastatin) and the fixed-dose combinations **Co-Amlessa** (perindopril, amlodipine and indapamide) and **Sobycombi/Niperten combi** (bisoprolol and amlodipine). As to sartans in combination products, we expanded marketing opportunities for **Telmista H and Telmista HD** (telmisartan and hydrochlorothiazide), **Lorista H 100** (losartan and hydrochlorothiazide) and **Lortenza** (losartan and amlodipine). As to antimicrobial pharmaceuticals, we obtained approvals for **Azibiot** (azithromycin) 250 mg and 500 mg tablets, **Moflaxya** (moxifloxacin) tablets, and **Levaxela** (levofloxacin) film-coated tablets and solution for infusion. As to cancer treatments, we obtained marketing authorisations for **Neopax** (imatinib) and **Letrozole Krka** (letrozole). Additional marketing authorisations expanded our marketing opportunities for **Kventiax SR** (quetiapine) sustained release tablets, **Kventiax** (quetiapine) film-coated tablets, the **Nolpaza** (pantoprazole) powder for the preparation of solution for injection, **Doreta** (tramadol and paracetamol), the **Naklofen** gel, and **Vizarsin QTab** (sildenafil) dispersible tablets.

In the markets of South-East Europe we expanded marketing opportunities for products from various indication areas. We obtained marketing approvals for the antibiotics **Azibiot** (azithromycin), **Amatib** (amoxicillin) in the form of oral powder, **Furocef** (cephuroxime) in the form of film-coated tablets, and **Levalox** (levofloxacin) in the form of film-coated tablets and solution for infusion

. In addition, marketing authorisations were obtained for the cardiovascular treatments **Bloxazoc** (metoprolol) and the dual combinations **Rosudapin** (rosuvastatin and amlodipine) and **Tenloris** (losartan and amlodipine). As to treatments for the central nervous system, we obtained marketing authorisations for **Dulsevia** (duloxetine), **Pragiola** (pregabalin), **Aryzalera** (aripiprazole) and **Opryme** (pramipexole). We expanded marketing opportunities for the **Ecansya**

(capecitabine) cytostatic and the **tramadol**

analgesic in the form of solution for injection.

Non-prescription products

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

Applying the decentralised procedure we obtained additional approvals in European markets for the **Septanazal nasal spray for adults** and the **Septanazal nasal spray for children**.

Animal health products

In the first half of 2016 we increased the number of marketing authorisations and strengthened brand recognition for our well-established products. Applying the decentralised procedure we were the first generic company to obtain marketing authorisations in ten Western European countries, and in the Czech Republic and Slovakia, for **Fypyrst/Amflee Combo** (fipronil and S-methoprene) in the form of spot-on solution in five strengths, a product preventing and treating tick, flea and lice infestations in cats, dogs and skunks. The product enables a modern and wholesome treatment of external parasite infestations and acts on all life cycle stages of fleas.

As to treatments for food-producing animals, we obtained marketing authorisations under the national procedure in Belgium for the **Enrox classic** (enrofloxacin) solution for injection. In Serbia and Ukraine marketing authorisations were acquired for

We expanded different markets for certain key cold and flu products by obtaining additional marketing authorisations there. The **Septanazal nasal spray for adults** and the **Septanazal nasal spray for children** were approved in Azerbaijan, and the **Septotele Total** spray and lozenges in Moldova, Turkmenistan and Uzbekistan.

As to our herbal products, the **Herbion Iceland moss** syrup was additionally approved in Mongolia.

the **Amatib** (amoxicillin) oral powder for the treatment of respiratory infections. We were additionally granted marketing authorisations for the **Dehelman** (levamisole) oral powder for the treatment of intestinal parasites and lung worms.

We expanded markets for our products for companion animals. In Bosnia and Herzegovina and in Macedonia we obtained approvals to market the fixed-dose combination **Ataxxa** (imidacloprid and permethrin) in the form of spot-on solution in four strengths, for dogs. Marketing authorisations were granted in Ukraine and Macedonia for the **Marfloxin** (marbofloxacin) solution for injection treating infections in cats and dogs. In Serbia we additionally obtained marketing authorisations for the fixed-dose combination **Milprazon** (milbemycin oxime and praziquantel) in the form of film-coated tablets in two strengths, for cats. It is intended to treat and prevent infestations with intestinal worms.

Investments

In the first half of 2016 the Krka Group allocated €61.8 million to investments, of which the controlling company invested €30.0 million and subsidiaries €31.8 million. Investments were primarily increasing and modernising our production and R&D capacities.

At Krka's main location in Ločna, Novo mesto, Slovenia, we officially opened in November 2015 a plant for solid dosage pharmaceuticals, Notol 2. The €200 million investment provides new capacities for

implementing the vertically integrated business model, with which we control the entire process from development to production of both raw materials and finished products. New production lines will gradually be added by the end of next year to increase the plant's production capacity to the target 4.5 billion tablets and capsules per year.

Krka's key investment to support development activities and quality assurance in the following years is the Development and Control Centre

(RKC) 4, located in the group of production facilities in Novo mesto. RKC 4 will be located in the immediate vicinity of the other three development and control centres and will connect to RKC 2 and RKC 3. Preparation works for the building worth €54 million started in June 2015. By the end of this year the facility's stage of construction will allow us to commence installing equipment. The construction of the new facility with the total surface area of 18,000 m² will be finished in 2017.

