



**Unaudited Interim Report  
for the Krka Group  
and the Krka Company  
for the First Half of 2011**

Novo mesto, July 2011

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## INTRODUCTION

The condensed financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (Krka Company) for the first half-years 2011 and 2010 are unaudited, while the statements for the full 2010 business year present audited figures. The company has no authorised capital and has not made a conditional share capital increase.

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

the Ljubljana Stock Exchange electronic information dissemination system SEOnet and/or the Delo daily newspaper. The report and accounts of the Group and Company are also available on the Krka website: [www.krka.si](http://www.krka.si).

The Supervisory Board discussed the report and accounts of the Group and Company at its regular meeting on 27 July 2011.

### Highlights of the first half-year 2011

- The Group sold EUR 528.8 million and the Krka Company sold EUR 488.7 million products and services.
- Group sales were up 6% compared to the first-half 2010 and Company sales were up 2%.
- The Group generated EUR 123.2 million of operating profit, up 15% on the first half-year 2010, while the Krka Company generated EUR 117.6 million of operating profit, up 5%.
- The Group recorded EUR 92.4 million of net profit, up 1% on the first half-year 2010, while the Krka Company generated EUR 91.6 million of net profit, down 7%.
- The highest absolute as well as relative sales growth (up EUR 14.8 million or 12%) was recorded in Region East Europe. Region Central Europe, however, remains Krka's leading Region by sales value as this is where Krka generates 30% of its total sales revenues.
- The Group generated 90%, and the Krka Company 93%, of its sales revenues in markets outside Slovenia.
- On 30 June 2011 Krka traded at EUR 60.00 on the Ljubljana Stock Exchange, down 4% on year-end 2010, with a market capitalisation of EUR 2,125.6 million.
- The Group spent EUR 53.1 million on investments in the first half-year 2011, of which the Krka Company invested EUR 45.5 million and subsidiaries EUR 7.6 million.
- At the end of the first half-year 2011 the Krka Group employed 8,823 staff, up 3% compared to the beginning of the year.

## Krka Group and Krka Company financial highlights

in EUR thousand	Krka Group		Krka, d. d., Novo mesto	
	1-6/2011	1-6/2010	1-6/2011	1-6/2010
Sales revenues	528,805	500,032	488,685	477,548
EBIT	123,247	106,887	117,606	112,457
EBITDA	165,175	146,559	149,036	142,102
Net profit	92,426	91,185	91,620	98,614
R&D costs	43,707	48,109	41,311	45,051
Investments	53,148	44,532	45,503	31,991

	30 Jun 2011	31 Dec 2010	30 Jun 2011	31 Dec 2010
Non-current assets	855,091	846,506	816,634	807,409
Current assets	685,718	641,698	662,773	638,902
Equity	1,133,765	1,053,327	1,137,850	1,058,154
Non-current liabilities	205,157	202,709	173,227	171,542
Current liabilities	201,887	232,168	168,330	216,615

RATIOS	1-6/2011	1-6/2010	1-6/2011	1-6/2010
EBIT margin	23.3%	21.4%	24.1%	23.5%
EBITDA margin	31.2%	29.3%	30.5%	29.8%
Net profit margin (ROS)	17.5%	18.2%	18.7%	20.7%
ROE <sup>1</sup>	16.9%	19.2%	16.7%	20.5%
ROA <sup>2</sup>	12.2%	13.1%	12.5%	14.4%
Liabilities/Equity	0.359	0.484	0.300	0.436
R&D costs/Sales revenues	8.3%	9.6%	8.5%	9.4%

NUMBER OF EMPLOYEES	30 Jun 2011	30 Jun 2010	30 Jun 2011	30 Jun 2010
As at	8,823	8,345	4,310	4,471

SHARE INFORMATION	1-6/2011	1-6/2010
Total number of shares issued	35,426,120	35,426,120
Earnings per share in EUR <sup>3</sup>	5.49	5.40
Share price at end of period in EUR	60.00	65.51
Price/Earnings ratio (P/E)	10.94	12.14
Book value per share in EUR <sup>4</sup>	32.00	27.59
Price/Book value (P/B)	1.87	2.37
Market capitalisation in EUR thousand (30 June)	2,125,567	2,320,765

1 Net profit, annualised/average equity balance over period.

2 Net profit, annualised/average total assets balance over period.

3 Net profit attributable to equity holders of the parent, annualised/average number of shares issued in period, less own shares.

