



**Unaudited Interim Report
for the Krka Group and
the Krka Company
for January-September 2010**

Novo mesto, November 2010

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INTRODUCTION

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

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

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

The Supervisory Board discussed the January-September 2010 business report for the Krka Group and Company at its regular meeting on 24 November 2010.

Significant achievements – January-September 2010

- The Krka Group achieved sales of products and services worth EUR 726.6 million, while the Krka Company's sales were worth EUR 692.8 million.
- Group sales were 5% up on the comparable period last year, while Company sales were 13% higher. Due to changes in legislation on market authorisation for pharmaceuticals in the Russian Federation, which came into force on 1 September 2010, till the end of August the Krka Company sold some of its product inventories of intended for Russian consumers to its subsidiary OOO KRKA FARMA Sergijev Posad. This is therefore reported as a high growth rate for the Krka Company, and lower for the Group since the subsidiary has not yet sold all the products thus acquired to end users.
- The Krka Group's operating profit was EUR 154.6 million, while the Company's operating profit was EUR 159.5 million.
- The net profit for the Krka Group was EUR 120.9 million, 12% higher than the same period last year, while the net profit of the Krka Company was EUR 132.0 million, 17% higher.
- The highest relative growth in sales (14%) by region was achieved in Region East Europe. The highest absolute growth in sales (up EUR 22.5 million) was in Region Central Europe, which remained Krka's largest sales region with a 31% proportion of overall sales.
- Sales on markets outside Slovenia over the period represented 89% of the Group's sales and 92% of the Company's.
- The Krka share price as listed on the Ljubljana Stock Exchange on 30 September 2010 was EUR 63.52, which was a 1% fall from the end of 2009. The Krka Company's market capitalisation was EUR 2,250.3 million.
- The Krka Group allocated EUR 77.1 million to investments, EUR 56.6 million of which was invested by the Krka Company and EUR 20.5 million by subsidiaries.
- At the end of September 2010 the Krka Group had 8578 employees, 8% more than at the start of the year.

Significant events after the accounting period

- On 2 November 2010, the subsidiary Krka Pharma GmbH, Vienna (Krka Pharma) received a decision from the Commercial Court in Vienna prohibiting Krka Pharma from placing on the Austrian market any form of pharmaceutical containing the active substance esomeprazole, which has an optical purity greater than 99.8% enantiomeric excess, due to an alleged infringement of the AstraZeneca patent no EP 1 020 461. The decision by the Commercial Court in Vienna upheld a motion by the companies AstraZeneca AB, Sweden, and AstraZeneca Österreich
- The Slovenian president Danilo Türk attended the 40th anniversary, jubilee ceremony to present the Krka Awards and presented Krka with a Gold Order of Merit. Krka received this national honour in recognition of its contribution to the successful development of Slovenian
- After the Krka Company was awarded the regional 2010 Dolenjska-Posavska Gazelle Award, at the final nationwide selection held on 20 October 2010, Krka went on to receive the Golden Gazelle and confirmed that it is not only the fastest growing Slovenian company of the past year, but –
- In the selection for best annual report of the year organised by the business daily Finance, Krka was one of the largest companies to receive an award for 2009 Annual Report of the Year.

GmbH, Austria, which claimed a temporary injunction.

Krka Pharma will file an appeal against the decision, but the appeal does not stay execution of the decision. Krka Pharma is convinced that it has not infringed the patent and considers that it will demonstrate in further proceedings.

Krka Pharma started selling pharmaceuticals containing esomeprazole in Austria in April 2010.

society, promoting research and development work among young people, transferring knowledge between universities and the economy and the direct inclusion of young researchers in international cooperation.

in the words of the jury – is also an “excellent case of entrepreneurial development and an example that demonstrate that it is possible to move quickly, even if you are already large.”

As well as the top prize, it also won the prize for the best financial report for the fourth year in a row.

Highlights

in EUR thousand	Krka Group		Krka Company	
	1-9/2010	1-9/2009	1-9/2010	1-9/2009
Sales revenues	726,627	689,874	692,825	614,703
EBIT	154,629	154,885	159,485	142,435
EBITDA	215,482	211,400	205,254	185,896
Net profit	120,861	108,313	132,039	113,322
R&D costs	71,662	64,674	67,300	60,428
Investments	77,072	72,132	56,571	66,004

	30 Sep 2010	31 Dec 2009	30 Sep 2010	31 Dec 2009
Non-current assets	827,879	808,022	793,192	784,594
Current assets	610,400	533,010	615,186	528,345
Equity	1,006,278	920,369	1,026,495	932,010
Non-current liabilities	240,067	237,834	209,369	205,785
Current liabilities	191,934	182,829	172,514	175,144

RATIOS	1-9/2010	1-9/2009	1-9/2010	1-9/2009
EBIT margin	21.3%	22.5%	23.0%	23.2%
EBITDA margin	29.7%	30.6%	29.6%	30.2%
Net profit margin	16.6%	15.7%	19.1%	18.4%
ROE ¹	16.7%	17.6%	18.0%	18.1%
ROA ²	11.6%	11.1%	12.9%	12.0%
Liabilities/Equity	0.429	0.551	0.372	0.473
R&D costs/Sales revenues	9.9%	9.4%	9.7%	9.8%

NUMBER OF EMPLOYEES	30 Sep 2010	30 Sep 2009	30 Sep 2010	30 Sep 2009
At the day	8578	7905	4528	5221

KRKG SHARE INFORMATION	1-9/2010	1-9/2009
Total number of shares issued	35,426,120	35,426,120
Earnings per share in EUR ³	4.77	4.27
Share price at the end of period in EUR	63.52	72.03
Price/earnings ratio (P/E)	13.32	16.86
Book value of share in EUR ⁴	28.40	24.12
Share price/book value (P/B)	2.24	2.99
Market capitalisation in EUR thousand (at the end of period)	2,250,267	2,551,743

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

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

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

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

ID Card of the Krka Group

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

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

Telephone: 07 331 21 11

Fax: 07 332 15 37

E-mail: info@krka.biz

Website: www.krka.si

Basic line of business: Production of pharmaceutical preparations

Activity code: 21.200

Year established: 1954

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

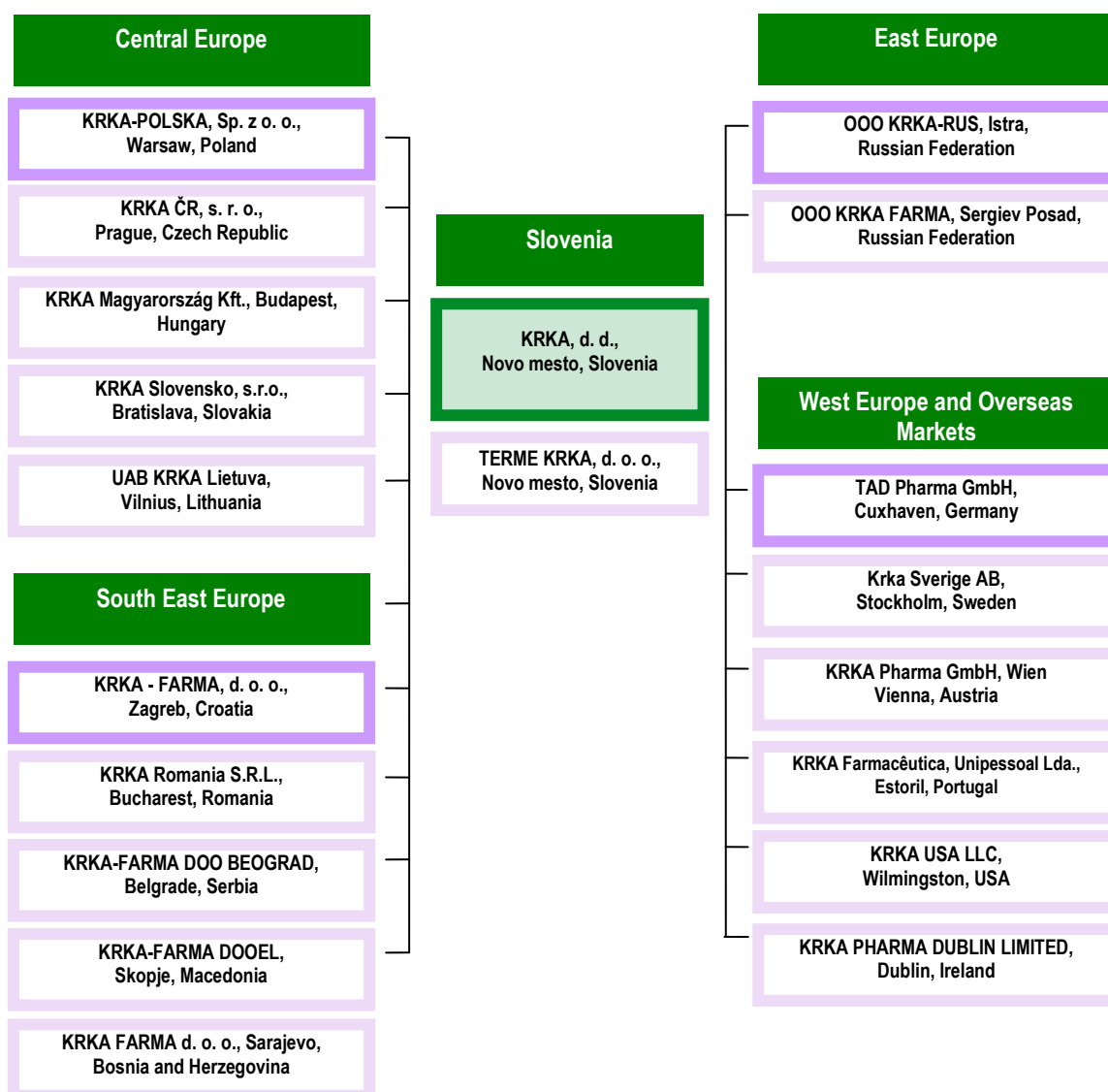
VAT number: 82646716

Company ID number: 5043611

Called-up capital: EUR 59,126,194.28

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

Organisational chart of the Krka Group



Legend:

Production-distribution companies

Other subsidiaries

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

The Krka Group business model

Krka is a public limited company with its registered office in Slovenia and one of the world's leading generic pharmaceutical companies. The company can boast over 50 years' experience.

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

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

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

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

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

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

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

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

The 2010-2014 Krka Group development strategy

The Krka Group updates its development strategy every two years. Krka's key strategies and objectives for 2010-2014, which are included in the Krka Group development strategy for the five-year period (2010-2014) are set out below.

Key strategic objectives – to 2014

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

-
- Maintaining independence.

Key strategies – to 2014

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

Assessment of achievement of Krka Group's business objectives for 2010

- Product and service sales should reach EUR 1,008 million, growth of 6%.
- The largest sales region is set to be Central Europe, where the highest sales growth is also planned. The Russian Federation will remain the most important individual market.
- The planned proportion of sales on markets outside Slovenia will reach almost 90%.
- Prescription pharmaceuticals, with growth anticipated at 8%, will remain the most important product group, and are expected to represent over 83% of overall sales.
- The planned net profit of EUR 159 million will be realised.
- At the end of the year the Krka Group will have 8670 employees, 48% of them abroad.
- Since some investments have been rescheduled for the first quarter of 2011 and hence also the purchase of equipment representing a considerable proportion of the investment, we assess that investment spending this year will reach EUR 127 million.

BUSINESS REPORT

Corporate risk management

Foreign exchange risk

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

The high exchange rate volatility continued into the third quarter. The fall of the Russian ruble had a negative impact on the Krka Group's exchange rate difference, however, the result was partly neutralised by the growth of the Polish zloty. The

impact of other currency on the exchange rate in the third quarter was relatively lower.

Considered overall, exchange rate movements in the third quarter were unfavourable for the Krka Group. Despite this, the overall result remains positive, due to high positive exchange differences generated in the first and second quarters of the year.

Currency positions were not hedged over the period.

Interest rate risk

At the end of September 2010 the Krka Group had seven long-term loans linked to the 6-month EURIBOR reference rate.

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

The movement in the reference interest rate was favourable for the Krka Group over the first three quarters.

Due to forecasts of low interest rates over the long term, Krka did not hedge against growth in the reference interest rate.

Credit risk

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

The extension of payment deadlines on specific

sales markets led to a growth in the value of trade receivables in 2010. The value and maturity structure of overdue receivables did not change significantly and remained within acceptable limits.

Due to active receivables management and overdue receivables, there were no materially significant receivables write-offs.

Liquidity risk

We assess liquidity risk over the period as low. Sound operations and low indebtedness has allowed Krka to obtain better financing conditions than last year. Solvency and the financing of working capital and investment has primarily been ensured via cash flow from business transactions, while agreed credit lines cover temporary current financial requirements.