The €8 million investment into increasing the production of sprays in the sterile product production plant is in its final phase. Production lines will be ready for operation this autumn.

The €11 million investment into increasing capacities for the coating of pellets in the solid dosage forms plant (OTO) is in the design phase. Additional capacities will be made ready for production by the end of June 2017.

As to Krka's subsidiaries, the most important ongoing investment is Krka-Rus 2 in Istra, the Russian Federation. The first stage of the project had included building a new plant and logistics centre, and in 2015 we started fitting additional technological and logistics equipment, which will bring the warehouse and logistics centre to full capacity. The total value of additional equipment, which will be installed by the end of 2016, is €30 million.

Due to the expansion of the production programme in the Jastrebarsko distribution and production centre in Croatia, we are converting the warehousing and distribution segment of the facility to acquire new production and laboratory facilities for solid dosage pharmaceuticals. Equipment installation and assembly will be taking place through to the end of the year, and the start-up of production on the new technological equipment is planned for the first quarter of 2017. The investment is estimated at €33 million.

Employees

In the first half of 2016 the number of Krka Group employees increased by 257, or 2.4%. At the end of June the Krka Group had 10,821 employees.

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

Educational structure

	30 Jun 2016		31 Dec 2015	
	No. of employees	Share (%)	No. of employees	Share (%)
PhD	163	1.5	152	1.4
MSc	364	3.4	349	3.3
University degree	5,532	51.1	5,291	50.1
Higher professional education degree	1,410	13.0	1,385	13.1
Vocational college degree	259	2.4	304	2.9
Secondary school education, level V	1,886	17.4	1,844	17.5
Other	1,207	11.2	1,239	11.7
Krka Group	10,821	100.0	10,564	100.0

We ensure a continuous inflow of new talented staff by offering study grants to students. There are currently 45 students receiving Krka study grants. They are primarily pharmacy and chemistry students, while Krka also awards grants to outstanding students from other fields that are of interest to the company.

Krka has always invested into employee development, upholding good relations among employees and catering for the well-being of employees in the workplace and outside it. Employees show a keen interest in new knowledge and further schooling. There are currently 46 employees enrolled into postgraduate studies

towards obtaining a specialisation, master's degree or doctoral degree, and a total of 211 are enrolled into part time graduate studies, all with the Company's support. Ten employees completed their studies in the first half of the year.

Krka is the only certificate-awarding body in Slovenia with the power to examine and approve National Vocational Qualifications (NVQ) in the area of pharmacy. By examining and approving candidates under the NVQ system between 2002 and June 2016, we awarded a total of 1,305 NVQ certificates for four vocational qualifications to 1,163 Krka employees and to 142 participants from other organisations in the pharmaceutical industry. There are currently 66 Krka employees in the process of obtaining a NVQ certificate.

By caring for their health and by offering them a wide range of activities, we provide for a wholesome quality of work and life in our employees, which contributes to their satisfaction and raises the

Group's appeal to high-quality staff, thus contributing to our successful performance. Every year we organise a joint sporting and social event for all employees.

At the end of 2015 we measured the organisational climate and the level of employee satisfaction and commitment. The results of the measurement show employee commitment and loyalty to the Krka Group to be high.

The Krka Group promotes initiative and innovation, cooperation and team work, loyalty and commitment in employees. At this year's traditional Krka Awards Day we bestowed the special Boris Adrijanič MSc Award for exceptional achievements. 656 most loyal employees, 19 best managers and 50 best employees received recognition awards, and we also conferred awards and recognitions for inventive work. In the first half of 2016, 347 Krka employees had put forward 407 useful proposals.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP, WITH NOTES

Consolidated statement of financial position of the Krka Group

In € thousand	30 Jun 2016	31 Dec 2015	Index
Assets			
Property, plant and equipment	847,472	826,192	103
Intangible assets	114,736	116,940	98
Loans	9,113	7,696	118
Investments	7,899	7,580	104
Deferred tax assets	27,707	27,949	99
Other non-current assets	254	241	105
Total non-current assets	1,007,181	986,598	102
Assets held for sale	41	41	100
Inventories	271,360	272,878	99
Trade receivables	487,947	433,133	113
Other receivables	36,128	31,540	115
Loans	71,738	37,380	192
Investments	74	11,808	1
Cash and cash equivalents	54,154	35,826	151
Total current assets	921,442	822,606	112
Total assets	1,928,623	1,809,204	107
Equity			
Share capital	54,732	54,732	100
Treasury shares	-22,516	-20,071	112
Reserves	88,537	73,387	121
Retained earnings	1,363,737	1,296,688	105
Total equity holders of the parent	1,484,490	1,404,736	106
Non-controlling interests within equity	1,339	1,248	107
Total equity	1,485,829	1,405,984	106
Liabilities			
Provisions	84,659	84,865	100
Deferred revenue	12,750	13,381	95
Deferred tax liabilities	12,553	12,736	99
Total non-current liabilities	109,962	110,982	99
Trade payables	109,764	103,871	106
Income tax payable	3,822	8,030	48
Other current liabilities	219,246	180,337	122
Total current liabilities	332,832	292,238	114
Total liabilities	442,794	403,220	110
Total equity and liabilities	1,928,623	1,809,204	107

