



**Unaudited Interim Report  
for the Krka Group  
and the Krka Company  
for January–March 2012**

Novo mesto, May 2012

## CONTENTS

<b>Introduction.....</b>	<b>3</b>
Highlights January–March 2012.....	3
Krka Group and Krka Company financial highlights.....	4
Events after the accounting period.....	5
ID card of the Krka Group.....	6
Krka Group organisation chart.....	7
Krka Group business model.....	8
Krka Group development strategy.....	8
<b>Business report.....</b>	<b>10</b>
Financial risk.....	10
Share information.....	11
Business operations analysis.....	14
Marketing and sales.....	16
Research and development.....	24
Investments.....	25
Employees.....	27
<b>Condensed consolidated financial statements of the Krka Group, with notes.....</b>	<b>29</b>
Statement of consolidated financial position.....	29
Consolidated income statement.....	30
Consolidated statement of comprehensive income.....	30
Consolidated statement of changes in equity.....	31
Consolidated statement of cash flows.....	33
Segment reporting.....	34
Notes to the consolidated financial statements.....	35
<b>Condensed financial statements of Krka d. d., Novo mesto, with notes.....</b>	<b>41</b>
Statement of financial position.....	41
Income statement.....	42
Statement of comprehensive income.....	42
Statement of changes in equity.....	43
Statement of cash flows.....	45
Segment reporting.....	46
Notes to the financial statements.....	47
<b>Management board's statement of responsibilities.....</b>	<b>53</b>

## INTRODUCTION

The condensed financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (Krka Company) for January–March 2012 and for January–March 2011 are unaudited, while the statements for the full 2011 business year present audited figures. The company has no authorised capital and has not made a conditional share capital increase.

The company promptly announces all significant changes to the data given in its listing prospectus

on the Ljubljana Stock Exchange electronic information dissemination system SEOnet and/or the Delo daily newspaper. The January–March 2012 Report for the Krka Group and Company is also available on the Krka website: [www.krka.si](http://www.krka.si).

The Supervisory Board discussed the January–March 2012 Report for the Krka Group and Company at its regular meeting on 8 May 2012.

### Highlights January–March 2012

- The Krka Group sold EUR 273.5 million worth of products and services, of which the Krka Company sold EUR 259.0 million.
- The Krka Group sales in EUR were up 6% compared to the same period last year, and Company sales were up 10%.
- The Krka Group generated EUR 54.8 million of operating profit, down 10% compared to the same period last year, while the Krka Company generated EUR 50.1 million of operating profit, down 12%.
- For the first quarter of 2012, The Krka Group reported a profit of EUR 48.6 million, up 1% compared to the same period last year, while the Krka Company generated EUR 48.1 million of profit, up 2%.
- The highest relative and absolute sales growth (up EUR 17.3 million, or 32%) was recorded in Region West Europe and Overseas Markets, while Krka's largest sales region in terms of sales was Region East Europe, contributing 29% to total sales.
- The Krka Group generated 92%, and the Krka Company 94%, of its sales revenues in markets outside Slovenia.
- Krka's shares are listed on the Ljubljana Stock Exchange, where Krka's closing price as at 31 March 2012 was EUR 50.13, down 5% compared to the end of 2011. Krka's market capitalisation amounted to EUR 1,776 million.
- The Krka Group spent EUR 24.2 million on investments, of which the Krka Company invested EUR 10.3 million and subsidiaries EUR 13.9 million.
- At the end of March 2012, the Krka Group employed 9,098 members of staff, an increase by 2% compared to the beginning of the year.

## Krka Group and Krka Company financial highlights

EUR thousand	Krka Group		Krka, d. d., Novo mesto	
	1-3/2012	1-3/2011	1-3/2012	1-3/2011
Revenues	273,546	257,956	259,030	236,134
EBIT	54,757	60,890	50,077	57,169
EBITDA	76,779	81,025	67,075	72,069
Profit for the period	48,632	47,952	48,125	47,018
R&D costs	24,134	22,658	23,883	21,478
Investments	24,182	23,435	10,278	20,453

	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
Non-current assets	866,041	859,468	826,938	809,065
Current assets	709,052	674,559	686,651	654,383
Equity	1,191,380	1,139,754	1,185,960	1,140,485
Non-current liabilities	154,495	155,092	126,709	126,830
Current liabilities	229,218	239,181	200,920	196,133

<b>RATIOS</b>	1-3/2012	1-3/2011	1-3/2012	1-3/2011
EBIT margin	20.0%	23.6%	19.3%	24.2%
EBITDA margin	28.1%	31.4%	25.9%	30.5%
Profit margin (ROS)	17.8%	18.6%	18.6%	19.9%
ROE <sup>1</sup>	16.7%	17.9%	16.5%	17.4%
ROA <sup>2</sup>	12.5%	12.8%	12.9%	12.9%
Liabilities/Equity	0.322	0.387	0.276	0.332
R&D costs/Revenues	8.8%	8.8%	9.2%	9.1%

<b>NUMBER OF EMPLOYEES</b>	31 Mar 2012	31 Mar 2011	31 Mar 2012	31 Mar 2011
As at	9,098	8,678	4,432	4,274

<b>SHARE INFORMATION</b>	1-3/2012	1-3/2011
Total number of shares issued	35,426,120	35,426,120
Earnings per share in EUR <sup>3</sup>	5.83	5.69
Share price at end of period in EUR	50.13	60.00
Price/Earnings ratio (P/E)	8.60	10.55
Book value in EUR <sup>4</sup>	33.63	30.91
Price/Book value (P/B)	1.49	1.94
Market capitalisation in EUR thousand (at end of period)	1,775,911	2,125,567

1 Profit for the period, annualised / Average equity balance over period.

2 Profit for the period, annualised / Average total assets balance over period.

3 Profit for the period attributable to equity holders of the parent, annualised / Average number of shares issued in period, excluding treasury shares.

4 Book value was calculated using the total number of issued shares.

## Events after the accounting period

- On 16 April 2012 the Krka Company received a Securities Market Agency Decision in which the Agency had found the parties below to be acting in concert, reaching and exceeding the takeover threshold, and has therefore imposed on Krka to prevent the following parties from exercising their voting rights in the target company Krka as of the day of the Decision's reaching finality:

- Slovenska odškodninska družba, d. d., Ljubljana, from 5,312,070 shares, which is 14.99% of all Krka shares with voting rights,
- Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d., Ljubljana, from 3,493,030 shares, which is 9.86% of all Krka shares with voting rights,
- Luka Koper, pristaniški in logistični sistem, d. d., Koper, from 433,970 shares, which is 1.22% of all Krka shares with voting rights,

- Zavarovalnica Triglav, d. d., Ljubljana, from 495,140 shares, which is 1.39% of all Krka shares with voting rights,
- KBM Fineko, družba za finančne storitve, trženje in svetovanje, d. o. o. – Group Nova KBM, Maribor, from 3,380 shares, which is 0.01% of all Krka shares with voting rights,
- Aerodrom Ljubljana d. d., Brnik, from 1,386 shares, which is 0.004% of all Krka shares with voting rights.

This ban on exercising their voting rights is to remain effective until the mentioned parties together, or until one of them in the name and for the account of all, or until a few of them in the name and for the account of all, issue a takeover bid to acquire the shares of the target company Krka pursuant to the Takeovers Act, or until these parties dispose of their KRKG shares to the extent that they together, or one of them, or several of them, no longer reach the takeover threshold.

- The subsidiary Krka Sverige AB, Sweden (Krka Sverige) received the decision of the Commercial Court in Oslo on infringement proceedings between AstraZeneca AB, Sweden, and its subsidiary AstraZeneca A/S (AstraZeneca) and Krka Sverige because of the alleged infringement of the patent NO 307 378, which protects the product esomeprazole with a high optical purity.

The Commercial Court in Oslo decided that Krka had infringed the patent NO 307 378. Krka claimed that the patent NO 307 378 covered only esomeprazole with the optical purity of 99.8% e.e. or more, as AstraZeneca had limited its invention in all members of European Patent Convention (EP patent). The Commercial Court in Oslo, however, ruled against Krka's claims and concluded that the

scope of the invention in Norway is broader, the patent NO 307 378 covering any esomeprazole product with the optical purity above 98% e.e. For this reason, Krka's product, which has the optical purity below 99.8% e.e. but above 98% e.e., falls within the scope of the patent and represents patent infringement.

Krka Sverige had sold its esomeprazole products in Norway from October to December 2010, when sales were discontinued after being enjoined by the Oslo Enforcement Court. Krka Sverige must now remunerate AstraZeneca for profits lost in the respective period in the approx. amount of EUR 1.9 million.

The decision is not final and Krka will appeal against it.

- From 11 April 2012, Krka's shares have been additionally listed on the Warsaw Stock Exchange.

## ID card of the Krka Group

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

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

**Telephone:** +386 07 331 21 11

**Fax:** +386 07 332 15 37

**E-mail:** info@krka.biz

**Website:** www.krka.si

**Core business:** manufacture of pharmaceutical preparations

**Business classification code:** 21.200

**Year established:** 1954

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

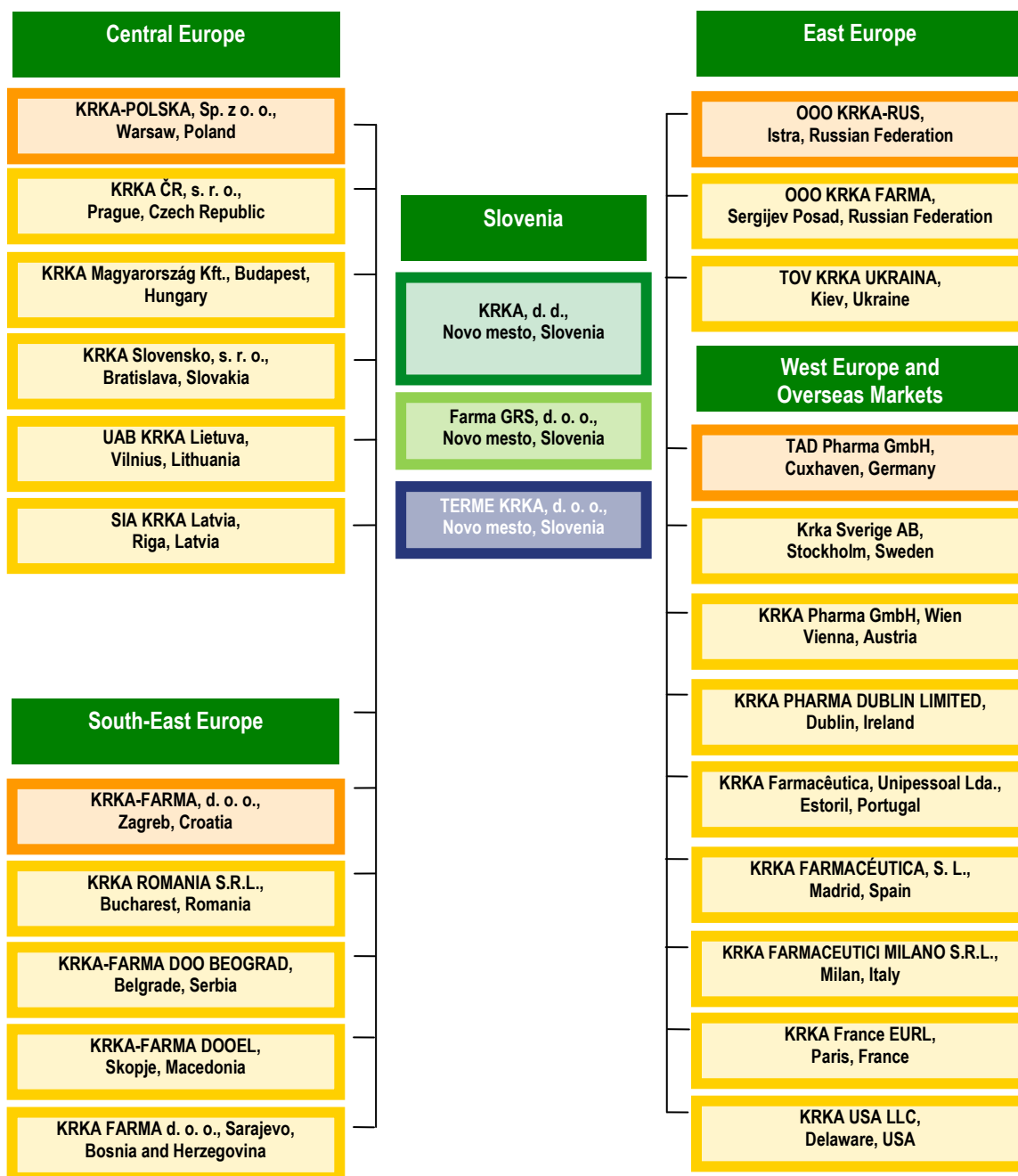
**VAT identification number:** 82646716

**Company ID number:** 5043611

**Share capital:** EUR 59,126,194.28

**Shares:** 35,426,120 ordinary registered no-par value shares. Krka has been listed on the Ljubljana Stock Exchange under symbol KRKG since 1997.

## Krka Group organisation chart



Production-distribution companies  
Health-resort and tourist services company

Other subsidiaries outside Slovenia  
EU project: Research and development company

The controlling company, Krka, d. d., Novo mesto, holds 100% ownership stakes in all of the above subsidiaries, apart from Farma GRS, in which it holds a 99.7% stake.

## Krka Group business model

Krka is one of the world's leading generic pharmaceutical companies. Headquartered in Slovenia, it has 58 years of experience in the business.

Krka is the market leader in Slovenia and has considerable market shares on generic pharmaceutical markets in:

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

In recent years Krka has built up its presence in the markets of Western Europe, especially Germany, the UK, France, Italy, Portugal, the Nordic countries and Benelux.

Krka's production and distribution facilities are located in Slovenia, the Russian Federation, Poland, Croatia and Germany.

Our modern pharmaceutical production process and the vertically integrated business model allow us to offer customers in over 70 countries abroad range of safe, high quality and effective prescription pharmaceuticals, non-prescription products and

animal health products. The majority of Krka products are in solid dosage pharmaceutical forms. The company's pharmaceuticals business is supplemented by the health-resort and tourist services of the Terme Krka Group.

We are focused on generic prescription pharmaceuticals marketed under Krka's own brands, and will continue to focus on marketing our brands and on developing our own marketing and sales network, either by establishing new companies or purchasing local pharmaceutical companies in selected markets. Our objective is to strengthen the market position of the Krka Group in Europe and in the markets of Central Asia as well as to enter new high potential markets.

In order to increase the competitive advantage of our product portfolio and maintain a high proportion of vertically integrated products, Krka has allocated 9% of its sales revenues to research and development. A significant percentage of our total sales revenue is generated from the sales of new products, i.e. the products launched on different markets over the past five years. We will continue to invest into research and development, as there are over 130 new Krka products in the pipeline.