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

## Significant events after the accounting period

- Krka held its 16<sup>th</sup> AGM on 7 July 2011 at Otočec, Slovenia. Given the adopted resolutions, shareholders will receive gross dividends of EUR 1.4 per share, while the remaining accumulated profit will be allocated to other revenue reserves and carried forward. Dividends will be paid within 60 days of the AGM, according to the records in the shareholder register as at 12 July 2011.

Shareholders also discussed the proposed resolution on the remuneration of Supervisory Board members. They decided that Supervisory Board members were entitled to meeting attendance fees as well as to an annual reimbursement for their work on the Board. Shareholders, further, discussed whether to grant the Management Board the authorisation to obtain own shares, and they

- Krka has continued expanding its own marketing and sales network outside Slovenia. At the end of July Krka registered the company KRKA FARMACÉUTICA S.L., Madrid, Spain,

have decided to reverse the resolution adopted by the AGM two years ago and replace it with a new resolution: over the following three years the Management Board may thus obtain up to 10% of all issued shares as own shares. The 16<sup>th</sup> AGM also decided that own shares may be put to additional uses – they may be listed on stock exchanges outside the Republic of Slovenia. It is precisely due to the intention to use own shares for a dual listing that the pre-emptive right of existing shareholders is excluded.

In the end shareholders discussed the auditor proposed for appointment. They supported the Supervisory Board's proposal and appointed certified auditors KPMG Slovenija, podjetje za revidiranje, d.o.o., Ljubljana to audit the statements for financial year 2011.

while the registration of the company KRKA FARMACEUTICI s.r.l., Milan, Italy is in progress. Krka, d. d., Novo mesto holds 100% stakes in both new companies.