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

The Krka Group's low level of indebtedness means that its debt servicing liabilities over the period

offered little liquidity risk.

Property, business interruption and liability insurance

The Krka Group added a new company to its international insurance programme, Krka Lietuva (Lithuania), and transferred insurance in the Russian Federation from the representative office to OOO Krka Farma, which has its registered office in Russia.

Krka addresses property insurance in subsidiaries abroad by ensuring adequate insurance coverage and compliance with local legislation, while working hard to standardise the insurance function as well as health and safety at work. Visits and discussions with subsidiary management teams were organised to address these issues at Krka Farma Zagreb in

Jastrebarsko, Krka Polska in Warsaw and Krka Rus in Istra, Russia. The checks found there were no major compliance failures. Significant progress was seen in preventive and technical and organisational measures to reduce risk.

Krka changed its fully comprehensive insurance for vehicles abroad to introduce a deductible and a standard basis for agreeing vehicle insurance. We expect this measure to reduce the number of damage claims dealt with, and to reduce the costs of repairs, while improving vehicle availability and economical use of vehicles.

Investor information

Shareholder numbers have fallen by 3% since the start of the year.

At the end of September 2010, Krka had 80,270 shareholders, 3% fewer than at the start of the year. In

the ownership structure, the share of international investors increased most, while the shares for

investment companies and funds and Slovenian individual and business investors fell. The ownership share of Slovenian state financial companies (SOD and KAD with PPS) remained unchanged.

Ownership structure (%)

	30 Sep 2010	31 Dec 2009
Individual Slovenian investors	43,9	44,6
Slovenska odškodninska družba (SOD)	15,0	15,0
International investors	12,0	9,7
Kapitalska družba (KAD) & Prvi pokojninski sklad (PPS)	10,2	10,2
Other Slovenian companies	8,5	8,9
Slovenian investment companies & funds	5,8	7,0
Own shares	4,6	4,6
Total	100,0	100,0

The number of treasury shares has not changed since the last report. At the end of September 2010,

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

Ten largest shareholders in Krka as at 30 September 2010

	Country	Number of shares	Proportion in equity in %	Proportion in voting rights in %
SLOVENSKA ODŠKODNINSKA DRUŽBA, D.D.	Slovenia	5,312,070	14.99	15.72
KAPITALSKA DRUŽBA, D.D.	Slovenia	3,493,030	9.86	10.33
NEW WORLD FUND INC	USA	835,400	2.36	2.47
UNICREDIT BANK AUSTRIA AG	Austria	454,356	1.28	1.34
LUKA KOPER, D.D.	Slovenia	434,870	1.23	1.29
NFD 1 DELNIŠKI INVESTICIJSKI SKLAD, D.D.	Slovenia	400,261	1.13	1.18
ZAVAROVALNICA TRIGLAV, D.D.	Slovenia	388,300	1.10	1.15
DELNIŠKI VZAJEMNI SKLAD TRIGLAV STEBER I	Slovenia	379,598	1.07	1.12
UNICREDIT BANK HUNGARY ZRT	Hungary	276,129	0.78	0.82
SOCIETE GENERALE-SPLITSKA BANKA, D.D.	Croatia	248,747	0.70	0.74
Total		12,222,761	34.50	36.16

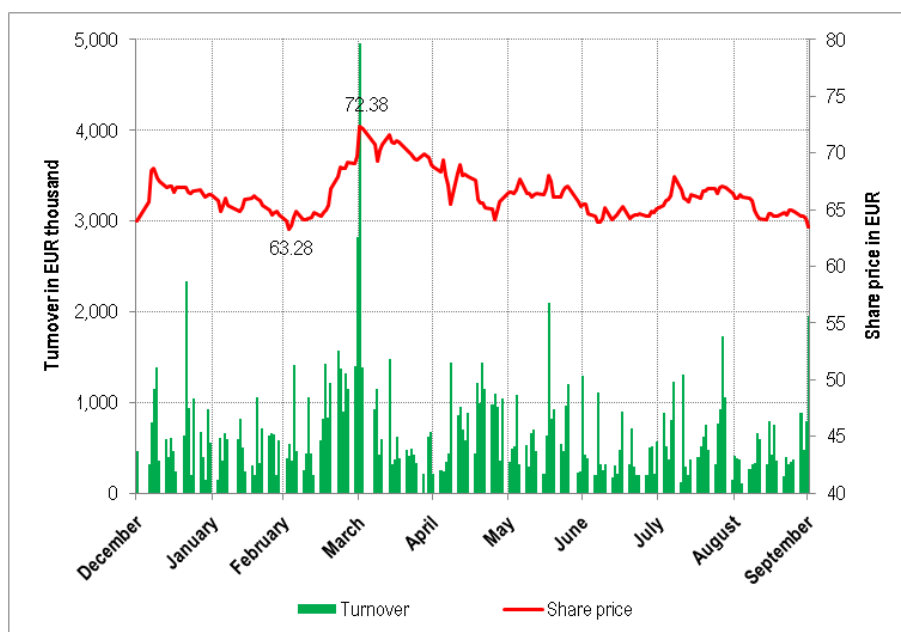
The ten largest Krka shareholders together held 12,222,761 shares at the end of September 2010, representing 34.50% of all shares issued.

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

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

	Number of shares	Proportion in equity in %	Proportion in voting rights in %
Management Board members			
Jože Colarič	22,500	0.064	0.067
Zvezdana Bajc	1,660	0.005	0.005
Aleš Rotar	12,770	0.036	0.038
Vinko Zupančič	120	0.000	0.000
Danica Novak Malnar	0	0.000	0.000
Total Management Board members	37,050	0.105	0.110
Supervisory Board members			
Jože Lenič	180	0.001	0.001
Matjaž Rakovec	400	0.001	0.001
Franc Šašek	540	0.002	0.002
Julijana Kristl	230	0.001	0.001
Vincenc Manček	11,543	0.033	0.034
Mojca Osolnik Videmšek	452	0.001	0.001
Tomaž Sever	500	0.001	0.001
Sergeja Slapničar	0	0.000	0.000
Mateja Vrečer	0	0.000	0.000
Total Supervisory Board members	13,845	0.039	0.041
Total Management Board and Supervisory Board Members	50,895	0.144	0.151

Trading in Krka shares – January to September 2010



The main index of the Ljubljana Stock Exchange, the LJSE Composite, recorded a 19% fall in value over the first nine months of 2010, while the value of the Krka share price fell by 1%. Krka's highest share price, EUR 72.38, was achieved at the end of March.

In the first nine months of this year, Krka shares

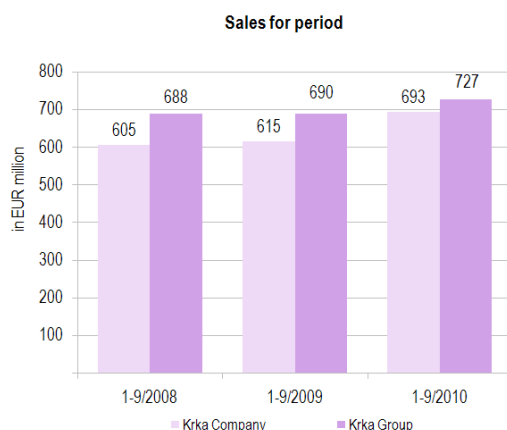
were the most traded security on the Ljubljana Stock Exchange, with average daily trading at EUR 672 thousand. The market capitalisation of Krka at the end of September 2010 was approximately EUR 2.3 billion.

Krka's share was again the most traded security on the Ljubljana stock exchange in the first 9 months of 2010.

Business operations analysis of the Krka Group and Krka Company

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

Revenues



The sale revenues of the Krka Group increased by 5% compared to the same period last year, while the Krka Company recorded an increase of 13%. The Krka Company generated sales revenues of EUR 692.8 million from the sale of prescription pharmaceuticals, self-medication products, cosmetics and animal health products, while the Krka Group generated EUR 726.6 million from sales of these products plus sales of health and tourist services.

Krka Group sales were up 5% while Company sales were up 13% on the same period last year.

The Group generated over 83% of its sales from prescription pharmaceutical sales, an increase of 4% compared to the first nine months of last year. Eighty-nine per cent of the Group's sales were generated on markets outside Slovenia.

Together with other operating and financial revenues, the Group generated total revenues of

EUR 736.4 million, and the Krka Company EUR 702.2 million over the period.

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

Expenses

Total Group expenses were 4% higher than for the same period last year.

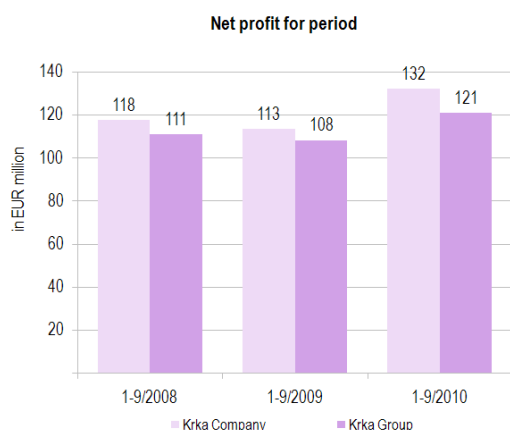
The Krka Group's total operating expenses for the first nine months of this year totalled EUR 580.9 million, 4% higher than for the same period last year.

The Group's production costs of goods sold increased by 4% compared to the same period last year, and their ratio to sales was 36.9%. Distribution expenses were 7% higher, and their ratio to sales was 24.7%.

The Krka Group recorded operating expenses of EUR 577.1 million, EUR 267.8 million of which were related to production costs of goods sold, EUR 179.2 million to distribution expenses, EUR 71.7 million to R&D costs and EUR 58.5 million to administrative expenses.

The Krka Group's R&D costs were 11% higher than for the same period last year, and their ratio to sales revenues was 9.9%. Overall R&D costs are recognised as expenses for the period, since they are not capitalised. Administrative expenses increased by 5% compared to the same period last year, and their ratio to sales was 8.0%.

Operating results



The Krka Group's operating profit of EUR 154.6 million was around the same level as for the comparable period in 2009. The pre-tax profit

was EUR 155.6 million, one tenth higher than for the same period last year.

Corporate income tax totalled EUR 34.7 million (EUR 38.2 million was levied tax and minus EUR 3.8 million deferred tax), and the Group's effective tax rate was 22.3%.

The Krka Group's net profit for the period was EUR 120.9 million, a 12% increase on the same period last year, while the Krka Company's net profit of EUR 132.0 million was up 17% than last year's three-quarter figure.

The Group's net profit of was 12% up on the same period in 2009, while the Company's net profit was up 17%.

Assets

Krka Group's assets increased by 7% compared to the end of 2009.

The Group's assets at the end of September totalled EUR 1,438.3 million, growth of 7% from the end of 2009.

The ratio of non-current assets to total assets was 57.6%, an increase of 2% compared to the start of

the year. The most significant item under non-current assets – which overall were worth EUR 827.9 million – was property, plant and equipment, which at EUR 670.0 million represented 46.6% of total Group assets. This was an increase of 3% compared to the start of the year. Intangible

assets were worth EUR 123.2 million at the end of September 2010.

Current liabilities were worth EUR 610.4 million, an

increase of 15% compared to the start of the year. Inventories increased by 23% over the period to EUR 223.1 million, while receivables increased by 12 % to EUR 374.9 million.

Equity and liabilities

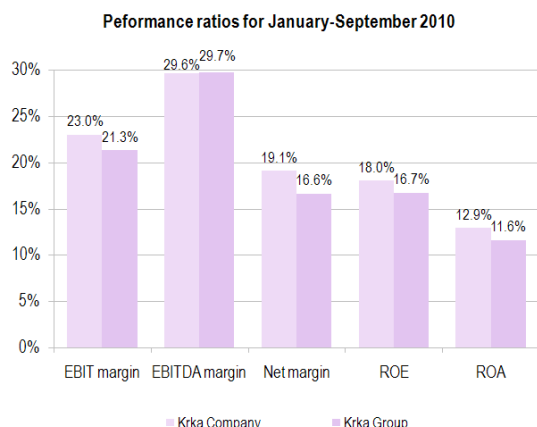
The Group's equity increased by 9% compared to the end of 2009, and now represents seven-tenths of total equity and liabilities. The value of equity exceeded one billion euros.

Non-current liabilities were worth EUR 240.1 million, 16.7% of the Group's total assets. They increased by 1% compared to the end of 2009. The value of long-term provisions was EUR 110.9 million at the end of September, 3% higher than at the end of 2009. The value of long-term borrowings effectively did not change, as the Group did not undertake any new borrowings.