## Krka Group development strategy

In 2011 the Management Board adopted the Krka Group development strategy for the next strategic period, from 2012 to 2016. We measure how well our strategic objectives are being realised against benchmarks, which are set at three levels: at Group level, for each product group and for each business function.

Performance at Group level is monitored by the Management Board, while performance at the level

of product and service groups as well as business functions is monitored by relevant committees. The key principle in monitoring performance criteria is increasing competitiveness, both of the Group and of each company individually.

The key Krka Group objectives and strategies to 2016 are set out below.



## Key strategic objectives to 2016

- Report an average annual sales growth of at least 6%.
- In addition to organic growth, expand through mergers and acquisitions and long-term partnerships.
- Have new products account for at least one third of total sales.
- Strengthen the competitive advantage of the product portfolio by maintaining vertical product integration and by launching selected products as the first generic pharmaceuticals on selected key markets.
- Increase cost efficiency in products.
- Improve asset efficiency.
- Strengthen innovation across all business functions.
- Maintain independence.

## Key strategies to 2016

- Prioritise focus on European markets and the markets of Central Asia.
- Strengthen the pharmaceuticals and chemicals business, especially prescription pharmaceuticals for the three key therapeutic areas (pharmaceuticals for cardiovascular diseases, pharmaceuticals to treat alimentary and metabolic diseases, and pharmaceuticals for diseases of the central nervous system) and non-prescription products for selected therapeutic areas.
- Develop generic pharmaceuticals and prepare their marketing authorisation documentation prior to the expiry of the product patent for an original medicine.
- Strengthen competitiveness in the markets of Western Europe by establishing our own marketing companies.
- Strengthen the professional and cost synergies inside the Krka Group, and maximise the competitive advantages offered by the business environments of Krka companies outside Slovenia.
- Secure a permanent supply of input materials and optimise supply to continually drive down costs.
- Strengthen the internationalisation of all business functions in the Krka Group.
- Maintain a sense of responsibility with respect to the surroundings in which we operate, in an economic and social sense as well as in relation to preserving the environment.
- Reduce the impact of financial risk and economic threats on the operations of the Krka Group.
- Pursue the policy of moderate dividend increases.
- Operate in line with the principles of business excellence and thereby strengthen the visibility and positive public profile of the Krka Group.

## Business objectives of the Krka Group for 2012

- With a growth rate of 6%, the product and service sales is planned to be EUR 1,134 million.
- Central Europe will remain Krka's largest sales region and the Russian Federation its most important individual market.
- Sales outside Slovenia are expected to account for 90% of total sales.
- With the expected sales growth of 5%, prescription pharmaceuticals will remain the most important product group, accounting for 81% of total sales.
- The planned net profit is EUR 170 million.
- At the end of 2012, the Group will employ close to 9,700 staff (up 5%), one half outside Slovenia.
- Investments worth a planned EUR 200 million will primarily be spent on expanding and modernising production capacity, research and development capacity, and infrastructure..

## BUSINESS REPORT

### Financial risk

#### Foreign exchange risk

Due to our widespread international operations, the Group is exposed to foreign exchange risk with respect to the Russian rouble, Romanian leu, Polish złoty, Croatian kuna, Czech koruna, Hungarian forint, Ukrainian hryvnia and Serbian dinar.

The Krka Group statement of financial position shows a surplus of assets over liabilities in all these currencies, which we consider a long currency position. The key categories that make up a currency position are trade receivables, trade payables, and the parent company's receivables from and payables to its subsidiaries.

The majority of the currencies that the Group considers of key importance for its operations appreciated relative to the euro in the first quarter, resulting in positive net exchange rate differences

on our books.

In order to decrease the impact of foreign exchange volatility on the Group's results, we entered into ordinary currency futures contracts at the beginning of 2012 to hedge a proportion of our open position in Russian roubles. Since the Russian rouble appreciated relative to the euro in the first quarter, we reported a negative financial result from the currency futures. However, the overall result from the futures combined with the positive foreign exchange differences from the long currency position in Russian roubles was positive at the end of the first quarter.

Currency positions in the other currencies were not hedged in the first quarter.

#### Interest rate risk

No new long-term loans were agreed in the first quarter of 2012. Owing to our periodic repayments, the Group's existing non-current borrowings continue to decrease and are currently at the level

where market interest rate changes no longer have a decisive impact on the increase of the Group's overall financial expense.

#### Credit risk

Our credit control process involves obtaining credit ratings for customers to which the controlling company and subsidiaries sell products worth an annual EUR 100,000 or more, and regular, dynamic monitoring of customer payment discipline. Over 400 of the Group's customers are included into the credit control system.

The receivables reported at the end of the first quarter have increased compared to the beginning of the year, however this is only due to increased sales. There was no extending of payment deadlines in our key sales markets. The customers'

average payment term and the amount of past due receivables remained unchanged compared to previous periods, and we therefore estimate that our customers' payment discipline did not change.

We did not write off any trade receivables in the first quarter, and approximately one half of our receivables have insurance coverage.

The quality of trade receivables in terms of maturity structure and assessed customer risk are estimated to have remained unchanged on average.

## Liquidity risk

In the first quarter of 2012, the risks related to the Group's liquidity were managed by effective short-term cash flow planning. Short-term liquidity was ensured through the continual cash flow, agreed short-term revolving and fixed borrowings from banks, and the daily, rolling weekly, monthly and longer-term planning and monitoring of cash inflows

and outflows. We also optimised the bank balances of Krka's subsidiaries.

The liquidity risk that Krka is exposed to is estimated to be low. In the reported period we settled all our liabilities regularly and in the agreed time frames.

## Property, business interruption and liability insurance

The Krka Group entered into short-term insurance agreements in the first quarter, which came as a follow-up to demand letters submitted to Slovenian and foreign insurance companies at the end of last year. Consistent with the corporate insurance programme, insurance policies were also taken out from local insurers, i.e. original policies were taken out inside the European Union in line with the system of the free exchange of services. With a view to protecting the Group financially and legally from potential claims for damages with respect to general civil liability, employer's liability and liability for ecological damage, Krka's subsidiaries abroad

have local insurance against liability as well, which provides for an optimum insurance of the Group.

Krka has analysed car insurance arrangements across the Group in the past year, focusing mainly on the effects expected from the introduction of the deductible in casco insurance and on the benefits of the mandatory monitoring of competitive offers from insurance companies. Both the introduction of the deductible and the annual comparison of insurers' offers have contributed to substantially decreasing insurance premiums as well as loss events, while at the same time increasing economy and asset availability.

## Share information

At the end of March 2012 Krka had a total of 70,741 shareholders, down almost 3% compared to the end of 2011. The decrease in the total number of shareholders was mainly due to domestic individual investors selling their stakes.

International investors increased their holdings in the first quarter of 2012, while the holdings of domestic individual investors, funds and other companies were slightly down.

## Shareholder structure (%)

	31 Mar 2012	31 Dec 2011
Slovenian individual investors	40.9	41.2
State restitution fund (Slovenska odškodninska družba)	15.0	15.0
State asset manager (Kapitalska družba) and its pension fund PPS	10.2	10.2
Slovenian investment companies and funds	3.6	3.8
Other Slovenian companies	7.9	8.1
International investors	16.5	16.0
Treasury shares	5.9	5.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

In the first quarter of 2012, Krka repurchased 55,017 treasury shares via the Ljubljana Stock Exchange, worth a total of EUR 2.8 million. At the

end of March 2012, it thus held 2,080,134 treasury shares, or 5.9% of its share capital.

### Krka's 10 largest shareholders as at 31 March 2012

	Country	No. of shares	Share in equity (%)	Share of voting rights (%)
Slovenska odškodninska družba, d. d.	Slovenia	5,312,070	14.99	15.93
Kapitalska družba, d. d.	Slovenia	3,493,030	9.86	10.48
New World Fund Inc.	USA	755,000	2.13	2.26
Hypo Alpe-Adria-Bank, d. d.	Croatia	654,097	1.85	1.96
Societe Generale-Splitska banka, d. d.	Croatia	536,236	1.51	1.61
Luka Koper, d. d.	Slovenia	433,970	1.23	1.30
Zavarovalnica Triglav, d. d.	Slovenia	388,300	1.10	1.16
Triglav Vzajemni skladi	Slovenia	374,698	1.06	1.12
Unicredit Bank Austria AG	Austria	348,157	0.98	1.04
Unicredit Bank Hungary ZRT	Hungary	336,375	0.95	1.01
<b>Total</b>		<b>12,631,933</b>	<b>35.66</b>	<b>37.87</b>

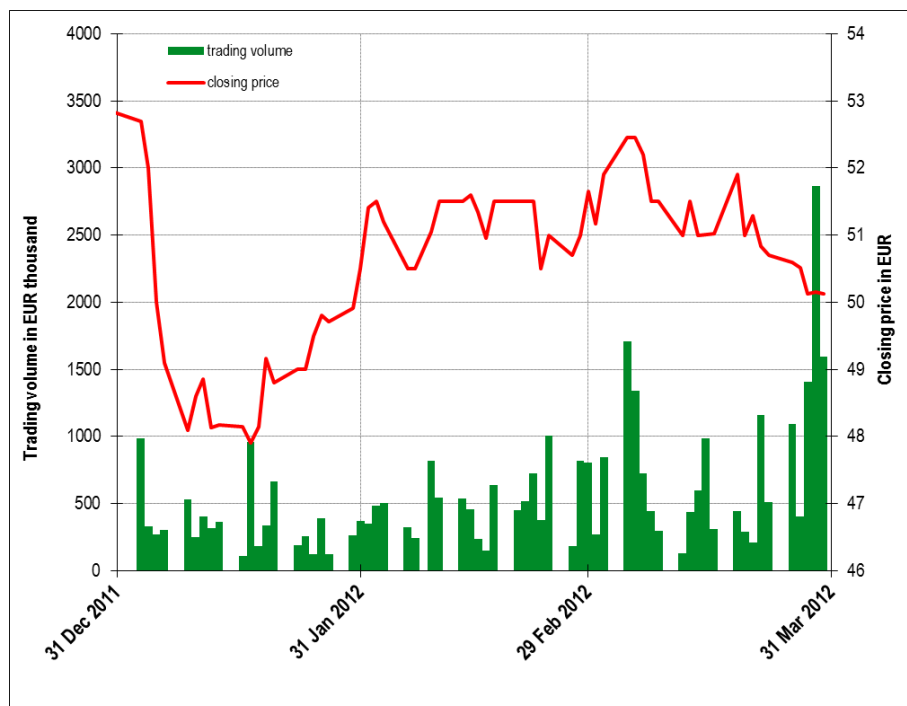
At the end of March 2012, Krka's 10 largest shareholders held a total of 12,631,933 shares, which is slightly under 36% of all issued shares.

On 31 March 2012 members of the Management Board and Supervisory Board held a total of 50,895 shares, which is 0.144% of all issued shares.

### Shares in equity and shares of voting rights held by members of the Krka Management Board and Supervisory Board as at 31 March 2012

	No. of shares	Share in equity (%)	Share of voting rights (%)
<b>Management Board members</b>			
Jože Colarič	22,500	0.06351	0.06747
Aleš Rotar	12,770	0.03605	0.03830
Zvezdana Bajc	1,660	0.00469	0.00498
Vinko Zupančič	120	0.00034	0.00036
Danica Novak Malnar	0	0.00000	0.00000
<b>Total Management Board</b>	<b>37,050</b>	<b>0.10459</b>	<b>0.11111</b>
<b>Supervisory Board members</b>			
Jože Lenič	180	0.00051	0.00054
Matjaž Rakovec	400	0.00113	0.00120
Franc Šašek	540	0.00152	0.00162
Julijana Kristl	230	0.00065	0.00069
Vincenc Manček	11,543	0.03258	0.03462
Mojca Osolnik Videmšek	452	0.00128	0.00136
Tomaž Sever	500	0.00141	0.00150
Sergeja Slapničar	0	0.00000	0.00000
Mateja Vrečer	0	0.00000	0.00000
<b>Total Supervisory Board</b>	<b>13,845</b>	<b>0.03908</b>	<b>0.04153</b>

## Share trading January to March 2012



Krka's share price dropped by 5% over the first quarter, stopping at EUR 50.13 at the end of March. In the same period, the Slovenian blue-chip index SBI TOP climbed 2%. Krka's market capitalisation on 31 March 2012 amounted to EUR 1.8 billion,

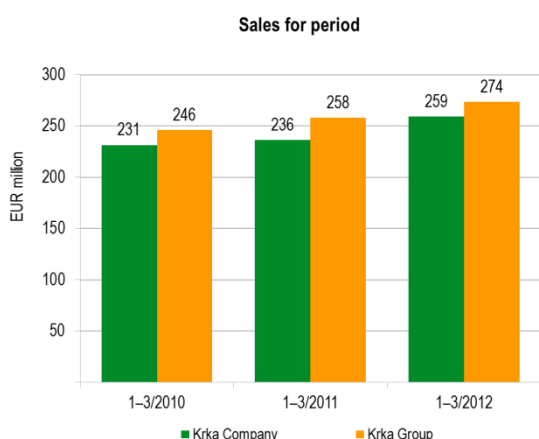
and in the first quarter of 2012 deals in Krka's share generated an average of EUR 0.6 million of daily trading volume at the Ljubljana Stock Exchange, making Krka the most traded share on the LJSE.

## Business operations analysis

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

the commentary relates mainly to the Krka Group.

## Revenues



Group sales revenue increased 6% compared to the same period last year, with Company revenue growing 10%. The Krka Company sold EUR 259.0 million worth of prescription pharmaceuticals, non-prescription products and animal health products, while the Group generated EUR 273.5 million of

revenue from these products plus the health-resort and tourist services.

The sales of prescription pharmaceuticals increased by 10% compared to the same period last year, representing over 84% of total Krka Group sales revenue. The Group generated 92% of its revenue in markets outside Slovenia.

Taking into account other operating and financial income as well, the Group generated a total of EUR 284.6 million of sales revenue, of which the Krka Company generated EUR 271.1 million.

The breakdown of sales results according to individual markets and groups of products and services is given in the Section Marketing and Sales below.

## Expenses

Total Group expenses incurred in the first quarter of 2012 amounted to EUR 224.8 million, up 12% compared to the same period last year.

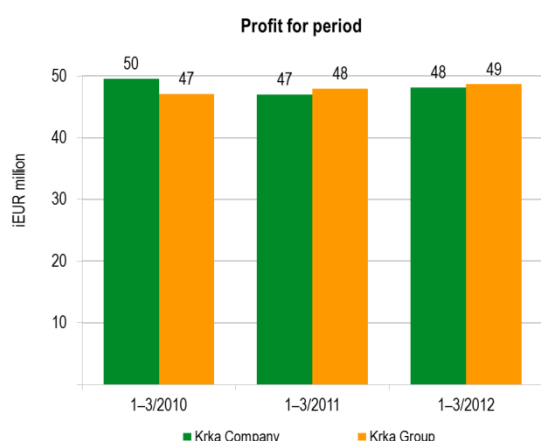
The Group incurred EUR 219.0 million of operating expenses, of which EUR 107.2 million was the cost of sales, EUR 69.5 million were distribution expenses, EUR 24.1 million were R&D costs, and EUR 18.2 million were administrative expenses.

