



**Unaudited Interim Report
for the Krka Group
and the Krka Company
for the first half of 2010**

Novo mesto, July 2010

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INTRODUCTION

The condensed financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (the Krka Company) for the first half of 2010 and the first half of 2009 are unaudited, but the statements for the full 2009 business year present audited figures. The company has no authorised capital and has not made a conditional share capital increase.

The company regularly announces any significant changes to the data contained in its share

prospectus on the Ljubljana Stock Exchange's electronic information system SEOnet and/or the Delo newspaper. The business report for the Company and Group is also available on the Krka website: www.krka.si.

The Supervisory Board discussed the 2010 half-year business report for the Krka Group and Company at its regular meeting on 28 July 2010.

Significant achievements in the first half of 2010

- The Krka Group achieved sales of products and services worth EUR 500.0 million, while the Krka Company's sales were worth EUR 477.5 million.
- Group sales were 5% up on the comparable period last year, while Company sales were 13% higher.
- The Krka Group's operating profit was EUR 106.9 million, while the Company's operating profit was EUR 112.5 million.
- The net profit for the Krka Group was EUR 91.2 million, 17% higher than the same period last year, while the net profit of the Krka Company was EUR 98.6 million, 19% higher.
- The highest relative (14%) and absolute growth (up EUR 19.3 million) in sales was achieved in Region Central Europe, which is also Krka's largest sales region with a 31% share of total sales.
- Sales on markets outside Slovenia over the period represented 90% of the Group's sales and 92% of the Company's.
- The Krka share price as listed on the Ljubljana Stock Exchange was EUR 65.51 on 30 June 2010, a 2% increase compared to the end of 2009. The Krka Company's market capitalisation was EUR 2,320.8 million.
- The Krka Group allocated EUR 44.5 million to investments, EUR 32.0 million of which was invested by the Krka Company and EUR 12.5 million by subsidiaries.
- At the end of the first half of 2010 the Krka Group had 8345 employees, 5% more than at the start of the year.

Highlights

in EUR thousand	Krka Group		Krka Company	
	1-6/2010	1-6/2009	1-6/2010	1-6/2009
Sales revenues	500,032	477,845	477,548	420,782
EBIT	106,887	117,481	112,457	104,898
EBITDA	146,559	154,881	142,102	133,593
Net profit	91,185	78,124	98,614	82,755
R&D costs	48,109	41,803	45,051	39,261
Investments	44,532	48,341	31,991	43,953

	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009
Non-current assets	816,726	808,022	786,965	784,594
Current assets	633,880	533,010	639,474	528,345
Equity	977,414	920,369	993,238	932,010
Non-current liabilities	237,883	237,834	208,515	205,785
Current liabilities	235,309	182,829	224,686	175,144

RATIOS	1-6/2010	1-6/2009	1-6/2010	1-6/2009
Net profit margin	18.2%	16.3%	20.7%	19.7%
EBIT margin	21.4%	24.6%	23.5%	24.9%
EBITDA margin	29.3%	32.4%	29.8%	31.7%
ROE ¹	19.2%	19.0%	20.5%	19.7%
ROA ²	13.1%	12.2%	14.4%	13.3%
Liabilities/Equity	0.484	0.517	0.436	0.439
R&D costs/Sales revenues	9.6%	8.7%	9.4%	9.3%

NUMBER OF EMPLOYEES	30 Jun 2010	30 Jun 2009	30 Jun 2010	30 Jun 2009
At the day	8345	7839	4471	5173

KRKG SHARE INFORMATION	1-6/2010	1-6/2009
Total number of shares issued	35,426,120	35,426,120
Earnings per share in EUR ³	5.40	4.62
Share price at the end of period in EUR	65.51	69.94
Price/earnings ratio (P/E)	12.14	15.13
Book value of share in EUR ⁴	27.59	24.21
Share price/book value (P/B)	2.37	2.89
Market capitalisation in EUR thousand (at the end of period)	2,320,765	2,477,703

1 Net profit, converted to annual basis / average equity balance in period.

2 Net profit, converted to annual basis / average assets balance in period.

3 Net profit of the majority owner, converted to annual basis / average number of shares issued excluding own shares.

4 The calculation of carrying value takes into account the total number of shares issued by the Company.

Krka's 15th Annual General Meeting

Krka's 15th Annual General Meeting was held on 17 June in Otočec. The shareholders present represented 39.54% of equity.

Despite two counter-motions from the MDS group (Small Shareholders' Group – Together we are Stronger) and the VZMD group (Slovenian Small Shareholders' Association), the shareholders at the AGM passed a resolution proposed by the company's management and supervisory board to use the 2009 accumulated profit of EUR 161,749,148.26 as follows: EUR 37,179,450.00 to dividends (EUR 1.10 gross per share), EUR 62,284,849.13 to other profit reserves, and EUR 62,284,849.13 carried forward to the following year.

The payout to shareholders of the dividend of EUR 1.10 gross per share will start within 60 days of the General Meeting's conclusion, on the basis of data in the share register held at the KDD-Central Securities Clearing Corporation, Ljubljana on 21 June 2010.

The General Meeting confirmed and approved the work of the management and supervisory boards for the 2009 business year and discharged them of liability for performance of duties.

Shareholders also adopted amendments to the company's articles of association proposed on the basis of amendments to the Companies Act. This

includes provisions such as not permitting the participation of supervisory board members in the company's accumulated profit, expands the potential for use of electronic media in relation to general meeting registration, counter-motions and proxies.

Since the term-in-office of the current supervisory board expired in June this year, the general meeting decided on the election of new members. Based on proposals from the appointments committee and human resources committee, the Supervisory Board put forward Prof Dr Julijana Kristl, Jože Lenič MSc, Vincenc Manček, Mojca Videmšek Osolnik, Matjaž Rakovec and Assoc Prof Dr Sergeja Slapničar as the new members of the Supervisory Board for a term of five years beginning on 21 June 2010. The shareholders elected the proposed candidates for a five-year term, despite counter-motions by MDS group (Small Shareholders' Group – Together we are Stronger) and the VZMD group (Slovenian Small Shareholders' Association).

The new Krka Supervisory Board had its constitutive meeting on 23 June. The members unanimously elected Jože Lenič as president of the Supervisory Board, while he abstained, and unanimously elected Franc Šašek and Matjaž Rakovec as deputy presidents, again with both abstaining. They also appointed the audit committee and human resource committee.

Significant events after the accounting period

- On 2 July 2010 Krka received a decision from Harju county court, Estonia, in which the court placed a temporary stay on Krka's import, production, storage, distribution, sale and promotion of the pharmaceutical Escadra, which contains the active substance esomeprazole in Estonia. The court's decision upheld a motion filed by Astra Zeneca, UK, alleging that Krka had infringed Estonian patent no 03157, which protects a specific form of esomeprazole. The court issued its

decision *ex parte*.

Krka will file an objection to the decision within the legal deadline. Krka is convinced that it has not infringed the patent, since its product does not contain the form protected by the Astra Zeneca patent.

Krka started to sell Escadra at the end of June, and has marketed it since March this year in other countries.

ID Card of the Krka Group

The controlling company is Krka, tovarna zdravil, d.d., Novo mesto.

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

Telephone: 07 331 21 11

Fax: 07 332 15 37

E-mail: info@krka.biz

Website: www.krka.si

Basic line of business: Production of pharmaceutical preparations

Activity code: 21.200

Year established: 1954

Registration entry: 1/00097/00, Novo mesto District Court

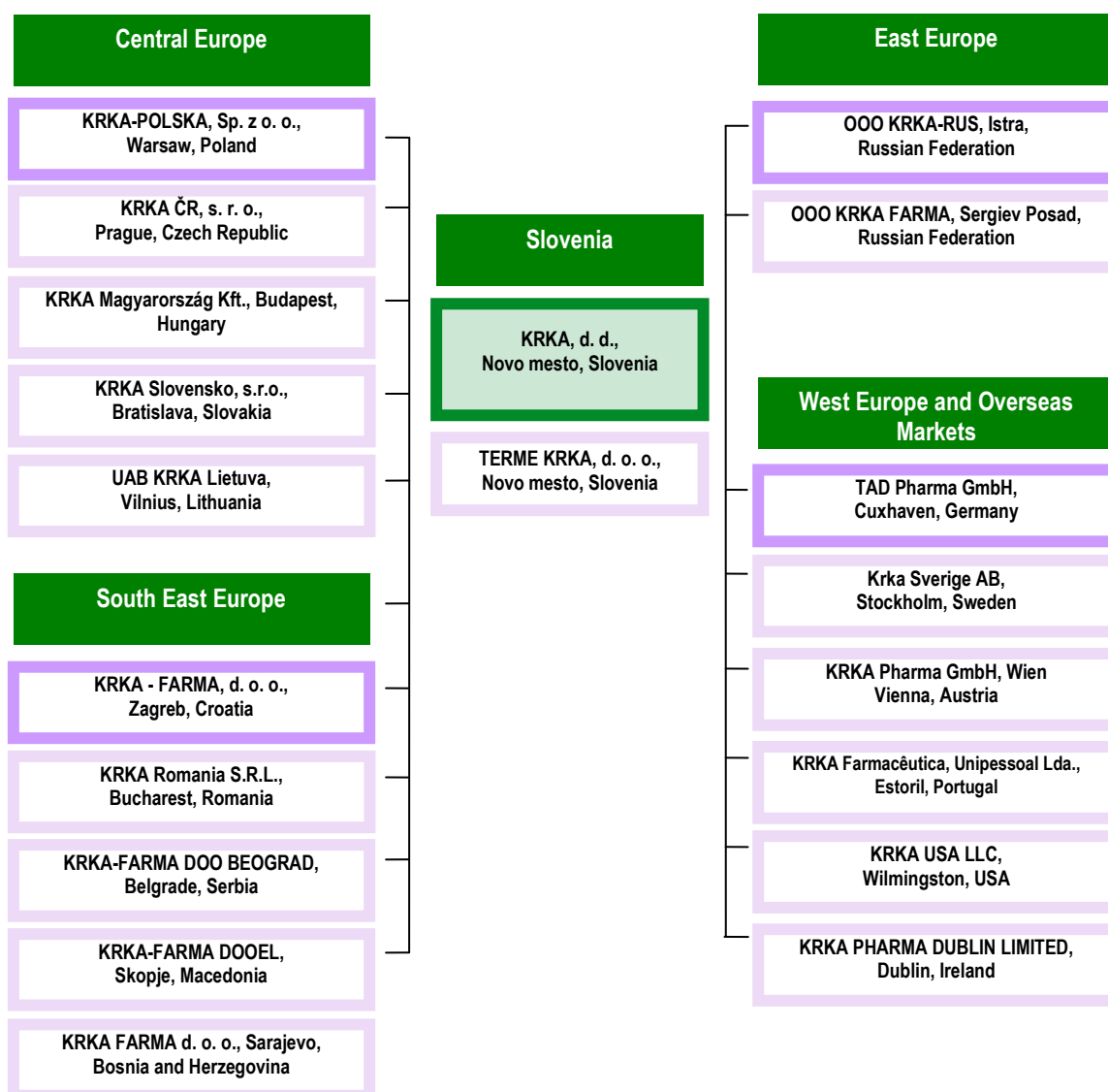
VAT number: 82646716

Company ID number: 5043611

Called-up capital: EUR 59,126,194.28

Shares: 35,426,120 ordinary no-par value shares. Krka's shares have been listed on the Ljubljana Stock Exchange in 1997 with the trading code KRKG.

Organisational chart of the Krka Group



Legend:

Production-distribution companies

Other subsidiaries

The controlling company Krka, d. d., Novo mesto, holds a 100% ownership share of all these subsidiaries.

Krka Group business model

Krka is a public limited company and one of the world's leading generic pharmaceutical companies. It has its registered office in Slovenia, and has over 50 years' experience and history as a company.

Krka has a leading position on its domestic market and a strong presence on generic pharmaceutical markets in:

- South-East Europe – Croatia and Romania
- Central Europe – Czech Republic, Hungary and Poland
- East Europe – Russian Federation and Ukraine.

In recent years Krka has built up its presence in western European markets, especially the UK, Germany, France, Italy, and the Nordic and Benelux countries.

Production and distribution capacity is located in Slovenia, Poland, Croatia, the Russian Federation, and Germany.

Modern pharmaceutical production and a vertically integrated business model allow us to offer customers in over 70 countries a broad range of safe, high quality and effective prescription

pharmaceuticals, self-medication products and animal health and cosmetic products. The majority of Krka products are in solid dosage pharmaceutical forms. The company's activities are supplemented by health resort and tourist services.

We focus on a range of generic prescription pharmaceuticals, which are marketed under Krka's own brands. In future we will continue to focus on marketing and developing our own marketing and sales network, by founding companies, purchasing local pharmaceutical companies, or business acquisitions in selected markets. Our objective is to strengthen the Krka Group's market position (market shares) on the markets of Europe and central Asia.

Over 9% of sales revenues were allocated to research and development work on new products in order to increase the competitive advantage of our product and retain a high proportion of vertically integrated products. Almost half of sales revenues is generated from sales of new products, i.e. products launched on a market in the past five years. In future we will continue to invest in research and development, and we currently have over 100 new products in development.

The 2010-2014 Krka Group development strategy

The Krka Group updates its development strategy every two years. At its meeting on 4 November 2009 the Krka Supervisory Board studied the Group's development strategy for the next five-year period (2010-2014). Krka's key strategies and objectives for 2010-2014 are set out below.

Key strategies and objectives – to 2014

- Achieving an average annual sales growth of at least 5%, expressed in euros.
- Maintaining the proportion of new products in overall sales over 40% at least.
- Increasing the cost efficiency of products.
- Strengthening the competitive advantage of the product portfolio by maintaining vertical product integration and launching selected products as the first generic pharmaceutical on selected key markets.
- Improving asset efficiency.
- Improving innovation.
- Maintaining independence.