Current assets increased by 5% compared to the end of 2009, up to EUR 191.9 million, or 13.3% of total Group assets. In the current liability structure, operating liabilities were 12% higher than at the end of 2009 at EUR 81.1 million, while short-term borrowings were down 52% to EUR 24.7 million. Other current liabilities were worth EUR 74.3 million, an increase of 29% compared to the end of 2009.

The total value of long-term and short-term borrowings was EUR 129.7 million, 17% lower than at the end of 2009, primarily due to repayments of previous borrowings.

Performance ratios



The Krka Group's net margin was 21.3% (Krka Company: 23.0%), its EBITDA margin was 29.7% (Company: 29.6%) and its net margin was 16.6% (Company: Krka 19.1%). The Krka Group's ROE was 16.7% (Company: 18.0%), and its ROA was 11.6% (Company: 12.9%).

Marketing and sales

In the first nine months of this year, the Krka Group and Company exceeded last year's sales for the same period. The Krka Group achieved sales worth

EUR 726.6 million, while the Krka Company achieved sales of EUR 692.8 million.

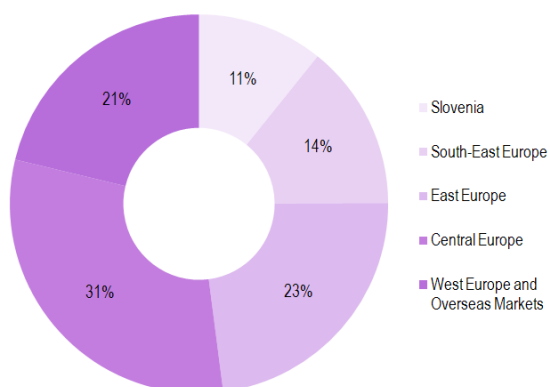
Sales by region

The Group's largest sales region was Region Central Europe with sales of EUR 223.9 million or 31% of the Group's total. It is followed in sales volume by Region East Europe, with EUR 167.4 million or a 23% share of Group sales. Region Western Europe and Overseas Markets was

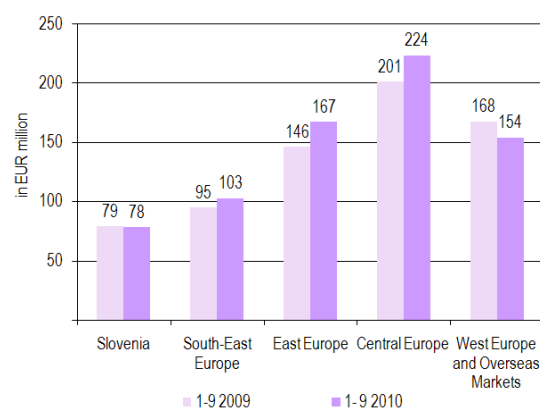
the third largest sales region for the period, with EUR 154.3 million and 21% of overall sales. Sales in Region South-East Europe reached EUR 102.9 million – 14% of overall sales, while sales on the Slovenian market reached EUR 78.2 million, 11% of the Group's total.

in EUR thousand	Krka Group			Krka Company		
	1-9/2010	1-9/2009	Ind.	1-9/2010	1-9/2009	Ind.
Slovenia	78,224	79,221	99	56,678	54,209	105
South-East Europe	102,873	95,101	108	104,785	92,563	113
East Europe	167,381	146,196	114	184,961	127,404	145
Central Europe	223,864	201,379	111	219,708	196,136	112
West Europe and Overseas Markets	154,285	167,977	92	126,693	144,391	88
Total	726,627	689,874	105	692,825	614,703	113

Krka Group and Krka Company sales by region, January-September 2010



Krka Group sales by region for January-September 2009 and 2010



Slovenia

In the first nine months of 2010, Krka achieved product and service sales in Slovenia worth EUR 78.2 million, which is 1% down on the same period last year. The reason for the fall in sales was the reduced sale of health and tourism services caused by closure of the Talaso Strunjan business unit for almost four months.

The largest contribution to sales on the domestic market came from prescription pharmaceuticals, sales of which were worth EUR 45.8 million. Self-medication and cosmetics product sales were worth EUR 6.3 million and

Krka further consolidated its position as Slovenia's leading prescription pharmaceutical provider.

animal health product sales EUR 1.8 million. Sales of health and tourism services contributed EUR 23.4 million to the overall result.

The best-selling pharmaceutical brands were Prenessa (perindopril), Atoris (atorvastatin), Ultop (omeprazole), Lorista (losartan) and Enap

(enalapril), while the top sellers in the self-medication group were Nalgesin S (naproxen), Septoleta and Bilobil (ginkgo biloba).

With a market share of over 13%, Krka consolidated its leading position in the prescription pharmaceutical group on the Slovenian market.

South-East Europe

Krka sold products worth EUR 102.9 million on the markets of south-east Europe. Sales growth in the region reached 8%. The highest growth compared to last year's results for the period was achieved in Romania, Bosnia and Herzegovina, and Macedonia. Sales growth was somewhat lower in Bulgaria, Serbia and Albania.

We are the number one foreign generic producer in Croatia.

Croatia, one of Krka's key markets, remained its largest market in the region. With sales achieved in the first three quarters worth

EUR 31.2 million, Krka retained its position as the leading foreign generic pharmaceutical producer.

Krka retained its leading position in the statin therapeutic group, in some groups of antimicrobial active substances (macrolides, quinolones), and also has significant market shares in the proton pump inhibitor, ACE inhibitor, sartan and benzodiazepine groups. Despite the fact that a new official pharmaceutical list was released at the end of June with lower prices, the third quarter was the most successful for secondary sales.

The bestselling prescription pharmaceuticals were Atoris (atorvastatin), Zyllt (clopidogrel), Lanzul (lansoprazole), Enap (enalapril), Ciprinol (ciprofloxacin), Vasilip (simvastatin), Helex (alprazolam), Ampril (ramipril) and Tenox (amlodipine).

Romania was the fastest growing Krka market in the region over the period with 32% growth leading to product sales of EUR 31.0 million. Prescription pharmaceuticals performed best, primarily products established on the market for a number of years such as Bilobil (ginkgo biloba), Enap (enalapril), Ciprinol (ciprofloxacin), Rawel (indapamide), Tramal (tramadol) and Tenox (amlodipine) as well as products launched more recently such as Oprymea (pramipexole), Prenessa (perindopril), Zyllt (clopidogrel), Lorista (losartan), Nolpaza

(pantoprazole), Emanera (esomeprazole) and Tolura (telmisartan). The last two in that list were launched in the third quarter of the year and offer great potential for sales growth.

In **Bosnia and Herzegovina** product sales were worth EUR 12.4 million, 6% more in the first nine months of last year. This consolidated Krka's position as the leading foreign generic producer on the market. The bestselling products were prescription pharmaceuticals such as Enap (enalapril), Lexaurin (bromazepam), Naklofen (diclofenac), Zyllt (clopidogrel), Coryol (carvedilol), Lorista (losartan) and Atoris (atorvastatin). Valsacor (valsartan) was launched to the market in the third quarter.

Macedonia was one of Krka's fastest growing markets in the region over the first three-quarters of 2010. With 11% growth and sales of EUR 8.5 million, Krka is the leading foreign generic producer on the Macedonian market. The most important products on the market are Enap (enalapril), Lanzul (lansoprazole), Helex (alprazolam), Atoris (atorvastatin) and Cordipin (nifedipine). The products that have recently expanded the range offer opportunities for further growth: Doreta (paracetamol/tramadol), Enyglid (repaglinide), Oprymea (pramipexole) and Vizarsin (sildenafil).

Sales in **Bulgaria** reached EUR 6.8 million, slightly down on the figure for the same period last year. Our bestselling products are Lorista (losartan), Enap (enalapril), Atoris (atorvastatin), and Rawel (indapamide). Krka has added different pharmaceutical forms to certain brands over the period, bringing to market Co-Valsacor (valsartan/hydrochlorothiazide), Emanera (esomeprazole), Zyllt (clopidogrel) and Prenessa (perindopril).

In **Serbia** Krka achieved product sales worth EUR 4.9 million, and work relating to cooperative

production continued. In June key Krka products returned to the approved list. The biggest contribution to overall sales came from the prescription pharmaceuticals Zyllt (clopidogrel), Atoris (atorvastatin) and Vasilip (simvastatin). At the same time we launched two new products, Nolpaza (pantoprazole) and Valsacor (valsartan) – both of which are on the approved list.

Sales in **Albania** were worth EUR 4.2 million, somewhat lower than for the same period last year, due to consolidation in distribution chains on the market. The bestselling products are Lorista (losartan), Enap (enalapril) and Ciprinol

East Europe

The region includes a large number of markets, with the Russian Federation standing out in terms of sales volume and importance. Sales in that region over the first three-quarters of the year were worth EUR 167.4 million. Double-digit growth for the period was achieved in the Russian Federation, Ukraine, Uzbekistan, Kazakhstan, Mongolia, Tajikistan and Turkmenistan.

The key market, the **Russian Federation**, is Krka's largest individual market, on which Krka achieved sales worth EUR 122.9 million over the first nine months of the year, exceeding sales over the same period last year by 11%. The largest proportion of sales come from prescription pharmaceuticals, which were worth EUR 88.1 million. This was followed by sales of self-medication products worth EUR 28.9 million and animal health product sales worth EUR 5.9 million. Due to changes in legislation on the market authorisation of pharmaceuticals that came in on 1 September 2010, till the end of August Krka Company sold some of its product inventories intended for Russian consumers to its subsidiary OOO KRKA FARMA Sergijev Posad. As a consequence the Krka Company recorded a higher level of sales, and the Group a lower level, since the subsidiary has not yet sold all the products it acquired to final users.

The bestselling products over the period were Enap (enalapril), Herbion, Lorista (losartan), Pikovit, Vasilip (simvastatin), Zyllt (clopidogrel), Atoris (atorvastatin), Orsoten (orlistat), Macropen (midecamycin) and Ultop (omeprazole). Good sales were recorded for products launched in the second quarter of the year: Perineva (perindopril), Niperten (bisoprolol) and Nolpaza (pantoprazole). The

(ciprofloxacin).

In **Kosovo** sales were worth EUR 3.2 million over the period. The fall in sales compared to the first three-quarters of last year was largely due to the economic state of the market. Despite this Krka remained the leading pharmaceutical producer in Kosovo.

Sales in **Montenegro** grew by 44% compared to the same period last year, reaching a value of EUR 0.6 million. The leading products by sales are Kamiren (doxazosin) and Lorista (losartan).

leading animal health products were Enroxil (enrofloxacin), Floron (florfenicol) and Kokcisan (salinomycin).

By introducing new products to the Russian market over the past year Krka has changed the sales structure to create a newer product range, including bestsellers like Lorista (losartan), Valsacor (valsartan), Nolpaza (pantoprazole), Amprikan (ramipril) and Perineva (perindopril). Krka products are market leaders in the statins group, multi-vitamin preparations without minerals for paediatric use and pharmaceuticals to treat colds. Our products also have high market shares among macrolide antibiotics, ACE inhibitors, including combinations with diuretics and in the platelet aggregation inhibitors group. The market share in the sartan group is increasing, with Krka the second-ranked sartan producer overall.

Krka consolidated its status as a domestic producer, which is important when operating in the Russian Federation. In the third quarter, a third packaging line started up at Krka's production plant, and preparations for the start of construction of Krka Rus II – a new production-distribution centre are underway.

We are expanding the production and distribution capacity in Russia and consolidating our status as a domestic producer.

Sales growth of 55% was achieved in **Ukraine** through increased promotional work and growth on the pharmaceutical market, with sales reaching EUR 21.7 million. The biggest contribution to overall sales among the prescription pharmaceuticals came from Enap (enalapril), Atoris (atorvastatin) and

Naklofen (diclofenac). The bestselling self-medication products were Herbion, Bilobil (ginkgo biloba) and Septotele.

Sales in **Uzbekistan** increased by 37% compared with the same period last year and reached a value of EUR 6.1 million, largely due to successful sales of prescription pharmaceuticals, and particularly Enap (enalapril) and Naklofen (diclofenac). The best sales results among the self-medication products were achieved with Pikovit.

In **Kazakhstan** Krka sold products worth EUR 5.4 million, 11% higher than for the same period last year. Successful sales of prescription pharmaceuticals contributed the most to these figures. Our most important products on the Kazakhstan market are Enap (enalapril), Duovit and Vasilip (simvastatin).

Product sales on the **Belarus** reached EUR 2.7 million. The most important products were Enap (enalapril), Ampril (ramipril), Sulfasalazin (sulfasalazine) and Lorista (losartan).

On the **Moldovan** market Krka sold products worth EUR 2.2 million and despite considerable contraction of the pharmaceutical market in the first nine months of the year achieved 2% growth. The

majority of sales were generated by products from the prescription pharmaceutical group such as Enap (enalapril), Ampril (ramipril) and Kaptopril (kaptopril).