## ID card of the Krka Group

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

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

**Telephone:** +386 7 331 21 11

**Fax:** +386 7 332 15 37

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

**Website:** www.krka.si

**Core business:** manufacture of pharmaceutical preparations

**Business classification code:** 21.200

**Year established:** 1954

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

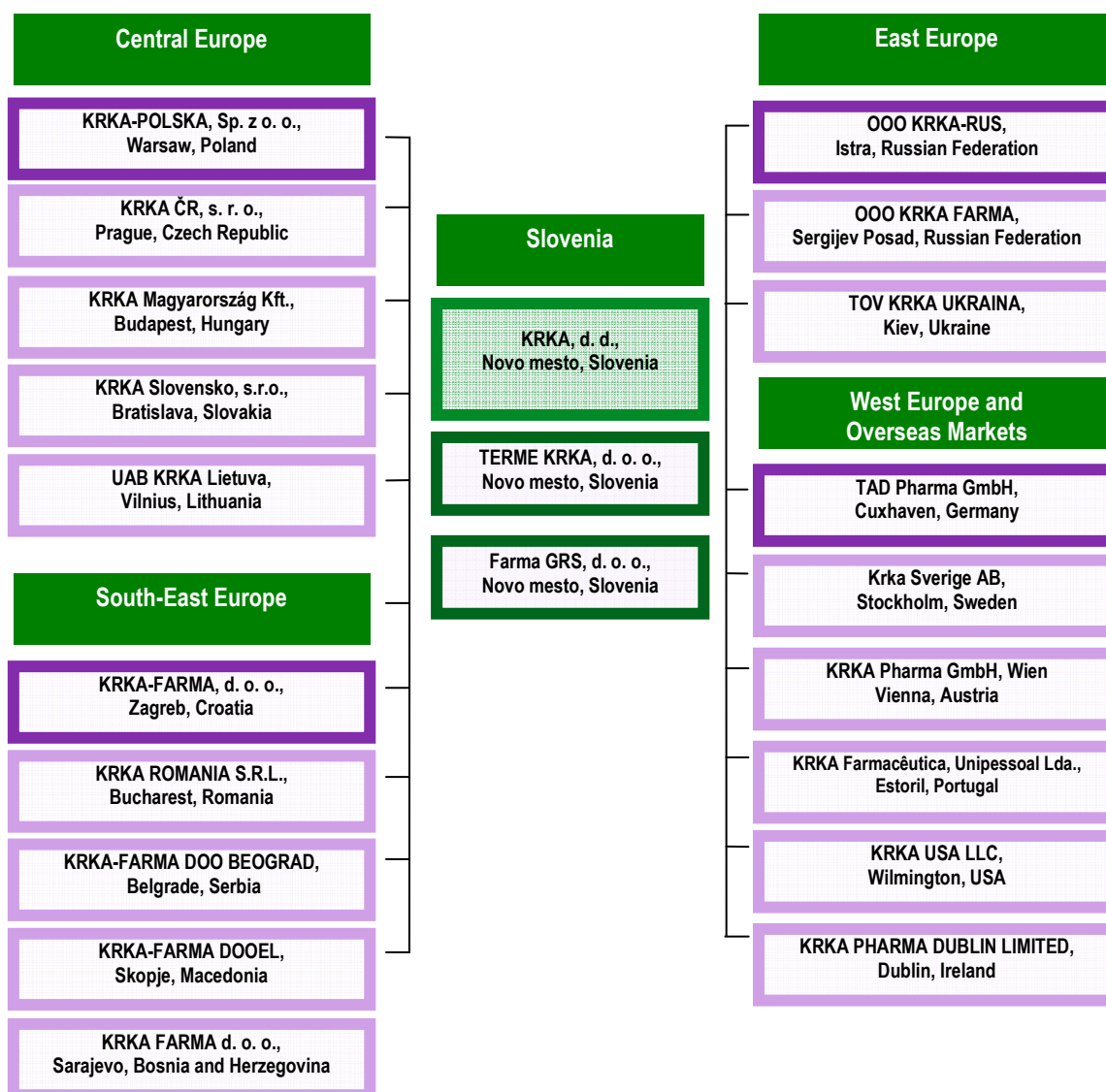
**VAT identification number:** SI82646716

**Company ID number:** 5043611

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

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

## Krka Group organisation chart



production-distribution companies

other subsidiaries outside Slovenia

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

Together with partners Metronik, Iskra Pio and the Chamber of Commerce and Industry of Dolenjska and Bela krajina, Krka has successfully applied for European grants at a public tender promoting investment into research and development. We are thus setting up new R&D and manufacturing

facilities at Ločna, Slovenia, which will operate within the Krka Group as the subsidiary Farma GRS, farmacevtsko gospodarsko razvojno središče, d. o. o. The project is worth an estimated EUR 45 million, of which Krka will receive EUR 10.3 million of grants and the three partners together an additional EUR 0.3 million. The controlling company, Krka, d. d., Novo mesto, holds a 99.7% ownership stake in Farma GRS.

## Krka Group business model

Krka is one of the world's leading generic pharmaceutical companies. It is headquartered in Slovenia and has over 55 years of experience in the industry.

Krka is the market leader in Slovenia and has a strong presence on generic pharmaceutical markets in:

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

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

Production and distribution facilities are located in Slovenia, Poland, Croatia, the Russian Federation and Germany.

The modern pharmaceutical production process and the 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. Krka's core business is complemented by the health-resort and tourist services of the Terme Krka Group.

We focus on generic prescription pharmaceuticals, which Krka markets under its own brands. We will continue to invest efforts into marketing our brands and into the development of our proprietary marketing and sales network, either by establishing new companies or purchasing local pharmaceutical companies in selected markets. Our objective is to strengthen the market position of the Krka Group on the European and Central Asian markets.