Key strategies – to 2014

- Prioritising focus on European and central Asian markets.
- Strengthening pharmaceutical and chemical activities.
- Developing generic medicines and preparing market authorisation documentation before the expiry of the patent for the original medicine.
- Strengthening competitiveness in western European markets by establishing own marketing companies.
- Strengthening the professional and cost synergy of the Krka Group, and maximising utilisation of competitive advantages in the business environments in which Krka companies abroad operate.
- Restructuring purchasing market and achieving ongoing reduction in purchasing prices.
- Strengthening the internationalisation of all business functions.
- Reducing the impact of financial risk and economic risk on Krka Group's operations.
- Pursuing a moderate dividend increase policy.
- Maintaining our economic, social and protection responsibilities for the environment in which we operate.
- Operating according to principles of business excellence.

Krka Group's business objectives for 2010

- The product and service sales target is EUR 1,008 million, growth of 6%.
- The largest sales region is set to be Central Europe, where the highest sales growth is also planned. The Russian Federation will remain the most important individual market.
- The planned proportion of sales on markets outside Slovenia is 89%.
- Prescription pharmaceuticals, with growth anticipated at 6%, will remain the most important product group, and are expected to represent over 83% of overall sales.
- The planned net profit is EUR 159 million.
- At the end of the year the Krka Group will have 8430 employees, 46% of them abroad.
- Investments worth a planned EUR 176 million will primarily be aimed at increasing and modernising R&D, production capacity and infrastructure.

BUSINESS REPORT

Corporate risk management

Foreign exchange risk

The Krka Group's main foreign exchange risk lies in the volatility of the Russian rouble, Croatian kuna, Polish zloty, Romanian lei, US dollar, Czech krona, Hungarian forint, Ukrainian hryvnia and the Serbian dinar. The Krka Group discloses a long position in all these currencies.

In the first half of the year the value of the rouble, kuna, zloty and lei – which represent the bulk of the

company's currency position – all appreciated against the euro. The value of the other currencies depreciated against the euro. Despite this the overall effect was positive, which means that we generated a positive exchange rate difference.

Conditions for hedging currency risk did not change significantly in the first half of 2010, therefore the currency positions are not hedged.

Interest rate risk

At the end of the first half of 2010 the Krka Group had seven long-term loans linked to the 6-month EURIBOR.

The level of long-term borrowing, and hence exposure to interest rate changes, is being gradually decreased.

The movement in the reference interest rate was favourable for the Krka Group over the first half year.

Due to forecasts of low interest rates over the long term, Krka did not carry out any hedging against growth in the reference interest rate in the first half of the year.

Credit risk

The credit control process involves obtaining credit ratings for customers to which the Krka Group makes annual product sales of EUR 100,000 or over, and regular, dynamic monitoring of customer payment discipline. Over 400 of the Krka Group's customers are included in the credit control system.

Total receivables had slightly increased by the end of June, due to regular changes in the sales

dynamic. Total outstanding receivables did not increase and remained within limits that Krka considers normal and acceptable.

Due to active receivables management, particularly past-due receivables, there were no materially significant receivables write-offs in the first half of the year.

Liquidity risk

Liquidity risk in the first half of 2010 was assessed as low. Krka's sound operations and low indebtedness, and the stabilisation of financial markets has led to better financing conditions than last year. Solvency and the financing of working capital and investment have primarily been ensured via cash flow from business transactions, while agreed credit lines cover temporary current financial requirements.

Risks relating to solvency were managed by means of effective short-term cash flow planning, pre-arranged short-term credit lines at banks and daily, weekly, monthly and longer-term planning and monitoring of cash inflows and outflows on a rolling basis.

The Krka Group's short-term borrowing was lower at the end of the first half of 2010 than at the end of

2009. Due to the Krka Group's low level of borrowing and high credit rating, its debt servicing

liabilities again offered little liquidity risk in the first half of 2010.

Property, business interruption and liability insurance

In the first half of 2010 the Krka Group added a new subsidiary to its international insurance programme, Krka Lietuva (Lithuania), and transferred insurance in the Russian Federation from the representative office to subsidiary Krka Farma.. Fully comprehensive insurance for vehicles abroad was changed to introduce a deductible and standard basis for agreeing vehicle insurance. These measures should reduce the number of damage claims dealt with, and reduce the costs of repairs, while improving vehicle availability and user conduct.

In the field of property insurance, Krka is working specifically on establishing new fire protection complexes in order to limit maximum potential loss to property and hence also losses from business interruption. At the main Ločna production location there are currently 10 complexes subject to

assessment of maximum potential loss from fire or explosion, which are separated by fire protection walls or natural barriers and safety distances between facilities to prevent any fire spreading to another complex. Krka also implements measures within complexes to reduce the likelihood and consequences of damage events. These measures, the insurance company recommendations implemented and modern risk management approaches are pre-planned and economically justified, and generally exceed legal technical and technological requirements.

In the first half of 2010 Krka incurred 76 loss events, led in number by motor vehicle damage, followed by damage to goods during transit and storage, and damage to equipment and inventories due to the entry of precipitation.

Investor information

The ownership share of international investors is the highest to date.

In the first half of 2010 the Krka share price grew 2%, while over the same period the main Slovenian index, the LJSE Composite, lost 13% in value. Over the period the largest increase in ownership share by group was for international

investors, which currently hold the highest share of Krka shares at 11%. The ownership share of Slovenian individuals, Slovenian investment companies and funds, and other Slovenian companies fell slightly over the period. At the end of June 2010 Krka had a total of 81,493 shareholders.

Ownership structure (%)

	30 Jun 2010	31 Dec 2009
Individual Slovenian investors	44.1	44.6
Slovenska odškodninska družba (SOD)	15.0	15.0
Kapitalska družba (KAD) & Prvi pokojninski sklad (PPS)	10.2	10.2
Slovenian investment companies & funds	6.1	7.0
Other Slovenian companies	8.6	8.9
International investors	11.4	9.7
Own shares	4.6	4.6
Total	100.0	100.0

In the first half of 2010 Krka did not acquire or dispose of any treasury shares. On 30 June 2010,

Krka held 1,626,620 treasury shares, representing 4.6% of nominal capital.

Ten largest shareholders in Krka as at 30 June 2010

	Country	Number of shares	Proportion in equity in %	Proportion in voting rights in %
SLOVENSKA ODŠKODNINSKA DRUŽBA, D.D.	Slovenia	5,312,070	14.99	15.72
KAPITALSKA DRUŽBA, D.D.	Slovenia	3,493,030	9.86	10.33
NEW WORLD FUND INC	USA	835,400	2.36	2.47
LUKA KOPER, D.D.	Slovenia	434,770	1.23	1.29
UNICREDIT BANK AUSTRIA AG	Austria	430,065	1.21	1.27
NFD 1 DELNIŠKI INVESTICIJSKI SKLAD D.D.	Slovenia	400,261	1.13	1.18
ZAVAROVALNICA TRIGLAV, D.D.	Slovenia	388,300	1.1	1.15
DELNIŠKI VZAJEMNI SKLAD TRIGLAV STEBER I	Slovenia	379,598	1.07	1.12
BANKA CELJE D.D.	Slovenia	235,342	0.66	0.70
MARIFARM D.O.O.	Slovenia	225,000	0.64	0.67
Total		12,133,836	34.25	35.9

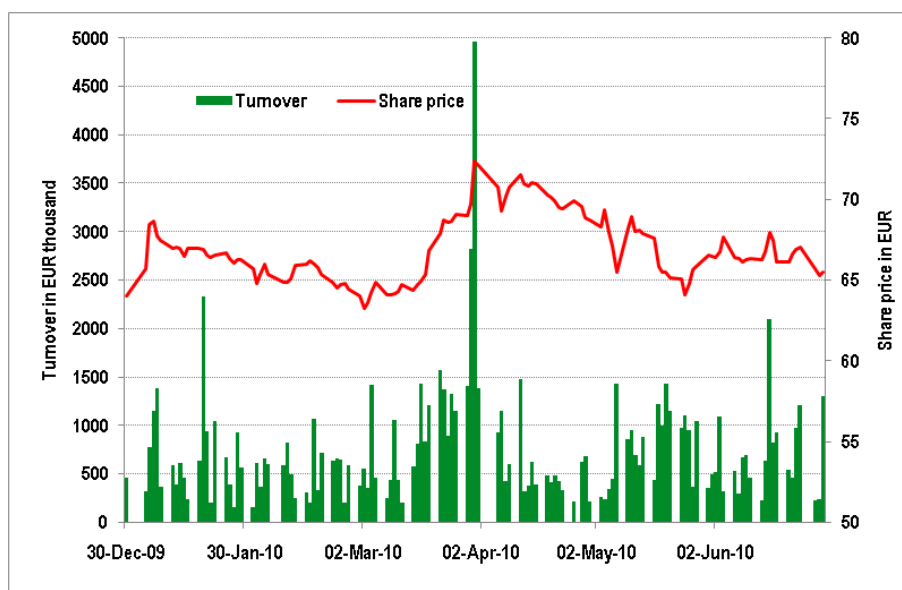
The ten largest Krka shareholders together held 12,133,836 shares on 30 June 2010, representing 34.25% of all shares issued.

On 30 June 2010 members of the Management Board and Supervisory Board together held 50,895 company shares or 0.1437% of all issued shares.

Shares in Equity and Voting Rights of Krka Management Board and Supervisory Board Members as at 30 June 2010

	Število delnic	Delež v kapitalu v %	Delež v glasovalnih pravicah v %
Management Board members			
Jože Colarič	22,500	0.0635	0.0666
Zvezdana Bajc	1,660	0.0047	0.0049
Aleš Rotar	12,770	0.0360	0.0378
Vinko Zupančič	120	0.0003	0.0004
Danica Novak-Malnar	0	0.0000	0.0000
Total Management Board members	37,050	0.1046	0.1096
Supervisory Board members			
Jože Lenič	180	0.0005	0.0005
Matjaž Rakovec	400	0.0011	0.0012
Franc Šašek	540	0.0015	0.0016
Julijana Kristl	230	0.0006	0.0007
Vincenc Manček	11,543	0.0326	0.0342
Mojca Osolnik Videmšek	452	0.0013	0.0013
Tomaž Sever	500	0.0014	0.0015
Sergeja Slapničar	0	0.0000	0.0000
Mateja Vrečer	0	0.0000	0.0000
Total Supervisory Board members	13,845	0.0391	0.0410
Total Management Board and Supervisory Board Members	50,895	0.1437	0.1506

Trading in Krka shares in the first half of 2010



After growth in 2009 the Krka share price calmed in 2010. The lowest price was reached at the start of March (EUR 63.28), while the highest was at the end of March when it reached EUR 72.38. As at 30 June 2010 the Krka share price was EUR 65.51.

Krka's market capitalisation as at 30 June 2010 was EUR 2,320.8 million, while the average daily trading

in Krka shares over the first half of 2010 was EUR 750 thousand.

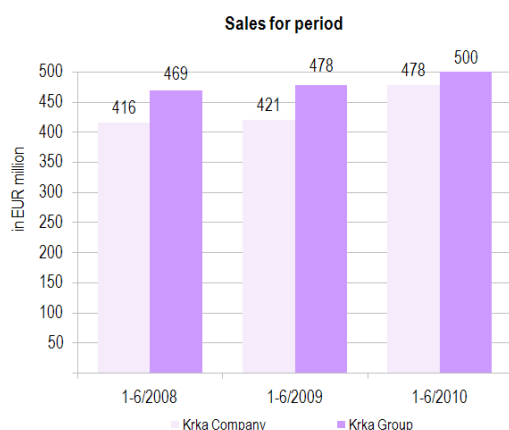
Krka shares are again the most traded security on the Ljubljana stock exchange in the first half of 2010.

In the first half of 2010 Krka was the most traded security on the Ljubljana Stock Exchange.

Business operations analysis of the Krka Group and Krka Company

The analysis includes data for the Krka Company and Krka Group, while the commentary relates primarily to the Krka Group.

Revenues



The sale revenues of the Krka Group increased by 5% compared to the first half of last year, while the

Krka Company recorded an increase of 13%. The Krka Company generated sales revenues of EUR 477.5 million from the sale of prescription pharmaceuticals, self-medication products, cosmetics and animal health products, while the Krka Group generated EUR 500.0 million from sales of these products plus sales of health and tourist services.

Group sales 5% up, and Company sales 13% up on the same period last year.

The Group generated over 84% of its sales from prescription pharmaceutical sales, an increase of 4% on the comparable period last year. Ninety per cent of Group sales were generated on markets outside Slovenia.

Together with other operating and financial revenues, the Group generated total revenues of EUR 516.2 million, and the Krka Company EUR 490.6 million.

A more detailed analysis of the sales results achieved by individual market and product groups is provided within this report in the Marketing and Sales section.

Expenses

The Group's total expenses are 6% higher than for the same period last year.

The Krka Group's total expenses for the first half of 2010 totalled EUR 401.9 million, 6% higher than for the same period last year.

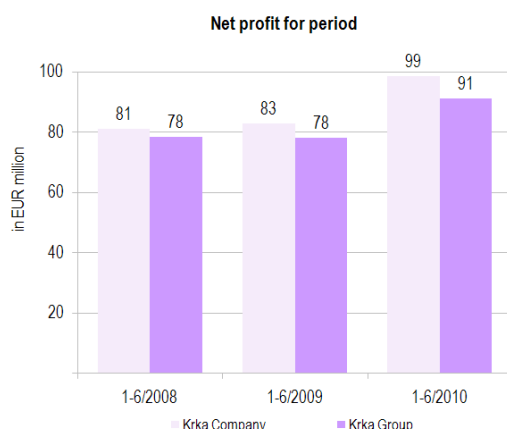
increased by 9% compared to the same period last year, and their ratio to sales was 38.2%. The ratio to sales was 23.9% for sales and marketing expenses, which increased by 8% on the same period last year.