Consolidated income statement of the Krka Group

In € thousand	1-6/2016	1-6/2015	Index
Revenues	603,803	599,850	101
Costs of goods sold	-261,053	-248,943	105
Gross profit	342,750	350,907	98
Other operating income	3,919	2,861	137
Selling and distribution expenses	-154,766	-155,822	99
R&D expenses	-58,735	-56,446	104
General and administrative expenses	-38,868	-37,168	105
Operating profit	94,300	104,332	90
Financial income	42,618	24,459	174
Financial expenses	-55,893	-402	
Net financial result	-13,275	24,057	
Profit before tax	81,025	128,389	63
Income tax	-10,909	-16,100	68
Net profit	70,116	112,289	62
Attributable to:			
– equity holders of the parent	70,024	112,308	62
– non-controlling interest	92	-19	
Basic earnings per share* (in €)	2.16	3.45	63
Diluted earnings per share** (in €)	2.16	3.45	63

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

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

Consolidated statement of other comprehensive income of the Krka Group

In € thousand	1-6/2016	1-6/2015	Index
Net profit	70,116	112,289	62
Other comprehensive income for the period			
Other comprehensive income reclassified to profit or loss in future periods			
Translation reserve	11,910	15,467	77
Change in fair value of available-for-sale financial assets	319	259	123
Deferred tax effect	-55	-44	125
Net other comprehensive income reclassified to profit or loss in future periods	12,174	15,682	78
Total other comprehensive income for the period (net of tax)	12,174	15,682	78
Total comprehensive income for the period (net of tax)	82,290	127,971	64
Attributable to:			
– equity holders of the parent	82,198	127,990	64
– non-controlling interest	92	-19	

Consolidated statement of changes in equity of the Krka Group

In € thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the parent	Non-controlling interests within equity	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other profit reserves	Retained earnings	Profit for the period			
Balance at 1 Jan 2016	54,732	-20,071	20,071	105,897	14,990	30,000	-12,453	-85,118	1,051,677	96,160	148,851	1,404,736	1,248	1,405,984
Net profit	0	0	0	0	0	0	0	0	0	0	70,024	70,024	92	70,116
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	795	11,910	0	-531	0	12,174	0	12,174
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	795	11,910	0	-531	70,024	82,198	92	82,290
Transactions with owners, recognised directly in equity														
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	148,851	-148,851	0	0	0
Repurchase of treasury shares	0	-2,445	0	0	0	0	0	0	0	0	0	-2,445	0	-2,445
Formation of reserves for treasury shares	0	0	2,445	0	0	0	0	0	0	0	-2,445	0	0	0
Total transactions with owners, recognised directly in equity	0	-2,445	2,445	0	0	0	0	0	0	148,851	-151,296	-2,445	0	-2,445
Balance at 30 Jun 2016	54,732	-22,516	22,516	105,897	14,990	30,000	-11,658	-73,208	1,051,677	244,480	67,579	1,484,489	1,340	1,485,829

In € thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the parent	Non-controlling interests within equity	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other profit reserves	Retained earnings	Profit for the period			
Balance at 1 Jan 2015	54,732	-10,677	10,677	105,897	14,990	30,000	-8,981	-75,292	1,001,636	79,528	148,081	1,350,591	1,308	1,351,899
Net profit	0	0	0	0	0	0	0	0	0	0	112,308	112,308	-19	112,289
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	215	15,467	0	0	0	15,682	0	15,682
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	215	15,467	0	0	112,308	127,990	-19	127,971
Transactions with owners, recognised directly in equity														
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	148,081	-148,081	0	0	0
Repurchase of treasury shares	0	-3,456	0	0	0	0	0	0	0	0	0	-3,456	0	-3,456
Formation of reserves for treasury shares	0	0	3,456	0	0	0	0	0	0	0	-3,456	0	0	0
Total transactions with owners, recognised directly in equity	0	-3,456	3,456	0	0	0	0	0	0	148,081	-151,537	-3,456	0	-3,456
Balance at 30 Jun 2015	54,732	-14,133	14,133	105,897	14,990	30,000	-8,766	-59,825	1,001,636	227,609	108,852	1,475,125	1,289	1,476,414

Consolidated statement of cash flows of the Krka Group

In € thousand	1–6/2016	1–6/2015
OPERATING ACTIVITIES		
Net profit	70,116	112,289
Adjustments for:	97,783	72,662
– amortisation/depreciation	52,798	52,923
– foreign exchange differences	1,057	2,702
– investment income	-23,149	-608
– investment expenses	55,443	1,202
– interest expenses and other financial expenses	725	343
– income tax	10,909	16,100
Operating profit before changes in net operating current assets	167,899	184,951
Change in trade receivables	-59,367	-24,647
Change in inventories	1,518	-33,455
Change in trade payables	3,329	-3,693
Change in provisions	-206	867
Change in deferred revenues	-631	-1,094
Change in other current liabilities	14,833	8,041
Income taxes paid	-14,968	9,113
Net cash flows from operating activities	112,407	140,083
INVESTING ACTIVITIES		
Interest received	628	396
Proceeds from sale of current investments	0	27
Dividends received	817	0
Proceeds from sale of property, plant and equipment	761	1,862
Acquisition of intangible assets	-1,365	-2,171
Purchase of property, plant and equipment	-58,435	-51,608
Non-current loans	-1,490	-1,306
Proceeds from repayment of non-current loans	687	489
Payments to acquire non-current investments	-46	-44
Proceeds from sale of non-current investments	33	14
Payments in connection with current investments and loans	-34,707	-33,617
Payments in connection with derivative financial instruments	-19,252	0
Proceeds from derivative financial instruments	21,292	0
Net cash flows used in investing activities	-91,077	-85,958
FINANCING ACTIVITIES		
Interest paid	-725	-362
Repayment of non-current borrowings	0	-37,964
Dividends and other profit shares paid	-101	-30
Repurchase of treasury shares	-2,445	-3,456
Net cash flows used in financing activities	-3,271	-41,812
Net increase/decrease in cash and cash equivalents	18,059	12,313
Cash and cash equivalents at the beginning of the period	35,826	23,585
Effect of exchange rate fluctuations on cash held	269	-72
Net cash and cash equivalents at the end of the period	54,154	35,826