The cost of sales increased by 8% compared to the same period last year, on the costs to sales ratio of 39.2%. Distribution expenses increased by 15%

compared to the same period last year, on a costs to sales ratio of 25.4%. The significant increase was due to extensive investments into Krka's marketing and sales network made during the first quarter of 2012.

Group R&D costs increased by 7%, on a costs to sales ratio of 8.8%. The Group does not capitalise R&D costs, therefore they are recognised as expenses for the period in full. Administrative expenses increased by 1% compared to the same period last year, on a costs to sales ratio of 6.7%.

## Operating results



The Group recorded EUR 54.8 million of operating profit, down one tenth compared to the same period last year. Pre-tax profit amounted to EUR 59.9 million, down 3% compared to the same period last year.

Income tax totalled EUR 11.2 million, and the effective tax rate was 18.7%.

The Group generated EUR 48.6 million of net profit in the first quarter of 2012, up 1% compared to the same period last year, and the Krka Company generated EUR 48.1 million of net profit, up 2%.

## Assets

At the end of March 2012, Krka Group assets were worth EUR 1,575.1 million, up 3% compared to the end of 2011. Non-current assets represented 55.0% of total assets, having decreased by one percentage point compared to the beginning of the year.

The largest item under non-current assets, which totalled EUR 866.0 million, was property, plant and equipment on EUR 710.3 million, which is 45.1% of

the Group's total assets. The value of property, plant and equipment increased by 1% from the beginning of the year. Intangible assets amounted to EUR 117.5 million.

Current assets were up 5% to EUR 709.1 million over the past quarter, with inventories increasing by 1% to EUR 255.3 million, and receivables increasing by 5% to EUR 418.8 million.

## Equity and liabilities

The Group's equity increased by 5% compared to the end of 2011 and now represents 75.6% of total equity and liabilities.

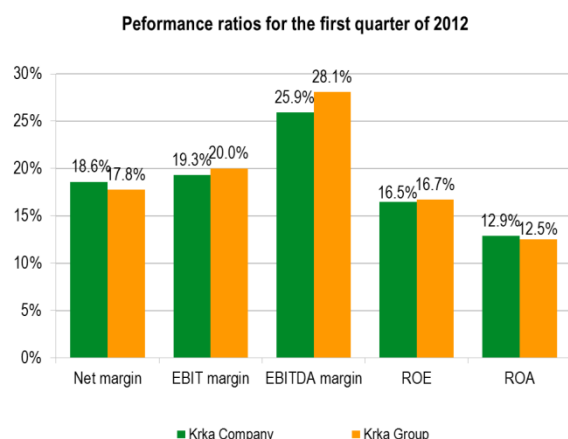
Amounting to EUR 154.5 million, non-current liabilities represent 9.8% of the Group's total assets. Provisions amounted to EUR 104.8 million at the end of March, and thus remained on the same level as at year-end 2011. The value of non-current borrowings did also not change in the reported period.

Current liabilities decreased by 4% compared to the

end of 2011 and totalled EUR 229.2 million, which is 14.6% of the Group's total assets. Among current liabilities, trade payables amounted to EUR 89.8 million, down 1% compared to the end of 2011, with current borrowings amounting to EUR 30.3 million, down 31%. Total non-current and current borrowings decreased by one fifth compared to the end of 2011.

Other current liabilities were up 4% compared to the end of last year and amounted to EUR 106.5 million.

## Performance ratios



The Group's net profit margin was 17.8% (Krka Company 18.6%), the EBIT margin 20.0% (19.3%) and the EBITDA margin 28.1% (25.9%). ROE at Group level was 16.7% (Krka Company 16.5%), with ROA at 12.5% (12.9%).

## Marketing and sales

Over the initial three months of 2011, both the Krka Group and the Krka Company exceeded the sales figures recorded in the same period last year. The Krka Group sold EUR 273.5 million worth of products and services, up 6% compared to the same period last year, and the Krka Company sold EUR 259.0 million worth of products, up one tenth.

## Sales by Region

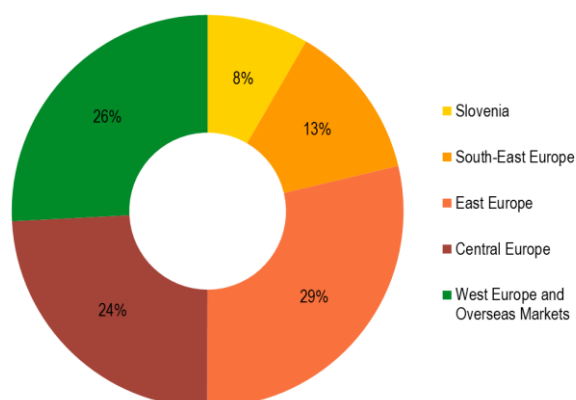
Krka's sales were the highest in the Region East Europe, where they amounted to EUR 78.6 million, which is 29% of total Group sales. With EUR 70.6 million of sales revenues, the second largest sales region was the Region West Europe and Overseas Markets, which contributed 26% to total sales. The third largest area in terms of sales was the Region Central Europe, where Krka sold EUR 66.0 million

worth of products, which is 24% of total Group sales. Krka sold an additional EUR 35.3 million (13% of total sales) worth of products in the Region South-East Europe, while Slovenia, where Krka generated a total of EUR 22.9 million of sales revenues, represented 8% of the total Krka Group sales.

EUR thousand	Krka Group			Krka Company		
	1-3/2012	1-3/2011	Ind.	1-3/2012	1-3/2011	Ind.
Slovenia	22,916	24,105	95	15,503	16,366	95
South-East Europe	35,343	36,734	96	37,030	37,847	98
East Europe	78,632	66,782	118	77,013	58,456	132
Central Europe	66,031	77,021	86	70,208	75,947	92
West Europe and Overseas Markets	70,624	53,314	132	59,276	47,518	125
<b>Total</b>	<b>273,546</b>	<b>257,956</b>	<b>106</b>	<b>259,030</b>	<b>236,134</b>	<b>110</b>



## Krka Group sales by Region, January–March 2012



### Slovenia

In Slovenia Krka sold EUR 22.9 million worth of products and services in the first quarter of 2012, down 5% compared to the same period last year. The majority of sales revenue came from prescription pharmaceuticals, which generated EUR 12.7 million, with non-prescription products contributing a further EUR 1.6 million and animal health products an additional EUR 0.7 million of revenue. The Terme Krka Group generated EUR 7.6 million over the reported period, down 4% compared to the same period last year.

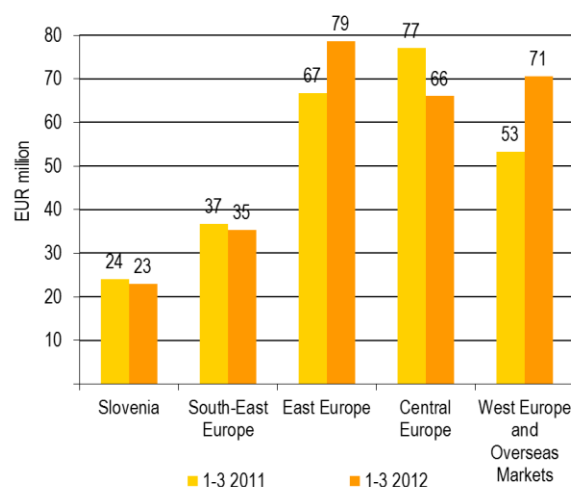
Our marketing efforts focused on launching the combination of perindopril and amlodipine under the Amlessa brand, which has made Krka ever more prominent in the antihypertensives market. We also promoted our products treating hyperlipidaemia conditions, having launched Sorvasta (rosuvastatin) and Atoris (atorvastatin) in new concentrations, which will facilitate an easier choice of optimum dosage to both doctors and patients. With the new product Galsya (galantamine) we are consolidating

### South-East Europe

Product sales in the markets of South-East Europe totalled EUR 35.3 million, down 4% compared to the same period last year. Sales growth was recorded in Serbia, Bosnia and Herzegovina, Kosovo and Macedonia.

**Croatia** is one of Krka's key markets. In the first three months of 2012, Krka sold EUR 8.9 million worth of products there, remaining the leading

## Krka Group sales by Region, January–March 2011 and January–March 2012



our position in the market of anti-dementia medicines, and we have further supplemented our range of products by launching the antihistamine Dasselta (desloratadine) in February.

Our best-selling prescription pharmaceuticals remain Prenessa (perindopril), Atoris (atorvastatin), Ultop (omeprazole), Lorista (losartan) and Enap (enalapril), while the leading non-prescription products were Nalgesin S (naproxen), Panatus (butamirate), Septotele and Daleron (paracetamol).

Half way into the first quarter, we witnessed the taking of effect of the supplemented rules on determining the prices of pharmaceuticals used in human medicine, which additionally contributed to driving down the costs of medications. Despite lower sales in the first quarter, Krka still holds a 12% market share in Slovenia and has remained the leader in the domestic prescription pharmaceuticals market.

foreign producer of generic pharmaceuticals in the country. Despite a 9% decrease in total sales compared to the same period last year, we remained the leading provider in the statin therapeutic group and in selected groups of antimicrobial substances (macrolides, quinolones), while we also achieved important market shares and recorded sales growth for our proton pump inhibitors, ACE inhibitors and sartans.

Our leading prescription pharmaceuticals in terms of sales value were Atoris (atorvastatin), Panatus (butamirate), Ampril (ramipril), Helex (alprazolam), Zyllt (clopidogrel), Enap (enalapril), Emanera (esomeprazole), Valsacor (valsartan), Lanzul (lansoprazole) and Nalpaza (pantoprazole). We expect Roswera (rosuvastatin), Nalpaza IV (pantoprazole) and Monkasta (montelukast) to be added to the reimbursement lists in May.

Sales in **Romania** amounted to EUR 11.2 million, making Romania the largest individual market in the Region. The most important sales drivers were the prescription pharmaceuticals Prenessa (perindopril), Atoris (atorvastatin), Roswera (rosuvastatin), Tolura (telmisartan) and Enap (enalapril). High sales growth was recorded for the recently launched products Prenessa (perindopril), Co-Prenessa (perindopril and hydrochlorothiazide), Atoris (atorvastatin), Roswera (rosuvastatin), Emanera (esomeprazole) and Monkasta (montelukast).

With respect to non-prescription products, we are preparing to launch new brands on the market as well as expand our range of products marketed under existing brands, while in the area of animal health products, we are entering the market primarily with new products aimed at treating pets.

Sales in **Bosnia and Herzegovina** amounted to EUR 4.6 million, an increase by 12% compared to the same period in 2011. The leading products were the prescription pharmaceuticals Enap (enalapril), Lorista (losartan), Zyllt (clopidogrel), Atoris (atorvastatin), Naklofen (diclofenac) and Coryol (carvedilol), while in March we also launched the medicine Emanera (esomeprazole) on the market. The best-selling non-prescription products were those from the B-complex, Septolete and Bilobil (ginkgo biloba) groups.

Krka has remained the leading foreign producer of generic pharmaceuticals in **Macedonia**, where sales were up 2% to EUR 3.2 million. Despite the lowering of reference prices in February, prescription pharmaceuticals contributed most to sales growth as well as to sales value, with the most important products being Enap (enalapril), Atoris (atorvastatin), Helex (alprazolam), Cordipin (nifedipine) and Lorista (losartan). The leading non-prescription products were B-complex, Daleron (paracetamol), Bilobil (ginkgo biloba), Herbion and Septolete. We have high expectations for the future

with respect to the newly launched products Atoris 80 mg (atorvastatin), Emanera (esomeprazole), Co-Prenessa (perindopril and indapamide), Lorista HD (losartan and hydrochlorothiazide) and Nalpaza control (pantoprazole).

In **Serbia** sales amounted to EUR 2.7 million. Our extensive promotion activities directed at pharmaceuticals on the reimbursements list preserved sales growth: compared to the first quarter last year, sales in Serbia were up 13%. The main contribution to overall sales came from the prescription pharmaceuticals Atoris (atorvastatin), Ampril (ramipril) and Zyllt (clopidogrel). The newly launched products included the non-prescription products Herbion cowslip syrup and Herbion plantain syrup, and the animal health products Enroxil Flavour (enrofloxacin) and Toltarox (toltrazuril).

In **Bulgaria** we sold EUR 2.0 million worth of products, of which the leaders in terms of sales value were the prescription pharmaceuticals Lorista (losartan), including combinations with a diuretic, Valsacor (valsartan), Enap H (enalapril and hydrochlorothiazide), Rawel (indapamide), Atoris (atorvastatin) and Co-Prenessa (perindopril and indapamide). We have recently strengthened the range of products marketed in Bulgaria under our brands with new forms, of which let us point out Roswera (rosuvastatin), Tolura (telmisartan) and Nalpaza (pantoprazole).

Sales in **Kosovo** reached EUR 1.4 million over the first quarter, up 2% compared to the same period last year. The main sales drivers were the prescription pharmaceuticals Enap (enalapril), Zyllt (clopidogrel) and Lorista (losartan). Kosovo is one of the countries where Krka is the leading supplier of pharmaceuticals.

Sales in **Albania** amounted to EUR 1.2 million in the first quarter, remaining at the same level as last year. Most sales came from the prescription pharmaceuticals Enap (enalapril), Lorista (losartan), Hiconcil (amoxicillin), Ciprinol (ciprofloxacin) and Zalasta (olanzapine).

In **Montenegro** we sold EUR 0.2 million worth of products, less than in the first quarter of 2011. The leading prescription pharmaceuticals were Ospen (phenoxymethylpenicillin), Efloran (metronidazole), Moditen (fluphenazine) and Lorista (losartan).

## East Europe

In addition to Krka's key market the Russian Federation, which is also Krka's largest individual market, the Region East Europe encompasses a number of Eastern European and Central Asian countries. We recorded sales growth in the majority of these markets, with total sales in the Region amounting to EUR 78.6 million.

In the **Russian Federation** we sold EUR 54.2 million worth of products in the first quarter of 2012, an increase by 16% compared to the same period last year. The dominant share of sales came from prescription pharmaceuticals, followed by non-prescription products and animal health products.

The group of our leading products in terms of sales in that market is beginning to include an increasing number of new products, i.e. those launched over the past five years. This group consists of Enap (enalapril), Lorista (losartan), Atoris (atorvastatin), Zyllt (clopidogrel), Perineva (perindopril), Orsoten (orlistat), Nalgesin (naproxen), Nolpaza (pantoprazole), Herbion and Panzynom (pancreatin). Krka has preserved its position in the market of the Russian Federation as one of the leading suppliers of ACE inhibitors, statins, sartans, multivitamin products for children, cough syrups, proton pump inhibitors and weight loss pharmaceuticals. The highest sales growth rates over the first quarter of 2012 were recorded for the medicines Perineva (perindopril), Nolpaza (pantoprazole), Zyllt (clopidogrel), Kventiax (quetiapine) and Nalgesin (naproxen).