The Krka Group recorded operating expenses of EUR 399.5 million, EUR 190.9 million of which were related to production costs of goods sold, EUR 119.3 million to sales and marketing costs, EUR 48.1 million to R&D costs and EUR 41.1 million to administrative expenses.

The Krka Group's R&D expenses increased by 15%, and their ratio to sales was 9.6%. Since they are not capitalised by the Group, overall R&D costs are recognised as expenses for the period. Administrative expenses increased by 7% compared to the same period last year, and their ratio to sales was 8.2%.

The Group's production costs of goods sold

Operating results



The Krka Group's operating profit of EUR 106.9 million was 9% lower than for the first half of last year. At EUR 114.4 million, the pre-tax profit was 11% higher than for the same period last year.

Corporate income tax totalled EUR 23.2 million (EUR 27.0 million was levied tax and minus EUR 3.8 million deferred tax). The Group's effective tax rate was 20.3%.

The Group's net profit was EUR 91.2 million, which was 17% higher than the net profit for the first half of 2009, while the net profit of the Krka Company totalled EUR 98.6 million, up 19% on the same period last year.

Assets

Krka Group assets are 8% higher than at the end of 2009.

The Krka Group's assets at the end of June totalled EUR 1,450.6 million, up by 8% on the end of 2009. The

ratio of non-current assets to total assets was 56.3%, a reduction of four percentage points compared to the start of the year.

which overall were worth EUR 816.7 million, was property, plant and equipment, which at EUR 659.2 million represented 45.4% of total Group assets. This was an increase of 2% compared to the start of the year. Intangible assets were worth EUR 123.4 million at the end of June.

The most significant item under non-current assets,

During the first half of 2010, current assets increased by 19% compared to the start of the year,

rising to EUR 633.9 million. Inventories increased by 16% over the period to EUR 211.1 million, while

receivables increased by 6% to EUR 355.8 million.

Equity and liabilities

Krka Group equity are two-thirds of total equity and liabilities.

The Group's equity increased by 6% compared to the end of 2009, and now represents 67.4% of total equity and liabilities.

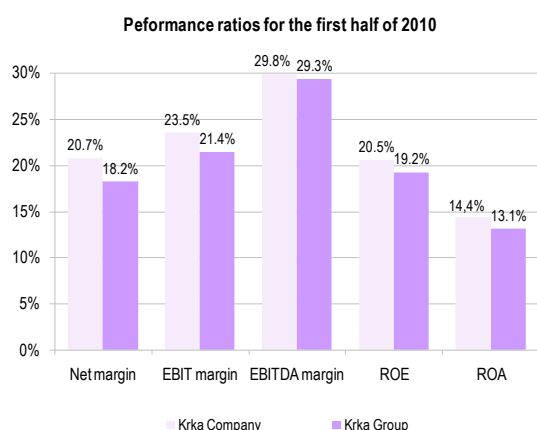
Non-current liabilities were worth EUR 237.9 million, 16.4% of the Group's total assets. Long-term provisions, which were worth EUR 109.5 million at the end of June, were 2% higher than at the end of 2009, while the value of long-term borrowing effectively did not change.

Current liabilities increased by 29% compared to the end of 2009, down to EUR 235.3 million, or 16.2%

of total Group assets. In the current liability structure, operating liabilities were 32% higher than at the end of 2009 at EUR 95.5 million, while short-term borrowings were down 46% to EUR 27.6 million. Other current liabilities were worth EUR 101.8 million, an increase of 77% compared to the end of 2009. The increase is primarily due to the liabilities incurred by the dividend payment of EUR 1.10 gross per share, in accordance with Krka's 15th General Meeting, held on 17 June 2010.

The combined value of long-term and short-term borrowing was 15% lower than at the end of 2009.

Performance ratios



The Krka Group's net margin was 18.2% (Krka Company: 20.7%), the EBIT margin was 21.4% (Company: 23.5%), and the EBITDA margin 29.3% (Company: 29.8%). The Krka Group's ROE was 19.2% (Company: 20.5%), and the ROA was 13.1% (Company: 14.4%).

Marketing and sales

In the first half of this year, the Krka Group and Company exceeded last year's half year sales. The Krka Group achieved sales worth

EUR 500.0 million, while the Krka Company achieved sales of EUR 477.5 million.

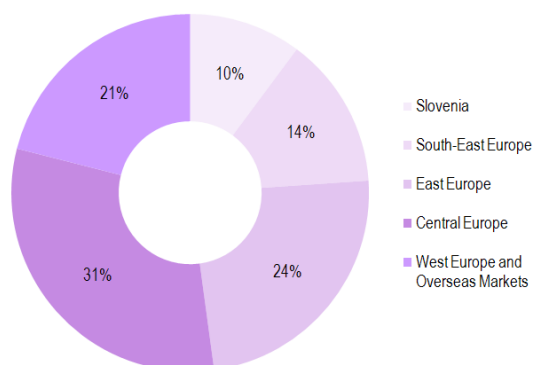
Sales by region

The Group's largest sales region was Region Central Europe with sales of EUR 155.6 million or 31% of overall Group sales. It is followed in sales volume by Region East Europe, with EUR 119.7 million or a 24% share of Group sales. Region Western Europe and Overseas Markets was

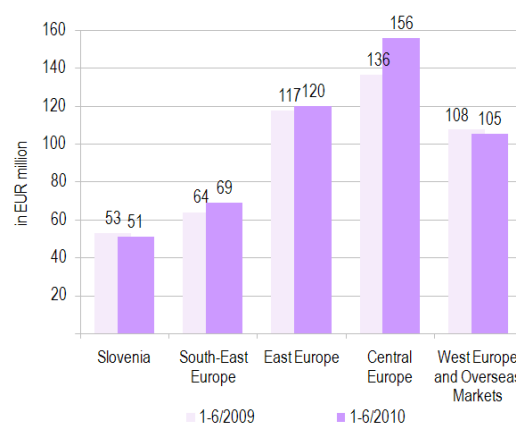
the third largest sales region for the period, with EUR 105.1 million and 21% of overall sales. Sales in Region South-East Europe reached EUR 68.7 million (14% of Group sales), while sales on the Slovenian market totalled EUR 50.8 million, one tenth of total Group sales.

in EUR thousand	Krka Group			Krka Company		
	1-6/2010	1-6/2009	Ind.	1-6/2010	1-6/2009	Ind.
Slovenia	50,835	52,709	96	37,677	37,022	102
South-East Europe	68,745	63,913	108	70,262	61,420	114
East Europe	119,731	117,299	102	127,882	97,819	131
Central Europe	155,583	136,329	114	152,747	134,929	113
West Europe and Overseas Markets	105,138	107,595	98	88,980	89,592	99
Total	500,032	477,845	105	477,548	420,782	113

Krka Group sales by region in the first half of 2010



Krka Group first-half sales by region for 2009 and 2010



Slovenia

Krka generated sales of products and sales in **Slovenia** worth EUR 50.8 million over the first six months of 2010, which is 4% down on the same period last year. The reason for the fall in sales was the reduced sale of health and tourism services by the Terme Krka Group, as the Talaso Strunjan business unit was closed for almost four months due to renovation work.

The highest proportion of sales by product group came from prescription pharmaceuticals with EUR 30.5 million, while sales of EUR 4.0 million were achieved for self-medication products and cosmetics, and EUR 1.3 million for animal health products. Sales of health and tourism services contributed EUR 14.0 million to the overall result.

The best-selling pharmaceutical brands were Prenessa (perindopril), Atoris (atorvastatin), Ultop (omeprazole), Lorista (losartan) and Enap (enalapril), while the top sellers in the self-medication group were Nalgesin, Bilobil (ginkgo biloba) and Septotele.

Krka, with a 13% market share, has been the leading prescription pharmaceutical company on its

South-East Europe

Krka Group sales on the markets of Region South-East Europe were 8% higher than for the same period last year. Total product sales were worth EUR 68.7 million. The highest sales growth was achieved in Romania, Bosnia-Herzegovina and Macedonia. Sales growth was somewhat lower in Croatia, Bulgaria, Serbia and Albania.

Krka is still the leading foreign generic producer in Croatia.

Croatia is one of the key Krka markets, contributing almost one-third of total sales in the region. Sales of

EUR 20.3 million maintained Krka's leading position among foreign generic producers in Croatia.

We retained our position as market leader in the therapeutic groups of statins and antimicrobials, and our pharmaceuticals also have a strong presence among proton pump inhibitors, ACE inhibitors and benzodiazepines.

Our bestselling pharmaceuticals in Croatia are Atoris (atorvastatin), Zyllt (clopidogrel), Lanzul (lansoprazole), Enap (enalapril), Vasilip (simvastatin), Ciprinol (ciprofloxacin), Helix (alprazolam), Ampril (ramipril) and Tenox (amlodipine). A new official pharmaceutical list entered into force at the end of June, which included Elicea (escitalopram).

Romania is Krka's second largest market in the region and only just behind Croatia in sales volume. Sales of EUR 19.9 million were 30% higher than the figure achieved in the first half of last year. This came primarily from products for human consumption, including both products established for a number of years such as Bilobil (ginkgo biloba), Enap (enalapril), Ciprinol (ciprofloxacin), Rawel (indapamide), Tenox (amlodipine) and products launched over the past year: Opryme (pramipexole), Prenessa (perindopril), Zyllt (clopidogrel), Lorista (losartan) and Nolzpa

own domestic market for many years. Over the first half of 2010, established products in the prescription pharmaceutical group were joined by Emozul (esomeprazole), while the self-medication product range was enhanced with the addition of new 20-tablet packaging for Nalgesin S (naproxen). A new product in the animal health field was Fypryst (fipronil), used for small animals.

(pantoprazole).

Bosnia-Herzegovina is one of the markets returning significant growth, 9% by the end of the first half of the year, with a total sales figure of EUR 8.1 million. This has further consolidated Krka's leading position among foreign generic pharmaceutical producers. The bestselling products on this market are Enap (enalapril), Zyllt (clopidogrel), Coryol (carvedilol), Naklofen (diclofenac) and Lorista (losartan).

Sales in **Macedonia** grew by 16% compared to the same period last year, reaching a value of EUR 5.9 million. Krka is the leading foreign generic producer by sales volume. The largest contribution to overall sales came from Enap (enalapril), Lanzul (lansoprazole), Helix (alprazolam), Atoris (atorvastatin) and Cordipin (nifedipine). Our product range was further expanded with the newly launched products Doreta (paracetamol/tramadol), Enyglid (repaglinide), Opryme (pramipexole) and Vizarsin (sildenafil).

Sales on the **Bulgarian** market in the first half of the year totalled EUR 5.1 million, a slight increase on the same period last year. Our leading sales products on the Bulgarian market are Lorista (losartan), Atoris (atorvastatin), Enap (enalapril) and Rawel (indapamide). In the first half of the year we launched the new products Co-Valsacor (valsartan/hydrochlorothiazide), Emanera (esomeprazole) and Zyllt (clopidogrel) and added new forms to a number of existing brands.

Total sales on the **Serbian** market were worth EUR 3.3 million. Cooperative production was established on this market, but the deselection of some of our products from the approved list and price pressures led to lower sales compared to the same price last year. The bestselling products are Zyllt (clopidogrel), Atoris (atorvastatin) and Vasilip

(simvastatin). Atoris (atorvastatin), Fromilid (clarithromycin), Ampril (ramipril) and Coryol (carvedilol) were placed on the approved list in mid-June. At the same time we launched two new products, Nolpaza (pantoprazole) and Valsacor (valsartan) – both of which were placed on the approved list.

In **Albania** sales were worth EUR 3.3 million, 8% lower than in the same period last year. The

bestselling products are Lorista (losartan), Enap (enalapril), Ciprinol (ciprofloxacin) and Zalasta (olanzapine).

In **Kosovo** sales were worth EUR 2.5 million, or 1% more than for the same period last year. Sales growth was significantly higher in **Montenegro** at 64%. This was largely due to the performance of the products Kamiren (doxazosin), Lorista (losartan) and Atoris (atorvastatin).

East Europe

Over the first six months of this year, Krka generated total sales of EUR 119.7 million on the markets of Region East Europe, 2% higher than for the same period last year. Sales growth was achieved on the markets of the Russian Federation, Ukraine, Uzbekistan, Mongolia, Tajikistan, Turkmenistan, Armenia, Moldova and Kyrgyzstan. On the other markets, sales matched last year's figure or were down.

The key market of the **Russian Federation**, with a 74% share of sales is the most important market in this region and indeed Krka's largest individual market. Sales in the first half of the year totalled EUR 88.2 million, an increase of 2% on the same period last year.

The biggest contribution among prescription pharmaceuticals came from Enap (enalapril), Lorista (losartan), Vasilip (simvastatin), Orsoten (orlistat), Atoris (atorvastatin), Zyllt (clopidogrel), Macropen (midcamycin) and Ulltop (omeprazole). Outstanding among these was Orsoten (orlistat), which was launched this year and already ranks sixth by sales. Sales also started well for the newly-launched products Perineva (perindopril), Niperten (bisoprolol) and Nolpaza (pantoprazole). The bestselling self-medication pharmaceuticals were Pikovit and Herbion, while the leading animal health products were Enroxil (enrofloxacin), Floron (florfenicol) and Kokcisan (salinomycin).

Krka products are market leaders in the statins group, multi-vitamin preparations without minerals for paediatric use and pharmaceuticals to treat colds. Our products also have a strong presence among macrolide antibiotics, ACE inhibitors and combinations with diuretics and in the platelet aggregation inhibitors. We are rapidly increasing our market share of sartans.

Good half year results were also recorded by the subsidiary Krka-Rus, which meet one-third of the Russian market's demand for Krka products. The

Capacity is being expanded at Krka-Rus and construction of the Krka-Rus II logistics centre has started.

planned start-up of a new packaging line and start of construction work for the new Krka-Rus II production and distribution centre will provide additional production and logistics capacity and further consolidate Krka's position as a domestic producer.