Segment reporting of the Krka Group

In € thousand	European Union		South-East Europe		East Europe		Other		Elimination		Total	
	1-6/2016	1-6/2015	1-6/2016	1-6/2015	1-6/2016	1-6/2015	1-6/2016	1-6/2015	1-6/2016	1-6/2015	1-6/2016	1-6/2015
Revenues from non-Group companies	374,431	369,367	30,099	25,693	175,542	185,942	23,731	18,848	0	0	603,803	599,850
Intra-Group revenues	105,478	127,398	13,560	11,305	82,605	105,673	0	0	-201,643	-244,376	0	0
Other operating income	1,955	1,579	759	44	1,205	1,238	0	0	0	0	3,919	2,861
Operating expenses	-324,090	-301,175	-22,766	-21,294	-152,585	-163,685	-13,981	-12,225	0	0	-513,422	-498,379
Intra-Group operating expenses	-181,676	-208,945	-14,920	-12,893	-172,531	-190,176	-4	-5	369,131	412,019	0	0
Operating profit	52,296	69,771	8,092	4,443	24,162	23,495	9,750	6,623	0	0	94,300	104,332
Interest income	267	224	204	2	158	170	0	0	0	0	629	396
Intra-group interest income	446	533	0	0	0	0	0	0	-446	-533	0	0
Interest expenses	-608	-243	0	0	0	-5	0	0	0	0	-608	-248
Intra-group interest expenses	-157	-314	0	0	-380	-330	0	0	537	644	0	0
Net financial result	-1,966	1,010	-421	6	-9,874	23,925	-1,014	-884	0	0	-13,275	24,057
Income tax	-6,845	-11,336	-642	-834	-2,794	-3,144	-628	-786	0	0	-10,909	-16,100
Net profit	43,485	59,445	7,029	3,615	11,494	44,276	8,108	4,953	0	0	70,116	112,289
Investments	49,350	40,472	99	54	12,306	4,871	0	0	0	0	61,755	45,397
Depreciation	34,914	34,583	997	912	12,972	13,413	191	176	0	0	49,074	49,084
Amortisation	2,413	2,517	158	139	1,040	1,099	113	84	0	0	3,724	3,839
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
Total assets	1,435,520	1,394,853	43,064	38,680	439,710	368,309	10,329	7,362	0	0	1,928,623	1,809,204
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	39,435	39,859	0	0	0	0	0	0	0	0	39,435	39,859
Total liabilities	340,561	309,305	8,972	8,231	68,972	64,079	24,289	21,605	0	0	442,794	403,220

Notes to the consolidated financial statements of the Krka Group

Costs by nature

€513,422 thousand

In € thousand	1-6/2016	1-6/2015	Index
Costs of goods and material	162,437	184,759	88
Costs of services	113,242	106,412	106
Employee benefit costs	162,506	161,196	101
Amortisation and depreciation	52,798	52,923	100
Inventory write-offs and allowances	4,004	6,360	63
Receivables impairment and write-offs	4,880	4,884	100
Other operating expenses	16,928	18,595	91
Total costs	516,795	535,129	97
Change in the value of inventories of products and work in progress	-3,373	-36,750	9
Total	513,422	498,379	103

Employee benefit costs

€162,506 thousand

In € thousand	1-6/2016	1-6/2015	Index
Gross wages and salaries and continued pay	124,747	122,596	102
Social security contributions	9,710	9,851	99
Pension insurance contributions	16,916	16,668	101
Payroll tax	614	530	116
Post-employment benefits and other non-current employee benefits	227	983	23
Other employee benefit costs	10,292	10,568	97
Total employee benefit costs	162,506	161,196	101

Other operating expenses

€16,928 thousand

In € thousand	1-6/2016	1-6/2015	Index
Grants and assistance for humanitarian and other purposes	868	886	98
Environmental protection expenses	1,634	1,441	113
Other taxes and levies	11,089	13,278	84
Loss on sale of property, plant and equipment and intangible assets	275	1,143	24
Other expenses	3,062	1,847	166
Total other operating expenses	16,928	18,595	91

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

Financial income and expenses

In € thousand	1-6/2016	1-6/2015	Index
Net foreign exchange differences	19,874	24,039	83
Interest income	629	396	159
Change in fair value of investments through profit or loss	6	0	
Proceeds from sale of investments	0	24	0
Derivatives income	21,292	0	
– income	21,292	0	
Income from dividends	817	0	
Total financial income	42,618	24,459	174
Interest expenses	-608	-248	245
Change in fair value of investments through profit or loss	-11	-59	19
Derivatives expenses	-55,157	0	
– expenses	-19,251	0	
– change in fair value	-35,906	0	
Other financial expenses	-117	-95	123
Total financial expenses	-55,893	-402	
Net financial result	-13,275	24,057	

Income tax

€10,909 thousand

Current income tax amounts to €10,750 thousand, which is 13.3% of pre-tax profit. Together with the deferred tax of €159 thousand, the total income tax expense in the income statement equals

€10,909 thousand. The effective tax rate is 13.5%, up 1.0 of a percentage point from the same period last year.