In order to increase the competitive advantage of our products and maintain the high proportion of vertically integrated products, Krka has invested over 8% of sales revenues into R&D. As much as 47% of our total sales revenues are generated from the sale of new products, i.e. products launched over the recent five years. We will continue to invest into R&D, as there are over 100 new Krka products in the pipeline.

## Krka Group development strategy 2010–2014

The Group updates its development strategy on a bi-annual basis. The development strategy 2010–2014 was updated at year-end 2009 and presented

to the new Krka Supervisory Board on 28 July 2010. The key Krka Group objectives and strategies for the 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 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 marketing authorisation documentation before the expiry of the patent for the original medicine.
- Strengthening competitiveness in western European markets by establishing own marketing companies.
- Strengthening the professional and cost synergy of the Krka Group, and maximising utilisation of competitive advantages in the business environments in which Krka companies abroad operate.
- Restructuring purchasing market and achieving ongoing reduction in purchasing prices.
- Strengthening the internationalisation of all business functions.
- Reducing the impact of financial risk and economic risk on Krka Group's operations.
- Pursuing a moderate dividend increase policy.
- Maintaining our economic, social and protection responsibilities for the environment in which we operate.
- Operating according to principles of business excellence.

## Krka Group business objectives for 2011

- The product and service sales target is EUR 1,069 million, growth of 6%.
- The largest sales region will remain Central Europe. The Russian Federation will remain the most important individual market.
- The planned proportion of sales on markets outside Slovenia is 90%.
- With growth anticipated at 6%, prescription pharmaceuticals will remain the most important product group, which is expected to represent over 82% of overall sales.
- The planned net profit is EUR 162 million.
- At the end of 2011 the Krka Group will have almost 8900 employees (growth of 4%) 48% of them abroad.
- Investments worth a planned EUR 159 million will primarily be aimed at increasing and modernising R&D, production capacity and infrastructure.

## BUSINESS REPORT

### Financial risks

#### Foreign exchange risk

Due to its widespread international operations the Group is exposed to the risk of changing exchange rates of the Russian rouble, Croatian kuna, Romanian leu, Polish zloty, Czech koruna, Hungarian forint, Ukrainian hryvnia and Serbian dinar.

The Group statement of financial position shows a surplus of assets over liabilities in all the currencies mentioned (long currency position).

The increase of long currency positions came to a halt in the first half-year 2011. We recorded no

substantial changes in currency positions at the half-year compared to the beginning of the year.

In the first half-year 2011 currency positions were not hedged. The costs of foreign exchange hedges for the key currencies to which the Group is exposed remained high over the reported period.

As the volatility of key foreign exchange rates over the first half-year 2011 was low, foreign exchange translations have had little impact on the Group's results.

#### Interest rate risk

At the end of the first half-year 2011 the Group had four long-term loans with a 6 month Euribor interest rate.

No new long-term loans were drafted during the first half-year 2011. Total exposure to interest rate changes decreased proportionate to our repaying existing borrowings.

We did not hedge interest rate risk in the first half-year 2011.

All existing long-term borrowings have been repaid to the extent where market interest rate changes no longer have a decisive impact on the increase of the Group's overall interest expense.

#### Credit risk

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

Total trade receivables did not increase in the first half-year 2011. Past due receivables have remained

at a level that Krka considers normal and acceptable. A part of our trade receivables have an insurance cover.

We have estimated that on average the quality of trade receivables remained unchanged in terms of maturity structure and assessed customer risk. On account of our active management of receivables and past due receivables, we have not recorded any major write-offs of receivables.

#### Liquidity risk

On account of a stable and continuous cash flow from operations the liquidity risk faced by the Group is estimated to be low. Occasional shortages of liquidity required to finance working capital and

cover investments were covered with agreed short-term bank loans.