Krka has an excellent reputation among Russian health professionals and the general public, which is confirmed by the results of recent independent market research by the pharmaceutical weekly *Farmaceutičeskij vestnik* and the Brand of the Year award won by Pikovit.

In **Ukraine** the pharmaceutical market is gradually strengthening, contributing in part to Krka's 7% growth in sales, which reached EUR 14.6 million in the first half of 2010. The main contribution came from the bestselling products Enap (enalapril), Atoris (atorvastatin), Naklofen (diclofenac) and Lorista (losartan). Lorista sales grew 90% to make it Krka's fourth ranked product on the market. Mention should also be made of the self-medication product group, in which sales grew once more after last year's fall. The best-selling products are the brands Herbion and Bilobil (ginkgo biloba).

Business was also successful in **Uzbekistan** in the first half of the year, where Krka exceeded last year's sales results by 39%, and with total sales of EUR 4.3 million became the third-ranked foreign pharmaceutical producer. The largest contribution to total sales growth came from prescription pharmaceuticals, with sales growth of 67%. The bestselling products over the period were Enap

(enalapril), Hiconcil (amoxicillin), and Macropen (midcamycin).

In the first half of 2010 Krka sales in **Kazakhstan** totalled EUR 4.1 million. The 5% fall in sales can be ascribed to a fall in the population's purchasing power and, hence, lower sales of self-medication products. Sales of prescription pharmaceuticals increased by 9% over the same period. The bestselling products were Enap (enalapril), Vasilip (simvastatin), Zyllt (clopidogrel), Rawel (indapamide) and Lorista (losartan). The product selection was broadened over the period with prescription pharmaceuticals Prenessa (perindopril) and Valsacor (valsartan) and two self-medication products from the Herbion brand.

Sales in **Moldova** reached EUR 1.8 million, representing growth of 3%. The best-selling products in the prescription pharmaceutical group – which represents 81% of total sales on the market – were Enap (enalapril), Ampril (ramipril), Kaptopril (captopril) and Ciprinol (ciprofloxacin).

In **Belarus** Krka sold products worth EUR 1.6 million during the first six months of the year. The lower sales compared to the comparable period last year were caused by market saturation,

due to increased imports of pharmaceuticals intended to alleviate the symptoms of influenza at the end of last year. The largest contribution to sales came from Enap (enalapril), Ampril (ramipril), Sulfasalazin (sulfasalazine) and Lorista (losartan).

In **Azerbaijan** sales remained at the same level as last year. The 21% fall in sales of self-medication products was made up in full by the 14% higher sales of prescription pharmaceuticals. In **Georgia** the 16% fall in sales was primarily due to price adjustments in line with the new act on pharmaceutical prices and imports. In March Zyllt (clopidogrel) was launched on this market. Despite unfavourable economic conditions, Krka recorded growth in **Armenia** and **Kyrgyzstan** of 1% and 4% respectively. The favourable results were helped by the launch of Atoris (atorvastatin) in Armenia and Ampril (ramipril) in both countries. In **Mongolia** the 19% growth was due mainly to a 21% growth in sales of prescription pharmaceuticals. Lorista (losartan) and Pikovit Complex were both launched over the period. In **Turkmenistan** Krka achieved sales growth of 166%, primarily due to increased purchases by state-owned pharmacies, while in **Tajikistan** the growth of 7% was mainly due to prescription pharmaceutical sales increasing by half.

Central Europe

Total sales in Region Central Europe over the first six months of this year reached EUR 155.6 million, which is the highest of all five regions. Sales growth on most markets in the region led to overall growth of 14% compared to the same period last year.

Central Europe is Krka's largest and fastest growing sales region.

Poland is one of Krka's key markets, and represented 43% of total sales in the region over the first half of 2010, with sales of EUR 66.6 million and growth of 20%.

The prescription pharmaceutical group remains the most important, within which Krka's bestselling products are Atoris (atorvastatin), which is also the leading pharmaceutical for treatment of excessive cholesterol, Lorista (losartan), Zalasta (olanzapine) Nolpaza (pantoprazole), the number one generic pantoprazole on the Polish market, Valsacor (valsartan), Zyllt (clopidogrel) and Vasilip (simvastatin).

Krka has also been very active in broadening the selection of products on the market, with Doreta (paracetamol/tramadol), Elicea (escitalopram), Cezera (levocetirizine) and Co-Valsacor (valsartan / hydrochlorothiazide) were all launched during the first quarter. In the second quarter the product range was further enhanced with the products Ampril HD and HL (ramipril/hydrochlorothiazide), Karbis (candesartan), and new forms: Mirzaten ODT (mirtazapine), Zomiren SR 2mg, (alprazolam), Ampril 2.5mg (ramipril) and Kventiax 300mg (quetiapine).

Sales of self-medication products decreased by 4% compared to the same period last year, while the leading products in the group remained Septotele and Bilobil (ginkgo biloba). Sales of animal health products were also slightly down (5%), with the bestselling products being Enroxil (enrofloxacin) and Floron (florfenicol). The animal health product range was extended in June with the product Fypryst (**fipronil**). The sale of cosmetics products started on the Polish market in March with the

launch of the entire Fitoval product range.

On the **Czech** market, second in the region by size, Krka sold products worth EUR 31.0 million over the first six months of the year, a result slightly behind last year's first-half figures. The main cause of the lower sales was the reform of the healthcare system. Our bestselling prescription pharmaceutical products in the Czech Republic are Atoris (atorvastatin), Lorista (losartan), Prenessa (perindopril), Ampril (ramipril), Asentra (sertraline), Lanzul (lansoprazole), and Lexaurin (bromazepam). Krka's leading self-medication on this market was Nalgesin (naproxen).

Sales on the **Hungarian** market were very close in value to those in the Czech Republic at EUR 30.0 million. Sales increased by 27% compared to the first six months of last year. The highest sales came from Atoris (atorvastatin), Prenessa (perindopril), Nalpaza (pantoprazole), Lorista (losartan), Zyllt (clopidogrel) and Lanzul (lansoprazole). The highest growth among these products was achieved with Nalpaza (pantoprazole), at 51%, and Lorista (losartan), with sales growth of

58%. Special mention must also be made of Zyllt (clopidogrel), launched last year and already Krka's fifth-ranked product by sales value. Sales of animal health products were also successful, growing by 30%, self-medication products less so, with a slight fall in sales.

On the **Slovakian** market there was a 6% growth in sales, which overall totalled EUR 14.5 million. Our most important products on this market were Atoris (atorvastatin), Prenessa (perindopril), Valsacor (valsartan), Nalpaza (pantoprazole) and Fromilid (clarithromycin). The highest growth, 82% of sales, was achieved with Nalpaza, which became the fourth ranked Krka product by sales on the Slovakian market. Self-medication product sales were lower than the first half of last year and were worth EUR 0.8 million.

The highest growth on the three Baltic markets (31%) was recorded on the smallest market, **Estonia**. Growth was also double-digit in **Lithuania**, while in **Latvia** sales were comparable with the figure for the same period last year.

West Europe and Overseas Markets

In Region West Europe and Overseas Markets Krka achieved sales of products and services worth EUR 105.1 million, 2% less than for the first six months of last year.

On regulatory free markets in West Europe we successfully and before competitors launched generic esomeprazole.

We plan to match last year's sales figures in the region by the end of the year. The second half of the year looks very promising, with the launch of generic

esomeprazole on most of the most important western European markets.

Prescription pharmaceuticals represent the largest proportion of overall sales by product group at 95%. The bulk of sales are still generated via partner companies, but the 2010 first half sales were up on the first half of 2009 in all Krka's subsidiaries in this region, with Krka Sverige (Sweden) doing particularly well due to the successful launch of esomeprazole in Denmark, and sildenafil and montelukast in Finland. Sales of EUR 11.7 million were double last year's first half figures.

The most important markets are **Germany, France,**

the **Nordic countries**, the **UK** and **Portugal**, with the highest growth achieved in Portugal, **Spain** and the Nordic countries. On the markets of western Europe, Krka success continues with high market shares for generic clopidogrel, lansoprazole, gliclazide SR, perindopril with combination, pantoprazole and enalapril. In March we were the first to launch a generic losartan and a losartan/hydrochlorothiazide combination in most western European countries as well as launching esomeprazole in Denmark, and in **Austria** one month later.

In the animal health group, mention must be made of the two main markets: Germany and France. In France we started to market tablets with generic florfenicol under the Krka brand, and almost trebled sales compared to the first six months of last year. In total sales for this product group increased by more than one quarter.

In the **overseas markets**, our operations improved in **Iran**, where sales almost doubled compared to the first half of last year, with further growth expected in future.

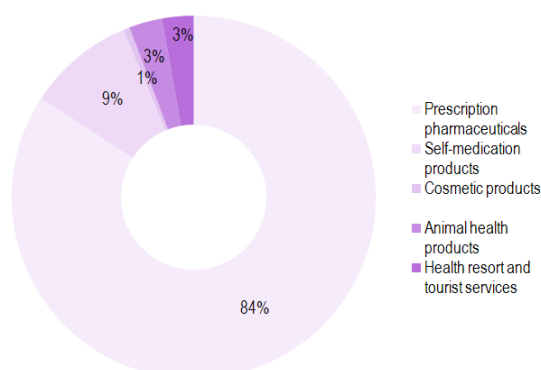
Sales by product and service group

Human health products were the most important in the Group's overall sales for the first half of 2010, with a share of almost 94%. The highest sales within this product group, with a value of EUR 420.5 million, were achieved for prescription pharmaceuticals, while self-medication and

cosmetics sales were together worth EUR 50.5 million. Sales of animal health products were worth EUR 14.7 million, representing 3% of Krka Group sales. Health and tourism service sales were worth EUR 14.0 million, 3% of total Group sales.

in EUR thousand	Krka Group			Krka Company		
	1-6/2010	1-6/2009	Ind.	1-6/2010	1-6/2009	Ind.
Human health products	470,920	448,235	105	462,299	406,871	114
- prescription pharmaceuticals	420,538	403,633	104	409,839	366,313	112
- self-medication products	47,534	40,709	117	49,547	36,955	134
- cosmetics	2,848	3,893	73	2,913	3,603	81
Animal health products	14,689	12,742	115	14,402	12,753	113
Health resort and tourist services	13,998	16,244	86			
Other	425	624	68	847	1,158	73
Total	500,032	477,845	105	477,548	420,782	113

Krka Group sales by product and service group for the first half of 2010



Prescription pharmaceuticals

Prescription pharmaceutical sales increased in Central and South-East Europe and Slovenia.

The Krka Group sold prescription pharmaceuticals worth EUR 420.5 million, achieving 4% sales growth compared to the same period last year. Sales increased most in Region Central Europe (15% growth), Region South-East Europe (9%) and Slovenia (2%), while in Region Western Europe and Overseas Markets sales remained at the same level as last year. In Region East Europe sales were 4% down on sales for the comparable period last year.

On Krka's larger markets, the highest growth in prescription pharmaceuticals compared to the same period in 2009 was achieved in Hungary (29% growth), France (28%) and Poland (21%). Notable

on the mid-sized markets was the growth of the markets in Romania (34% growth), the Nordic countries (29%), Lithuania (14%) and Portugal, where sales increased over four times. On smaller markets for Krka prescription pharmaceuticals sales, high growth was achieved in Uzbekistan (68%), Estonia (34%), Macedonia (19%) and Spain, where sales increased by almost four times.

The ten leading prescription pharmaceuticals by sales include Enap (enalapril), Atoris (atorvastatin), Zyllt (clopidogrel), Lorista (losartan), Prenessa (perindopril), Nolpaza (pantoprazole), Lanzul (lansoprazole), Vasilip (simvastatin), Zalasta (olanzapine) and, for the first time, Valsacor (valsartan). The highest growth was achieved with Valsacor (valsartan), Prenessa (perindopril) and

Zyllt (clopidogrel), all three with sales growth over 60%, and Lorista (losartan) and Nolpaza (pantoprazole) with growth of over 30%.

In the first half of 2010 Krka launched several new products that will make a significant contribution to growth in coming years. Products with new active substances include esomeprazole (proton pump inhibitor), which was launched in Denmark, Ireland, Austria and Hungary (Emanera) and two antihypertensives from the sartan group: Olimestra (olmesartan), launched in Latvia, and Karbis (candesartan), launched in Poland. Two new products in Krka's product range are the antihypertensive Niperten (bisoprolol), launched in the Russian Federation, and the antidiabetic Enyglid (repaglinide), which was launched in Germany and Macedonia.

There were numerous launches of existing products on new markets, the most important of which included the launches of Zyllta (clopidogrel) in Romania, Bulgaria, Kazakhstan, Moldova, Estonia, Austria, Slovakia and Portugal, the launch of Krka's own brand losartan in Germany and Austria and the

launch of Lorista (losartan) in many eastern European markets. The most important launches also included Elicea (escitalopram) in Poland, Slovakia, Lithuania, Latvia, Estonia and Croatia, the launch of Nolpaza (pantoprazole) in Ukraine, Romania, Serbia and Albania, the launch of Prenessa (perindopril) in the Russian Federation and Ukraine, the launch of Valsacor (valsartan) in Serbia, the launch of Co-Valsacor (valsartan hydrochlorothiazide) in Poland, Slovakia and Bulgaria, the launch of Nimvastid (rivastigmine) in Romania, Slovakia and Czech Republic and the launch of Doreta (paracetamol/ tramadol) in Poland, the Czech Republic and Macedonia.

Most marketing activities were aimed at promoting products in key therapeutic groups, and that focus will continue throughout the year. These are primarily medicines to treat high blood pressure, to plasma lipids, anti-ulcer pharmaceuticals, and pharmaceuticals to treat conditions of the central nervous system.

Self-medication products

Growth in self-medication sales was achieved in south-east and east Europe.

Sales of self-medication products in the first half of 2010 were worth EUR 47.5 million, 17% more than for the same period last

year. Over this period, there has been a positive trend on the markets of south-eastern and eastern Europe, while in Slovenia and the markets of central Europe there was a slight fall.