Property, plant and equipment

€847,472 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Land	35,422	35,227	101
Buildings	402,092	408,238	98
Equipment	342,408	352,005	97
Property, plant and equipment being acquired	67,550	30,722	220
Total property, plant and equipment	847,472	826,192	103

The value of property, plant and equipment represents 44% of the Group's total assets. Krka's

major investments are described in the chapter Investments in the Business Report.

Intangible assets

€114,736 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Goodwill	42,644	42,644	100
Trademark	39,435	39,859	99
Concessions, patents, licences and similar rights	28,035	30,506	92
Intangible assets being acquired	4,622	3,931	118
Total intangible assets	114,736	116,940	98

Loans

€80,851 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Non-current loans	9,113	7,696	118
– loans to others	9,113	7,696	118
Current loans	71,738	37,380	192
– portion of non-current loans maturing next year	364	155	235
– loans to others	71,373	37,224	192
– current interest receivable	1	1	100
Total loans	80,851	45,076	179

Non-current loans represent 11% of total loans.

loans.

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

Current loans to others include €71,000 thousand of the controlling company's short-term bank deposits with maturities longer than 30 days.

Investments

€7,973 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Non-current investments	7,899	7,580	104
– available-for-sale financial assets	7,899	7,580	104
Current investments including derivatives	74	11,808	1
– shares and interests held for trading	74	79	94
– derivatives	0	11,729	0
Total investments	7,973	19,388	41

Available-for-sale financial assets include €695 thousand of investments in shares and interests in companies in Slovenia, and €7,204 thousand of

investments in shares and interests in companies abroad.

Inventories

€271,360 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Material	107,284	111,113	97
Work in progress	65,583	64,369	102
Products	90,896	90,395	101
Merchandise	6,700	6,287	107
Inventory advances	897	714	126
Total inventories	271,360	272,878	99

Trade and other receivables

€524,075 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Current trade receivables	487,947	433,133	113
Other current receivables	36,128	31,540	115
Total receivables	524,075	464,673	113

Cash and cash equivalents

€54,154 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Cash in hand	25	32	78
Bank balances	54,129	35,794	151
Total cash and cash equivalents	54,154	35,826	151

Equity

€1,485,829 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Share capital	54,732	54,732	100
Treasury shares	-22,516	-20,071	112
Reserves	88,537	73,387	121
– reserves for treasury shares	22,516	20,071	112
– share premium	105,897	105,897	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserve	-11,658	-12,453	94
– translation reserve	-73,208	-85,118	86
Retained earnings	1,363,736	1,296,688	105
Total equity holders of the parent	1,484,489	1,404,736	106
Non-controlling interests within equity	1,340	1,248	107
Total equity	1,485,829	1,405,984	106

Provisions

€84,659 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Provisions for lawsuits	261	264	99
Provisions for post-employment benefits and other non-current employee benefits	83,849	84,131	100
Other provisions	549	470	117
Total provisions	84,659	84,865	100

Deferred revenues

€12,750 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Grants received from the European Fund for Regional Development and the Republic of Slovenia budget for construction of the new Notol 2 plant for production of pharmaceuticals	2,517	2,650	95
Grants received from the budget for the Dolenjske and Šmarješke Toplice health resorts and Golf Grad Otočec	4,011	4,100	98
Grants received from the European Regional Development Fund received for the Sinteza 4 project	2	4	50
Grants received from the European Regional Development Fund – development of new technologies (FBD project)	389	437	89
Grants received from the European Regional Development Fund for setting up information and technology solutions system (GEN-I)	16	19	84
Grants by the European Fund – Development Centres of the Slovene Economy	5,756	6,094	94
Property, plant and equipment received free of charge	43	55	78
Emission coupons	16	22	73
Total deferred revenue	12,750	13,381	95

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

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

Trade payables

€109,764 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Payables to domestic suppliers	49,641	38,298	130
Payables to foreign suppliers	57,350	61,742	93
Payables from advances	2,773	3,831	72
Total trade payables	109,764	103,871	106

Other current liabilities
€219,246 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Accrued contractual discounts on products sold	138,626	128,179	108
Payables to employees – gross wages, other receipts and charges	37,397	33,657	111
Derivatives	24,176	0	
Other	19,047	18,501	103
Total other current liabilities	219,246	180,337	122

Contingent liabilities
€14,089 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Guarantees issued	13,469	19,150	70
Other	620	620	100
Total contingent liabilities	14,089	19,770	71

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

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

In € thousand	30 Jun 2016	31 Dec 2015	Index
Assets			
Property, plant and equipment	599,529	610,067	98
Intangible assets	30,030	31,557	95
Investments in subsidiaries	314,315	302,114	104
Non-current receivables due from subsidiaries	25,148	10,704	235
Loans	30,755	26,300	117
Investments	7,898	7,578	104
Deferred tax assets	11,397	11,567	99
Other non-current assets	90	88	102
Total non-current assets	1,019,162	999,975	102
Assets held for sale	41	41	100
Inventories	229,815	230,568	100
Trade receivables	437,500	402,189	109
Other receivables	23,361	16,602	141
Loans	108,200	75,907	143
Investments	74	11,808	1
Cash and cash equivalents	42,380	24,622	172
Total current assets	841,371	761,737	110
Total assets	1,860,533	1,761,712	106
Equity			
Share capital	54,732	54,732	100
Treasury shares	-22,516	-20,071	112
Reserves	163,205	159,965	102
Retained earnings	1,291,835	1,238,585	104
Total equity	1,487,256	1,433,211	104
Liabilities			
Provisions	73,178	73,585	99
Deferred revenue	2,969	3,168	94
Total non-current liabilities	76,147	76,753	99
Trade payables	132,931	132,065	101
Borrowings	92,762	66,244	140
Income tax payable	2,750	7,509	37
Other current liabilities	68,687	45,930	150
Total current liabilities	297,130	251,748	118
Total liabilities	373,277	328,501	114
Total equity and liabilities	1,860,533	1,761,712	106