In **Mongolia** the 28% growth was due mainly to successful sales of prescription pharmaceuticals. Lorista (losartan), Pikovit Complex, and Nalpaza (pantoprazole) were launched over the period. In **Azerbaijan** and **Armenia** Krka sold products worth EUR 1.2 million and EUR 0.7 million respectively, but did not reach the figures for the same period last year. In **Georgia** there was a 10% fall in sales compared to the same period last year, due to changes in prices required by a new law. Sales on the **Kyrgyz** market remained at the same level as last year. The lower sales of self-medication products was made up in full by the higher sales of prescription pharmaceuticals.

In **Turkmenistan** Krka achieved sales growth of 97%, mainly due to increased purchases by state pharmacies. In **Tajikistan** the 10% growth in sales came primarily from the launch of Naklofen Duo (diclofenac) and higher prescription pharmaceutical sales.

Central Europe

Region Central Europe remains Krka's largest region by sales. Sales in the region over the first three-quarters of the year were worth EUR 223.9

million. Sales growth were achieved on most markets in the region, with total growth across the region at 11%. High growth led to the value of Krka's sales in Hungary approaching the figure for the Czech Republic.

Poland is one of Krka's key markets. Sales on this, Krka's second largest individual market, contributed 44% to total regional sales, which were worth EUR 97.5 million with growth of 17%.

The largest proportion of sales is comprised of prescription pharmaceuticals, sales of which grew 19% over the period. The most important in the game were: Atoris (atorvastatin) – the leading pharmaceutical for treating high cholesterol, Nalpaza (pantoprazole) – the most frequently used generic pantoprazole and third bestselling Krka pharmaceutical on the Polish market, Zalasta

(olanzapine), Lorista (losartan), Valsacor (valsartan), Vasilip (simvastatin) and Prenessa (perindopril).

Sales of self-medication products fell by 3%. The best-selling products are the brands Septotele and Bilobil (ginkgo biloba). In March Krka introduced the entire Fitoval product line to the market. Sales of animal health products were down by just a under tenth, with the bestselling products being Enroxil (enrofloxacin) and Floron (florfenicol).

In the **Czech Republic** we achieved sales worth EUR 44.0 million. The main cause of the lower sales for the first three-quarters compared to last year was the reform of the health system. The most important products in the bestselling prescription pharmaceutical group were Atoris (atorvastatin), Lorista (losartan), Prenessa (perindopril), Ampril (ramipril), Asentra (sertraline), Lanzul (lansoprazole), and Lexaurin (bromazepam). The leading self-medication product was Nalgesin

(naproxen).

On the **Hungarian** market Krka recorded 23% growth in sales which reached a value of EUR 43.5 million. The greatest contribution to total sales from the most important and fastest growing product group – prescription pharmaceuticals – came from Atoris (atorvastatin), Prenessa (perindopril), Nolpaza (pantoprazole), Lorista (losartan), Lanzul (lansoprazole) and Zyllt (clopidogrel). The fastest growth among the listed products was for Zyllt (clopidogrel) and Lorista (losartan). Sales of self-medication products recorded a 9% fall, while animal health products recorded growth of 15%.

West Europe and Overseas Markets

Sales were worth EUR 154.3 million in Region Western Europe and Overseas Market. Sales on these markets were influenced significantly by considerable price pressure, which are set to continue in future.

Prescription pharmaceuticals represent the largest proportion of overall sales by product group at 95%. By volume sales via partners remain the most important, though there was a fall during to price reductions. On the other hand, we achieved sales growth in all subsidiaries, with Krka Farmacêutica and Krka Sverige performing particularly well. Krka biggest success in Portugal came from sales of clopidogrel and donepezil, while on Scandinavian markets sildenafil and montelukast made excellent contributions in Finland and esomeprazole in Denmark.

The most important markets in the region are the

Sales on the **Slovakia** were worth EUR 20.0 million and 5% growth. The most important products from the prescription pharmaceutical group by sales volume were Atoris (atorvastatin), Prenessa (perindopril), Valsacor (valsartan), Lorista (losartan) and Nolpaza (pantoprazole). The latter recorded sales growth of 59%. Sales of self-medication products grew 8% reaching EUR 1.5 million.

Krka achieved growth on all three markets of the Baltic states. The highest (38%) was on the **Estonian** market. Double-digit (14%) growth was recorded in **Latvia**, while growth in **Lithuania** was 5%.

Germany, France, the Nordic countries, the United Kingdom and Portugal. Krka is among the leading producers on western European markets of generic clopidogrel, lansoprazole, gliclazide SR, perindopril in combination, pantoprazole and enalapril.

The most important markets for animal health products are France and Germany.

All Krka's subsidiaries in the region operated successfully.

The majority of sales in France came from the sale of florfenicol under Krka's own brand. On both markets, sales more than doubled compared to the first nine months of last year, while total sales of animal health products increased by 12%.

Of the **overseas markets**, mention should be made of **Iran** where sales doubled and continued growth is expected in future.

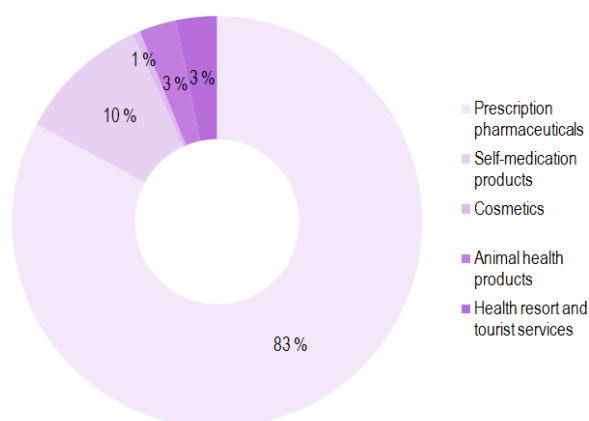
Sales by product and service group

Human health products were the most important in the Group's overall sales during the January-September 2010 period, with a share of 94%. The highest sales within this product group, with a value of EUR 601.5 million, were achieved by prescription pharmaceuticals, while self-medication and

cosmetics sales were together worth EUR 79.6 million. Sales of animal health products were worth EUR 21.1 million, representing 3% of Krka Group sales. Health and tourism service sales reached EUR 23.4 million, 3% of total sales.

in EUR thousand	Krka Group			Krka Company		
	1-9/2010	1-9/2009	Ind.	1-9/2010	1-9/2009	Ind.
Human health products	681,170	644,148	106	669,215	593,647	113
- prescription pharmaceuticals	601,541	580,952	104	584,599	536,769	109
- self-medication products	75,406	57,754	131	80,247	51,719	155
- cosmetics	4,223	5,442	78	4,369	5,159	85
Animal health products	21,109	18,900	112	20,810	19,269	108
Health resort and tourist services	23,446	25,892	91			
Other	902	934	97	2,800	1,787	157
Total	726,627	689,874	105	692,825	614,703	113

Krka Group sales by product and service group for January-September 2010



Prescription pharmaceuticals

Prescription pharmaceutical sales grew in Regions Slovenia, South-East Europe, East Europe and Central Europe.

The Krka Group achieved prescription pharmaceutical sales of EUR 601.5 million, an increase of 4% on the same period last year. Sales increased most in Regions

Central Europe (12%) and South-East Europe (9%). In Region East Europe sales grew by 4%, and in Slovenia by 3%. In Region West Europe and Overseas Markets sales were one tenth down on sales for the comparable period last year.

On Krka's larger markets, the highest growth in prescription pharmaceuticals compared to the same period in 2009 was achieved in Hungary (24%

growth), and Poland (21%). Notable on the mid-sized markets was the growth of the markets in Romania (42% growth), the Nordic countries (37%), and Portugal, where sales increased over three times. On smaller markets for Krka prescription pharmaceuticals sales, high growth was achieved in Uzbekistan (61%), Estonia (40%), Kazakhstan (20%) and Spain, where sales increased almost three times.

The ten leading prescription pharmaceuticals by sales include Enap (enalapril), Atoris (atorvastatin), Zyllt (clopidogrel), Lorista (losartan), Nolpaza (pantoprazole), Prenessa (perindopril), Lanzul (lansoprazole), Vasilip (simvastatin), Zalasta

(olanzapine) and Glyclada (gliclazide). The highest growth in sales were achieved with Prenessa (perindopril) with over 50% growth, Lorista (losartan) and Nalpaza (pantoprazole) with over 30% growth and Glyclada (gliclazide) with 20% growth.

Krka launched more new products in the first nine months of 2010. Products with new active substances included the proton pump inhibitor Emanera (esomeprazole), which was launched on numerous markets in central, south-east and west Europe, antihypertensives from the sartan group Tolura (telmisartan), launched in Romania and Poland, Olimestra (olmesartan), launched in Latvia, and Karbis (kandesartan), launched in Poland. Two new products in Krka's product range are the antihypertensive Niperten (bisoprolol), launched in the Russian Federation, and the antidiabetic Enyglid (repaglinide), which was launched in Germany and Macedonia.

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

own brand of losartan in Germany and Austria and the launch of Lorista (losartan) in many eastern European markets. The most important launches included Elicea (escitalopram) in most central European markets and Croatia, the launch of Nalpaza (pantoprazole) in many eastern and south-eastern European markets, the launch of Prenessa/Perineva (perindopril) in the Russian Federation, Ukraine, Kazakhstan and Bulgaria, the launch of Valsacor (valsartan) in Serbia, Kazakhstan and Bosnia and Herzegovina, the launch of Co-Valsacor/Valsacombi (valsartan hydrochlorothiazide) in Poland, Slovakia, Bulgaria and Ukraine, the launch of Nimvastid (rivastigmine) in Romania, Slovakia and Czech Republic and the launch of Doreta (paracetamol/ tramadol) in Poland, the Czech Republic and Macedonia.

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

Self-medication products

We achieved growth in self-medication product sales in Slovenia and Regions South-East and East Europe.

The Krka Group achieved self-medication product sales of EUR 75.4 million, an increase of 31% on the same period last year. Over the period, sales grew on the markets of Slovenia and south-eastern and eastern Europe, while in central Europe they fell slightly.

In Slovenia sales increased 4%. Sales increased most on the markets of eastern Europe (61%), with notable success in the Russian Federation (60%), Mongolia (8%), Uzbekistan (2%) and Ukraine, where sales recovered compared to last year's level. Sales increased by 9% in Region South-East

Europe. Krka was particularly successful in Romania (20% growth) and Macedonia and Serbia (11% in both).

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

Krka has launched more new products during 2010: Septolete Plus with honey and lime flavour, Bilobil (ginkgo biloba) in a new 120 mg strength and the syrup for children Pikovit Prebio and Pikovit IQ/Omega. Herbion syrup against cough was launched in numerous new markets in east Europe.

Cosmetic products

The Krka Group achieved cosmetic product sales worth EUR 4.2 million, a fall of 22% on the same period last year. In Slovenia sales increased by 7%, while on the markets of Regions East and South-East Europe sales fell.

The leading brand is Fitoval, a range of hair and scalp care products, sales of which grew 16%.

Animal health products

In the first nine months of the year, the Krka Group sold animal health products worth EUR 21.1 million, which means growth of 12% compared to the same period of 2009. Sales increased across all regions, except Slovenia, where they remained at the same level as last year.

Sales increased most in Region Western Europe and Overseas Markets (24% growth), primarily in Germany (sales increased 4 times) and France (sales almost doubled). The next highest growth by region came in Region East Europe (16% growth), where growth was achieved on the two largest markets, the Russian Federation (21%) and Ukraine (9%). Among the larger markets in Region South-East Europe, sales growth was achieved in Croatia (14%) and Serbia (8%), while in Region Central

Europe sales grew by 15% in Hungary.

The leading product is Enroxil (enrofloxacin), which also recorded the highest growth. It is followed by Floron (florfenicol), Kokcisan (salinomycin) and Ecocid S. Fypryst (fipronil), a pharmaceutical to treat small animals with parasites that was launched in May has already become one of the top-ten leading products.

Marketing and sales activities for new products have expanded to products for pet lovers, which is the fastest growing segment of the animal health product market.

The highest growth in animal health product sales was achieved in Region Western Europe and Overseas Markets.

Health and tourism services

In the first nine months of 2010, sales of health, tourist and hotel and catering services totalled EUR 23.4 million, which is 9% down on the same period last year. The reason for the fall in sales was the renovation of the Talaso Strunjan business unit, which led to its closure for almost four months.

The largest contribution to the Terme Group revenues came from hotel activities, which totalled EUR 8.0 million. The highest occupancy of capacity was at Terme Šmarješke Toplice with 76%, while Terme Dolenjske Toplice operated at 67% of capacity in the first nine months of the year.