Sales increased most on the markets of eastern Europe (31%), with notable success in the Russian Federation (33%), Georgia (14%) and Mongolia (12%) and Ukraine, where sales recovered

compared to last year's level. Sales increased by 9% in Region South-East Europe. Krka was particularly successful in Romania (26% growth) and Serbia (10%).

Krka's leading self-medication products are Bilobil, Pikovit, Herbion, Septolete and Duovit, to which the majority of advertising and other promotional activities are dedicated.

Newly-launched products (Septolete plus honey/lime, Bilobil 120 mg, Pikovit Prebio and Pikovit IQ/Omega, Herbion syrups) also contributed to the positive sales trend.

Animal health products

Sales of animal health products in the first half of the year totalled EUR 14.7 million, an increase of 15% on the same period last year.

The highest sales group by region (26%) was achieved in Region Western Europe and Overseas Markets, particularly in France, Germany and Spain. Sales growth continued on the markets of Region East Europe (25%), especially in the Russian

Federation (43%). The performance in Region Central Europe was also successful (10% growth), with high growth in Hungary and Lithuania in particular. Sales remained at last year's level on the markets of Region South-East Europe, with average somewhat raised by 25% growth in Serbia. In

Highest animal health product sales growth in Western Europe and Overseas Markets.

Slovenia sales were 3% down on sales for the comparable period last year.

The leading brand Enroxil/Enrox (enrofloxacin) is still strengthening with growth of 28%. Other leading brands include Floron/Fenflor (florfenicol), Kokcisan

(salinomycin) and Ecocid S/Oxicid S. Fypryst (fipronil), launched this year, is rapidly approaching the top-ten bestsellers.

Marketing activity focused on the leading brands.

Cosmetic products

The Krka Group achieved cosmetic product sales worth EUR 2.8 million, a fall of 27% on the same period last year. In Slovenia we increased sales by one tenth, while sales fell in the Russian Federation and Ukraine where lower purchasing power has

affected sales of cosmetics.

The most important products are those from the Fitoval and Vitaskin group, with most marketing activities focused on them.

Health and tourism services

In the first half of the year sales of spa, tourist and health services totalled EUR 14.0 million, which is 14% down on the same period last year. The cause of the fall in sales was the closure of the Talaso Strunjan business unit for almost four months due to renovation work, which had an effect across all elements of the Group's operating result.

The largest contribution to overall Group revenues came from hotel activities, which totalled EUR 4.6 million. The highest occupancy of capacity, 76 %, was at Terme Šmarješke Toplice, while Terme Dolenjske Toplice operated at 68% of

capacity in the first half of the year.

The investment in the Talaso Strunjan business unit, one of the most popular spas in Slovenia with one of the highest occupancy levels, was worth EUR 7.7 million, and has increased pool and accommodation capacity, with a specific focus on the new space for health activities and hydrotherapy and the Salia relaxation centre. These acquisitions offer Strunjan even greater possibilities to develop thalasootherapy programmes and Mediterranean-inspired services that will make it the leading thalasootherapy centre on the coast.

Research and development

In the first half of 2010 market authorisations were acquired for 10 new products in 22 forms.

Over the same period we acquired 395 new market authorisations across a number of different markets.

First market authorisations for 10 new products in 22 forms.

Prescription pharmaceuticals

Market authorisations were acquired for 5 new products in 11 pharmaceutical forms and strengths in the prescription pharmaceutical field.

Authorisation for 2 new sartans, the global leader for treating high blood pressure, were gained.

Authorisations were gained for two new products from the sartan range, an important pharmaceutical group used to treat cardiovascular disease. An EU decentralised procedure (DCP) was concluded for **Candecor**, with the active substance **candesartan**, in tablet form in four strengths, which acquired market authorisation for candesartan in 8 European states. A centralised procedure (CP) was carried out with the European Medicine Agency (EMA) to acquire a market authorisation for the entire European Union for the new product **Tolura**, with the active substance **telmisartan**, in tablet form with 3 strengths. Telmisartan is one of the most modern sartans on the market. Globally, sartans are the leading pharmaceutical for the treatment of high blood pressure. They are known as a very safe group of cardiovascular pharmaceuticals, offering a better balance between efficacy and safety than other antihypertensive groups.

A DP was also used to gain authorisation for a new form of the combined pharmaceutical **Co-Prenessa**. The product contains a combination of the active substances **perindopril** and **indapamide** and is prepared using a new technological granulation process.

Decentralised procedures were concluded for 2 new proton pump inhibitor products.

Our selection of gastrointestinal pharmaceuticals from the proton pump inhibitor group was expanded with the

conclusion of DPs for two new products: **esomeprazole** in the form of gastroresistant capsules in 2 strengths and **pantoprazole** in powder form for preparation as an injection solution, which is a new pharmaceutical form, offering a new method for administering the established active substance, pantoprazole. The market authorisation for these products has expanded the sales potential for our range of proton pump inhibitors on western European markets.

National procedures are also continually in process; these are important for supplying a good selection of new products in eastern and southeastern European countries. New market authorisations were acquired on the Russian market for pharmaceuticals from the **sartan** group. Market authorisation was acquired via national procedures for **Firmasta**, film-coated tablets in three strengths including the active substance **irbesartan**, and the combined pharmaceutical **Valsacor H 80**, **Valsacor H 160**, **Valsacor HD 160** with the active substances **valsartan** and **hydrochlorothiazide** in film-coated tablet form. In the Russian Federation we acquired new market authorisations for **Co-Perineva**, which contains a combination of **perindopril** and **indapamide** in tablet form in four strengths.

Market authorisation was acquired in south-eastern European countries for the new **Elicea** product with the active substance **escitalopram** in film-coated tablet form. Market authorisations were also gained for further products new to these markets: **Vizarsin**, a film-coated tablet with the active substance **sildenafil**, the combined pharmaceutical **Doreta** with the active substances **paracetamol** and **tramadol**, **Enyglid** tablets with the active substance **repaglinide** and **Ezoleta** in tablet form with the active substance **ezetimibe**.

Self-medication products

Over the first half of the year in the self-medication range the market authorisation procedure was

concluded for a new product, **Septotele plus with strawberry flavour** in pastille form, further

broadening the **Septolete** range, one of our key brands. The market authorisation was concluded for **Septolete Plus honey/lime** pastilles in Bulgaria and the Czech Republic.

Notifications were acquired for the products **Pikovit Omega 3** and **Pikovit Prebiotik** in the Russian Federation, which is a key market for both products. These products are a significant addition to the Pikovit range of vitamin products in the food supplement market segment. In addition to vitamins, the products contain Omega 3 acids (Pikovit Omega 3) and prebiotic fibres (Pikovit Prebiotik).

The well-established Duovit brand was strengthened with the notification of products on new eastern European markets. Notification procedures were concluded in the Russian Federation for **Duovit Elegance**, which contains all

the ingredients required for the biological nutrition of skin during the day and night, in two capsules, one for day-time and one for night-time. The Duovit range was supplemented in Ukraine and the Russian Federation with a new product, **Duovit Sila (Power)**, in chewable tablet form, is a source of natural caffeine in a balanced combination of natural extracts and vitamins for additional energy and greater productivity.

Notifications were acquired for the **Orsoslim capsule** product on the key markets of Kazakhstan and Ukraine. The product contains a combination of important vitamins, L-carnitine, caffeine and green tea extract and was aimed at helping people to reach and maintain a balanced body weight.

Bilobil intense capsules were registered in Ukraine.

Animal health products

Market authorisations were gained for 4 new animal health products in 10 forms.

We concluded a DCP during the first quarter for the new pharmaceutical **Fypyrst** in solution form for application on skin to prevent infestation by ticks, fleas and lice in cats and dogs. Market authorisation was gained for the product via in 10 EU states: Slovenia, Hungary, Poland, the Czech Republic, Slovakia, Bulgaria, Romania, Estonia, Lithuania and Latvia. The product, which contains the active substance **fipronil**, offers a means of eradicating external parasites, and is important in taking Krka's pharmaceutical range for pets.

The product range for pets was expanded in 16 EU states with a new pharmaceutical, **Rycarfa**, with the

active substance **carprofen** in tablet form. Market authorisation was acquired for **Rycarfa**, which is intended for pain relief after operations and in degenerative musculo-skeletal systems in dogs.

Market authorisation was gained for the new **Floron** pharmaceutical in 17 EU states in a pre-mix form for preparation of medicinal food mixes. The product contains the active substance **florfenicol** and prevents and treats bacterial infections of the respiratory tract in pigs. The market authorisation procedure was also concluded for the new product **Toltarox** in oral suspension form in 20 countries in the European Union. Containing the active substance **toltrazuril** which prevents and treats Coccidia infestations in new-born pigs. **Toltrazuril** and the new pharmaceutical form of **florfenicol** have expanded our range of antimicrobial and antiparasitic products for pigs.

Cosmetic products

We also expanded the market possibilities for the **Fitoval** line. The **Fitoval** range was successfully launched in Poland. In Ukraine we gained market authorisation for Fitoval capsules and registered the

entire Fitoval Formula product range of dermatological anti-hair loss shampoo and lotion, dermatological anti-dandruff shampoo and lotion as cosmetic products.

Investments

Investments in first half of year were worth EUR 44.5 million.

The Krka Group allocated EUR 44.5 million to investment in the first half of 2010, with EUR 32.0 million invested by the controlling company, and EUR 12.5 million by subsidiaries. Some of the investment

activities that were put on hold in 2009 due to the uncertain conditions were added to the 2010 plan.

Below are the projects that saw the most work over the first half of the year.

Bršljín plant

At the end of April we opened a modern plant for syrup production and biocides in Bršljín. The EUR 26 million investment concluded another important phase in technological and production development.

The renovation and upgrade of the new premises took place in two phases. In phase one a separate facility was built for biocide production and power supply infrastructure and optimised material throughput, while the second phase was the construction of a modern new plant for extract and syrup production. The plant is already producing a

new liquid animal health biocide and Herbion syrups, and this year production of animal health products and syrups will be further developed.

The planned plant capacity after reconstruction is 20 million syrup bottles per year, if production is organised in shifts. The production processes are fully automatised and computer supported, and the plant was constructed in accordance with the latest technological solutions and in line with GMP practice and European standards on health and safety for people and the environment.

Solid dosage pharmaceutical production plant

Solid dosage pharmaceutical plant is Krka's largest current investment.

Work started in June 2009 to build a new solid dosage production plant at the Krka production complex in Ločna. This will increase production capacity by 2.5

million tablets, coated tablets or capsules per year. The plant will have five floors with a total surface area of 17,000 m². This is currently Krka largest investment and will be worth EUR 91 million.

In January work started on installation work. Work on the facility has been accelerated since the schedule was shortened. Current work is focused on installation and pharmaceutically clean premises. In autumn the facility will be ready for gradual fitting of the technological equipment.

The first production line is set for start-up in April 2011. This year this investment will be worth EUR 40 million.

Development control centre RKC-3

We started construction on the new RKC-3 development and control centre in September 2009. The facility has been placed next to RKC-1 and RKC-2, which it forms a functional and architectural whole. RKC-3 is being constructed for research and development and control purposes and will include state-of-the-art laboratory equipment to monitor and control the quality of input materials, intermediate products and end products.

All floors of the facility have been built. In May 2010 work started on final trades and installation works. According to plans, the main construction work will be completed in the third quarter of 2010, including the roof and façade. Equipment fitting will start at the end of 2011.

The move to the new premises is planned for the second half of 2011. The estimated value of the entire investment is EUR 22 million.

Spray production line

The planning of new products in spray form led to the start of renovation works at the production facilities in September 2009 to ensure the required

cleanliness and explosion-proofing standards. The entire renovation was concluded on schedule, and production started in February 2010.

Expansion of packaging warehouse

This investment will be used to modernise and maximise the capacity of the high-bay packaging warehouse at the existing location. The trades work has all been completed. The assembly and commissioning of the first two of the planned four new high-bay units is underway and they will be ready-for-purpose by mid-August.

Expansion of liquid raw material storage facility

The construction of four 40 m³-reservoirs will expand solvent warehousing capacity, the use of which has expanded with the start up of an extra production line in the Sinteza 4 plant. The expansion of the liquid raw material storage facility started in March 2010. The cisterns are already in

The warehouse extension will be fitted with a photovoltaic system, which will enable use of solar energy, which is supported by government grants.

The complete reconstruction of the warehouse will be completed in November 2010.

place, and installation work is currently underway. Connections and the switchover from the existing installations will be implemented during the 2010 reconditioning in August. The expansion is planned for completion at the end of this year.

FBD project

Technical equipment was installed in the first half of the year for a development investment project to develop new FBD (fluid bed dryer) technologies.

The project is being co-financed by the European Union, via the European Regional Development Fund. The operation is part of the Operational

Programme for Strengthening Regional Development Potentials 2007-2013, Development Priority 1: Competitiveness of Companies and Research Excellence; Priority Guideline 1.1: Improving competitive potential of enterprises and research excellence.

New projects

New projects are in the conceptual and planning stage that will address the need for new production capacity for active substances and solid dosage oral pharmaceutical forms.

The strategic location for the development of chemical production plants in the coming years is in Krško, where we will construction an active

substance production plant – Sinteza 1. The location will also need construction of all the infrastructure required for production.

In 2010 we are planning to produce the project documentation for construction of a new production plant for solid dosage oral pharmaceutical forms – NOTOL 2.

Subsidiaries

Logistics centre in Russian Federation will be upgraded and expanded and new solid dosage pharmaceutical plant will be built.

In the Russian Federation we will upgrade and extend a logistics centre and a new factory for solid dosage pharmaceutical production. The design concept of the new factory permits flexible

and modular construction of production capacity over several phases. Six packaging lines will be fitted in phase one.

Construction is planned to start in autumn, with the facility set for completion by the end of 2012, with production coming on line in early 2013.