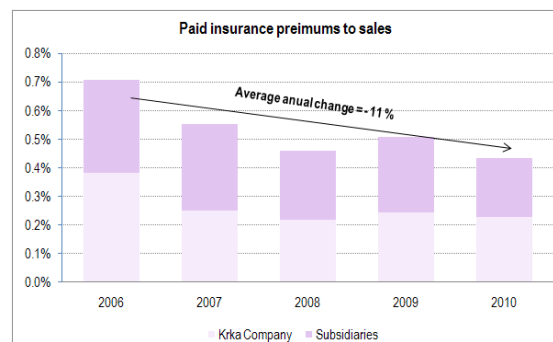
Risks related to the Group's solvency were managed by effective short-term cash flow planning,

including daily, rolling weekly, monthly and longer-term planning and monitoring of cash inflows, and by optimizing bank balances of subsidiaries. In the

first half-year 2011 we settled our liabilities regularly and on time.

### Property, business interruption and liability insurance

In 2011 Krka has continued at Group level with the planned unification and standardisation of its insurance function, consolidating its international insurance programme. Apart from the insurance of property, liability and business interruption, and apart from the central monitoring of loss events, we have also introduced unified standards for ensuring domestic as well as international shipments of goods and for ensuring motor vehicles outside Slovenia. The unification and standardisation measures have improved potential loss management and extended our coverage as well as reduced our insurance premium.



At the end of March 2011 we added the newly incorporated Krka company Farma GRS, farmacevtsko gospodarsko razvojno središče, d. o. o., into the insurance programme.

### Share information

**The share of international investors has never been as large as today.**

In the first half-year 2011 Krka's stock price slipped nearly 5%, while over the same period the Ljubljana Stock Exchange blue-chip index dropped nearly 13%.

The shareholder structure changed in favour of

international investors; on the stake of 14.5% this is the largest share of Krka that international investors have held till then. Slovene retail investors and investment companies, investment funds, and other companies, on the other hand, have decreased their holdings in the first half-year 2011. At the end of June 2011 Krka had a total of 75,396 shareholders.

### Shareholder structure (%)

	30 Jun 2011	31 Dec 2010
Slovene retail investors	42.5	43.5
Slovenska odškodninska družba, d. d.	15.0	15.0
Kapitalska družba, d. d. and its fund PPS	10.2	10.2
Slovene investment companies and funds	4.3	5.0
Other Slovene companies	8.3	8.6
International investors	14.5	13.0
Own shares	5.2	4.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

In the first half-year 2011 Krka obtained 192,081 own shares. On 30 June 2011 Krka thus held a total

of 1,854,362 own shares, which stands for 5.234% of the value of its share capital.

## 10 largest shareholders on 30 June 2011

	Country	Number of shares	Share in equity (%)	Share of voting rights (%)
SLOVENSKA ODŠKODNINSKA DRUŽBA, D. D.	Slovenia	5,312,070	14.99	15.82
KAPITALSKA DRUŽBA, D. D.	Slovenia	3,493,030	9.86	10.40
NEW WORLD FUND INC.	USA	755,000	2.13	2.25
LUKA KOPER, D. D.	Slovenia	433,970	1.23	1.29
SOCIETE GENERALE – SPLITSKA BANKA D. D.	Croatia	424,998	1.20	1.27
UNICREDIT BANK AUSTRIA AG	Austria	404,343	1.14	1.20
ZAVAROVALNICA TRIGLAV, D. D.	Slovenia	388,300	1.10	1.16
DELNIŠKI VZAJEMNI SKLAD TRIGLAV STEBER I	Slovenia	379,698	1.07	1.13
HYPO ALPE-ADRIA-BANK D. D.	Croatia	375,202	1.06	1.12
UNICREDIT BANK HUNGARY ZRT	Hungary	316,356	0.89	0.94
<b>Total</b>		<b>12,282,967</b>	<b>34.67</b>	<b>35.58</b>