The EUR 7.7 million investment in the Talaso Strunjan business unit, one of the most popular relaxation and health centres in Slovenia with one of the highest occupancy levels has increased pool and accommodation capacity, as well as adding new space for health activities and hydrotherapy and the Salia relaxation centre. These acquisitions offer the Strunjan spa even greater capacity to develop thalasotherapy programmes and Mediterranean-inspired services that will make it the leading thalasotherapy centre on the Slovenian coast.

Research and development

First market authorisations were acquired for 15 new products in 33 forms.

From January to September 2010 Krka acquired market authorisations for 15 new products in 33 forms.

Over the same period we acquired 621 new market authorisations across a number of different markets.

Prescription pharmaceuticals

We acquired market authorisations for 3 new sartans: telmisartan, kandesartan and a strength of Lorista H, a combination of losartana and hydrochlorothiazide.

Over the period Krka acquired market authorisations for 9 new products in 20 pharmaceutical forms and strengths.

Authorisations were gained for 3 new products from the sartan range, an important pharmaceutical group used

to treat cardiovascular disease. A centralised procedure (CP) was carried out with the European Medicine Agency (EMA) to acquire a market authorisation for the entire European Union for the new product **Tolura**, with the active substance **telmisartan**, in tablet form with 3 strengths. Telmisartan is one of more modern sartans, which are known around the world as a very safe group of cardiovascular pharmaceuticals, offering a better balance between efficacy and safety than other antihypertensive groups. A decentralised procedure (DCP) was used to acquire market authorisation for a new strength of **Lorista H**, a combination of **losartan and hydrochlorothiazide** in film-coated tablet form. A DCP was also used for **Candecor**, which contains the active substance **candesartan**, in tablet form in four different strengths. A DCP was also used to gain authorisation for a new form of the combined pharmaceutical **Co-Prelessa**. The product contains a combination of the active substances **perindopril** and **indapamide** and is prepared using a new technological granulation process.

DCPs were concluded for 3 new products from the proton pump inhibitor group.

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

conclusion of DCPs for 3 new products in the group. Market authorisations were acquired for esomeprazole in the form of gastroresistant capsules in 2 strengths, rabeprazole in gastroresistant tablet form, and pantoprazole in powder form for preparation as an injection solution, which is a new pharmaceutical form, offering a new

method for administering the established active substance, pantoprazole.

A DCP were used to acquire market authorisations for the new product **Asolfena**, which contains **solifenacin**, in film-coated tablet form in 2 strengths. Asolfena is used to treat symptoms of an excessively active bladder.

National procedures are also underway. These are important in assuring the supply of a good selection of new products in eastern and southeastern European countries. Over the period, Krka acquired market authorisations via national procedures in the Russian Federation for a new medicine from the antipsychotic group, **aripiprazole fumarat**, with 4 strengths in tablet form.

New market authorisations were acquired on the Russian market for pharmaceuticals from the **sartan** group. Market authorisation was acquired via national procedures for 4 strengths of **Candecor** in tablet form, containing the active substance **candesartan**, for **Firmasta**, film-coated tablets in three strengths containing the active substance **irbesartan**, and the **combined pharmaceuticals Valsacor H 80, Valsacor H 160, Valsacor HD 160** with the active substances **valsartan** and **hydrochlorothiazide** in film-coated tablet form. National procedures were used in the Russian Federation to acquire market authorisations for products with the active substances **perindopril** and **indapamide** in tablet form under the name **Co-Perineva**, and under the name **Ko-Prelessa** in Ukraine. In the Russian Federation market authorisation was acquired for **Cezera** in film-coated tablet form containing the active substance **levocetirizine**, and the product **Opzyme**, containing the active substance **pramipexole**, in tablet form in three strengths.

Market authorisations were acquired in south-eastern European countries for the new **Elicea** product with the active substance **escitalopram** in film-coated tablet form. Market authorisations were

also acquired on these markets for a number of new products: **Ifirmasta** in film-coated tablet form with the active substance **irbesartan**, **Vizarsin** a film-coated tablet with the active substance **sildenafil**, the combined pharmaceutical **Doreta** with the active

substances **paracetamol** and **tramadol**, **Enyglid** tablets with the active substance **repaglinide** and **Ezoleta** in tablet form with the active substance **ezetimibe**.

Self-medication products

Over the period, Krka added two new products to one of its key brands, **Septolete**. Market authorisation was acquired for the new **strawberry flavour Septolete Plus** in pastille form, and for **Septolete Plus spray** in Slovenia, Estonia and Latvia for the first time. The brand was also expanded with a new pharmaceutical form, a spray, which allows the user to choose a form offering immediate action on the membrane enabling effective mitigation of pain or discomfort.

The market authorisation was concluded for **Septolete Plus honey/lime** pastilles in Bulgaria and the Czech Republic. Notifications were acquired for the products **Pikovit Omega 3** and **Pikovit Prebiotik** in the Russian Federation, which is a key market for both products. These products are a significant addition to the Pikovit range of vitamin products in the food supplement market segment. In addition to vitamins, the products contain Omega 3 acids (Pikovit Omega 3) and prebiotic fibres (Pikovit Prebiotik).

The well-established Duovit brand was strengthened with the notification of products on new eastern European markets. Notification procedures were concluded in the Russian

Federation and Ukraine for **Duovit Elegance**, which includes all the ingredients required for the biological nutrition of skin during the day and night, in two capsules, one for day-time and one for night-time. The **Duovit** range was also supplemented in Ukraine and the Russian Federation with a new product, **Duovit Sila** (Power), in chewable tablet form, is a source of natural caffeine in a balanced combination of natural extracts and vitamins for additional energy and greater productivity. In Ukraine we concluded market authorisation processes for **Herbion Ginseng** in capsule form and product notification for **Duovit Vision**, also in capsule form.

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

Marketing opportunities were expanded for the **Bilobil** brand, with market authorisation being acquired for **Bilobil intense** capsules.

Animal health products

We gained market authorisations for 5 new animal health products in 11 forms via DCPs.

Market authorisations were successfully acquired for 5 new animal health products in 11 forms via DCPs.

We successfully concluded a market authorisation for the new pharmaceutical **Fypriyst** in solution form for application on skin to prevent infestation by ticks, fleas and lice in cats and dogs. Market authorisation was gained for the product via a DCP in Slovenia, Hungary, Poland, the Czech Republic, Slovakia, Bulgaria, Romania, Estonia, Lithuania and Latvia. Market authorisation was also acquired for Fypriyst via a national procedure in the Russian Federation. The product, which contains the active substance

fipronil, offers a means of eradicating external parasites, and is important part of efforts to expand Krka's pharmaceutical range for pets.

The product range for pets was supplemented in 16 EU states with a new pharmaceutical, **Rycarfa**, with the active substance **carprofen** in tablet and injection solution form. The product is **for pain relief** after operations and in degenerative musculo-skeletal systems in dogs and cats, and market authorisation was acquired via a DCP for 16 EU states. Market authorisation was also acquired for Rycarfa in tablet form in the Russian Federation.

Market authorisation was gained for the new **Floron** pharmaceutical in 17 EU states in a pre-mix form for

preparation of medicinal food mixes. The product contains the active substance **florfenicol** and prevents and treats bacterial infections of the respiratory tract in pigs.

A market authorisation procedure was also concluded for the new product **Toltarox** in oral suspension form in 20 countries in the European

Union, as well as the Russian Federation. The product contains the active substance **toltrazuril** which prevents and treats *Coccidia* infestations in new-born pigs. **Toltrazuril** and the new pharmaceutical form of **florfenicol** have expanded our range of antimicrobial and antiparasitic products for pigs.

Cosmetic products

We also expanded the marketing possibilities for the **Fitoval** brand.

The **Fitoval range** was successfully launched in Poland. In Ukraine we gained market authorisation

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

Investments

Krka allocated EUR 77.1 million to investment in the first 9 months of 2010.

The Krka Group allocated a total of EUR 77.1 million to investment in the first three-

quarters of 2010, with EUR 56.6 million invested by the controlling company, and EUR 20.5 million by subsidiaries.

Bršljín plant

The modern syrup and biocide production plant at Bršljín, opened at the end of April this year, is an important phase in the technological and product development of the Krka Group. Investment in the plant has totalled EUR 26 million.

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

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

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

Solid dosage pharmaceutical production plant

Krka's largest current investment is the construction of a plant for solid dosage pharmaceutical forms.

Work started in June last year to build a new solid dosage production plant at the Krka production complex in Ločna. This will increase production capacity by 2.5 billion tablets, coated tablets

or capsules per year. The plant will have five floors with a total surface area of 17,000 m². This is

currently Krka largest investment and will be worth EUR 91 million.

The steel building core was put in place in 2009 and the main construction work finished. Installation works started in January 2010. The installation work was so far advanced that by the end of September the commissioning of equipment and installation of technological equipment could start. That phase is

set to be completed by January 2011. The new transformer station was inspected and the energy systems switched on in October.

Development-control centre RKC-3

Construction of the new Development-Control Centre 3 started in September last year. The facility is sited next to RKC 1 and RKC 2, with which it forms a functional and architectural whole. RKC-3 is being constructed for research and development and control purposes and will include state-of-the-art laboratory equipment to monitor and control the quality of input materials, intermediate products and finished products.

Spray production line

The planning of new products in spray form led to renovation of works taking place in the Solution and emulsion production plant to ensure the required cleanliness and explosion-proofing standards. Production started in February 2010.

Expansion of packaging warehouse

This investment will be used to modernise and maximise the capacity of the high-bay packaging warehouse at the existing location. The warehouse was extended and modernised by mid-August 2010, including all installation works. Two of the planned four new high-bay units are now in use, with assembly of the remaining units to be finished in November 2010.

Expansion of liquid raw material storage facility

The construction of four 40 m³-reservoirs has expanded solvent warehousing capacity. Investment works started in March 2010. By the end of June the containment basin in which the cisterns were to be positioned had been completed, as had the construction and roofing of the facilities and the

The plant's technical inspection is scheduled for February 2011, with the first production line set for start-up in April 2011. This year this investment will be worth EUR 40 million.

In May 2010 work started on final trades and installation works. By the end of the year the facility installations will be ready for laboratory equipment and furniture to be fitted.

Equipment installation will begin at the start of 2011, while the move to the new premises is planned for the second quarter of 2011. The estimated value of the entire investment is EUR 22 million.

This year the sterile eye ointment plant was also renovated. The quality assurance approvals are scheduled in November, with test production expected to come online in December.

The warehouse extension will be fitted with a photovoltaic system, which will enable use of solar energy, which is supported by government grants. Preparations for the technical inspection are underway, and the entire warehouse reconstruction project will be finished this year.

position of the 4 new cisterns. The expansion of the warehouse was finished on schedule in August 2010, while some specific equipment to serve the needs of the Sinteza 2 plant remains to be fitted. This warehouse expansion project is scheduled for conclusion this year.

FBD project

The new technical equipment has been installed for the development investment project to develop new FBD (fluid bed dryer) technologies. A total of EUR 3.5 million was invested in the project.

The operation is part of the Operational Programme for Strengthening Regional Development Potentials 2007-2013, Development Priority 1: Competitiveness of Companies and Research Excellence; Priority Guideline 1.1: Improving

competitive potential of enterprises and research

excellence.

New projects

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

Krka's strategic location for the expansion of pharmaceutical and chemical production plants in Slovenia is in Krško, where we will construct an active substance production plant – Sinteza 1. The

location will also require construction of all infrastructure required to power the new facilities for production and the fuels required. The construction of the Sinteza 1 plant and the power infrastructure is in the project planning phase.

In 2010 preparations started on the project documentation for construction of a new production plant for solid dosage oral pharmaceutical forms – NOTOL 2.

Subsidiaries

In the Russian Federation we will modernise and extend the logistics centre and build a new plant for solid dosage pharmaceutical

Krka's plan in the Russian Federation include the modernisation and expansion of the logistics centre, and the construction of a new solid dosage pharmaceutical production

plant, that will support the flexible and modular development of production capacity in a number of phases. In 2010 Krka acquired the building permits and produced the implementation plans. Production is scheduled to start in 2013.

The tablet and capsule packaging capacity at the TAD Pharma and Krka Rus subsidiaries was increased with the purchase of new packaging lines. Both lines were installed in August 2010 and system commissioning is underway.

Within Terme Krka, the Hotel Strunjan extended accommodation and pool capacity and healthcare facilities. In spring the foyer and rooms in the hotel and health centre with specialist clinics and physical therapy were all renovated. The doors were opened to the renovated swimming pools, hydrotherapy rooms and Salia relaxation centre during the 1 May holidays.

Employees

Krka human resources work has continued with employee development and active recruitment, primarily in the fields of marketing and sales for its subsidiaries and representative offices abroad, and in Products supply in Slovenia. At the end of September, the Krka Group had 8578 employees, which is 603 employees or 8% more than at the end of 2009. Fifty-one per cent of employees have at

least a university degree.