We will increase the tablet and capsule packaging

capacity at the TAD Pharma and Krka Rus subsidiaries by purchasing new packaging lines. The fitting and start-up of these lines is planned for August 2010.

The health and swimming pool areas underwent renovation at Terme Krka in Strunjan and hotel capacity was increased as part of an overall investment value of EUR 7.7 million. In spring the foyer and rooms in the Svoboda hotel and the health centre with specialist clinics and physical therapy were all renovated. The doors were opened to the renovated swimming pools, hydrotherapy rooms and Salia relaxation centre during the 1 May holidays.

Employees

This year Krka has again mainly been recruiting in the fields of marketing and sales for its subsidiaries and representative offices abroad, and in research and development in Slovenia. The number of employees in the first half of the year increased by 159 in Slovenia, and by 211 in subsidiaries and

representative offices abroad. At the end of June the Krka Group had 8345 employees, over 47% of them abroad. Over half of all employees in the Krka Group have at least a university or higher professional degree.

Education structure of Krka Group employees

Educational level	31 Jun 2010		31 Dec 2009	
	Headcount	Share (in %)	Headcount	Share (in %)
PhD	87	1.0	82	1.0
MSc	231	2.8	215	2.7
University education	3913	46.9	3730	46.8
Higher professional education	758	9.1	698	8.8
Vocational college education	249	3.0	240	3.0
Secondary school education	1666	20.0	1599	20.1
Other	1441	17.2	1411	17.6
Total	8345	100.0	7975	100.0
- in Slovenia	4401	52.7	4242	53.2
- abroad	3944	47.3	3733	46.8

Scholarships are one method of attracting talented new employees. At present there are 108 Krka scholarships, largely in the fields of pharmacy and chemistry, though scholarships are also available to outstanding students in other fields of interest to Krka.

Krka takes care of the personal and professional development of its staff, and systematically plans the development of key and promising staff. Their development is supported by Krka's own International Management School, which involves directors and managers from Krka companies and representatives offices abroad and from Krka's organisational units in Slovenia. Promising employees selected for career development are included in demanding projects, and are offered specialised training and studies in specific areas of expertise, as well as participating in the specialist and project team programme, which has been developed within the group. Krka organises training, themed conferences and other international events to ensure the exchange of best practice and the development of an international corporate culture.

We invest in continuous acquisition of knowledge and ongoing training for our staff. Our employees

are also studying at home and abroad in the fields of specialist knowledge, quality, leadership, personal development, foreign languages and information science. Krka organises most training in-house. A team of over 50 internal trainers are responsible for ensuring the marketing and sales employees have all the skills and knowledge they need.

Our employees are motivated to acquire new knowledge and higher qualifications. At present 79 Krka employees are involved in specialisation, master's and doctoral studies, while a total of 406 employees are involved in part-time studies alongside their work. In the first half of this year, 12 employees completed study programmes.

The Krka Group's testing and recognition of knowledge takes place via a national vocational qualification system that prioritises employees' practical knowledge relating to their work in the production of raw materials, final products and logistics. A total of 639 certificates have been awarded since 2002, 497 of which to Krka employees, and 142 to employees of other companies and pharmacies. In July there were 42 people preparing for examinations as

pharmaceutical industry team leaders and 71 as production process technicians. There is also a further 93 candidates in the education process to acquire vocational qualifications as process technicians.

Krka contributes to its employees' quality of life and quality of work through preventive and curative healthcare and a broad range of activities, which contribute to job satisfaction, help the company attract high quality staff, and ensure good corporate performance.

A range of material and cash bonuses and awards offer additional staff motivation, and Krka also pays particular attention to its best and longest serving employees. At the Krka Awards Day in June, 364 employees received long-service awards, while manager and employee of the year awards and innovation awards were also presented. In the first half of 2010, 207 employees put forward 275 useful proposals.

Krka also organised a joint social and sports event for all its employees.

CONDENSED FINANCIAL STATEMENTS OF THE KRKA GROUP WITH NOTES

Statement of financial position of the Krka Group

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Assets			
Property, plant and equipment	659,244	649,146	102
Intangible assets	123,409	126,581	97
Deferred tax assets	23,961	22,392	107
Long-term loans	4,520	4,064	111
Investments	5,401	5,658	95
Other non-current assets	191	181	106
Total non-current assets	816,726	808,022	101
Inventories	211,060	181,646	116
Trade and other receivables	355,823	334,906	106
Short-term loans	37,105	2,213	1.677
Current investments, including derivatives	612	834	73
Cash and cash equivalents	29,280	13,411	218
Total current assets	633,880	533,010	119
Total assets	1,450,606	1,341,032	108
Equity			
Share capital	59,126	59,126	100
Own shares	-19,488	-19,489	100
Reserves	153,542	150,494	102
Retained earnings	782,585	728,554	107
Equity holders of the parent	975,765	918,685	106
Minority interest	1,649	1,684	98
Total equity	977,414	920,369	106
Liabilities			
Long-term borrowings	105,042	105,113	100
Provisions	109,527	107,536	102
Government grants and grants by the European Union	6,586	6,763	97
Deferred tax liabilities	16,728	18,422	91
Total non-current liabilities	237,883	237,834	100
Trade payables	95,463	72,500	132
Short-term borrowings	27,627	51,084	54
Income tax liabilities	10,431	1,695	615
Other current liabilities	101,788	57,550	177
Total current liabilities	235,309	182,829	129
Total liabilities	473,192	420,663	112
Total equity and liabilities	1,450,606	1,341,032	108

Income statement of the Krka Group

in EUR thousand	1-6/2010	1-6/2009	Ind. 10/09
Revenues	500,032	477,845	105
Production cost of goods sold	-190,888	-174,909	109
Gross profit	309,144	302,936	102
Other operating income	6,312	5,487	115
Distribution expenses	-119,338	-110,677	108
R&D expenses	-48,109	-41,803	115
Administrative expenses	-41,122	-38,462	107
Result from operating activities	106,887	117,481	91
Financial income	9,915	258	3.843
Financial costs	-2,444	-15,052	16
Net financial costs	7,471	-14,794	-51
Profit before tax	114,358	102,687	111
Income tax expense	-23,173	-24,563	94
Profit for the period	91,185	78,124	117
Attributable to:			
– equity holders of the parent	91,220	78,141	117
– minority interest	-35	-17	206
Basic earnings per share (in EUR)*	2.70	2.31	117
Diluted earnings per share (in EUR)**	2.70	2.31	117

* Net profit of majority shareholders / average number of shares issued, excluding own shares.

** All shares issued by the controlling are ordinary shares, hence the diluted earnings per share ratio was equal to the basic earnings per share.

Statement of comprehensive income of the Krka Group

in EUR thousand	1-6/2010	1-6/2009	Ind. 10/09
Profit for the period	91,185	78,124	117
Other comprehensive income for the period:			
Changes in retained earnings	-8	-129	6
Changes in fair value of financial assets available for sale	-258	247	
Deferred tax effect - change in fair value of financial assets available for sale	51	-52	
Translation reserve	3,254	-3,835	
Total other comprehensive income for the period	3,039	-3,769	
Total comprehensive income for the period	94,224	74,355	127
Attributable to:			
– equity holders of the parent	94,259	74,413	127
– minority interest	-35	-58	60

Statement of changes in equity of the Krka Group

	Called capital	Own shares	Reserves					Retained earnings			Equity holders of the parent	Minority interest	Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserves	Other revenue reserves	Net profit for the period	Net profit carried forward			
in EUR thousand													
Balance at 01 Jan 2010	59,126	-19,489	120,992	14,990	22,184	2,104	-9,776	570,354	106,766	51,434	918,685	1,684	920,369
Net profit for the period	0	0	0	0	0	0	0	0	91,220	0	91,220	-35	91,185
Other comprehensive income for the period													
Changes in retained earnings	0	0	0	0	0	0	0	0	0	-8	-8	0	-8
Changes in fair value of financial assets available for sale	0	0	0	0	0	-258	0	0	0	0	-258	0	-258
Deferred tax effect and tax effect of transition to IFRS	0	0	0	0	0	51	0	0	0	0	51	0	51
Translation reserve	0	0	0	0	0	0	3,254	0	0	0	3,254	0	3,254
Total other comprehensive income for the period	0	0	0	0	0	-207	3,254	0	0	-8	3,039	0	3,039
Total comprehensive income for the period	0	0	0	0	0	-207	3,254	0	91,220	-8	94,259	-35	94,224
Transactions with owners recorded in equity													
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	0	-106,766	106,766	0	0	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	0	62,285	0	-62,285	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	-37,179	-37,179	0	-37,179
Total transactions with owners recorded in equity	0	0	0	0	0	0	0	62,285	-106,766	7,302	-37,179	0	-37,179
Balance at 30 Jun 2010	59,126	-19,489	120,992	14,990	22,184	1,897	-6,522	632,639	91,220	58,728	975,765	1,649	977,414

	Called capital	Own shares	Reserves					Retained earnings			Equity holders of the parent	Minority interest	Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserves	Other revenue reserves	Net profit for the period	Net profit carried forward			
in EUR thousand													
Balance at 01 Jan 2009	59,126	-19,489	120,992	14,990	17,184	2,620	-9,332	450,417	102,955	42,010	781,473	1,823	783,296
Net profit for the period	0	0	0	0	0	0	0	0	78,141	-17	78,124	0	78,124
Other comprehensive income for the period													
Changes in retained earnings	0	0	0	0	0	0	0	0	0	-71	-71	-58	-129
Changes in fair value of financial assets available for sale	0	0	0	0	0	247	0	0	0	0	247	0	247
Deferred tax effect and tax effect of transition to IFRS	0	0	0	0	0	-52	0	0	0	0	-52	0	-52
Translation reserve	0	0	0	0	0	0	-3,835	0	0	0	-3,835	0	-3,835
Total other comprehensive income for the period	0	0	0	0	0	195	-3,835	0	0	-71	-3,711	-58	-3,769
Total comprehensive income for the period	0	0	0	0	0	195	-3,835	0	78,141	-88	74,413	-58	74,355
Transactions with owners recorded in equity													
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	0	-102,955	102,955	0	0	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners recorded in equity	0	0	0	0	0	0	0	0	-102,955	102,955	0	0	0
Balance at 30 Jun 2009	59,126	-19,489	120,992	14,990	17,184	2,815	-13,167	450,417	78,141	144,877	855,886	1,765	857,651

Cash flow statement of the Krka Group

in EUR thousand	1-6/2010	1-6/2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	91,185	78,124
Adjustments for:	69,064	68,359
– amortisation /depreciation	39,672	37,400
– foreign exchange differences	3,895	2,011
– investment income	-931	-448
– investment expense	1,422	1,833
– interest expense and other financial expense	1,840	3,130
– income tax	23,174	24,563
– other	-8	-130
Operating profit before changes in net operating current assets and provisions	160,249	146,483
Change in trade receivables	-29,391	-43,339
Change in inventories	-29,414	22,233
Change in operating debts (liabilities)	22,790	-12,842
Change in provisions	1,991	614
Change in grants received from the government and the European Union	-177	718
Change in other current liabilities	7,097	-687
Income taxes paid	-10,184	-30,340
Cash generated from operations	122,961	82,840
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	273	125
Proceeds from sale of property, plant and equipment	127	253
Purchase of intangible assets	-1,889	-3,680
Purchase of property, plant and equipment	-45,715	-42,278
Given long-term loans	-656	-483
Proceeds from repayment of long-term loans	1,264	482
Acquisition of non-current investments	-32	-12
Proceeds from sale of non-current investments	21	0
Acquisition of current investments and loans	-35,579	-260
Proceeds from sale of current investments and repayment of short-term loans	628	170
Payments in connection with derivative financial instruments	0	-1,035
Net cash used in investing activities	-81,558	-46,718
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-2,277	-4,777
Repayment of long-term borrowings	-17,261	-14,033
Repayment of short-term borrowings	-67,528	-159,397
Proceeds from short-term borrowings	61,615	145,570
Dividends paid	-40	-18
Net cash used in financing activities	-25,491	-32,655
Net increase in cash and cash equivalents	15,912	3,467
Cash and cash equivalents at beginning of period	13,411	7,604
Effect of exchange rate fluctuations on cash held	-43	-23
Net cash and cash equivalents at end of period	29,280	11,048

Segment reporting of the Krka Group

	European Union		South-east Europe		East Europe		Other markets		Total	
in EUR thousand	1-6/2010	1-6/2009	1-6/2010	1-6/2009	1-6/2010	1-6/2009	1-6/2010	1-6/2009	1-6/2010	1-6/2009
Revenues to non-Group companies	325,296	310,592	43,751	43,155	119,731	117,299	11,254	6,799	500,032	477,845
Revenues to Group companies	77,013	40,435	30,918	26,755	63,614	40,929	0	0	171,545	108,119
Other revenues	3,577	4,632	101	117	2,633	738	0	0	6,312	5,487
Operating profit	87,995	88,415	10,594	12,039	6,051	15,588	2,247	1,439	106,887	117,481
Interest revenue	423	113	4	12	4	3	0	0	431	128
Interest expense	1,737	2,982	13	17	0	0	0	0	1,750	2,999
Net financial income/expenses	4,543	-10,800	656	-610	2,091	-3,385	181	2	7,471	-14,794
Income tax expense	-19,238	-19,147	-3,164	-2,709	-556	-2,617	-215	-90	-23,173	-24,563
Profit for the period	73,300	58,468	8,086	8,720	7,586	9,586	2,213	1,351	91,185	78,124
Capital expenditure	41,935	48,124	56	94	2,541	215	0	0	44,532	48,433
Depreciation of property, plant and equipment	25,790	25,006	2,357	1,652	6,279	4,784	186	169	34,612	31,611
Amortisation of intangible assets	3,667	3,748	352	1,250	981	752	60	39	5,060	5,789
	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009
Total assets	1,093,996	1,032,585	91,989	89,927	254,354	208,465	10,267	10,055	1,450,606	1,341,032
Total liabilities	297,347	267,338	38,883	34,936	127,817	112,526	9,145	5,863	473,192	420,663

Notes to the consolidated financial statements

Sales revenues

EUR 500,032 thousand

Sales revenues comprise revenues from the sale of products, services and goods on the domestic market worth EUR 50,835 thousand (10.2% of the Group's net sales revenues) and on foreign markets

worth EUR 449,197 thousand (89.8% of net sales revenues). The growth in sales revenues was 5% higher than for the same period last year.