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

In € thousand	1-6/2016	1-6/2015	Index
Revenues	539,658	569,878	95
Costs of goods sold	-238,789	-242,083	99
Gross profit	300,869	327,795	92
Other operating income	1,246	1,218	102
Selling and distribution expenses	-133,351	-141,181	94
R&D expenses	-61,533	-58,634	105
General and administrative expenses	-32,096	-30,677	105
Operating profit	75,135	98,521	76
Financial income	43,621	26,351	166
Financial expenses	-56,283	-903	6,233
Net financial result	-12,662	25,448	-50
Profit before tax	62,473	123,969	50
Income tax	-6,247	-15,496	40
Net profit	56,226	108,473	52
Basic earnings per share (in €)*	1.73	3.33	52
Diluted earnings per share (in €)**	1.73	3.33	52

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

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

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

In € thousand	1-6/2016	1-6/2015	Index
Net profit	56,226	108,473	52
Other comprehensive income for the period			
Other comprehensive income reclassified to profit or loss in future periods			
Change in fair value of available-for-sale financial assets	319	259	123
Deferred tax effect	-55	-44	125
Net other comprehensive income reclassified to profit or loss in future periods	264	215	123
Total other comprehensive income for the period (net of tax)	264	215	123
Total comprehensive income for the period (net of tax)	56,490	108,688	52

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

	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Other profit reserves	Retained earnings	Profit for the period	
In € thousand											
Balance at 1 Jan 2016	54,732	-20,071	20,071	105,897	14,990	30,000	-10,993	1,051,677	50,040	136,868	1,433,211
Net profit	0	0	0	0	0	0	0	0	0	56,226	56,226
Total other comprehensive income for the period (net of tax)	0	0	0	0	0	0	795	0	-531	0	264
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	795	0	-531	56,226	56,490
Transactions with owners, recognised directly in equity											
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	136,868	-136,868	0
Repurchase of treasury shares	0	-2,445	0	0	0	0	0	0	0	0	-2,445
Formation of reserves for treasury shares	0	0	2,445	0	0	0	0	0	0	-2,445	0
Total transactions with owners, recognised directly in equity	0	-2,445	2,445	0	0	0	0	0	136,868	-139,313	-2,445
Balance at 30 Jun 2016	54,732	-22,516	22,516	105,897	14,990	30,000	-10,198	1,051,677	186,377	53,781	1,487,256

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 2015	54,732	-10,677	10,677	105,897	14,990	30,000	-7,431	1,001,636	55,244	126,245	1,381,313
Net profit	0	0	0	0	0	0	0	0	0	108,473	108,473
<i>Total other comprehensive income for the period (net of tax)</i>	0	0	0	0	0	0	215	0	0	0	215
Total comprehensive income for the period (net of tax)	0	0	0	0	0	0	215	0	0	108,473	108,688
Transactions with owners, recognised directly in equity											
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	126,245	-126,245	0
Repurchase of treasury shares	0	-3,456	0	0	0	0	0	0	0	0	-3,456
Formation of reserves for treasury shares	0	0	3,456	0	0	0	0	0	0	-3,456	0
Total transactions with owners, recognised directly in equity	0	-3,456	3,456	0	0	0	0	0	126,245	-129,701	-3,456
Balance at 30 Jun 2015	54,732	-14,133	14,133	105,897	14,990	30,000	-7,216	1,001,636	181,489	105,017	1,486,545

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

In € thousand	1–6/2016	1–6/2015
OPERATING ACTIVITIES		
Net profit	56,226	108,473
Adjustments for:	78,208	55,397
– amortisation/depreciation	41,245	40,701
– foreign exchange differences	-2,662	-1,601
– investment income	-23,016	-960
– investment expenses	55,279	917
– interest expenses and other financial expenses	1,115	844
– income tax	6,247	15,496
Operating profit before changes in net operating current assets	134,434	163,870
Change in trade receivables	-56,481	-39,847
Change in inventories	753	-29,995
Change in trade payables	914	2,705
Change in provisions	-407	861
Change in deferred revenues	-199	-673
Change in other current liabilities	-1,318	-2,146
Income taxes paid	-10,892	13,869
Net cash flows from operating activities	66,804	108,644
INVESTING ACTIVITIES		
Interest received	739	924
Proceeds from sale of current investments	0	24
Dividends received	817	0
Proceeds from sale of property, plant and equipment	817	1,396
Acquisition of intangible assets	-1,310	-2,009
Purchase of property, plant and equipment	-28,747	-42,741
Acquisition of subsidiaries and a share of minority interest without obtained assets	-12,381	-2,397
Refund of subsequent payments in subsidiaries	79	100
Non-current loans	-2,377	-1,524
Proceeds from repayment of non-current loans	1,035	7,867
Payments to acquire non-current investments	-34	-14
Proceeds from sale of non-current investments	33	6
Payments/Proceeds in connection with current investments and loans	-33,045	-31,779
Payments in connection with derivative financial instruments	-19,252	0
Proceeds from derivative financial instruments	21,292	0
Net cash flows used in investing activities	-72,334	-70,147
FINANCING ACTIVITIES		
Interest paid	-1,094	-869
Repayment of non-current borrowings	-500	-1,500
Proceeds/Payments in connection with current borrowings	26,997	-18,145
Dividends and other profit shares paid	-101	-30
Repurchase of treasury shares	-2,445	-3,456
Net cash flows used in financing activities	22,857	-24,000
Net increase/decrease in cash and cash equivalents	17,327	14,497
Cash and cash equivalents at the beginning of the period	24,622	8,203
Effect of exchange rate fluctuations on cash held	431	-20
Net cash and cash equivalents at the end of the period	42,380	22,680