The follow-up sales of the non-prescription product Orsoten SLIM (orlistat), which had been launched at the end of 2011, was also successful, and we are planning to launch another product, Roxera (rosuvastatin), which will strengthen Krka's position as the supplier of statins in the Russian Federation.

The construction of the production and distribution centre Krka Rus II is coming along according to plans.

Having intensified marketing activities in **Ukraine**, where the entire pharmaceuticals market recorded growth over the reported period, our sales there were up 15% to EUR 12.1 million. The majority of sales came from prescription pharmaceuticals, mainly from Enap (enalapril), Atoris (atorvastatin), Coryol (carvedilol) and Lorista (losartan). The highest sales growth, of nearly 50%, was recorded

for animal health products.

In **Kazakhstan** we witnessed continued sales growth as well as market share growth, selling EUR 2.9 million worth of products there, up 35% compared to the same period last year. The main drivers of sales growth were prescription pharmaceuticals, among which the leaders were Enap (enalapril), Duovit, Herbion, Gliclada (gliclazide) and Fromilid (clarithromycin). Later this year we also expect to see good sales results for the products Nolpaza (pantoprazole), Repodiab (repaglinide), Roxera (rosuvastatin) and Orsoten (orlistat), which were launched on the market in 2011.

Sales in **Uzbekistan** increased by 46% to EUR 2.7 million, mainly due to the sales of prescription pharmaceuticals, of which the best sales results were recorded for Enap (enalapril) and Lorista (losartan). The leading non-prescription products were Septotele and Pikovit. On account of the specifics of payment transactions in that market, we continue to devote a lot of attention to shortening payment terms and decreasing receivables.

In the **Belarus** market, we sold EUR 1.6 million of products, up 3% compared to the first quarter last year, and this in spite of the lower purchasing power of the population. The largest contributors to total sales were Pikovit, Lorista (losartan) and Enap (enalapril). The new products launched on the market in the reported period were Valsacor (valsartan), Herbion plantain syrup and Herbion cowslip syrup.

Sales in **Moldova** were up 26% to EUR 1.3 million, the majority of which came from prescription pharmaceuticals, mainly the leading Ampril (ramipril), Enap (enalapril), Kaptopril (captopril), Tenox (amlodipine) and Rawel (indapamide).

The 10% sales growth in **Mongolia** was largely driven by the sales of prescription pharmaceuticals. Atoris (atorvastatin), Rawel (indapamide), Zyllt (clopidogrel) and Orsotlim (orlistat) were the new products launched on the market in the reported period.

Sales also increased in all the markets of the Caucasus and Central Asia. Sales in **Azerbaijan** remained on the same level as last year, amounting to EUR 0.7 million. The leading product there was

Enap (enalapril). In **Georgia** sales were up 20%, mainly on account of prescription pharmaceuticals, while in **Kyrgyzstan** sales doubled, primarily on account of the sales growth rates recorded for the non-prescription products Duovit, Herbion and Pikovit. The 118% sales growth compared to the same period last year in **Turkmenistan** was mainly due to the new products Nalpaza (pantoprazole),

Atoris (atorvastatin) and Lorista (losartan). After sales in **Armenia** stagnated in 2011, they were up 68% in the reported period, mainly on account of prescription pharmaceuticals. Sales in **Tajikistan** were up 30%, and were mainly driven by the newly launched pharmaceutical Nalpaza (pantoprazole) and the other prescription pharmaceuticals.

## Central Europe

Sales in the Region Central Europe amounted to EUR 66.0 million in the first quarter of 2012, making it Krka's third largest sales region in terms of sales value. Despite sales having increased in the majority of the markets in the Region, the lower sales figures recorded for the two key markets, Poland and Hungary, caused the overall sales to drop by 14% compared to the same period last year.

In the key market **Poland**, Krka's second largest individual market, we generated EUR 25.7 million of sales, a decrease by 23% compared to the same period last year. Lower sales were mainly the result of the recent legislative changes in the country, and we expect sales to pick up later this year.

The largest contributors to sales were prescription pharmaceuticals, of which the leaders remain Atoris (atorvastatin), Lorista (losartan), Valsacor (valsartan), Nalpaza (pantoprazole), Zalasta (olanzapine) and Prenessa (perindopril). A significant contribution came from the pharmaceuticals introduced to the market in recent years, namely Roswera (rosuvastatin), Doreta (paracetamol and tramadol), Nimvastid (rivastigmine), Elicea (escitalopram), Ultop (omeprazole), Cezero (levocetirizine), Emanera (esomeprazole) and Karbis (candesartan). Septotele and Bilobil (ginkgo biloba) remain the most important non-prescription products, while the leading animal health products in terms of sales were Floron (florfenicol) and Fypryst (fipronil).

Sales in the key market the **Czech Republic** amounted to EUR 17.7 million, up 5% compared to the same period last year. The largest contributors to overall sales were prescription pharmaceuticals, of which the leaders were Atoris (atorvastatin), Lorista (losartan), Lexaurin (bromazepam), Asentra (sertraline), Lanzul (lansoprazole), Ampril (ramipril) and Prenessa (perindopril). The best-selling non-prescription product remains Nalgesin (naproxen).

**Hungary** is one of the three key markets in the Region. Sales there totalled EUR 7.9 million, which is less than in the same period last year. Lower sales have been attributed to reforms of the healthcare system, which affected the prices of pharmaceuticals and their reimbursement. The majority of sales in Hungary came from prescription pharmaceuticals, mainly from Prenessa (perindopril), Nalpaza (pantoprazole), Atoris (atorvastatin), Roxera (rosuvastatin), which had been launched in 2011, and Valsacor (valsartan).

Sales in **Slovakia** reached EUR 6.8 million, up 12%. Sales growth was primarily due to the good sales results for prescription pharmaceuticals. Our most important products in terms of sales were Atoris (atorvastatin), Prenessa (perindopril), Valsacor (valsartan), Fromilid (clarithromycin) and Nalpaza (pantoprazole).

In the first quarter of 2012, sales growth was also recorded in all the Baltic countries, with sales in **Latvia** and **Lithuania** increasing by 19% and in **Estonia** by 3%.

## West Europe and Overseas Markets

Sales in the Region West Europe and Overseas Markets reached EUR 70.6 million over the first quarter, up 32% compared to the same period last year. Despite increasing pressures to lower our prices, we expect sales growth to continue into the year, mainly on account of the newly launched

products.

Prescription pharmaceuticals have remained the strongest contributors to the total sales value, while sales in the first quarter were stepped up compared to the same period last year both via partners and

via Krka's subsidiaries in Western Europe.

The highest sales growth in relative terms was recorded by the subsidiary **Krka Farmacêutica in Portugal**, where we expanded the range of products on sale and increased the market shares for the majority of our products, especially perindopril and losartan with combinations. We also have high expectations for the newly launched products, especially atorvastatin, quetiapine and olanzapine. The highest sales growth in the Region continues to be recorded by the subsidiary **TAD Pharma in Germany**, which in the first quarter successfully launched the donepezil and quetiapine tablets. **Krka Sverige** in Sweden recorded the best sales results for older products, while in the coming quarters they expect the most from candesartan, alone and in combination, and atorvastatin. **Krka Pharma in Austria** recorded double-digit sales growth and plans to launch more than 10 new molecules later this year. After it started selling products in Ireland under Krka's own brand last year, **Krka Pharma Dublin** has been expanding its sales network and launching new products at an accelerated pace.

This year Krka will also begin marketing pharmaceuticals under its own brands via

associated companies in Spain, Italy and France.

**Germany, the UK, France, the Nordic countries, the Benelux, Portugal, Spain and Italy** remain the most important markets in Western Europe, where Krka has preserved the position as the leading generic producer of esomeprazole, clopidogrel, galantamine SR, gliclazide SR and ropinirole SR, and as one of the leaders in producing the generic olanzapine, pantoprazole, lansoprazole, perindopril, pioglitazone and donepezil.

The sales of animal health products increased by one half in the first quarter of 2012, whereby the largest contributor remains enrofloxacin. In all our key markets in Western Europe we continue to record good sales results for marbofloxacin, florfenicol and toltrazuril, while the recently launched fipronil is also contributing increasing shares to overall sales, and we expect the positive trend to continue in the future.

Sales in Overseas Markets increased by one fifth compared to the same period last year, with the most sales generated in the **Arabian Peninsula and Iran**. We expect sales growth there to continue, as we are planning to launch new products and enter new markets.

## Krka Group and Krka Company sales by product and service group

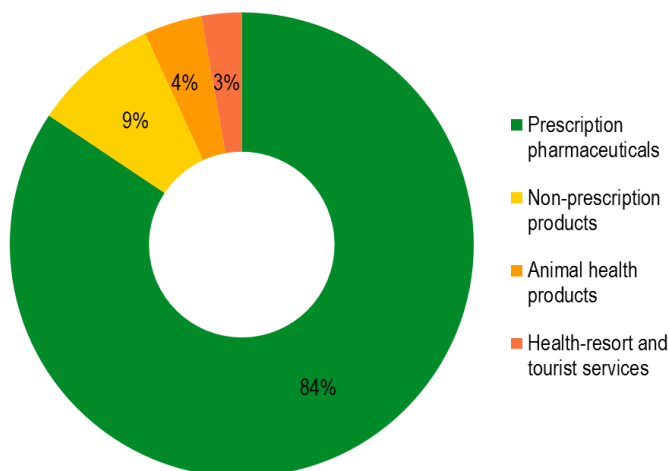
Having generated 93% of overall Krka Group sales during the first quarter of 2012, human health products are Krka's most important group of products in terms of sales. Prescription pharmaceuticals contributed the most, 84%, followed by non-prescription products, which represent 9% of total Group sales, and animal health products, which represent 4%. Health-resort and tourist services contributed an additional 3%.

Sales growth compared to the same period last year was recorded for prescription pharmaceuticals and animal health products, with the highest sales growth recorded for animal health products. The sales of health-resort and tourist services decreased slightly compared to the same period last year, and so did the sales of non-prescription products, for which sales trends depend on the season and the prevalence of colds.

EUR thousand	Krka Group			Krka Company		
	1-3/2012	1-3/2011	Ind.	1-3/2012	1-3/2011	Ind.
Human health products	254,618	240,682	106	247,883	227,111	109
- Prescription pharmaceuticals	230,616	209,203	110	226,501	198,219	114
- Non-prescription products	24,002	31,479	76	21,382	28,892	74
Animal health products	11,042	9,076	122	10,674	8,565	125
Health-resort and tourist services	7,647	7,986	96			
Other	239	212	113	473	458	103
<b>Total</b>	<b>273,546</b>	<b>257,956</b>	<b>106</b>	<b>259,030</b>	<b>236,134</b>	<b>110</b>



## Sales by product and service group, January–March 2012



### Prescription pharmaceuticals

The Krka Group sold EUR 230.6 million worth of prescription pharmaceuticals, an increase by 10% compared to the same period last year.

Sales increased most in the Region East Europe (up 37%) and the Region West Europe and Overseas Markets (up 32%). In the Region South-East Europe the sales of prescription pharmaceuticals were on the same level as in the first quarter last year, while in Slovenia and especially the Region Central Europe they were down compared to the same period last year.

With respect to larger individual markets, Krka recorded the highest sales growth rates for prescription pharmaceuticals in Germany (up 41%) and the Russian Federation (up 39%), and sales were also up in the Czech Republic (up 5%).

With respect to medium size markets, the UK and Ireland recorded a fourfold sales growth, in the Arabian Peninsula sales nearly doubled, in Ukraine they were up 32%, in Portugal they increased by 28% and in Spain by 25%. Sales growth higher than 10% was further recorded in Lithuania, Bosnia and Herzegovina, Serbia and Slovakia.

With respect to smaller markets for Krka's prescription pharmaceuticals, the highest sales growth was recorded in Turkmenia, where sales nearly tripled. Kyrgyzstan, Armenia, Georgia and Moldova recorded sales growth rates higher than 50% and several other markets reported sales growths of 10% and more.

The top 10 best-selling prescription pharmaceuticals are Enap (enalapril), Atoris (atorvastatin), Prenessa/Perineva (perindopril), Lorista/Lavestra (losartan), Emozul/Emanera (esomeprazole), Nolpaza (pantoprazole), Zyllt (clopidogrel), Valsacor (valsartan), Zalasta/Zolrix (olanzapine) and Lanzul/Lansoptol (lansoprazole).

Given their absolute sales value, the highest sales growth compared to the same period last year were recorded for the following most important products: Emozul/Emanera (esomeprazole), Prenessa/Perineva (perindopril), Zalasta/Zolrix (olanzapine), Valsacor (valsartan) and Roswera/Roxera (rosuvastatin), and for Galsya SR (galantamine), Yasnal (donepezil) and Rolpryna SR/Ralnea SR (ropinirole) among the other important products.

In the first three months of 2012 we launched several existing products on new markets. The most important launches were introducing Dasselta/Esradin (desloratadine) to Slovenia, Germany, Lithuania, Latvia, Estonia and Ireland, introducing Roswera/Roxera (rosuvastatin) to Lithuania, Kazakhstan and Ukraine, introducing Amlessa/Dalnessa/Tonarssa (combination of perindopril and amlodipine) to the Czech Republic, Slovakia, Portugal and Latvia, introducing Tolura (telmisartan) to the Czech Republic, Slovakia, Hungary and Bulgaria, introducing Emanera/Emozul (esomeprazole) to Macedonia and Bosnia and Herzegovina, launching Nolpaza (pantoprazole) on several markets, introducing Zalasta/Zolrix

(olanzapine) to the Czech Republic and Austria, introducing Yasnal (donepezil) to Germany and Ireland, introducing Galsya SR (galantamine) to Romania, introducing Kventiax/Quentiax (quetiapine) to Germany and Austria, and launching ropinirole SR in Austria.

With these launches we have supplemented our range of statins and pharmaceuticals treating hypertension, thereby strengthening our position as the provider of pharmaceuticals treating diseases of the heart and circulation. By launching new products and with our marketing and sales

activities, we are also consolidating our position in the group of pharmaceuticals for the alimentary tract and metabolic diseases and in the group of pharmaceuticals for the central nervous system. Dasselta/Esradin is an important contribution to expanding our business and widening our range of products to treat allergies, that common condition of the present times. In the existing markets we operate one of the most powerful marketing networks, and we have set up additional marketing networks at the beginning of 2012 in Italy, France and Spain.

### Non-prescription products

The sales of non-prescription products amounted to EUR 24.0 million, a decrease by 24% compared to the same period last year.

Sales increased in the Region West Europe and Overseas Markets (up 14%), while in all other regions sales were down, mainly due to the weaker seasonal use of cough, cold and flu products.