Production cost of goods sold

EUR 190,888 thousand

The Group's production costs of goods sold increased by 9% compared to the same period last year, and their ratio to sales revenues was 38.2%.

Sales and marketing

EUR 119,338 thousand

Sales and marketing costs comprise the costs of the Slovenian and foreign marketing and sales networks. Compared to the first half of last year they

increased by 8% and their ratio to sales revenues was 23.9%.

R&D costs

EUR 48,109 thousand

The Company does not capitalise R&D expenses, and they are fully disclosed in the current income statement.

R&D costs were 15% higher than for the same period last year, and their ratio to sales revenues was 9.6%.

Administrative expenses

EUR 41,122 thousand

Administrative expenses increased by 7% compared to the first half of last year, and their ratio to sales was 8.2%.

Costs by nature

EUR 399,457 thousand

in EUR thousand	1-6/2010	1-6/2009	Ind. 10/09
Cost of goods and material	-146,282	-103,010	142
Cost of services	-99,319	-89,220	111
Employee benefits cost	-127,046	-111,096	114
Amortisation / Depreciation	-39,672	-37,400	106
Other operating expenses	-15,019	-12,310	122
Total costs	-427,338	-353,036	121
Change in the value of inventories	27,881	-12,815	
Total	-399,457	-365,851	109

Employee benefit cost

EUR 127,046 thousand

in EUR thousand	1-6/2010	1-6/2009	Ind. 10/09
Gross wages and salaries and continued pay	97,787	86,893	113
Social security contributions and payroll tax	17,942	15,528	116
Retirement benefits and anniversary bonuses	3,561	1,927	185
Other employee benefits cost	7,756	6,748	115
Total employee benefits cost	127,046	111,096	114

Other operating expenses

EUR 15,019 thousand

in EUR thousand	1-6/2010	1-6/2009	Ind. 10/09
Grants and assistance for humanitarian and other purposes	1,494	1,756	85
Environmental levies	957	759	126
Other levies	1,673	594	282
Loss in the sale of property, plant and equipment and intangible assets	4,317	3,579	121
Write-offs and allowances for inventories	3,597	2,569	140
Other costs	2,981	3,053	98
Total other operating expenses	15,019	12,310	122

Finance income and financial expenses

in EUR thousand	1-6/2010	1-6/2009	Ind. 10/09
Exchange differences	9,298	/	
Interest income	431	128	337
Change in fair value of investments through profit or loss	0	91	0
Other income	10	10	
Reversal of impairment	176	29	607
Total financial income	9,915	258	3.843
Exchange differences	/	-10,089	0
Interest expense	-1,750	-2,999	58
Change in fair value of investments through profit or loss	-42	-15	280
Income from derivative financial instruments, thereof:	0	-1,225	0
– outflows	0	-1,035	0
– changes in fair value	0	-190	
Other expenses	-91	-131	69
Write-offs and allowances for receivables	-561	-593	95
Total financial expenses	-2,444	-15,052	16
Net financial expenses	7,471	-14,794	-51

Income tax expenses

EUR 23,173 thousand

The corporate income tax levied was EUR 26,972 thousand, which is 23.6% of the pre-tax profit. Taking into account the deferred tax of

minus EUR 3,799 thousand, the income tax expense in the income statement totals EUR 23,173 thousand. The effective tax rate is 20.3%.

Property, plant and equipment

EUR 659,244 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Property	29,151	29,253	100
Plant	298,834	300,078	100
Equipment	271,112	269,803	100
Property, plant and equipment under construction	60,147	50,012	120
Total property, plant and equipment	659,244	649,146	102

Property, plant and equipment represented 45% of the Group's total assets. Krka's major investments

are described in the chapter "Investments" in the business report.

Intangible assets

EUR 123,409 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Goodwill	42,644	42,644	100
Trademark	42,403	42,403	100
Concessions, patents, licences, trademarks and similar rights	33,627	35,302	95
Intangible assets under construction	4,735	6,232	76
Total intangible assets	123,409	126,581	97

Long-term industrial property rights and intangible assets in acquisition constitute market authorisation documentation for new medicines and software.

Loans

EUR 41,625 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Long-term loans	4,520	4,064	111
Short-term loans	36,942	2,209	1.672
Short-term interest receivable	163	4	4.075
Total loans	41,625	6,277	663

Long-term loans to others includes loans granted by the company to employees, in line with internal acts, primarily to purchase or improve housing.

Short-term loans to others includes bank loans in domestic currency with a maturity of over 30 days, worth EUR 35,000 thousand.

Investments

EUR 6,013 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Non-current investments	5,401	5,658	95
- financial assets available for sale	5,401	5,658	95
Current investments, including derivatives	612	834	73
- instruments held for trading	107	145	74
- other current investments	505	689	73
Total investments	6,013	6,492	93

The financial assets available-for-sale include shares and securities worth EUR 913 thousand in Slovenia, and EUR 4,488 thousand in shares and stakes held abroad.

Other current financial investments comprise Slovenian mutual fund units worth EUR 251 thousand and assets under management worth EUR 254 thousand.

Inventories

EUR 211,060 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Material	64,381	58,036	111
Work in progress	53,012	47,076	113
Products	70,067	59,421	118
Merchandise	23,600	17,113	138
Total inventories	211,060	181,646	116

Trade and other receivables

EUR 355,823 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Short-term trade receivables	321,486	305,572	105
Other short-term receivables	34,337	29,334	117
Total receivables	355,823	334,906	106

Cash and cash equivalents

EUR 29,280 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Cash in hand	109	90	121
Bank balances	29,171	13,321	219
Total cash and cash equivalents	29,280	13,411	218

Equity

EUR 977,414 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Share capital	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	153,541	150,494	102
– share premium	120,992	120,992	100
– legal reserves	14,990	14,990	100
– statutory reserves	22,184	22,184	100
– fair value reserve	1,897	2,104	90
– translation reserves	-6,522	-9,776	67
Retained earnings	782,587	728,554	107
Equity holders of the parent	975,765	918,685	106
Minority interest	1,649	1,684	98
Total equity	977,414	920,369	106

Borrowings

EUR 132,669 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Long-term borrowings	105,042	105,113	100
– borrowings from domestic banks	104,828	104,828	100
– borrowings from foreign banks	214	285	75
Short-term borrowings	27,627	51,084	54
– current portion of long term borrowings	20,973	38,622	54
– borrowings from domestic banks	5,000	10,000	50
– borrowings from foreign banks	0	415	0
– borrowings from other entities	420	378	111
– interest payable	1,234	1,669	74
Total borrowings	132,669	156,197	85

Provisions

EUR 109,527 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Provisions for retirement benefits and anniversary bonuses	55,951	53,958	104
Other provisions:	53,576	53,578	100
– provisions for lawsuits	49,000	49,000	100
– other provisions	4,576	4,578	100
Total provisions	109,527	107,536	102

Government grants and EU grants

EUR 6,586 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Grants received for the Beta plant in Šentjernej	148	169	88
Grants received for the health resorts Dolenjske and Šmarješke Toplice and Golf Grad Otočec	5,428	5,584	97
Grants by the European Regional Development Fund	28	30	93
Grants by the European Fund – development of new technologies (FBD project)	385	385	100
Properties, plant and equipment received for free	597	595	100
Total grants received	6,586	6,763	97

The FBD project is being co-financed by the European Union, via the European Regional Development Fund. The operation is part of the Operational Programme for Strengthening Regional Development Potentials 2007-2013, Development

Priority 1: Competitiveness of Companies and Research Excellence; Priority Guideline 1.1: Improving competitive potential of enterprises and research excellence.

Trade payables

EUR 95,463 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Payables to domestic suppliers	40,829	31,900	128
Payables to foreign suppliers	54,047	40,078	135
Payables from advances	587	522	112
Total trade payables	95,463	72,500	132

Other current liabilities

EUR 101,788 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Accrued contractual discounts on products sold to customers outside the Group	24,206	20,643	117
Payables to employees – gross wages, other charges	26,177	24,428	107
Other	51,405	12,479	412
Total other current liabilities	101,788	57,550	177

The increase in other current liabilities is primarily due to the liabilities incurred by the dividend payment of EUR 1.10 gross per share, in

accordance with Krka's 15th General Meeting, held on 17 June 2010.

Contingent liabilities

EUR 4,336 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Guarantees issued	2,549	2,303	111
Other	1,787	1,749	102
Total contingent liabilities	4,336	4,052	107

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

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

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Assets			
Property, plant and equipment	486,782	485,653	100
Intangible assets	28,227	29,683	95
Investments in subsidiaries	227,400	227,585	100
Deferred tax assets	19,025	18,977	100
Long-term loans	20,161	17,080	118
Non-current investments	5,192	5,449	95
Other non-current assets	178	167	107
Total non-current assets	786,965	784,594	100
Inventories	149,951	138,612	108
Trade and other receivables	390,964	346,881	113
Short-term loans	78,394	34,711	226
Current investments, including derivatives	612	654	94
Cash and cash equivalents	19,553	7,487	261
Total current assets	639,474	528,345	121
Total assets	1,426,439	1,312,939	109
Equity			
Share capital	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	160,064	160,270	100
Retained earnings	793,537	732,103	108
Total equity	993,238	932,010	107
Liabilities			
Long-term borrowings	103,836	103,836	100
Provisions	103,047	100,244	103
Government grants and grants by the European Union	1,158	1,179	98
Deferred tax liabilities	474	526	90
Total non-current liabilities	208,515	205,785	101
Trade payables	108,797	88,534	123
Short-term borrowings	27,011	49,458	55
Income tax liabilities	9,318	0	
Other current liabilities	79,560	37,152	214
Total current liabilities	224,686	175,144	128
Total liabilities	433,201	380,929	114
Total equity and liabilities	1,426,439	1,312,939	109

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

in EUR thousand	1-6/2010	1-6/2009	Ind. 10/09
Revenues	477,548	420,782	113
Production cost of goods sold	-187,420	-156,037	120
Gross profit	290,128	264,745	110
Other operating income	2,379	3,057	78
Distribution expenses	-106,321	-96,709	110
R&D costs	-45,051	-39,261	115
Administrative expenses	-28,678	-26,934	106
Operating profit	112,457	104,898	107
Financial income	10,695	10,237	104
Financial expenses	-2,110	-10,105	21
Net financial income/expenses	8,585	132	6,504
Profit before tax	121,042	105,030	115
Income tax expense	-22,428	-22,275	101
Profit for the period	98,614	82,755	119
Basic earnings per share (in EUR)*	2.92	2.45	119
Diluted earnings per share (in EUR)**	2.92	2.45	119

* Net profit of majority shareholders / average number of shares issued, excluding own shares.

** All shares issued by the controlling are ordinary shares, hence the diluted earnings per share ratio was equal to the basic earnings per share.

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

in EUR thousand	1-6/2010	1-6/2009	Ind. 10/09
Net profit for the period	98,614	82,755	119
Other comprehensive income for the period:			
Changes in fair value of financial assets available for sale	-257	247	
Deferred tax effect – change in fair value of financial assets available for sale	51	-52	
Total other comprehensive income for the period	-206	195	
Total comprehensive income for the period	98,408	82,950	119

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

	Share capital	Own shares	Reserves				Retained earnings			Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Net profit for the period	Net profit carried forward	
in EUR thousand										
Balance at 01 Jan 2010	59,126	-19,489	120,992	14,990	22,184	2,104	570,354	103,812	57,937	932,010
Net profit for the period	0	0	0	0	0	0	0	98,614	0	98,614
Other comprehensive income for the period										
Changes in fair value of financial assets available for sale	0	0	0	0	0	-257	0	0	0	-257
Deferred tax effects – changes in fair value of financial assets available for sale	0	0	0	0	0	51	0	0	0	51
Total other comprehensive income for the period	0	0	0	0	0	-206	0	0	0	-206
Total comprehensive income for the period	0	0	0	0	0	-206	0	98,614	0	98,408
Transactions with owners recorded in equity										
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	-103,812	103,812	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	62,285	0	-62,285	0
Dividends paid	0	0	0	0	0	0	0	0	-37,180	-37,180
Total transactions with owners recorded in equity	0	0	0	0	0	0	62,285	-103,812	4,347	-37,180
Balance at 30 Jun 2010	59,126	-19,489	120,992	14,990	22,184	1,898	632,639	98,614	62,284	993,238

	Share capital	Own shares	Reserves				Retained earnings			Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Net profit for the period	Net profit carried forward	
in EUR thousand										
Balance at 01 Jan 2009	59,126	-19,489	120,992	14,990	17,184	2,620	450,417	108,130	43,233	797,203
Net profit for the period	0	0	0	0	0	0	0	82,755	0	82,755
Other comprehensive income for the period										
Changes in fair value of financial assets available for sale	0	0	0	0	0	247	0	0	0	247
Deferred tax effects – changes in fair value of financial assets available for sale	0	0	0	0	0	-52	0	0	0	-52
Total other comprehensive income for the period	0	0	0	0	0	195	0	0	0	195
Total comprehensive income for the period	0	0	0	0	0	195	0	82,755	0	82,950
Transactions with owners recorded in equity										
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	-108,130	108,130	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	0
Total transactions with owners recorded in equity	0	0	0	0	0	0	0	-108,130	108,130	0
Balance at 30 Jun 2009	59,126	-19,489	120,992	14,990	17,184	2,815	450,417	82,755	151,363	880,153