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

In € thousand	European Union		South-East Europe		East Europe		Other		Total	
	1-6/2016	1-6/2015	1-6/2016	1-6/2015	1-6/2016	1-6/2015	1-6/2016	1-6/2015	1-6/2016	1-6/2015
Revenues	337,851	351,194	29,067	25,868	151,215	175,594	21,525	17,222	539,658	569,878
Other operating income	1,017	958	9	7	220	253	0	0	1,246	1,218
Operating expenses	-298,717	-292,530	-21,824	-20,408	-131,247	-147,412	-13,981	-12,225	-465,769	-472,575
Operating profit	40,151	59,622	7,252	5,467	20,188	28,435	7,544	4,997	75,135	98,521
Interest income	387	524	0	0	380	331	0	0	767	855
Interest expenses	-1,054	-768	0	0	0	0	0	0	-1,054	-768
Net financial result	-1,724	644	-24	-6	-9,901	25,694	-1,013	-884	-12,662	25,448
Income tax	-3,339	-9,377	-603	-860	-1,678	-4,473	-627	-786	-6,247	-15,496
Net profit	35,088	50,889	6,625	4,601	8,609	49,656	5,904	3,327	56,226	108,473
Investments	30,022	37,832	0	0	0	0	0	0	30,022	37,832
Depreciation	27,900	27,270	875	796	9,442	9,674	191	176	38,408	37,916
Amortisation	1,776	1,717	153	126	795	858	113	84	2,837	2,785
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
Total assets	1,348,498	1,294,913	43,318	39,325	458,394	420,117	10,323	7,357	1,860,533	1,761,712
Total liabilities	282,274	242,426	8,601	7,457	58,114	57,013	24,288	21,605	373,277	328,501

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

Costs by nature

€465,769 thousand

In € thousand	1-6/2016	1-6/2015	Index
Costs of goods and material	161,581	187,782	86
Costs of services	155,316	154,871	100
Employee benefit costs	99,976	98,761	101
Amortisation and depreciation	41,245	40,701	101
Inventory write-offs and allowances	3,321	2,562	130
Receivables impairment and write-offs	1,367	3,852	35
Other operating expenses	11,725	13,267	88
Total costs	474,531	501,796	95
Change in the value of inventories of products and work in progress	-8,762	-29,221	30
Total	465,769	472,575	99

Employee benefit costs

€99,976 thousand

In € thousand	1-6/2016	1-6/2015	Index
Gross wages and salaries and continued pay	76,858	76,001	101
Social security contributions	5,370	4,750	113
Pension insurance contributions	9,742	8,798	111
Post-employment benefits and other non-current employee benefits	0	861	0
Other employee benefit costs	8,006	8,351	96
Total employee benefit costs	99,976	98,761	101

Other operating expenses

€11,725 thousand

In € thousand	1-6/2016	1-6/2015	Index
Grants and assistance for humanitarian and other purposes	653	652	100
Environmental protection expenses	1,032	1,034	100
Other taxes and levies	7,331	9,411	78
Loss on sale of property, plant and equipment and intangible assets	110	858	13
Other expenses	2,599	1,312	198
Total other operating expenses	11,725	13,267	88

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

Financial income and expenses

In € thousand	1-6/2016	1-6/2015	Index
Net foreign exchange differences	20,739	25,472	81
Interest income	767	855	90
Change in fair value of investments through profit or loss	6	0	
Proceeds from sale of investments	0	24	0
Derivatives income	21,292	0	
– income	21,292	0	
Income from dividends and other shares of the profit	817	0	
– dividends	817	0	
Total financial income	43,621	26,351	166
Interest expenses	-1,054	-768	137
Change in fair value of investments through profit or loss	-11	-59	19
Derivatives expenses	-55,157	0	
– expenses	-19,251	0	
– change in fair value	-35,906	0	
Other financial expenses	-61	-76	80
Total financial expenses	-56,283	-903	6,233
Net financial result	-12,662	25,448	

Income tax

€6,247 thousand

Current income tax amounts to €6,132 thousand, which is 9.8% of pre-tax profit. Together with the deferred tax of €115 thousand, the total income tax expense in the income statement amounts to

€6,247 thousand. The effective tax rate is 10.0%, down 2.5 of a percentage point from the same period last year.