Nonetheless, we did manage to step up sales in individual markets, such as Kazakhstan (up 44%), Uzbekistan (up 53%), Lithuania (up 60%) and Latvia

(up 62%), and sales were also up more than 40% in Estonia, Armenia, Kyrgyzstan and Turkmenistan. The sales of non-seasonal products, such as Nalgesin, B-complex, Naklofen gel and Nolpaza Control, on the other hand, have increased in the majority of markets as well as aggregately.

The leading non-prescription products are Bilobil, Nalgesin, Septotele, Herbion, Panzynom, Pikovit, Duovit, Daleron and Fitoval, which therefore receive the majority of the funds invested into marketing activities.

### Animal health products

In the first three months of 2012 Krka sold EUR 11.0 million worth of animal health products, up 22% compared to the same period in 2011.

Sales increased the most in the Region West Europe and Overseas Markets (up 52%), followed by the Region Central Europe (up 18%) and the Region South-East Europe (up 11%). Sales growth (up 5%) also continued in Slovenia, while in the markets of the Region East Europe, especially the Russian Federation, sales remained on practically the same level as in the comparable period last year.

The highest sales growth among larger markets was recorded particularly in Poland and Serbia, as well as in the Benelux, the UK, France and Spain.

The leading products remain Enroxil (enrofloxacin) and Floron (florfenicol), followed by Fypryst (fipronil), the sales of which have increased fourfold compared to the same period last year and which has therefore become Krka's leading product for companion animals. After being launched on the markets of Western Europe, sales have also increased considerably for the Dehinel plus flavoured tablets. Due to the successful sales of Fypryst and Dehinel plus, the proportion of products for companion animals have increased substantially in the overall sales of animal health products, amounting to as much as 25% in the first quarter.

Since the beginning of 2012, marketing activities for animal health products are conducted by our own marketing network in all key markets.

### Health-resort and tourist services

In the first quarter of 2012 the Terme Krka Group generated EUR 7.6 million of sales, a decrease by 4% compared to the same period in 2011. The

negative economic trends in the key market Italy have resulted in nearly 35% less overnight stays by Italian guests, which we could not fully compensate

with the growth in the domestic and Russian markets.

In the domestic market positive sales trends with increasing numbers of guests have been recorded for the spa health care segment, especially in the spa resort Terme Dolenjske Toplice and the sea side resort Strunjan. The segment of preventive health care recreation and seminars for companies, on the other hand, has witnessed negative trends, which we attribute to saving measures implemented

by Slovenian companies. With respect to foreign markets, the one gaining increasing importance is the Russian market, where the number of overnight stays has doubled compared to last year.

In the Slovenian »Best Wellness 2012« campaign, our Vitarium Spa & Clinique in the spa resort Terme Šmarješke Toplice came first in the category of small centres, and our Balnea Wellness Centre won third place in the category of large centres.

## Research and development

In the first quarter of 2012, we acquired 177 new marketing authorisations for 38 products in different markets, including 135 new marketing

authorisations for 6 products obtained via demanding EU procedures.

### Prescription pharmaceuticals

In the first quarter of 2012, we expanded marketing opportunities for prescription pharmaceuticals in all regions by acquiring marketing authorisations under EU procedures (Mutual Recognition Procedure -- MRP, Decentralised Procedure -- DCP, Centralised Procedure -- CP) and national procedures.

In the area of treating cardiovascular diseases, we expanded marketing opportunities for our statins. Krka's well established **atorvastatin (Atoris)** in the form of film-coated tablets, in the three strengths of 10 mg, 20 mg and 40 mg, was authorised under the MRP in 12 EU countries.

Our range of products to lower blood pressure was expanded to the new markets of Western Europe. Two marketing authorisation were obtained under the DCP for **candesartan (Karbis)** in tablet form in four strengths, and new marketing authorisations acquired in 17 EU countries.

**Pioglitazone (Paglitaz)** in tablet form in three strengths, which treats type-2 diabetes, was authorised under the CP in all EU countries.

In the Russian Federation we obtained a marketing authorisation for **rosuvastatin (Roxera)** in the form

of film-coated tablets in six dosages, which facilitates the treatment of hyperlipidaemia to be adjusted to each patient. With respect to Krka's key therapeutic group, proton pump inhibitors, marketing authorisations were acquired in the Russian Federation and Ukraine for **rabeprazole (Zulbex)** in the form of gastro-resistant tablets in two strengths. Further in the Russian Federation, we obtained a new marketing authorisation for **lisinopril (Zonixem)** in tablet form in three strengths, and for the combination of **lisinopril** and **hydrochlorothiazide (Zonixem HL, Zonixem HD)** in tablet form in three different strengths. In Ukraine we obtained a new marketing authorisation for **olanzapine (Zalasta)** in tablet form in four strengths.

**Atorvastatin (Atoris)** in the form of film-coated tablets in three new strengths, 30 mg, 60 mg and 80 mg, was authorised in Macedonia, where we also obtained a marketing authorisation for **rosuvastatin (Roswera)** in the form of film-coated tablets in two new strengths.

In Serbia we authorised telmisartan (Tolura) in tablet form in two strengths.



## Non-prescription products

In the first quarter of 2012 we obtained additional marketing authorisations for our key brands, especially in the markets of Eastern Europe.

We gained an additional marketing authorisation for the **Bilobil** 120 mg capsules in Estonia, while the **Septotele plus spray** was authorised in Belarus and the **Septotele plus honey and lime** lozenges in the Russian Federation and Romania.

## Animal health products

In the first quarter of 2012 we obtained the first marketing authorisation for our new product **doxycycline (Misoxin)** in the form of oral powder. Compared to older tetracycline molecules, doxycycline has improved pharmacokinetic properties in all target animal types, which facilitates successful treatment with lower dosages. The first marketing authorisation for the product was acquired in the Russian Federation.

additive stabilising intestinal microflora, increasing immunity and decreasing fattening in pigs in the period of intensive breeding.

We also completed a DCP for the **fipronil** spot-on solution in five strengths, obtaining marketing authorisations for the product in 11 countries of Western Europe.

In all EU countries we obtained the authorisation to market our probiotic product **Animavit** in the form of water soluble granules. Containing probiotics of a strain of **Bacillus subtilis**, Animavit is a feed

In Azerbaijan we authorised the **Giraxa (colistin)** water soluble powder for the preparation of oral solution, treating bacterial infections in farm animals.

## Investments

In the first three months of 2012 the Krka Group allocated EUR 24.2 million for investments, of which the controlling company invested EUR 10.3 million and subsidiaries EUR 13.9 million.

Below we highlight some of Krka's ongoing investment projects that are currently at the most active stage of development.

### Notol 2

We are drawing up the project documentation and obtaining the relevant permits to construct a new oral solid dosage pharmaceutical production plant Notol 2, the largest investment in Krka's history. The plant with the target capacity of 4.5 billion finished products per year is worth EUR 200 million. In

March 2012 we received from the Ministry of the Environment their Decision on Amending the Environmental Permit and Issuing the Environmental Protection Consent, whereupon we filed for a building permit.

### Production of animal health tablets

By refurbishing the interior of our solutions and emulsions plant we have set up the conditions for the production of bulk products and for the blister packaging of animal health tablets consistent with good manufacturing practice guidelines, with the

new blister packaging line and other technological equipment having increased production capacity. Preliminary production in the refurbished plant worth EUR 1.4 million started in April 2012.

### Production of sterile products, Phase II

The sterile product production plant will gradually increase ampoule production to 130 million per year. Initially we will install two injection filling lines, two injection solution preparation lines and one

ampoule packaging line. The transfer of technology and start of production on the new technological equipment are planned for the first half of 2013.

### New distribution centre and new solid dosage production facility in the Russian Federation

In February 2011 Krka began building a new distribution centre in the Russian Federation and a new solid dosage forms production plant. The flexible, modular construction of production facilities will progress in several phases. In the first phase, the plant with the target capacity of 1.5–1.8 billion tablets and capsules per year will gradually be fitted with six packaging lines. The investment, worth EUR 135 million, is also significant in the light of efforts by the Russian government to boost

domestic pharmaceutical production: Krka Rus II is helping Krka to consolidate its status of a domestic producer in the Russian Federation.

The project includes several new buildings being constructed: a production plant, a logistical centre with a high-bay warehouse and an energy facility. The different buildings are currently at different stages of construction, and preliminary production is planned to start at the end of 2013.

### Increased production capacity in Croatia

The existing and partly refurbished production and distribution centre in Jastrebarsko, which operates under Krka's subsidiary Krka Farma Zagreb, has increased the production capacity for bulk products

and finished products. Preliminary production is planned to start in the second quarter of 2012. The investment is worth EUR 2.9 million.

### Farma GRS

In a project aimed at advancing the pharmaceuticals industry, Krka and partners founded in January 2011 Farma GRS, d. o. o. New research and development as well as production facilities are being set up at Krka's location in Ločna, Slovenia. The project, worth EUR 45 million, is co-funded by the European Regional Development Fund.

new both to patients and the industry. The Farma GRS project in fact includes two investments: constructing a production centre for the final processing of active ingredients, and a chemicals development centre, whereby Krka will also partly increase the capacity of its development and control centre RKC 3.

The company's principal aim is to set up the infrastructure for developing new products and technologies related to pharmaceutical chemistry and technology. We will focus primarily on sophisticated active ingredients and processes, aiming to develop new generic pharmaceuticals –

The building housing the production centre for the final processing of active ingredients was built in December 2011, with preliminary production planned to start in July 2012, while the handover of the new chemicals development centre is planned for January 2013.

## Employees

At the end of March, the Krka Group had 9,098 employees, up 2% compared to the beginning of the

year. In the first quarter of 2012, 56 new employees joined Krka in Slovenia and 94 abroad.

### Education profiles of Krka Group employees in numbers

Educational structure	31 Mar 2012		31 Dec 2011	
	No. of employees	Share (%)	No. of employees	Share (%)
Doctorate	97	1.1	95	1.1
Master of science	266	2.9	266	3.0
University education	4,277	47.0	4,230	47.3
Higher professional education	1,012	11.1	945	10.6
Vocational college education	260	2.9	257	2.9
Secondary school education	1,793	19.7	1,760	19.7
Other	1,393	15.3	1,395	15.4
<b>Total Krka Group</b>	<b>9,098</b>	<b>100.0</b>	<b>8,948</b>	<b>100.0</b>
– In Slovenia	4,659	51.2	4,603	51.4
– Abroad	4,439	48.8	4,345	48.6

Krka has been securing a continuous inflow of new talented employees by offering study grants to students. In 2011 we had 97 students that received Krka study grants, and in the first quarter this year we granted 5 additional grants. We award new study grants each quarter, whereby the number of awarded study grants depends on how many students of a profile interesting for us are seeing scholarships.

Our staff development system is based on the established Krka appraisal interview and competence system. Developing competences for various areas of work provides impartial feedback and facilitates for a systematic development of our colleagues. By designing and supplementing the list of key and promising staff each year, and by investing into their development, training and acquisition of the required skills according to set plans, we have established a high-quality pool of key staff and have ensured continuity in the area of key staff development. Our key and promising staff represent 12% of the entire Krka Group team.

Krka employees undergo additional training both in Slovenia and abroad, related to various professional areas of expertise, quality, management, personal growth, foreign languages and informatics. Training sessions are adjusted to their needs, the technological process, market situation and the

Group's development requirements, which is why we organise the majority of staff trainings ourselves.

The staff show a keen interest in gaining new knowledge and attaining higher academic degrees. Krka supports them in their endeavours, so that as many as 65 are currently enrolled into postgraduate studies towards obtaining a specialisation, master's degree or doctoral degree, and 384 are enrolled into part time studies. 15 of our staff completed their studies during the first quarter of 2012.

Krka is the only certificate-awarding body in Slovenia with the power to examine and approve candidates taking the National Vocational Qualification (NVQ) exams in the area of pharmacy. By examining and approving candidates under the NVQ system between 2002 and the beginning of April 2012, we have awarded 702 NVQ certificates to Krka employees and 142 to participants from other organisations in the pharmaceutical industry. Currently there are 179 Krka employees in the procedure towards obtaining three national vocational qualifications (Pharmaceutical Process Operator, Pharmaceutical Product Supply Operator, and Leading Pharmaceutical Operator). An additional 60 pharmaceutical process operators and 40 pharmaceutical API production operators will start preparing for the NVQ exams in the autumn this year.

Krka has taken part in the Zlata nit (Golden Thread) Slovenian employer-of-the-year campaign held by the daily Dnevnik for five consecutive years, regularly becoming a finalist in the category of large companies. This year it received a special recognition award for being a company with a stable growth.

At the end of 2011 we conducted a measurement of the organisational climate and employee engagement in the entire Krka Group, which revealed that the organisational climate in the company is good, with the staff being committed to their work as well as loyal to the Group and satisfied with their position in the company. All of this is reflected in the Group's good business results. The

analyses of such measurements prove a good tool for preparing improvements and changes within our organisation.

Our staff have the option to undertake a wide range of activities, which ensures they lead a quality professional and private life from several perspectives and which realises Krka's mission statement 'Living the Healthy Life' on their behalf as well. At Krka we also display social corporate responsibility and responsibility toward the environment. This year we will therefore organise the first Krka Humanitarian and Volunteer Week, while the Krka environmental cleaning campaign shows our commitment to preserving a clean and healthy natural environment

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP, WITH NOTES

## Statement of consolidated financial position

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
<b>Assets</b>			
Property, plant and equipment	710,275	703,112	101
Intangible assets	117,545	119,082	99
Deferred tax assets	27,658	27,340	101
Non-current loans	5,140	4,821	107
Non-current investments	5,266	4,944	107
Other non-current assets	157	169	93
<b>Total non-current assets</b>	<b>866,041</b>	<b>859,468</b>	<b>101</b>
Inventories	255,345	253,208	101
Trade and other receivables	418,809	399,512	105
Current loans	940	1,050	90
Current investments	640	602	106
Cash and cash equivalents	33,318	20,187	165
<b>Total current assets</b>	<b>709,052</b>	<b>674,559</b>	<b>105</b>
<b>Total assets</b>	<b>1,575,093</b>	<b>1,534,027</b>	<b>103</b>
<b>Equity</b>			
Share capital	59,126	59,126	100
Treasury shares	-45,452	-42,584	107
Reserves	183,139	174,409	105
Retained earnings	993,062	947,289	105
<b>Equity holders of the parent</b>	<b>1,189,875</b>	<b>1,138,240</b>	<b>105</b>
Non-controlling interest	1,505	1,514	99
<b>Total equity</b>	<b>1,191,380</b>	<b>1,139,754</b>	<b>105</b>
<b>Liabilities</b>			
Non-current borrowings	25,500	25,500	100
Provisions	104,826	104,819	100
Deferred revenue	6,486	6,670	97
Deferred tax liabilities	17,683	18,103	98
<b>Total non-current liabilities</b>	<b>154,495</b>	<b>155,092</b>	<b>100</b>
Trade payables	89,773	90,888	99
Current borrowings	30,295	44,091	69
Income tax liabilities	2,648	1,309	202
Other current liabilities	106,502	102,893	104
<b>Total current liabilities</b>	<b>229,218</b>	<b>239,181</b>	<b>96</b>
<b>Total liabilities</b>	<b>383,713</b>	<b>394,273</b>	<b>97</b>
<b>Total equity and liabilities</b>	<b>1,575,093</b>	<b>1,534,027</b>	<b>103</b>

## Consolidated income statement

EUR thousand	1-3/2012	1-3/2011	Ind.
Revenues	273,546	257,956	106
Cost of sales	-107,202	-99,087	108
<b>Gross profit</b>	<b>166,344</b>	<b>158,869</b>	<b>105</b>
Other income	247	2,877	9
Distribution expenses	-69,455	-60,172	115
R&D costs	-24,134	-22,658	107
Administrative expenses	-18,245	-18,026	101
<b>Operating profit</b>	<b>54,757</b>	<b>60,890</b>	<b>90</b>
Financial income	10,856	2,285	475
Financial expenses	-5,762	-1,224	471
<b>Net financial income</b>	<b>5,094</b>	<b>1,061</b>	<b>480</b>
<b>Profit before tax</b>	<b>59,851</b>	<b>61,951</b>	<b>97</b>
Income tax expense	-11,219	-13,999	80
<b>Profit for the period</b>	<b>48,632</b>	<b>47,952</b>	<b>101</b>
Attributable to:			
– equity holders of the parent	48,641	47,961	101
– non-controlling interest	-9	-9	100
<b>Basic earnings per share (in EUR)*</b>	<b>1.46</b>	<b>1.42</b>	<b>102</b>
<b>Diluted earnings per share (in EUR)**</b>	<b>1.46</b>	<b>1.42</b>	<b>102</b>

\* Profit for the period of Krka Group majority shareholders/Average number of shares issued in the period, excluding treasury shares.