Cash flow statement of Krka, d. d., Novo mesto

in EUR thousand	1-6/2010	1-6/2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	98,614	82,755
Adjustments for:	53,337	44,476
– amortisation /depreciation	29,645	28,695
– exchange differences	-57	-592
– investment income	-1,705	-10,438
– investment expense	1,282	1,704
– interest expense and other financial expense	1,744	2,832
– income tax	22,428	22,275
Operating profit before changes in net operating current assets and provisions	151,951	127,231
Change in trade receivables	-52,390	-41,635
Change in inventories	-11,340	22,233
Change in operating debts (liabilities)	19,954	-5,098
Change in provisions	2,803	829
Change in grants received from the government and the European Union	-21	-30
Change in other current liabilities	5,268	-1,189
Income taxes paid	-5,122	-27,789
Cash generated from operations	111,103	74,552
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	969	1,152
Proportionate profit of subsidiaries	0	9,047
Proceeds from sale of property, plant and equipment	1,889	2,474
Purchase of intangible assets	-1,380	-2,703
Purchase of property, plant and equipment	-30,581	-41,239
Acquisition of subsidiaries	185	-1,414
Long-term loans	-5,492	-2,650
Proceeds from repayment of long-term loans	3,476	1,345
Acquisition of non-current investments	-32	-12
Proceeds from sale of non-current investments	22	0
Acquisition of current investments and loans	-51,150	-10,152
Proceeds from sale of current investments and repayment of short-term loans	7,313	7,270
Payments in connection with derivative financial instruments	0	-1,035
Net cash used in investing activities	-74,781	-37,917
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-2,177	-4,470
Repayment of long-term borrowings	-17,036	-14,036
Repayment of short-term borrowings	-66,505	-158,800
Acquisition of short-term borrowings	61,528	143,710
Dividends paid	-40	-18
Net cash used in financing activities	-24,230	-33,614
Net increase in cash and cash equivalents	12,092	3,021
Cash and cash equivalents at beginning of period	7,487	294
Effect of exchange rate fluctuations on cash held	-26	-22
Net cash and cash equivalents at end of period	19,553	3,293

Geographical segments of Krka, d. d., Novo mesto

	European Union		South-East Europe		East Europe		Other markets		Total	
in EUR thousand	1-6/2010	1-6/2009	1-6/2010	1-6/2009	1-6/2010	1-6/2009	1-6/2010	1-6/2009	1-6/2010	1-6/2009
Revenues	294,314	276,517	45,268	40,662	127,882	97,819	10,084	5,784	477,548	420,782
Revenues from reversal of long-term provisions and other revenues	2,379	3,057	0	0	0	0	0	0	2,379	3,057
Operating profit	86,456	88,539	11,408	11,316	13,516	4,619	1,077	424	112,457	104,898
Interest income	1,092	1,079	0	20	128	0	0	0	1,220	1,099
Interest expense	1,713	2,801	0	0	0	0	0	0	1,713	2,801
Net financial income/expenses	5,291	87	814	13	2,299	31	181	1	8,585	132
Income tax expense	-17,243	-18,801	-2,275	-2,403	-2,696	-981	-214	-90	-22,428	-22,275
Profit for the period	74,504	69,825	9,947	8,926	13,119	3,669	1,044	335	98,614	82,755
Capital expenditure	31,991	43,942	0	0	0	0	0	0	31,991	43,942
Depreciation of property, plant and equipment	20,909	20,425	1,266	1,452	4,449	3,804	185	169	26,809	25,850
Amortisation of intangible assets	1,748	1,870	269	275	759	661	60	39	2,836	2,845
	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009
Total assets	1,107,922	1,046,954	68,645	68,156	239,613	187,780	10,259	10,049	1,426,439	1,312,939
Total liabilities	266,983	240,247	41,064	35,989	116,006	98,829	9,148	5,864	433,201	380,929

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

Sales revenues

EUR 477,548 thousand

Sales revenues include revenues from the sale of products, services and goods on the domestic market worth EUR 37,677 thousand (7.9% of net sales revenues) and revenues from sales on foreign

markets worth EUR 439,871 thousand (92.1% of net sales revenues). Sales revenues were 13% higher than for the first half of last year.

Production cost of goods sold

EUR 187,420 thousand

The Group's production costs of goods sold increased by one fifth compared to the first half of last year.

Their ratio to sales revenues was 39.2%.

Sales and marketing

EUR 106,321 thousand

Sales and marketing expenses comprise the costs of the Slovenian and foreign marketing sales networks.

Sales and marketing expenses increased by one tenth compared to the same period last year, and their ratio to sales was 22.3%.

R&D costs

EUR 45,051 thousand

The Company does not capitalise R&D expenses, and they are fully disclosed in the current income statement. R&D costs were 15% higher than for the

first half of period last year, and their ratio to sales revenues was 9.4%.

Administrative expenses

EUR 28,678 thousand

Administrative expenses increased by 6% on the same period last year, and their ratio to sales was 6.0%.

Costs by nature

EUR 367,470 thousand

in EUR thousand	1-6/2010	1-6/2009	Ind. 10/09
Cost of goods and material	-141,348	-103,590	136
Cost of services	-113,969	-91,792	124
Employee benefits cost	-83,659	-80,390	104
Amortisation / Depreciation	-29,645	-28,695	103
Other operating expenses	-9,048	-8,111	112
Total costs	-377,669	-312,578	121
Change in the value of inventories	10,199	-6,363	160
Total	-367,470	-318,941	122

Employee benefit cost

EUR 83,659 thousand

in EUR thousand	1-6/2010	1-6/2009	Ind. 10/09
Gross wages and salaries and continued pay	63,848	63,298	101
Social security contributions and payroll tax	10,437	9,919	105
Retirement benefits and anniversary bonuses	3,550	1,901	187
Other employee benefits cost	5,824	5,272	110
Total employee benefits cost	83,659	80,390	104

Other operating expenses

EUR 9,048 thousand

in EUR thousand	1-6/2010	1-6/2009	Ind. 10/09
Grants and assistance for humanitarian and other purposes	956	1,320	72
Environmental levies	887	701	127
Other levies	1,893	1,049	180
Loss in the sale of property, plant and equipment and intangible assets	1,241	465	267
Write-offs and allowances for inventories	2,987	2,740	109
Other costs	1,084	1,836	59
Total other operating expense	9,048	8,111	112

Finance income and financial expenses

in EUR thousand	1-6/2010	1-6/2009	Ind. 10/09
Exchange differences	9,475	/	
Interest income	1,220	1,099	111
Change in fair value of investments through profit or loss	0	91	0
Dividend income	0	9,047	0
Total financial income	10,695	10,237	104
Exchange differences	/	-5,948	0
Interest expense	-1,713	-2,801	61
Change in fair value of investments through profit or loss	-42	-15	280
Income from derivative financial instruments, thereof:	0	-1,225	0
– outflows	0	-1,035	0
– changes in fair value	0	-190	0
Other financial expenses	-32	-31	103
Write-offs and allowances for receivables	-323	-85	380
Total financial expenses	-2,110	-10,105	21
Net financial income/expenses	8,585	132	6,504

Income tax expenses

EUR 22,428 thousand

The corporate income tax levied amounts to EUR 22,476 thousand, which is 18.6% of the pre-tax profit. Taking into account the deferred tax of minus EUR 48 thousand, the income tax expense in

the income statement totals EUR 22,428 thousand. The effective tax rate is 18.5%, which is 2.7 percentage points less than for the same period last year.

Property, plant and equipment

EUR 486,782 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Property	17,070	17,228	99
Plant	197,974	198,409	100
Equipment	222,568	222,710	100
Property, plant and equipment under construction	49,170	47,306	104
Total property, plant and equipment	486,782	485,653	100

The value of property, plant and equipment represented 34% of the company's total assets.

Krka's major investments are described in the chapter "Investments" in the business report.

Intangible assets

EUR 28,227 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Concessions, patents, licences, trademarks and similar rights	23,627	25,871	91
Intangible assets under construction	4,600	3,812	121
Total intangible assets	28,227	29,683	95

Intangible assets include software and market authorisation documentation for new medicines.

Loans

EUR 98,555 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Long-term loans:	20,161	17,080	118
– long-term loans to subsidiaries	15,867	13,272	120
– long-term loans to other entities	4,294	3,808	113
Short-term loans:	78,394	34,711	226
– short-term loans to subsidiaries	42,105	33,678	125
– short-term loans to other entities	35,789	778	4,600
– short-term interest receivables	500	255	196
Total loans	98,555	51,791	190

Long-term loans granted represent one fifth of all loans granted.

Long-term loans to others includes loans granted by the company to employees, in line with internal acts,

primarily to purchase or improve housing.

Short-term loans to others includes bank loans in domestic currency with a maturity of over 30 days, worth EUR 35,000 thousand.

Investments

EUR 5,804 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Non-current investments	5,192	5,449	95
– financial assets available for sale	5,192	5,449	95
Current investments, including derivatives	612	654	94
– instruments held for trading	107	145	74
– other current investments	505	509	99
Total investments	5,804	6,103	95

The financial assets available-for-sale include shares and stakes worth EUR 704 thousand in Slovenia, and EUR 4,488 thousand in shares and stakes held abroad.

Other current financial investments comprise Slovenian mutual fund units worth EUR 251 thousand and assets under management worth EUR 254 thousand.

Inventories

EUR 149,951 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Material	52,608	47,744	110
Work in progress	44,225	41,677	106
Products	47,625	42,399	112
Merchandise	5,493	6,792	81
Total inventories	149,951	138,612	108

Trade and other receivables

EUR 390,964 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Short-term receivables due from subsidiaries	204,933	171,298	120
Trade receivables	168,183	155,310	108
Receivables due from other entities	17,848	20,273	88
Total trade and other receivables	390,964	346,881	113

Cash and cash equivalents

EUR 19,553 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Cash in hand	21	10	210
Bank balances	19,532	7,477	261
Total cash and cash equivalents	19,553	7,487	261

Equity

EUR 993,238 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Share capital	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	160,064	160,270	100
– share premium	120,992	120,992	100
– legal reserves	14,990	14,990	100
– statutory reserves	22,184	22,184	100
– fair value reserve	1,898	2,104	90
Retained earnings	793,537	732,103	108
Total equity	993,238	932,010	107

Borrowings

EUR 130,847 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Long-term borrowings	103,836	103,836	100
– borrowings from domestic banks	103,836	103,836	100
Short-term borrowings	27,011	49,458	55
– current portion of long-term borrowings	20,336	37,373	54
– borrowings from subsidiaries	23	42	55
– borrowings from domestic banks	5,000	10,000	50
– borrowings from other entities	420	379	111
– interest payable	1,232	1,664	74
Total borrowings	130,847	153,294	85

Provisions

EUR 103,047 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Provisions for retirement benefits and anniversary bonuses	53.109	51.079	104
Other provisions	49.022	49.022	100
– provisions for lawsuits	49.000	49.000	100
– other provisions	22	22	100
Long/term deferred revenue	916	143	641
Total provisions	103.047	100.244	103

Provisions for lawsuits comprise 48% of all provisions. These increased compared to the start of the year, largely due to the formation of new

provisions retirement severance pay and loyalty bonuses.

Government grants and EU grants

EUR 1,158 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Grants received for the Beta plant in Šentjernej	148	169	88
Grants by the European Regional Development Fund	28	30	93
Grants by the European Fund – development of new technologies (FBD project)	385	385	100
Property, plant and equipment received free-of-charge	597	595	100
Total grants received	1,158	1,179	98

The FBD project is being co-financed by the European Union, via the European Regional Development Fund. The operation is part of the Operational Programme for Strengthening Regional Development Potentials 2007-2013, Development

Priority 1: Competitiveness of Companies and Research Excellence; Priority Guideline 1.1: Improving competitive potential of enterprises and research excellence.

Trade payables

EUR 108,797 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Payables to subsidiaries	21,153	24,679	86
Payables to domestic suppliers	37,266	29,781	125
Payables to foreign suppliers	50,161	33,805	148
Payables from advances	217	269	81
Total trade payables	108,797	88,534	123

Other current liabilities

EUR 79,560 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Accrued contractual discounts on products sold to customers outside the Group	15,203	12,910	118
Payables to employees – gross wages, other charges	21,935	20,970	105
Other	42,422	3,272	1.297
Total current liabilities	79,560	37,152	214

The increase in other current liabilities is primarily due to the liabilities incurred by the dividend payment of EUR 1.10 gross per share, in

accordance with Krka's 15th General Meeting, held on 17 June 2010.

Contingent liabilities

EUR 5,680 thousand

in EUR thousand	30 Jun 2010	31 Dec 2009	Ind. 10/09
Guarantees issued	5,060	5,086	99
Other	620	620	100
Total contingent liabilities	5,680	5,706	100

COMPLIANCE STATEMENT

The Management Board of the company Krka, d. d., Novo mesto hereby states that the consolidated financial statements of the Krka Company and the consolidated financial statements of the Krka Group for the period ending on 30 June 2010 were prepared in a manner that provides a true and fair picture of the financial standing and operating results of the Krka Company and Group. The condensed statements for the first half of 2010 were prepared using the same accounting principles as used to prepare the annual financial statements of the Krka Company and Group for 2009.

The condensed interim statements for the period ending 30 June 2010 were prepared in accordance with IAS 34 – Interim Financial Reporting, and must be read in conjunction with the annual financial statements prepared for the business year ending on 31 December 2009.

The Management Board is responsible for implementing measures to maintain the value of the Krka Company and Group assets and to prevent and detect any fraud or other irregular practice.

The Management Board also states that transactions between related persons within the Krka Group are executed on the basis of contracts of sales that use market prices for products and services.

Novo mesto, 19 July 2010



Jože Colarič
President of the Management Board and Chief Executive



Dr Aleš Rotar
Member of the Management Board



Zvezdana Bajc
Member of the Management Board



Dr Vinko Zupančič
Member of the Management Board



Danica Novak Malnar
Member of the Management Board – Worker Director