The number of employees in Slovenia increased by 211 compared to the start of the year, while the number of employees outside Slovenia increased by 392. In total, 48% of all Krka Group employees are employed in subsidiaries and representative offices abroad.

Education structure of Krka Group employees

Educational level	30 Sep 2010		31 Dec 2009		Growth index
	Headcount	Share (in %)	Headcount	Share (in %)	
PhD	87	1.0	82	1.0	106
MSc	231	2.8	215	2.7	114
University education	3913	46.9	3730	46.8	109
Higher professional education	758	9.1	698	8.8	113
Vocational college education	249	3.0	240	3.0	108
Secondary school education	1666	20.0	1599	20.1	106
Other	1441	17.2	1411	17.6	102
Total	8345	100.0	7975	100.0	108
- in Slovenia	4401	52.7	4242	53.2	105
- abroad	3944	47.3	3733	46.8	111

Scholarships are one method of ensuring the ongoing recruitment of talented new employees. At present there are 106 Krka scholarships, largely in the fields of pharmacy and chemistry, though scholarships are also available to outstanding students in other fields of interest to Krka. The system for employee development and ensuring successful managerial succession ensures that the need for key management and specialist staff is largely supplied by in-house recruitment.

Our employees are also studying at home and abroad in the fields of specialist knowledge, quality, leadership, personal development, foreign languages and information science. Training is adapted to the needs of our employees, the technological process, market conditions and the company's development needs. Krka organises most training in-house. Our training is continually updated, and new forms of training are introduced

that match modern work processes as closely as possible.

We support our employees in their studies. At the end of September there were 332 Krka employees engaged in study, including 81 postgraduate students. At the end of September there were also 22 employees who had just completed degree studies, while 123 successfully completed national vocation qualifications.

Krka is the only verified examiner for national vocational qualifications (NVQs) in Slovenia in the field of pharmaceuticals. This year Krka will have been examining and certifying national vocational qualifications for ten years. Over that period, 608 certificates have been presented to Krka employees, and 142 to employees of other pharmaceutical companies. At present there are 95 employees studying within this programme.

CONDENSED FINANCIAL STATEMENTS OF THE KRKA GROUP WITH NOTES

Statement of financial position of the Krka Group

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Assets			
Property, plant and equipment	669,989	649,146	103
Intangible assets	123,151	126,581	97
Deferred tax assets	24,432	22,392	109
Long-term loans	4,931	4,064	121
Investments	5,191	5,658	92
Other non-current assets	185	181	103
Total non-current assets	827,879	808,022	102
Inventories	223,050	181,646	123
Trade and other receivables	374,866	334,906	112
Short-term loans	418	2,213	19
Current investments, including derivatives	612	834	73
Cash and cash equivalents	11,454	13,411	85
Total current assets	610,400	533,010	115
Total assets	1,438,279	1,341,032	107
Equity			
Share capital	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	151,590	150,494	101
Retained earnings	813,429	728,554	112
Equity holders of the parent	1,004,656	918,685	109
Minority interest	1,622	1,684	96
Total equity	1,006,278	920,369	109
Liabilities			
Long-term borrowings	105,039	105,113	100
Provisions	110,895	107,536	103
Government grants and grants by the European Union	6,493	6,763	96
Deferred tax liabilities	17,640	18,422	96
Total non-current liabilities	240,067	237,834	101
Trade payables	81,058	72,500	112
Short-term borrowings	24,683	51,084	48
Income tax liabilities	11,883	1,695	701
Other current liabilities	74,310	57,550	129
Total current liabilities	191,934	182,829	105
Total liabilities	432,001	420,663	103
Total equity and liabilities	1,438,279	1,341,032	107

Income statement of the Krka Group

in EUR thousand	1-9/2010	1-9/2009	Ind. 10/09
Revenues	726,627	689,874	105
Production cost of goods sold	-267,777	-257,473	104
Gross profit	458,850	432,401	106
Other operating income	5,099	9,505	54
Distribution expenses	-179,166	-166,808	107
R&D costs	-71,662	-64,674	111
Administrative expenses	-58,492	-55,539	105
Operating activities profit	154,629	154,885	100
Financial income	4,705	856	550
Financial expenses	-3,767	-14,947	25
Net financial costs	938	-14,091	-7
Profit before tax	155,567	140,794	110
Income tax expense	-34,706	-32,481	107
Profit for the period	120,861	108,313	112
Attributable to:			
– equity holders of the parent	120,923	108,364	112
– minority interest	-62	-51	121
Basic earnings per share (in EUR)*	3.58	3.20	112
Diluted earnings per share (in EUR)**	3.58	3.20	112

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

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

Statement of comprehensive income of the Krka Group

in EUR thousand	1-9/2010	1-9/2009	Ind. 10/09
Profit for the period	120,861	108,313	112
Other comprehensive income for the period:			
Changes in retained earnings	1,131	-127	
Changes in fair value of financial assets available for sale	-467	-276	169
Deferred tax effect - change in fair value of financial assets available for sale	93	58	160
Translation reserve	1,470	-1,282	
Total other comprehensive income for the period	2,227	-1,627	-137
Total comprehensive income for the period	123,088	106,686	115
Attributable to:			
– equity holders of the parent	123,150	106,794	115
– minority interest	-62	-108	57

Statement of changes in equity of the Krka Group

	Called capital	Own shares	Reserves					Retained earnings			Equity holders of the parent	Minority interest	Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserves	Other revenue reserves	Net profit for the period	Net profit carried forward			
in EUR thousand													
Balance at 01 Jan 2010	59,126	-19,489	120,992	14,990	22,184	2,104	-9,776	570,354	106,766	51,434	918,685	1,684	920,369
Net profit for the period	0	0	0	0	0	0	0	0	120,923	0	120,923	-62	120,861
Other comprehensive income for the period													
Changes in retained earnings	0	0	0	0	0	0	0	0	0	1,131	1,131	0	1,131
Changes in fair value of financial assets available for sale	0	0	0	0	0	-467	0	0	0	0	-467	0	-467
Deferred tax effect and tax effect of transition to IFRS	0	0	0	0	0	93	0	0	0	0	93	0	93
Translation reserve	0	0	0	0	0	0	1,470	0	0	0	1,470	0	1,470
Total other comprehensive income for the period	0	0	0	0	0	-374	1,470	0	0	1,131	2,227	0	2,227
Total comprehensive income for the period	0	0	0	0	0	-374	1,470	0	120,923	1,131	123,150	-62	123,088
Transactions with owners recorded in equity													
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	0	-106,766	106,766	0	0	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	0	62,285	0	-62,285	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	-37,179	-37,179	0	-37,179
Total transactions with owners recorded in equity	0	0	0	0	0	0	0	62,285	-106,766	7,302	-37,179	0	-37,179
Balance at 30 Sep 2010	59,126	-19,489	120,992	14,990	22,184	1,730	-8,306	632,639	120,923	59,867	1,004,656	1,622	1,006,278

	Called capital	Own shares	Reserves					Retained earnings			Equity holders of the parent	Minority interest	Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserves	Other revenue reserves	Net profit for the period	Net profit carried forward			
in EUR thousand													
Balance at 01 Jan 2009	59,126	-19,489	120,992	14,990	17,184	2,620	-9,332	450,417	102,955	42,010	781,473	1,823	783,296
Net profit for the period	0	0	0	0	0	0	0	0	108,364	0	108,364	-51	108,313
Other comprehensive income for the period													
Changes in retained earnings	0	0	0	0	0	0	0	0	0	-70	-70	-57	-127
Changes in fair value of financial assets available for sale	0	0	0	0	0	-276	0	0	0	0	-276	0	-276
Deferred tax effect and tax effect of transition to IFRS	0	0	0	0	0	58	0	0	0	0	58	0	58
Translation reserve	0	0	0	0	0	0	-1,282	0	0	0	-1,282	0	-1,282
Total other comprehensive income for the period	0	0	0	0	0	-218	-1,282	0	0	-70	-1,570	-57	-1,627
Total comprehensive income for the period	0	0	0	0	0	-218	-1,282	0	108,364	-70	106,794	-108	106,686
Transactions with owners recorded in equity													
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	57,397		-57,397	0	0	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	-35,489	-35,489	0	-35,489
Total transactions with owners recorded in equity	0	0	0	0	0	0	0	57,397	0	-92,886	-35,489	0	-35,489
Balance at 30 Sep 2009	59,126	-19,489	120,992	14,990	17,184	2,402	-10,614	507,814	211,319	-50,946	852,778	1,715	854,493

Cash flow statement of the Krka Group

in EUR thousand	1-9/2010	1-9/2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	120,861	108,313
Adjustments for:	108,101	93,876
– amortisation/depreciation	60,853	56,515
– foreign exchange differences	8,108	-96
– investment income	-1,157	-1,037
– investment expense	1,608	1,922
– interest expense and other financial expense	2,852	4,218
– income tax expense	34,706	32,481
– other	1,131	-127
Operating profit before changes in net operating current assets and provisions	228,962	202,189
Change in trade receivables	-55,023	-60,334
Change in inventories	-41,404	17,693
Change in operating debts (liabilities)	9,414	1,764
Change in provisions	3,360	852
Change in grants received from the government and the European Union	-270	667
Change in other current liabilities	16,572	69
Income taxes paid	-19,621	-42,300
Cash generated from operations	141,990	120,600
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	610	678
Dividend received	9	13
Proceeds from sale of property, plant and equipment	1,177	727
Purchase of intangible assets	-4,153	-4,231
Purchase of property, plant and equipment	-76,319	-66,696
Given long-term loans	-1,089	-774
Proceeds from repayment of long-term loans	1,071	1,061
Acquisition of non-current investments	-37	-23
Proceeds from sale of non-current investments	32	0
Acquisition of current investments and loans	-38,770	-1,330
Proceeds from sale of current investments and repayment of short-term loans	40,057	370
Payments in connection with derivative financial instruments	0	-1,035
Net cash used in investing activities	-77,412	-71,240
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-4,034	-6,719
Repayment of long-term borrowings	-34,895	-25,573
Acquisition of long-term borrowings	0	60,000
Repayment of short-term borrowings	107,701	-254,926
Acquisition of short-term borrowings	-98,116	214,735
Dividends paid	-36,992	-35,251
Net cash used in financing activities	-66,336	-47,734
Net increase in cash and cash equivalents	-1,758	1,626
Cash and cash equivalents at beginning of period	13,411	7,604
Effect of exchange rate fluctuations on cash held	-199	-164
Net cash and cash equivalents at end of period	11,454	9,066

Segment reporting of the Krka Group

	European Union		South-East Europe		East Europe		Other markets		Total	
in EUR thousand	1-9/2010	1-9/2009	1-9/2010	1-9/2009	1-9/2010	1-9/2009	1-9/2010	1-9/2009	1-9/2010	1-9/2009
Revenues to non-Group companies	478,272	469,404	65,036	64,298	167,380	146,196	15,939	9,976	726,627	689,874
Revenues to Group companies	105,614	87,876	46,352	41,212	114,807	59,526	0	0	266,773	188,614
Other revenues	4,225	8,590	109	170	765	745	0	0	5,099	9,505
Operating profit	122,722	124,872	13,550	16,282	16,678	13,260	1,679	471	154,629	154,885
Interest revenue	595	655	7	17	9	8	0	0	611	680
Interest expense	-2,646	-3,972	-19	-31	0	0	0	0	-2,665	-4,003
Net financial income/expenses	201	-10,622	-380	-441	1,047	-3,044	70	16	938	-14,091
Income tax expense	-27,720	-26,633	-4,846	-3,784	-1,772	-1,964	-368	-100	-34,706	-32,481
Profit for the period	95,203	87,617	8,324	12,057	15,953	8,252	1,381	387	120,861	108,313
Capital expenditure	72,384	71,811	316	0	4,372	321	0	0	77,072	72,132
Depreciation of property, plant and equipment	38,524	38,056	3,574	2,334	10,965	7,207	208	236	53,271	47,833
Amortisation of intangible assets	5,551	5,722	543	1,888	1,400	1,012	88	60	7,582	8,682
	30 Sep 2010	31 Dec 2009	30 Sep 2010	31 Dec 2009	30 Sep 2010	31 Dec 2009	30 Sep 2010	31 Dec 2009	30 Sep 2010	31 Dec 2009
Total assets	1,111,598	1,032,586	71,989	89,927	247,172	208,465	7,520	10,054	1,438,279	1,341,032
Total liabilities	275,454	277,412	37,318	34,874	111,500	102,588	7,729	5,789	432,001	420,663

Notes to the consolidated financial statements of the Krka Group

Sales revenues

EUR 726,627 thousand

Sales revenues comprise revenues from the sale of products, services and goods on the domestic market worth EUR 78,224 thousand (10.8% of net sales revenues) and on foreign markets worth

EUR 648,403 thousand (89.2% of net sales revenues). The growth in sales revenues was 5% higher than the figures from the same period last year.