Property, plant and equipment

€599,529 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Land	22,934	22,826	100
Buildings	266,225	275,657	97
Equipment	281,684	295,893	95
Property, plant and equipment being acquired	28,686	15,691	183
Total property, plant and equipment	599,529	610,067	98

The value of property, plant and equipment represents just over 32% of the Company's total

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

Intangible assets

€30,030 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Concessions, patents, licences and similar rights	25,408	27,642	92
Intangible assets being acquired	4,622	3,915	118
Total intangible assets	30,030	31,557	95

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

Loans

€138,955 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Non-current loans	30,755	26,300	117
– loans to subsidiaries	21,925	18,908	116
– loans to others	8,830	7,392	119
Current loans	108,200	75,907	143
– portion of non-current loans maturing next year	1,433	2,459	58
– loans to subsidiaries	35,286	37,040	95
– loans to others	71,274	36,230	197
– current interest receivable	207	178	116
Total loans	138,955	102,207	136

Non-current loans represent 22% of total loans.

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

Current loans to others include €71,000 thousand of short-term bank deposits with maturities longer than 30 days.

Investments

€7,972 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Non-current investments	7,898	7,578	104
– available-for-sale financial assets	7,898	7,578	104
Current investments	74	11,808	1
– shares and interests held for trading	74	79	94
– derivatives	0	11,729	0
Total investments	7,972	19,386	41

Available-for-sale financial assets include €695 thousand of investments in shares and

interests in Slovenia, and €7,203 thousand of investments in shares and interests abroad.

Inventories

€229,815 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Material	98,088	103,895	94
Work in progress	62,452	61,941	101
Products	60,282	54,934	110
Merchandise	8,288	9,172	90
Inventory advances	705	626	113
Total inventories	229,815	230,568	100

Trade and other receivables

€460,861 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Current trade receivables	437,500	402,189	109
– current receivables due from subsidiaries	236,305	217,352	109
– current receivables due from customers other than Group companies	201,195	184,837	109
Other current receivables	23,361	16,602	141
Total receivables	460,861	418,791	110

Cash and cash equivalents

€42,380 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Cash in hand	4	1	400
Bank balances	42,376	24,621	172
Total cash and cash equivalents	42,380	24,622	172

Equity

€1,487,256 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Share capital	54,732	54,732	100
Treasury shares	-22,516	-20,071	112
Reserves:	163,205	159,965	102
– reserves for treasury shares	22,516	20,071	112
– share premium	105,897	105,897	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserve	-10,198	-10,993	93
Retained earnings	1,291,835	1,238,585	104
Total equity	1,487,256	1,433,211	104

Borrowings

€92,762 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Current borrowings	92,762	66,244	140
– portion of non-current loans maturing next year	0	500	0
– borrowings from subsidiaries	92,441	65,443	141
– current interest payable	321	301	107
Total borrowings	92,762	66,244	140

Provisions

€73,178 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Provisions for post-employment benefits and other non-current employee benefits	73,178	73,585	99
Total provisions	73,178	73,585	99

Deferred revenue

€2,969 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Grants received from the European Regional Development Fund and Republic of Slovenia budget for the project Pharmaceuticals Production in the new Notol 2 Plant	2,517	2,650	95
Grants received from the European Regional Development Fund received for the Sinteza 4 project	2	4	50
Grants received from the European Regional Development Fund – development of new technologies (FBD project)	389	437	89
Grants received from the European Regional Development Fund for setting up information and technology solutions system (GEN-I)	16	19	84
Property, plant and equipment received free of charge	29	36	81
Emission coupons	16	22	73
Total deferred revenue	2,969	3,168	94

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

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

Trade payables

€132,931 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Payables to subsidiaries	54,059	58,766	92
Payables to domestic suppliers	41,136	34,124	121
Payables to foreign suppliers	35,421	35,733	99
Payables from advances	2,315	3,442	67
Total trade payables	132,931	132,065	101

Other current liabilities
€68,687 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Accrued contractual discounts on products sold	12,985	12,985	100
Payables to employees – gross wages, other receipts and charges	26,019	26,185	99
Derivatives	24,176	0	
Other	5,507	6,760	81
Total other current liabilities	68,687	45,930	150

Contingent liabilities
€15,652 thousand

In € thousand	30 Jun 2016	31 Dec 2015	Index
Guarantees issued	15,032	21,306	71
Other	620	620	100
Total contingent liabilities	15,652	21,926	71

MANAGEMENT BOARD STATEMENT OF RESPONSIBILITIES

The Management Board of Krka, d. d., Novo mesto hereby states that the condensed financial statements of the Krka Company and the condensed consolidated financial statements of the Krka Group for the six months ended 30 June 2016 were drawn up so as to provide a true and fair view of the financial standing and operating results of the Krka Company and the Krka Group. The condensed statements for the period January–June 2016 were drawn up using the same accounting principles as for the annual financial statements of the Krka Company and Group for 2015.

The condensed interim financial statements for the six months ended 30 June 2016 were drawn up pursuant to IAS 34 – Interim Financial Reporting,

Novo mesto, 18 July 2016


and must be read in conjunction with the annual financial statements drawn up for the business year ended 31 December 2015.

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

The Management Board states that all transactions between subsidiaries in the Krka Group were executed on the basis of purchase contracts, using market prices for products and services. There were not any significant transactions with other related parties.



Jože Colarič,
President of the Management Board and Chief Executive



Dr Aleš Rotar,
Member of the Management Board



Dr Vinko Zupančič,
Member of the Management Board



David Bratož,
Member of the Management Board



Milena Kastelic,
Member of the Management Board – Worker Director