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

## Consolidated statement of comprehensive income

EUR thousand	1-3/2012	1-3/2011	Ind.
<b>Profit for the period</b>	<b>48,632</b>	<b>47,952</b>	<b>101</b>
<b>Other comprehensive income for the period</b>			
Change in fair value of available-for-sale financial assets	273	-16	-1,706
Deferred tax effect – change in fair value of available-for-sale financial assets	-55	3	-1,833
Translation reserve	5,644	286	1,973
<b>Total other comprehensive income for the period</b>	<b>5,862</b>	<b>273</b>	<b>2,147</b>
<b>Total comprehensive income for the period</b>	<b>54,494</b>	<b>48,225</b>	<b>113</b>
Attributable to:			
– equity holders of the parent	54,503	48,234	113
– non-controlling interest	-9	-9	100

## Consolidated statement of changes in equity

	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the parent	Non-controlling interest	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserve	Other revenue reserves	Profit for the period	Retained earnings			
EUR thousand														
<b>Balance at 1 Jan 2012</b>	<b>59,126</b>	<b>-42,584</b>	<b>42,584</b>	<b>101,503</b>	<b>14,990</b>	<b>30,000</b>	<b>1,542</b>	<b>-16,210</b>	<b>760,611</b>	<b>124,150</b>	<b>62,528</b>	<b>1,138,240</b>	<b>1,514</b>	<b>1,139,754</b>
<b>Profit for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>48,641</b>	<b>0</b>	<b>48,641</b>	<b>-9</b>	<b>48,632</b>
<b>Other comprehensive income for the period</b>														
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	273	0	0	0	0	273	0	273
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	-55	0	0	0	0	-55	0	-55
Translation reserve	0	0	0	0	0	0	0	5,644	0	0	0	5,644	0	5,644
<b>Total other comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>218</b>	<b>5,644</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,862</b>	<b>0</b>	<b>5,862</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>218</b>	<b>5,644</b>	<b>0</b>	<b>48,641</b>	<b>0</b>	<b>54,503</b>	<b>-9</b>	<b>54,494</b>
<b>Transactions with owners, recognised directly in equity</b>														
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management Board and Supervisory Board	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	-124,150	124,150	0	0	0
Transfer to other revenue reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	00	00	2,868	0	0	0	0	0	0	0	-2,868	0	0	0
Repurchase of treasury shares	00	-2,868	0	0	0	0	0	0	0	0	0	-2,868	0	-2,868
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>-2,868</b>	<b>2,868</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-124,150</b>	<b>121,282</b>	<b>-2,868</b>	<b>0</b>	<b>-2,868</b>
<b>Balance at 31 Mar 2012</b>	<b>59,126</b>	<b>-45,452</b>	<b>45,452</b>	<b>101,503</b>	<b>14,990</b>	<b>30,000</b>	<b>1,760</b>	<b>-10,566</b>	<b>760,611</b>	<b>48,641</b>	<b>183,810</b>	<b>1,189,875</b>	<b>1,505</b>	<b>1,191,380</b>

	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the parent	Non-controlling interest	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserve	Other revenue reserves	Profit for the period	Retained earnings			
EUR thousand														
<b>Balance at 1 Jan 2011</b>	<b>59,126</b>	<b>-21,749</b>	<b>21,749</b>	<b>101,503</b>	<b>14,990</b>	<b>27,184</b>	<b>1,767</b>	<b>-7,960</b>	<b>684,639</b>	<b>111,765</b>	<b>58,736</b>	<b>1,051,750</b>	<b>1,577</b>	<b>1,053,327</b>
<b>Profit for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>47,961</b>	<b>0</b>	<b>47,961</b>	<b>-9</b>	<b>47,952</b>
<b>Other comprehensive income for the period</b>														
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	-16	0	0	0	0	-16	0	-16
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	3	0	0	0	0	3	0	3
Translation reserve	0	0	0	0	0	0	0	286	0	0	0	286	0	286
<b>Total other comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-13</b>	<b>286</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>273</b>	<b>0</b>	<b>273</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-13</b>	<b>286</b>	<b>0</b>	<b>47,961</b>	<b>0</b>	<b>48,234</b>	<b>-9</b>	<b>48,225</b>
<b>Transactions with owners, recognised directly in equity</b>														
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management Board and Supervisory Board	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	-111,765	111,765	0	0	0
Transfer to other revenue reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	6,462	0	0	0	0	0	0	-6,462	0	0	0	0
Repurchase of treasury shares	0	-6,462	0	0	0	0	0	0	0	0	0	-6,462	0	-6,462
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	3	3
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>-6,462</b>	<b>6,462</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-118,227</b>	<b>111,765</b>	<b>-6,462</b>	<b>3</b>	<b>-6,459</b>
<b>Balance at 31 Mar 2011</b>	<b>59,126</b>	<b>-28,211</b>	<b>28,211</b>	<b>101,503</b>	<b>14,990</b>	<b>27,184</b>	<b>1,754</b>	<b>-7,674</b>	<b>684,639</b>	<b>41,499</b>	<b>170,501</b>	<b>1,093,522</b>	<b>1,571</b>	<b>1,095,093</b>



## Consolidated statement of cash flows

EUR thousand	1-3/2012	1-3/2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit for the period</b>	<b>48,632</b>	<b>47,952</b>
<b>Adjustments for:</b>	<b>40,133</b>	<b>35,476</b>
– amortisation/depreciation	22,022	20,135
– foreign exchange differences	1,404	300
– investment income	-309	-143
– investment expense	5,226	219
– interest expense and other financial expense	571	963
– income tax	11,219	13,999
– other	0	3
<b>Operating profit before changes in net operating current assets</b>	<b>88,765</b>	<b>83,428</b>
Change in trade and other receivables	-16,772	-13,455
Change in inventories	-2,137	-3,050
Change in trade payables	-1,115	-13,142
Change in provisions	7	544
Change in deferred revenue	-184	-69
Change in other current liabilities	3,628	10,241
Income taxes paid	-13,196	-9,529
<b>Cash generated from operations</b>	<b>58,996</b>	<b>54,968</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	99	61
Dividends received	1	0
Proceeds from sale of property, plant and equipment	130	368
Purchase of intangible assets	-500	-1,202
Purchase of property, plant and equipment	-23,696	-25,062
Non-current loans	-409	-219
Proceeds from repayment of non-current loans	301	369
Acquisition of non-current investments	-64	-11
Proceeds from sale of non-current investments	25	20
Payments/Proceeds in connection with current investments and loans	-34	182
Payments in connection with derivative financial instruments	-4,973	0
Proceeds from derivative financial instruments	103	5
<b>Net cash used in investing activities</b>	<b>-29,017</b>	<b>-25,489</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-1,296	-1,710
Repayment of non-current borrowings	-14,200	-17,836
Repayment of current borrowings	1,362	6,223
Dividends paid	-20	-37
Repurchase of treasury shares	-2,868	-6,462
<b>Net cash used in financing activities</b>	<b>-17,022</b>	<b>-19,822</b>
<b>Net increase in cash and cash equivalents</b>	<b>12,957</b>	<b>9,657</b>
Cash and cash equivalents at beginning of period	20,187	7,789
Effect of exchange rate fluctuations on cash held	174	-170
<b>Net cash and cash equivalents at end of period</b>	<b>33,318</b>	<b>17,276</b>

## Segment reporting

	European Union		South-East Europe		East Europe		Other markets		Total	
EUR thousand	1-3/2012	1-3/2011	1-3/2012	1-3/2011	1-3/2012	1-3/2011	1-3/2012	1-3/2011	1-3/2012	1-3/2011
<b>Revenues to non-Group companies</b>	<b>166,220</b>	<b>163,585</b>	<b>22,207</b>	<b>22,316</b>	<b>78,632</b>	<b>66,782</b>	<b>6,486</b>	<b>5,273</b>	<b>273,546</b>	<b>257,956</b>
<b>Revenues to Group companies</b>	<b>16,175</b>	<b>37,078</b>	<b>16,792</b>	<b>16,521</b>	<b>42,537</b>	<b>33,570</b>	<b>0</b>	<b>0</b>	<b>75,504</b>	<b>87,169</b>
Revenues from reversal of provisions and other income	130	2,727	29	25	88	125	0	0	247	2,877
<b>Operating profit</b>	<b>37,294</b>	<b>46,466</b>	<b>5,783</b>	<b>5,682</b>	<b>10,420</b>	<b>8,459</b>	<b>1,260</b>	<b>283</b>	<b>54,757</b>	<b>60,890</b>
Interest revenue	88	56	2	2	7	2	0	0	97	60
Interest expenses	-542	914	-2	1	0	1	0	0	-544	916
<b>Net financial income/expenses</b>	<b>273</b>	<b>498</b>	<b>-573</b>	<b>230</b>	<b>5,231</b>	<b>300</b>	<b>163</b>	<b>33</b>	<b>5,094</b>	<b>1,061</b>
Income tax expense	-7,292	-10,150	-1,473	-1,976	-2,304	-1,839	-150	-34	-11,219	-13,999
<b>Profit for the period</b>	<b>30,275</b>	<b>36,814</b>	<b>3,737</b>	<b>3,936</b>	<b>13,347</b>	<b>6,920</b>	<b>1,273</b>	<b>282</b>	<b>48,632</b>	<b>47,952</b>
Investments in property, plant and equipment and intangible assets	16,991	21,394	1,937	172	5,254	1,869	0	0	24,182	23,435
Depreciation of property, plant and equipment	14,746	12,937	1,120	1,184	3,838	3,516	120	98	19,824	17,735
Amortisation of intangible assets	1,587	1,752	137	168	442	451	32	29	2,198	2,400
	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>
<b>Total assets</b>	<b>1,166,272</b>	<b>1,155,647</b>	<b>93,015</b>	<b>91,825</b>	<b>303,688</b>	<b>274,283</b>	<b>12,118</b>	<b>12,272</b>	<b>1,575,093</b>	<b>1,534,027</b>
<b>Total liabilities</b>	<b>237,365</b>	<b>247,401</b>	<b>29,581</b>	<b>27,121</b>	<b>109,642</b>	<b>112,024</b>	<b>7,125</b>	<b>7,727</b>	<b>383,713</b>	<b>394,273</b>

## Notes to the consolidated financial statements

### Revenues

**EUR 273,546 thousand**

Sales revenues consist of EUR 22,916 thousand of revenues generated from the sale of products, services and merchandise in Slovenia (8.4% of sales revenues), and of EUR 250,630 thousand of

sales in foreign markets (91.6% of sales revenues). Compared to the same period last year, revenues were up 6%.

### Cost of sales

**EUR 107,202 thousand**

Compared to the same period last year, the cost of sales increased by 8%, on a costs to sales ratio of 39.2%.

### Distribution expenses

**EUR 69,455 thousand**

Distribution expenses include the costs incurred by the marketing and sales network in Slovenia and abroad. Compared to the same period last year, they increased by 15%, on a costs to sales ratio of

25.4%. The high increase was due to more extensive investments into marketing and sales activities made during the first quarter of 2012.

### R&D costs

**EUR 24,134 thousand**

Krka does not capitalise R&D costs, therefore they are recognised in the current income statement in full.

Compared to the same period last year, R&D costs were up 7%, on a costs to sales ratio of 8.8%.

### Administrative expenses

**EUR 18,245 thousand**

Compared to the same period last year, administrative expenses were up 1%, on a costs to sales ratio of 6.7%.

### Costs by nature

**EUR 219,036 thousand**

EUR thousand	1-3/2012	1-3/2011	Ind.
Cost of goods and material	80,094	75,072	107
Cost of services	51,293	45,142	114
Employee benefits cost	69,993	64,679	108
Depreciation and amortisation expense	22,022	20,135	109
Other expenses	8,364	6,523	128
<b>Total costs</b>	<b>231,766</b>	<b>211,551</b>	<b>110</b>
Change in the value of inventories	-12,730	-11,608	110
<b>Total</b>	<b>219,036</b>	<b>199,943</b>	<b>110</b>

## Employee benefits cost

EUR 69,993 thousand

EUR thousand	1-3/2012	1-3/2011	Ind.
Gross wages and salaries, and continued pay	55,400	50,648	109
Social security contributions and payroll tax	11,920	10,982	109
Retirement benefits and anniversary bonuses	609	1,021	60
Other employee benefits cost	2,064	2,028	102
<b>Total employee benefits cost</b>	<b>69,993</b>	<b>64,679</b>	<b>108</b>

## Other expenses

EUR 8,364 thousand

EUR thousand	1-3/2012	1-3/2011	Ind.
Grants and assistance for humanitarian and other purposes	698	566	123
Environmental levies	713	421	169
Other taxes and levies	4,085	1,668	245
Loss in the sale of property, plant and equipment and intangible assets	253	211	120
Write-offs and write-downs for inventories	1,259	1,889	67
Other costs	1,356	1,768	77
<b>Total other expenses</b>	<b>8,364</b>	<b>6,523</b>	<b>128</b>

## Financial income and expenses

EUR thousand	1-3/2012	1-3/2011	Ind.
Net foreign exchange gain	10,342	2,112	490
Interest income	97	60	162
Change in fair value of investments through profit or loss	0	2	0
Income from derivatives	103	5	2,060
Dividend income	1	0	
Reversal of impairment	313	106	295
<b>Total financial income</b>	<b>10,856</b>	<b>2,285</b>	<b>475</b>
Interest expense	-544	-916	59
Change in fair value of investments through profit or loss	-1	-8	13
Expense from derivatives (futures)	-4,973	0	
Impairment and write-off of receivables	-214	-253	85
Other expenses	-30	-47	64
<b>Total financial expenses</b>	<b>-5,762</b>	<b>-1,224</b>	<b>471</b>
<b>Net financial income</b>	<b>5,094</b>	<b>1,061</b>	<b>480</b>

The item derivatives under financial expenses refers entirely to the futures used as a foreign exchange risk hedge.