Production cost of goods sold

EUR 267,777 thousand

The Group's production costs of goods sold increased by 4% compared to the same period last year, and their ratio to sales was 36.9%.

Distribution expenses

EUR 179,166 thousand

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

They increased by 7% compared to the same period last year, and their ratio to sales was 24.7%.

R&D costs

EUR 71,662 thousand

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

R&D costs were 11% higher than for the first nine months of last year, and their ratio to sales revenues was 9.9%.

Administrative expenses

EUR 58,492 thousand

Administrative expenses increased by 5% compared to the same period last year, and their ratio to sales was 8.0%.

Costs by natur

EUR 577,096 thousand

in EUR thousand	1-9/2010	1-9/2009	Ind. 10/09
Cost of goods and material	194,101	156,891	124
Cost of services	144,578	135,779	106
Employee benefits cost	189,159	169,974	111
Amortisation/Depreciation	60,853	56,515	108
Other operating expenses	23,236	19,184	121
Total costs	611,927	538,343	114
Change in the value of inventories	-34,831	6,151	
Total	577,096	544,494	106

Employee benefits cost

EUR 189,159 thousand

in EUR thousand	1-9/2010	1-9/2009	Ind. 10/09
Gross wages and salaries and continued pay	142,976	133,547	107
Social security contributions and payroll tax	31,250	25,183	124
Retirement benefits and anniversary bonuses	5,342	2,891	185
Other employee benefits cost	9,591	8,353	115
Total employee benefits cost	189,159	169,974	111

Other operating expenses

EUR 23,236 thousand

in EUR thousand	1-9/2010	1-9/2009	Ind. 10/09
Grants and assistance for humanitarian and other purposes	2,096	2,179	96
Environmental levies	1,473	1,134	130
Other levies	5,306	3,543	150
Loss in the sale of property, plant and equipment and intangible assets	1,556	1,252	124
Write-offs and allowances for inventories	8,398	5,739	146
Other costs	4,406	5,337	83
Total other operating expenses	23,236	19,184	121

Finance income and financial expenses

in EUR thousand	1-9/2010	1-9/2009	Ind. 10/09
Exchange differences	3,681	/	
Interest income	611	680	90
Change in fair value of investments through profit or loss	10	125	8
Dividend income	9	0	
Other income	12	32	36
Reversal of impairment	382	19	2.009
Total financial income	4,705	856	550
Exchange differences	/	-8,846	0
Interest expense	-2,665	-4,003	67
Change in fair value of investments through profit or loss	-52	-15	346
Income from derivative financial instruments, thereof:	0	-1,225	0
– outflows	0	-1,035	0
– changes in fair value	0	-190	0
Other expenses	-188	-216	86
Write-offs and allowances for receivables	-862	-642	134
Total financial expenses	-3,767	-14,947	25
Net financial expenses	938	-14,091	-7

Income tax expense

EUR 34,706 thousand

The corporate income tax levied was EUR 38,215 thousand, which is 24.6% of the profit before tax. Having taken into account the deferred tax of minus EUR 3,509 thousand, the income tax

expense in the income statement totals EUR 34,706 thousand. The Group's effective tax rate was 22.3%.

Property, plant and equipment

EUR 669,989 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Property	29,381	29,253	100
Plant	301,546	300,078	100
Equipment	270,871	269,803	100
Property, plant and equipment under construction	68,191	50,012	136
Total property, plant and equipment	669,989	649,146	103

Property, plant and equipment represented 47% of the Group's total assets. The Krka Group's major

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

Intangible assets

EUR 123,151 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Goodwill	42,644	42,644	100
Trademark	42,403	42,403	100
Concessions, patents, licences, trademarks and similar rights	33,859	35,302	96
Intangible assets under construction	4,245	6,232	68
Total intangible assets	123,151	126,581	97

Long-term industrial property rights and intangible assets in acquisition constitute market authorisation

documentation for new medicines and software.

Loans

EUR 5,349 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Long-term loans	4,931	4,064	121
Short-term loans	412	2,209	19
Short-term interest receivable	6	4	150
Total loans	5,349	6,277	85

Long-term loans to others are loans granted by companies in the group to employees in accordance

with internal acts, primarily to purchase or improve housing.

Investments

EUR 5,803 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Non-current investments	5,191	5,658	92
- financial assets available for sale	5,191	5,658	92
Current investments, including derivatives	612	834	73
- instruments held for trading	97	145	67
- other current investments	515	689	75
Total investments	5,803	6,492	89

EUR 894 thousand of financial assets available for sale refer to investments made in Slovenia, and EUR 4,297 thousand to investments made abroad.

Other current financial investments refer to Slovenian mutual funds in the amount of EUR 258 thousand and assets under management in the amount EUR 257 thousand.

Inventories

EUR 223,050 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Material	69,883	58,036	120
Work in progress	53,891	47,076	114
Products	68,262	59,421	115
Merchandise	31,014	17,113	181
Total inventories	223,050	181,646	123

Trade and other receivables

EUR 374,866 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Short-term trade receivables	336,190	305,572	110
Other short-term receivables	38,676	29,334	132
Total receivables	374,866	334,906	112

Cash and cash equivalents

EUR 11,454 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Cash in hand	116	90	129
Bank balances	11,338	13,321	85
Total cash and cash equivalents	11,454	13,411	85

Equity

EUR 1,006,278 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Share capital	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	151,590	150,494	101
– share premium	120,992	120,992	100
– legal reserves	14,990	14,990	100
– statutory reserves	22,184	22,184	100
– fair value reserve	1,730	2,104	82
– translation reserves	-8,306	-9,776	85
Retained earnings	813,429	728,554	112
Equity holders of the parent	1,004,656	918,685	109
Minority interest	1,622	1,684	96
Total equity	1,006,278	920,369	109

Borrowings

EUR 129,722 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Long-term borrowings	105,039	105,113	100
– borrowings from domestic banks	104,828	104,828	100
– borrowings from foreign banks	211	285	74
Short-term borrowings	24,683	51,084	48
– current portion of long term borrowings	11,781	38,622	31
– borrowings from domestic banks	10,000	10,000	100
– borrowings from foreign banks	2,000	415	482
– borrowings from other entities	415	378	110
– interest payable	487	1,669	29
Total borrowings	129,722	156,197	83

Provisions

EUR 110,895 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Provisions for retirement benefits and anniversary bonuses	56,836	53,958	105
Other provisions:	54,059	53,578	101
– provisions for lawsuits	49,000	49,000	100
– other provisions	5,059	4,578	111
Total provisions	110,895	107,536	103

Government grants and grants by the EU

EUR 6,493 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Grants received for the Beta plant in Šentjernej	136	169	80
Grants received for the health resorts Dolenjske and Šmarješke Toplice and Golf Grad Otočec	5,351	5,584	96
Grants by the European Regional Development Fund	26	30	87
Grants by the European Fund – development of new technologies (FBD project)	385	385	100
Properties, plant and equipment received for free	595	595	100
Total grants received	6,493	6,763	96

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

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

Trade payables

EUR 81,058 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Payables to domestic suppliers	46,089	31,900	144
Payables to foreign suppliers	34,388	40,078	86
Payables from advances	581	522	112
Total trade payables	81,058	72,500	112

Other current liabilities

EUR 74,310 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Accrued contractual discounts on products sold to customers outside the Group	33,017	20,643	160
Payables to employees – gross wages, other charges	23,268	24,428	95
Other	18,025	12,479	144
Total other current liabilities	74,310	57,550	129

Contingent liabilities

EUR 5,055 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Guarantees issued	3,009	2,303	131
Other	2,046	1,749	117
Total contingent liabilities	5,055	4,052	125

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

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

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Assets			
Property, plant and equipment	494,810	485,653	102
Intangible assets	28,981	29,683	98
Investments in subsidiaries	227,400	227,585	100
Deferred tax assets	19,043	18,977	100
Long-term loans	17,803	17,080	104
Non-current investments	4,982	5,449	91
Other non-current assets	173	167	104
Total non-current assets	793,192	784,594	101
Inventories	151,472	138,612	109
Trade and other receivables	416,102	346,881	120
Short-term loans	43,591	34,711	126
Current investments, including derivatives	612	654	94
Cash and cash equivalents	3,409	7,487	46
Total current assets	615,186	528,345	116
Total assets	1,408,378	1,312,939	107
Equity			
Share capital	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	159,896	160,270	100
Retained earnings	826,962	732,103	113
Total equity	1,026,495	932,010	110
Liabilities			
Long-term borrowings	103,836	103,836	100
Provisions	103,959	100,244	104
Government grants and grants by the European Union	1,142	1,179	97
Deferred tax liabilities	432	526	82
Total non-current liabilities	209,369	205,785	102
Trade payables	91,207	88,534	103
Short-term borrowings	22,416	49,458	45
Income tax liabilities	9,841	0	
Other current liabilities	49,050	37,152	132
Total current liabilities	172,514	175,144	98
Total liabilities	381,883	380,929	100
Total equity and liabilities	1,408,378	1,312,939	107

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

in EUR thousand	1-9/2010	1-9/2009	Ind. 10/09
Revenues	692,825	614,703	113
Production cost of goods sold	-264,423	-229,386	115
Gross profit	428,402	385,317	111
Other operating income	2,592	6,674	39
Distribution expenses	-160,948	-143,161	112
R&D costs	-67,300	-60,428	111
Administrative expenses	-43,261	-45,967	94
Operating profit	159,485	142,435	112
Financial income	6,741	11,686	58
Financial expenses	-3,287	-10,564	31
Net financial income/expenses	3,454	1,122	308
Profit before tax	162,939	143,557	114
Income tax expense	-30,900	-30,235	102
Profit for the period	132,039	113,322	117
Basic earnings per share (in EUR)*	3.91	3.35	117
Diluted earnings per share (in EUR)**	3.91	3.35	117

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

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

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

in EUR thousand	1-9/2010	1-9/2009	Ind. 10/09
Net profit for the period	132,039	113,322	117
Other comprehensive income for the period:			
Changes in fair value of financial assets available for sale	-467	-276	169
Deferred tax effect – change in fair value of financial assets available for sale	93	57	163
Total other comprehensive income for the period	-374	-219	171
Total comprehensive income for the period	131,665	113,103	116

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

	Share capital	Own shares	Reserves				Retained earnings			Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Net profit for the period	Net profit carried forward	
in EUR thousand										
Balance at 01 Jan 2010	59,126	-19,489	120,992	14,990	22,184	2,104	570,354	103,812	57,937	932,010
Net profit for the period	0	0	0	0	0	0	0	132,039	0	132,039
Other comprehensive income for the period										
Changes in fair value of financial assets available for sale	0	0	0	0	0	-467	0	0	0	-467
Deferred tax effects – changes in fair value of financial assets available for sale	0	0	0	0	0	93	0	0	0	93
Total other comprehensive income for the period	0	0	0	0	0	-374	0	0	0	-374
Total comprehensive income for the period	0	0	0	0	0	-374	0	132,039	0	131,665
Transactions with owners recorded in equity										
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	-103,812	103,812	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	62,285	0	-62,285	0
Dividends paid	0	0	0	0	0	0	0	0	-37,180	-37,180
Total transactions with owners recorded in equity	0	0	0	0	0	0	62,285	-103,812	4,347	-37,180
Balance at 30 Sep 2010	59,126	-19,489	120,992	14,990	22,184	1,730	632,639	132,039	62,284	1,026,495

	Share capital	Own shares	Reserves				Retained earnings			Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Net profit for the period	Net profit carried forward	
in EUR thousand										
Balance at 01 Jan 2009	59,126	-19,489	120,992	14,990	17,184	2,620	450,417	108,130	43,233	797,203
Net profit for the period	0	0	0	0	0	0	0	113,322	0	113,322
Other comprehensive income for the period	0	0	0	0	0	0	0	0	0	0
Changes in fair value of financial assets available for sale	0	0	0	0	0	-276	0	0	0	-276
Deferred tax effects – changes in fair value of financial assets available for sale	0	0	0	0	0	57	0	0	0	57
Total other comprehensive income for the period	0	0	0	0	0	-219	0	0	0	-219
Total comprehensive income for the period	0	0	0	0	0	-219	0	113,322	0	113,103
Transactions with owners recorded in equity										
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	-108,130	108,130	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	57,937	0	-57,937	0
Dividends paid	0	0	0	0	0	0	0	0	-35,490	-35,490
Total transactions with owners recorded in equity	0	0	0	0	0	0	57,937	-108,130	14,703	-35,490
Balance at 30 sep 2009	59,126	-19,489	120,992	14,990	17,184	2,401	508,354	113,322	57,936	874,816

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

in EUR thousand	1-9/2010	1-9/2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	132,039	113,322
Adjustments for:	83,978	66,534
– amortisation/depreciation	45,769	43,461
– exchange differences	6,084	-1,388
– investment income	-2,865	-11,976
– investment expense	1,401	2,326
– interest expense and other financial expense	2,689	3,876
– income tax expense	30,900	30,235
Operating profit before changes in net operating current assets and provisions	216,017	179,856
Change in trade receivables	-84,282	-59,567
Change in inventories	-12,861	22,365
Change in operating debts (liabilities)	3,608	3,482
Change in provisions	3,715	978
Change in grants received from the government and the European Union	-37	-45
Change in other current liabilities	11,710	118
Income taxes paid	-13,089	-39,017
Cash generated from operations	124,781	108,170
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,772	2,155
Dividends received	9	13
Proportionate profit of subsidiaries	428	9,436
Proceeds from sale of property, plant and equipment	2,029	4,633
Purchase of intangible assets	-3,646	-3,929
Purchase of property, plant and equipment	-53,447	-61,982
Acquisition of subsidiaries	185	-2,154
Long-term loans	-5,791	-2,954
Proceeds from repayment of long-term loans	5,737	1,603
Acquisition of non-current investments	-37	-22
Proceeds from sale of non-current investments	32	0
Acquisition of current investments and loans	-57,058	-13,389
Proceeds from sale of current investments and repayment of short-term loans	47,807	10,315
Payments in connection with derivative financial instruments	0	-1,035
Net cash used in investing activities	-61,980	-57,310
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-3,867	-6,366
Repayment of long-term borrowings	-34,873	-25,573
Acquisition of long-term borrowings	0	60,000
Repayment of short-term borrowings	-97,224	-253,879
Acquisition of short-term borrowings	106,233	212,326
Dividends paid	-36,993	-35,251
Net cash used in financing activities	-66,724	-48,743
Net increase in cash and cash equivalents	-3,923	2,117
Cash and cash equivalents at beginning of period	7,486	294
Effect of exchange rate fluctuations on cash held	-154	-69
Net cash and cash equivalents at end of period	3,409	2,342

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

	European Union		South-East Europe		East Europe		Other markets		Total	
in EUR thousand	1-9/2010	1-9/2009	1-9/2010	1-9/2009	1-9/2010	1-9/2009	1-9/2010	1-9/2009	1-9/2010	1-9/2009
Revenues	426,892	416,890	66,946	61,760	184,961	127,404	14,026	8,649	692,825	614,703
Revenues from reversal of long-term provisions and other revenues	2,592	6,674	0	0	0	0	0	0	2,592	6,674
Operating profit	126,793	124,785	15,389	14,717	15,405	2,462	1,898	471	159,485	142,435
Interest income	1,686	2,087	0	22	222	3	0	0	1,908	2,112
Interest expense	-2,616	-3,733	0	0	0	0	0	0	-2,616	-3,733
Net financial income/expenses	2,128	760	334	113	922	233	70	16	3,454	1,122
Income tax expense	-23,985	-26,488	-3,563	-3,124	-2,984	-523	-368	-100	-30,900	-30,235
Profit for the period	104,936	99,057	12,160	11,706	13,343	2,172	1,600	387	132,039	113,322
Capital expenditure	56,571	66,004	0	0	0	0	0	0	56,571	66,004
Depreciation of property, plant and equipment	31,086	31,233	1,940	2,030	8,188	5,723	208	236	41,422	39,222
Amortisation of intangible assets	2,678	2,874	420	426	1,161	879	88	60	4,347	4,239
	30 Sep 2010	31 Dec 2009	30 Sep 2010	31 Dec 2009	30 Sep 2010	31 Dec 2009	30 Sep 2010	31 Dec 2009	30 Sep 2010	31 Dec 2009
Total assets	1,053,059	1,046,955	67,393	68,156	280,401	187,780	7,525	10,048	1,408,378	1,312,939
Total liabilities	235,302	250,321	36,900	35,927	101,950	88,891	7,731	5,790	381,883	380,929

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

Sales revenues

EUR 692,825 thousand

Sales revenues include revenues from the sale of products, services and goods on the domestic market worth EUR 56,678 thousand (8.2% of net sales revenues) and revenues from sales on foreign

markets worth EUR 636,147 thousand (91.8% of net sales revenues). The growth in sales revenues was 13% higher than for the same period last year.

Production cost of goods sold

EUR 264,423 thousand

The Group's production costs of goods sold increased by 15% compared to the same period last year.

Their ratio to sales revenues was 38.2%.

Distribution expenses

EUR 160,948 thousand

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

Distribution expenses increased by 12% compared to the same period last year, and their ratio to sales was 23.2%.

R&D costs

EUR 67,300 thousand

The Company does not capitalise R&D costs, so they are fully disclosed in the current income statement. R&D costs were 11% higher than for the

first nine months of last year, and their ratio to sales revenues was 9.7%.

Administrative expenses

EUR 43,261 thousand

Administrative expenses were 6% lower than for the same period last year.

Their ratio to sales revenues was 6.2%.

Costs by nature

EUR 535,932 thousand

in EUR thousand	1-9/2010	1-9/2009	Ind. 10/09
Cost of goods and material	188,284	151,685	124
Cost of services	172,074	139,749	123
Employee benefits cost	123,581	123,201	100
Amortisation/Depreciation	45,769	43,461	105
Other operating expenses	14,351	13,068	110
Total costs	544,059	471,164	115
Change in the value of inventories	-8,127	7,778	
Total	535,932	478,942	112

Employee benefits cost

EUR 123,581 thousand

in EUR thousand	1-9/2010	1-9/2009	Ind. 10/09
Gross wages and salaries and continued pay	92,401	97,515	95
Social security contributions and payroll tax	19,206	16,738	115
Retirement benefits and anniversary bonuses	5,325	2,850	187
Other employee benefits cost	6,649	6,098	109
Total employee benefits cost	123,581	123,201	100

Other operating expenses

EUR 14,351 thousand

in EUR thousand	1-9/2010	1-9/2009	Ind. 10/09
Grants and assistance for humanitarian and other purposes	1,267	1,593	80
Environmental levies	1,340	909	147
Other levies	3,040	2,293	133
Loss in the sale of property, plant and equipment and intangible assets	1,350	1,087	124
Write-offs and allowances for inventories	6,005	4,626	130
Other costs	1,349	2,560	53
Total other operating expense	14,351	13,068	110

Finance income and financial expenses

in EUR thousand	1-9/2010	1-9/2009	Ind. 10/09
Exchange differences	4,385	/	
Interest income	1,908	2,112	90
Change in fair value of investments through profit or loss	10	125	8
Dividend income	438	9,449	5
Total financial income	6,741	11,686	58
Exchange differences	/	-5,357	
Interest expense	-2,616	-3,733	70
Change in fair value of investments through profit or loss	-52	-15	347
Income from derivative financial instruments, thereof:	0	-1,225	0
– outflows	0	-1,035	0
– changes in fair value	0	-190	0
Other financial expenses	-73	-143	51
Write-offs and allowances for receivables	-546	-91	600
Total financial expenses	-3,287	-10,564	31
Net financial income/expenses	3,454	1,122	308

Income tax expenses

EUR 30,900 thousand

The corporate income tax levied amounts to EUR 30,966 thousand, which is 19.0% of the profit before tax. Having taken into account the deferred tax of minus EUR 66 thousand, the income tax

expense in the income statement totals EUR 30,900 thousand. The effective tax rate was 19.0%, which is 2.1 percentage points less than for the same period last year.

Property, plant and equipment

EUR 494,810 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Property	17,291	17,228	100
Plant	194,961	198,409	98
Equipment	221,741	222,710	100
Property, plant and equipment under construction	60,817	47,306	129
Total property, plant and equipment	494,810	485,653	102

Property, plant and equipment represented 35% of the company's total assets. Krka's major

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

Intangible assets

EUR 28,981 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Concessions, patents, licences, trademarks and similar rights	24,849	25,871	96
Intangible assets under construction	4,132	3,812	108
Total intangible assets	28,981	29,683	98

Intangible assets refer to software and registration documentation for new drugs.

Loans

EUR 61,394 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Long-term loans:	17,803	17,080	104
– long-term loans to subsidiaries	13,216	13,272	100
– long-term loans to other entities	4,587	3,808	120
Short-term loans:	43,591	34,711	126
– short-term loans to subsidiaries	43,071	33,678	128
– short-term loans to other entities	123	778	16
– short-term interest receivables	397	255	156
Total loans	61,394	51,791	119

Long-term loans granted represent 29% of all loans granted by the company.

Long-term loans to others includes loans granted by the Company to its employees, in accordance with the Company's internal acts, primarily to purchase or improve housing.

Investments

EUR 5,594 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Non-current investments	4,982	5,449	91
– financial assets available for sale	4,982	5,449	91
Current investments, including derivatives	612	654	94
– instruments held for trading	97	145	67
– other current investments	515	509	101
Total investments	5,594	6,103	92

TEUR 686 thousand of financial assets available for sale refer to investments made in Slovenia, and EUR 4,296 thousand to investments made abroad.

Other current financial investments comprise Slovenian mutual funds in the amount of EUR 258 thousand and assets under management in the amount of EUR 257 thousand.

Inventories

EUR 151,472 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Material	58,540	47,744	123
Work in progress	44,655	41,677	107
Products	43,686	42,399	103
Merchandise	4,591	6,792	68
Total inventories	151,472	138,612	109

Trade and other receivables

EUR 416,102 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Short-term receivables due from subsidiaries	228,037	171,298	133
Trade receivables	168,973	155,310	109
Receivables due from other entities	19,092	20,273	94
Total trade and other receivables	416,102	346,881	120

Cash and cash equivalents

EUR 3,409 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Cash in hand	28	10	280
Bank balances	3,381	7,477	45
Total cash and cash equivalents	3,409	7,487	46

Equity

EUR 1,026,495 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Share capital	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	159,896	160,270	100
– share premium	120,992	120,992	100
– legal reserves	14,990	14,990	100
– statutory reserves	22,184	22,184	100
– fair value reserve	1,730	2,104	82
Retained earnings	826,962	732,103	113
Total equity	1,026,495	932,010	110

Borrowings

EUR 126,252 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Long-term borrowings	103,836	103,836	100
– borrowings from domestic banks	103,836	103,836	100
Short-term borrowings	22,416	49,458	45
– current portion of long-term borrowings	9,500	37,373	25
– borrowings from subsidiaries	15	42	36
– borrowings from domestic banks	10,000	10,000	100
– borrowings from foreign banks	2,000	0	
– borrowings from other entities	415	379	109
– interest payable	486	1,664	29
Total borrowings	126,252	153,294	82

Provisions

EUR 103,959 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Provisions for retirement benefits and anniversary bonuses	54,074	51,079	106
Other provisions	49,022	49,022	100
– provisions for lawsuits	49,000	49,000	100
– other provisions	22	22	100
Long term deferred revenue	863	143	603
Total provisions	103,959	100,244	104

Provisions for lawsuits comprise 47% of all provisions formed. These increased compared to the start of the year, largely due to the formation of

new provisions retirement severance pay and loyalty bonuses.

Government grants and grants by the EU

EUR 1,142 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Grants received for the Beta plant in Šentjernej	136	169	80
Grants by the European Regional Development Fund	26	30	87
Grants by the European Fund – development of new technologies (FBD project)	385	385	100
Property, plant and equipment received free-of-charge	595	595	100
Total grants received	1,142	1,179	97

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

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

Trade payables

EUR 91,207 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Payables to subsidiaries	20,285	24,679	82
Payables to domestic suppliers	42,255	29,781	142
Payables to foreign suppliers	28,343	33,805	84
Payables from advances	324	269	120
Total trade payables	91,207	88,534	103

Other current liabilities

EUR 49,050 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Accrued contractual discounts on products sold to customers outside the Group	24,703	12,910	191
Payables to employees – gross wages, other charges	18,848	20,970	90
Other	5,499	3,272	168
Total current liabilities	49,050	37,152	132

Contingent liabilities

EUR 6,501 thousand

in EUR thousand	30 Sep 2010	31 Dec 2009	Ind. 10/09
Guarantees issued	5,881	5,086	116
Other	620	620	100
Total contingent liabilities	6,501	5,706	114

COMPLIANCE STATEMENT

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

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

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

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

Novo mesto, 16 November 2010



Jože Colaric
President of the Management Board and Chief Executive



Dr Aleš Rotar
Member of the Management Board



Zvezdana Bajc
Member of the Management Board



Dr Vinko Zupančič
Member of the Management Board



Danica Novak Malnar
Member of the Management Board – Worker Director