## Income tax expense

EUR 11,219 thousand

Income tax amounts to EUR 11,219 thousand. The effective tax rate is 18.7%.

## Property, plant and equipment

EUR 710,275 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Property	30,650	30,613	100
Plant	325,466	328,868	99
Equipment	294,285	298,971	98
Property, plant and equipment under construction	59,874	44,660	134
<b>Total property, plant and equipment</b>	<b>710,275</b>	<b>703,112</b>	<b>101</b>

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

described in the Business Report, in the Chapter Investments.

## Intangible assets

EUR 117,545 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Goodwill	42,644	42,644	100
Trademark	42,403	42,403	100
Concessions, patents, licences and similar rights	32,498	34,035	95
<b>Total intangible assets</b>	<b>117,545</b>	<b>119,082</b>	<b>99</b>

Concessions, patents, licences and similar rights, and intangible assets under construction, refer to marketing authorisation documentation for new medicines, and to software.

## Loans

EUR 6,080 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
<b>Non-current loans</b>	<b>5,140</b>	<b>4,821</b>	<b>107</b>
– loans	5,140	4,821	107
<b>Current loans</b>	<b>940</b>	<b>1,050</b>	<b>90</b>
– current portion of loans due next year	607	883	69
– current loans to other entities	330	162	204
– current interest receivable	3	5	60
<b>Total loans</b>	<b>6,080</b>	<b>5,871</b>	<b>104</b>

## Investments

EUR 5,906 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
<b>Non-current investments</b>	<b>5,266</b>	<b>4,944</b>	<b>107</b>
– financial assets available for sale	5,266	4,944	107
<b>Current investments, including derivatives</b>	<b>640</b>	<b>602</b>	<b>106</b>
– instruments held for trading	74	68	109
– other current investments	566	534	106
<b>Total investments</b>	<b>5,906</b>	<b>5,546</b>	<b>106</b>

Financial assets available for sale include EUR 792 thousand of investments in shares made in Slovenia and EUR 4,474 thousand of investments in shares made abroad.

Other current investments refer to Slovenian mutual funds in the amount of EUR 297 thousand and to assets under management in the amount of EUR 269 thousand.

## Inventories

**EUR 255,345 thousand**

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Material	87,431	96,764	90
Work in progress	57,063	54,425	105
Products	104,924	95,236	110
Merchandise	5,927	6,783	87
<b>Total inventories</b>	<b>255,345</b>	<b>253,208</b>	<b>101</b>

## Trade and other receivables

**EUR 418,809 thousand**

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Trade receivables	374,447	361,290	104
Other receivables	44,362	38,222	116
<b>Total receivables</b>	<b>418,809</b>	<b>399,512</b>	<b>105</b>

## Cash and cash equivalents

**EUR 33,318 thousand**

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Cash in hand	85	45	189
Bank balances	33,233	20,142	165
<b>Total cash and cash equivalents</b>	<b>33,318</b>	<b>20,187</b>	<b>165</b>

## Equity

**EUR 1,191,380 thousand**

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Share capital	59,126	59,126	100
Treasury shares	-45,452	-42,584	107
Reserves:	183,139	174,409	105
– share premium	101,503	101,503	100
– reserves for treasury shares	45,452	42,584	107
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserve	1,760	1,542	114
– translation reserves	-10,566	-16,210	65
Retained earnings	993,062	947,289	105
<b>Equity holders of the parent</b>	<b>1,189,875</b>	<b>1,138,240</b>	<b>105</b>
Non-controlling interest	1,505	1,514	99
<b>Total equity</b>	<b>1,191,380</b>	<b>1,139,754</b>	<b>105</b>

## Borrowings

EUR 55,795 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
<b>Non-current borrowings</b>	<b>25,500</b>	<b>25,500</b>	<b>100</b>
– borrowings from domestic banks	25,500	25,500	100
<b>Current borrowings</b>	<b>30,295</b>	<b>44,091</b>	<b>69</b>
– portion of non-current borrowings due next year	27,100	41,726	65
– borrowings from domestic banks	137	0	
– borrowings from foreign banks	2,434	978	249
– borrowings from other entities	349	386	90
– interest payable	275	1,001	27
<b>Total borrowings</b>	<b>55,795</b>	<b>69,591</b>	<b>80</b>

## Provisions

EUR 104,826 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Provisions for retirement benefits and anniversary bonuses	50,895	50,915	100
Other provisions	53,931	53,904	100
– provisions for lawsuits	49,123	49,122	100
– other provisions	4,808	4,782	101
<b>Total provisions</b>	<b>104,826</b>	<b>104,819</b>	<b>100</b>

## Deferred revenue

EUR 6,486 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Grants received for the Beta plant in Šentjernej	70	81	86
Grants received for the health resorts Dolenjske and Šmarješke Toplice and for Golf Grad Otočec	4,893	4,970	98
Grants by the European Regional Development Fund	20	21	95
Grants by the European Regional Development Fund – development of new technologies (FBD project)	804	828	97
Properties, plant and equipment received for free	575	579	99
Emission coupons	7	7	100
Other deferred revenue	117	184	64
<b>Total deferred revenue</b>	<b>6,486</b>	<b>6,670</b>	<b>97</b>

The FBD operation (project) is partly funded by the European Union (European Regional Development Fund). It is a part of the Operational Programme 2007–2013 »Strengthening Regional Development

Potentials»; 1. priority axis: Competitiveness and research excellence; 1.1. priority objective: Improvement of competitiveness and research excellence.

## Trade payables

EUR 89,773 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Payables to domestic suppliers	37,070	36,955	100
Payables to foreign suppliers	48,301	49,623	97
Payables from advances	4,402	4,310	102
<b>Total trade payables</b>	<b>89,773</b>	<b>90,888</b>	<b>99</b>

## Other current liabilities

EUR 106,502 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Accrued contractual discounts on products sold to other customers	61,324	57,926	106
Payables to employees – gross wages, other charges	29,838	29,082	103
Other	15,340	15,885	97
<b>Total other current liabilities</b>	<b>106,502</b>	<b>102,893</b>	<b>104</b>

## Contingent liabilities

EUR 12,629 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Guarantees issued	12,009	12,068	100
Other	620	620	100
<b>Total contingent liabilities</b>	<b>12,629</b>	<b>12,688</b>	<b>100</b>



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

### Statement of financial position

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
<b>Assets</b>			
Property, plant and equipment	515,199	520,929	99
Intangible assets	28,588	29,654	96
Investments in subsidiaries	248,854	225,444	110
Deferred tax assets	18,516	18,577	100
Non-current loans	10,579	9,571	111
Non-current investments	5,058	4,735	107
Other non-current assets	144	155	93
<b>Total non-current assets</b>	<b>826,938</b>	<b>809,065</b>	<b>102</b>
Inventories	196,199	193,299	102
Trade and other receivables	423,823	399,250	106
Current loans	46,755	46,209	101
Current investments	640	602	106
Cash and cash equivalents	19,234	15,023	128
<b>Total current assets</b>	<b>686,651</b>	<b>654,383</b>	<b>105</b>
<b>Total assets</b>	<b>1,513,589</b>	<b>1,463,448</b>	<b>103</b>
<b>Equity</b>			
Share capital	59,126	59,126	100
Treasury shares	-45,452	-42,584	107
Reserves	193,705	190,619	102
Retained earnings	978,581	933,324	105
<b>Total equity</b>	<b>1,185,960</b>	<b>1,140,485</b>	<b>104</b>
<b>Liabilities</b>			
Non-current borrowings	25,500	25,500	100
Provisions	97,505	97,505	100
Deferred revenue	3,264	3,439	95
Deferred tax liabilities	440	386	114
<b>Total non-current liabilities</b>	<b>126,709</b>	<b>126,830</b>	<b>100</b>
Trade payables	99,299	95,550	104
Current borrowings	62,029	60,556	102
Other current liabilities	39,592	40,027	99
<b>Total current liabilities</b>	<b>200,920</b>	<b>196,133</b>	<b>102</b>
<b>Total liabilities</b>	<b>327,629</b>	<b>322,963</b>	<b>101</b>
<b>Total equity and liabilities</b>	<b>1,513,589</b>	<b>1,463,448</b>	<b>103</b>

## Income statement

EUR thousand	1-3/2012	1-3/2011	Ind.
Revenues	259,030	236,134	110
Cost of sales	-99,305	-91,612	108
<b>Gross profit</b>	<b>159,725</b>	<b>144,522</b>	<b>111</b>
Other income	362	2,216	16
Distribution expenses	-71,817	-55,128	130
R&D costs	-23,883	-21,478	111
Administrative expenses	-14,310	-12,963	110
<b>Operating profit</b>	<b>50,077</b>	<b>57,169</b>	<b>88</b>
Financial income	11,703	2,650	442
Financial expenses	-5,687	-1,047	543
<b>Net financial income</b>	<b>6,016</b>	<b>1,603</b>	<b>375</b>
<b>Profit before tax</b>	<b>56,093</b>	<b>58,772</b>	<b>95</b>
Income tax expense	-7,968	-11,754	68
<b>Profit for the period</b>	<b>48,125</b>	<b>47,018</b>	<b>102</b>
<b>Basic earnings per share (in EUR)*</b>	<b>1.44</b>	<b>1.39</b>	<b>103</b>
<b>Diluted earnings per share (in EUR)**</b>	<b>1.44</b>	<b>1.39</b>	<b>103</b>

\* Profit for the period/Average number of shares issued in the period, excluding treasury shares.

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

## Statement of comprehensive income

EUR thousand	1-3/2012	1-3/2011	Ind.
<b>Profit for the period</b>	<b>48,125</b>	<b>47,018</b>	<b>102</b>
<b>Other comprehensive income for the period</b>			
Change in fair value of available-for-sale financial assets	273	-16	-1,706
Deferred tax effect – change in fair value of available-for-sale financial assets	-55	3	-1,833
<b>Total other comprehensive income for the period</b>	<b>218</b>	<b>-13</b>	<b>-1,677</b>
<b>Total comprehensive income for the period</b>	<b>48,343</b>	<b>47,005</b>	<b>103</b>

## Statement of changes in equity

	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Profit for the period	Retained earnings	
EUR thousand											
<b>Balance at 1 Jan 2012</b>	<b>59,126</b>	<b>-42,584</b>	<b>42,584</b>	<b>101,503</b>	<b>14,990</b>	<b>30,000</b>	<b>1,542</b>	<b>760,611</b>	<b>111,741</b>	<b>60,972</b>	<b>1,140,485</b>
<b>Profit for the period</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>48,125</b>	<b>0</b>	<b>48,125</b>
<b>Other comprehensive income for the period</b>											
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	273	0	0	0	273
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	-55	0	0	0	-55
<b>Total other comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>218</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>218</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>218</b>	<b>0</b>	<b>48,125</b>	<b>0</b>	<b>48,343</b>
<b>Transactions with owners, recognised directly in equity</b>											
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management Board and Supervisory Board	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	-111,741	111,741	0
Transfer to other revenue reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	2,868	0	0	0	0	0	-2,868	0	0
Repurchase of treasury shares	0	-2,868	0	0	0	0	0	0	0	0	-2,868
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>-2,868</b>	<b>2,868</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-114,609</b>	<b>111,741</b>	<b>-2,868</b>
<b>Balance at 31 Mar 2012</b>	<b>59,126</b>	<b>-45,452</b>	<b>45,452</b>	<b>101,503</b>	<b>14,990</b>	<b>30,000</b>	<b>1,760</b>	<b>760,611</b>	<b>45,257</b>	<b>172,713</b>	<b>1,185,960</b>

	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Profit for the period	Retained earnings	
EUR thousand											
<b>Balance at 1 Jan 2011</b>	<b>59,126</b>	<b>-21,749</b>	<b>21,749</b>	<b>101,503</b>	<b>14,990</b>	<b>27,184</b>	<b>1,767</b>	<b>684,639</b>	<b>106,660</b>	<b>62,285</b>	<b>1,058,154</b>
<b>Profit for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>47,018</b>	<b>0</b>	<b>47,018</b>
<b>Other comprehensive income for the period</b>											
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	-16	0	0	0	-16
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	3	0	0	0	3
<b>Total other comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-13</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-13</b>	<b>0</b>	<b>47,018</b>	<b>0</b>	<b>47,005</b>
<b>Transactions with owners, recognised directly in equity</b>			0								
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management Board and Supervisory Board	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	-106,660	106,660	0
Transfer to other revenue reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	6,462		0	0	0	0	-6,462	0	0
Repurchase of treasury shares	0	-6,462	0	0	0	0	0	0	0	0	-6,462
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>-6,462</b>	<b>6,462</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-113,122</b>	<b>106,660</b>	<b>-6,462</b>
<b>Balance at 31 Mar 2011</b>	<b>59,126</b>	<b>-28,211</b>	<b>28,211</b>	<b>101,503</b>	<b>14,990</b>	<b>27,184</b>	<b>1,754</b>	<b>684,639</b>	<b>40,556</b>	<b>168,945</b>	<b>1,098,697</b>

## Statement of cash flows

EUR thousand	1-3/2012	1-3/2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit for the period</b>	<b>48,125</b>	<b>47,018</b>
<b>Adjustments for:</b>	<b>29,643</b>	<b>27,306</b>
– amortisation/depreciation	16,998	14,900
– foreign exchange differences	-540	99
– investment income	-560	-561
– investment expense	5,092	183
– interest expense and other financial expense	685	931
– income tax	7,968	11,754
<b>Operating profit before changes in net operating current assets</b>	<b>77,768</b>	<b>74,324</b>
Change in trade and other receivables	-23,008	-6,314
Change in inventories	-2,900	-2,167
Change in trade payables	3,749	-20,006
Change in provisions	0	621
Change in deferred revenue	-175	82
Change in other current liabilities	-415	-922
Income taxes paid	-9,472	-7,900
<b>Cash generated from operations</b>	<b>45,547</b>	<b>37,718</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	419	497
Dividends received	1	0
Proceeds from sale of property, plant and equipment	554	377
Purchase of intangible assets	-384	-977
Purchase of property, plant and equipment	-10,437	-22,204
Acquisition of subsidiaries and a share of minority interest without obtained assets	-23,409	0
Refund of subsequent payments in subsidiaries	0	1,000
Non-current loans	-939	-1,419
Proceeds from repayment of non-current loans	635	2,226
Acquisition of non-current investments	-64	-11
Proceeds from sale of non-current investments	25	20
Payments/Proceeds in connection with current investments and loans	-1,181	257
Payments in connection with derivative financial instruments	-4,973	0
Proceeds from derivative financial instruments	103	5
<b>Net cash used in investing activities</b>	<b>-39,650</b>	<b>-20,229</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-1,409	-1,674
Repayment of non-current borrowings	-14,200	-17,836
Repayment/Acquisition of current borrowings	16,628	11,080
Dividends paid	-20	-38
Repurchase of treasury shares	-2,868	-6,462
<b>Net cash used in financing activities</b>	<b>-1,869</b>	<b>-14,930</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,028</b>	<b>2,559</b>
Cash and cash equivalents at beginning of period	15,023	1,547
Effect of exchange rate fluctuations on cash held	183	-154
<b>Net cash and cash equivalents at end of period</b>	<b>19,234</b>	<b>3,952</b>

## Segment reporting

	European Union		South-East Europe		East Europe		Other markets		Total	
EUR thousand	1-3/2012	1-3/2011	1-3/2012	1-3/2011	1-3/2012	1-3/2011	1-3/2012	1-3/2011	1-3/2012	1-3/2011
<b>Revenues</b>	<b>152,460</b>	<b>149,447</b>	<b>23,893</b>	<b>23,427</b>	<b>77,013</b>	<b>58,456</b>	<b>5,664</b>	<b>4,804</b>	<b>259,030</b>	<b>236,134</b>
Revenues from reversal of provisions and other income	263	2,216	20	0	79	0	0	0	362	2,216
<b>Operating profit</b>	<b>35,855</b>	<b>44,823</b>	<b>6,789</b>	<b>7,520</b>	<b>6,495</b>	<b>4,613</b>	<b>938</b>	<b>213</b>	<b>50,077</b>	<b>57,169</b>
Interest revenue	333	413	0	0	31	75	0	0	364	488
Interest expenses	-674	913	0	0	0	0	0	0	-674	913
<b>Net financial income/expenses</b>	<b>558</b>	<b>1,014</b>	<b>-33</b>	<b>159</b>	<b>5,329</b>	<b>397</b>	<b>162</b>	<b>33</b>	<b>6,016</b>	<b>1,603</b>
Income tax expense	-5,706	-9,226	-1,239	-1,546	-874	-948	-149	-34	-7,968	-11,754
<b>Profit for the period</b>	<b>30,707</b>	<b>36,611</b>	<b>5,517</b>	<b>6,133</b>	<b>10,950</b>	<b>4,062</b>	<b>951</b>	<b>212</b>	<b>48,125</b>	<b>47,018</b>
Investments in property, plant and equipment, and intangible assets	10,278	20,453	0	0	0	0	0	0	10,278	20,453
Depreciation of property, plant and equipment	12,169	10,306	619	626	2,640	2,458	120	98	15,548	13,488
Amortisation of intangible assets	853	894	134	140	431	349	32	29	1,450	1,412
	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>
<b>Total assets</b>	<b>1,179,102</b>	<b>1,154,960</b>	<b>61,761</b>	<b>60,845</b>	<b>260,616</b>	<b>235,380</b>	<b>12,110</b>	<b>12,263</b>	<b>1,513,589</b>	<b>1,463,448</b>
<b>Total liabilities</b>	<b>192,701</b>	<b>205,393</b>	<b>30,193</b>	<b>27,684</b>	<b>97,609</b>	<b>82,159</b>	<b>7,126</b>	<b>7,727</b>	<b>327,629</b>	<b>322,963</b>

## Notes to the financial statements

### Revenues

**EUR 259,030 thousand**

Sales revenues consist of EUR 15,503 thousand of revenues generated from the sale of products, services and goods in Slovenia (6.0% of sales revenues), and of EUR 243,527 thousand of sales

in foreign markets (94.0% of sales revenues). Compared to the same period last year, revenues were up 10%.

### Cost of sales

**EUR 99,305 thousand**

Compared to the same period last year, the cost of sales was up 8%, on a costs to sales ratio of 38.3%.

### Distribution expenses

**EUR 71,817 thousand**

Distribution expenses include the costs incurred by the marketing and sales network in Slovenia and abroad. Compared to the same period last year, they were up 30%, on a costs to sales ratio of

27.7%. The high increase was due to more extensive investments into marketing and sales activities made during the first quarter of 2012.

### R&D costs

**EUR 23,883 thousand**

Krka does not capitalise R&D costs, therefore they are recognised in the current income statement in full. Compared to the same period last year, R&D

costs were up 11%, on a costs to sales ratio of 9.2%.

### Administrative expenses

**EUR 14,310 thousand**

Compared to the same period last year, administrative expenses were up 10%, on a costs to sales ratio of 5.5%.

### Costs by nature

**EUR 209,315 thousand**

EUR thousand	1-3/2012	1-3/2011	Ind.
Cost of goods and material	75,564	73,822	102
Cost of services	77,581	58,592	132
Employee benefits cost	42,511	39,895	107
Depreciation and amortisation expense	16,998	14,900	114
Other expenses	5,377	4,396	122
<b>Total costs</b>	<b>218,031</b>	<b>191,605</b>	<b>114</b>
Change in the value of inventories	-8,716	-10,424	84
<b>Total</b>	<b>209,315</b>	<b>181,181</b>	<b>116</b>

## Employee benefits cost

EUR 42,511 thousand

EUR thousand	1-3/2012	1-3/2011	Ind.
Gross wages and salaries, and continued pay	34,559	32,002	108
Social security contributions and payroll tax	6,304	5,818	108
Retirement benefits and anniversary bonuses	609	1,025	59
Other employee benefits cost	1,039	1,050	99
<b>Total employee benefits cost</b>	<b>42,511</b>	<b>39,895</b>	<b>107</b>

## Other expenses

EUR 5,377 thousand

EUR thousand	1-3/2012	1-3/2011	Ind.
Grants and assistance for humanitarian and other purposes	375	322	116
Environmental levies	610	360	169
Other taxes and levies	2,555	900	284
Loss in the sale of property, plant and equipment and intangible assets and write-offs	118	174	68
Write-offs and write-downs for inventories	1,039	1,803	58
Other costs	680	837	81
<b>Total other expenses</b>	<b>5,377</b>	<b>4,396</b>	<b>122</b>

## Financial income and expenses

EUR thousand	1-3/2012	1-3/2011	Ind.
Net foreign exchange gain	11,196	2,149	521
Interest income	364	488	75
Change in fair value of investments through profit or loss	39	2	
Income from derivatives	103	5	
Dividend income	1	0	
Collection of bad debts from previous periods	0	6	0
<b>Total financial income</b>	<b>11,703</b>	<b>2,650</b>	<b>442</b>
Interest expense	-674	-913	74
Change in fair value of investments through profit or loss	-1	-8	13
Expense from derivatives (futures)	-4,973	0	!
Impairment and write-off of receivables	-27	-107	25
Other expenses	-12	-19	63
<b>Total financial expenses</b>	<b>-5,687</b>	<b>-1,047</b>	<b>543</b>
<b>Net financial income</b>	<b>6,016</b>	<b>1,603</b>	<b>375</b>

The item derivatives under financial expenses refers entirely to the futures used as a foreign exchange risk hedge.



## Income tax expense

EUR 7,968 thousand

Income tax amounts to EUR 7,968 thousand. The effective tax rate is 14.2%, which is 5.8 of a percentage point less than in the same period last year.

The amount of income tax was calculated taking into account the additional tax incentives effective in 2012 and the lowering of the tax rate from 20% to 18%.

## Property, plant and equipment

EUR 515,199 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Property	18,579	18,579	100
Plant	226,327	229,580	99
Equipment	247,214	252,874	98
Property, plant and equipment under construction	23,079	19,896	116
<b>Total property, plant and equipment</b>	<b>515,199</b>	<b>520,929</b>	<b>99</b>

Property, plant and equipment represent 34% of the Company's total assets. Krka's major investments

are described in the Business Report, in the Section Investments.

## Intangible assets

EUR 28,588 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Concessions, patents, licences and similar rights	28,588	29,654	96
<b>Total intangible assets</b>	<b>28,588</b>	<b>29,654</b>	<b>96</b>

Intangible assets refer to software and marketing authorisation documentation for new medicines.

## Loans

EUR 57,334 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
<b>Non-current loans</b>	<b>10,579</b>	<b>9,571</b>	<b>111</b>
- non-current loans to subsidiaries	5,742	5,064	113
- non-current loans to other entities	4,837	4,507	107
<b>Current loans</b>	<b>46,755</b>	<b>46,209</b>	<b>101</b>
- current portion of loans due next year	1,769	2,363	75
- current loans to subsidiaries	44,701	43,596	103
- current loans to other entities	177	87	203
- current interest receivable	108	163	66
<b>Total loans</b>	<b>57,334</b>	<b>55,780</b>	<b>103</b>

Non-current loans represent 18% of total loans.

Non-current loans to other entities refer to loans that the Company extends to its employees, pursuant to its internal acts, and are primarily housing loans.

## Investments

EUR 5,698 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
<b>Non-current investments</b>	<b>5,058</b>	<b>4,735</b>	<b>107</b>
- financial assets available for sale	5,058	4,735	107
<b>Current investments, including derivatives</b>	<b>640</b>	<b>602</b>	<b>106</b>
- instruments held for trading	74	68	109
- other current investments	566	534	106
<b>Total investments</b>	<b>5,698</b>	<b>5,337</b>	<b>107</b>

Financial assets available for sale include EUR 584 thousand of investments into shares made in Slovenia and EUR 4,474 thousand of investments into shares made abroad.

Other current investments refer to Slovenian mutual funds in the amount of EUR 297 thousand and to assets under management in the amount of EUR 269 thousand.

## Inventories

EUR 196,199 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Material	78,368	83,058	94
Work in progress	47,187	44,809	105
Products	63,252	57,770	109
Merchandise	7,392	7,662	96
<b>Total inventories</b>	<b>196,199</b>	<b>193,299</b>	<b>102</b>

## Trade and other receivables

EUR 423,823 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Short-term receivables due from subsidiaries	220,863	205,637	107
Trade receivables due from customers other than Group companies	178,439	169,746	105
Other receivables	24,521	23,867	103
<b>Total trade receivables</b>	<b>423,823</b>	<b>399,250</b>	<b>106</b>

## Cash and cash equivalents

EUR 19,234 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Cash in hand	11	8	138
Bank balances	19,223	15,015	128
<b>Total cash and cash equivalents</b>	<b>19,234</b>	<b>15,023</b>	<b>128</b>

## Equity

EUR 1,185,960 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Share capital	59,126	59,126	100
Treasury shares	-45,452	-42,584	107
Reserves:	193,705	190,619	102
- share premium	101,503	101,503	100
- reserves for treasury shares	45,452	42,584	107
- legal reserves	14,990	14,990	100
- statutory reserves	30,000	30,000	100
- fair value reserve	1,760	1,542	114
Retained earnings	978,581	933,324	105
<b>Total equity</b>	<b>1,185,960</b>	<b>1,140,485</b>	<b>104</b>

## Borrowings

EUR 87,529 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
<b>Non-current borrowings</b>	<b>25,500</b>	<b>25,500</b>	<b>100</b>
- borrowings from domestic banks	25,500	25,500	100
<b>Current borrowings</b>	<b>62,029</b>	<b>60,556</b>	<b>102</b>
- portion of non-current borrowings due next year	27,100	41,300	66
- borrowings from Group companies	34,230	17,798	192
- borrowings from domestic banks	2	0	
- borrowings from other entities	349	386	90
- interest payable	348	1,072	32
<b>Total borrowings</b>	<b>87,529</b>	<b>86,056</b>	<b>102</b>

## Provisions

EUR 97,505 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Provisions for retirement benefits and anniversary bonuses	48,505	48,505	100
Provisions for lawsuits	49,000	49,000	100
<b>Total provisions</b>	<b>97,505</b>	<b>97,505</b>	<b>100</b>

Provisions for lawsuits represent 50% of total provisions and have not changed from the beginning of the year.

## Deferred revenue

EUR 3,264 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Grants received for the Beta plant in Šentjernej	70	81	86
Grants by the European Regional Development Fund	20	21	95
Grants by the European Regional Development Fund - development of new technologies (FBD project)	804	828	97
Properties, plant and equipment received for free	575	579	99
Emission coupons	7	7	100
Other deferred revenue	1,788	1,923	93
<b>Total deferred revenue</b>	<b>3,264</b>	<b>3,439</b>	<b>95</b>

The FBD operation (project) is partly funded by the European Union (European Regional Development Fund). It is a part of the Operational Programme 2007-2013 »Strengthening Regional Development

Potentials»; 1. priority axis: Competitiveness and research excellence; 1.1. priority objective: Improvement of competitiveness and research excellence.

## Trade payables

EUR 99,299 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Payables to subsidiaries	29,048	26,973	108
Payables to domestic suppliers	32,116	32,469	99
Payables to foreign suppliers	37,127	35,355	105
Payables from advances	1,008	753	134
<b>Total trade payables</b>	<b>99,299</b>	<b>95,550</b>	<b>104</b>

## Other current liabilities

EUR 39,592 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Accrued contractual discounts on products sold to other customers	11,543	11,543	100
Payables to employees - gross wages, other charges	23,530	23,903	98
Other	4,519	4,581	99
<b>Total other current liabilities</b>	<b>39,592</b>	<b>40,027</b>	<b>99</b>

## Contingent liabilities

EUR 15,458 thousand

EUR thousand	31 Mar 2012	31 Dec 2011	Ind.
Guarantees issued	14,838	14,896	100
Other	620	620	100
<b>Total contingent liabilities</b>	<b>15,458</b>	<b>15,516</b>	<b>100</b>

## MANAGEMENT BOARD'S STATEMENT OF RESPONSIBILITIES

The Management Board of Krka, d. d., Novo mesto hereby states that the condensed financial statements of the Krka Company and the condensed consolidated financial statements of the Krka Group for the three months ended 31 March 2012 have been drawn up so as to provide a true and fair view of the financial standing and operating results of the Krka Company and Krka Group. The condensed statements for the period January-March 2012 have been drawn up using the same accounting principles as for the annual financial statements of the Krka Company and Group for 2011.

The condensed interim financial statements for the three months ended 31 March 2012 were drawn up pursuant to IAS 34 - Interim Financial Reporting,

and must be read in conjunction with the annual financial statements drawn up for the year ended 31 December 2011.

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 forms of misconduct.

The Management Board also states that all transactions between related parties within the Krka Group have been executed on the basis of purchase contracts, using market prices for products and services.

Novo mesto, 24 April 2012



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 Zupancič  
Member of the Management Board



Danica Novak Malnar  
Employee Representative - Member of the Management Board