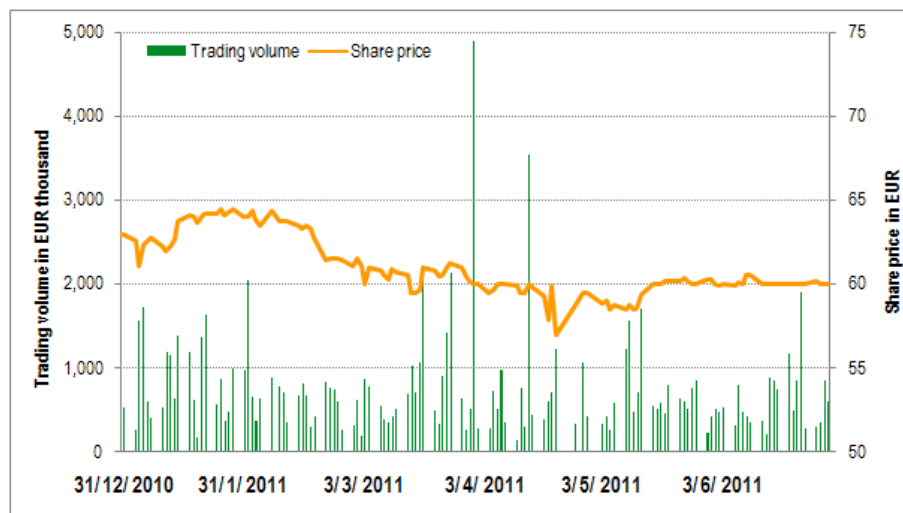
On 30 June 2011 Krka's 10 largest shareholders held a total of 12,282,967 shares, which is 34.67% of all issued shares and stands for 35.58% of voting rights.

On 30 June 2011 members of the Management Board and Supervisory Board held a total of 50,895 shares, which is 0.145% of all issued shares.

## Shares in equity and shares of voting rights held by members of the Krka Management Board and Supervisory Board on 30 June 2011

	No. of shares	Share in equity (%)	Share of voting rights (%)
<b>Management Board members</b>			
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
<b>Total Management Board</b>	<b>37,050</b>	<b>0.105</b>	<b>0.110</b>
<b>Supervisory Board members</b>			
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
<b>Total Supervisory Board</b>	<b>13,845</b>	<b>0.040</b>	<b>0.041</b>
<b>Total Management Board and Supervisory Board</b>	<b>50,895</b>	<b>0.145</b>	<b>0.151</b>

## Krka's share trading in the first half-year 2011



Krka reached its peak in the first half-year 2011 at the end of January, when it traded at EUR 64.48, and hit its low in mid April when it stood at EUR 57.00. On 30 June Krka's closing price was EUR 60.00.

Krka's market capitalisation on 30 June 2011 was EUR 2,125.6 million, while over the first half-year 2011 deals in Krka generated an average daily

trading volume of EUR 766 thousand.

Krka was the share that changed hands most often at the Ljubljana Stock Exchange in the first half-year 2011.

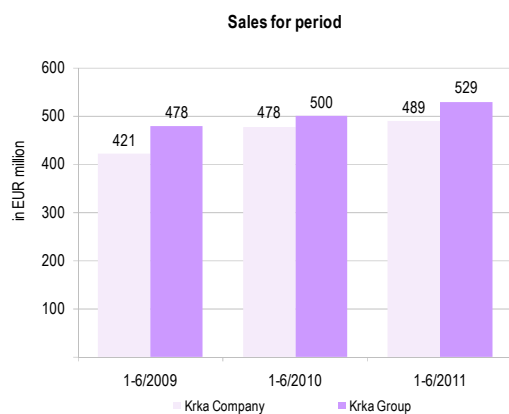
**It was again Krka that changed hands most often at the Ljubljana Stock Exchange in the first half of 2011.**

## Business operations analysis of the Krka Group and the Krka Company

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

the commentary relates mainly to the Krka Group.

### Revenues



**Group sales revenues were up 6%, with Company sales revenue increasing 2% compared to the first half-year 2010.**

Group sales revenues increased 6% compared to the first half-year 2010, with Company sales revenues growing 2%. The Krka Company sold EUR 488.7 million worth of prescription

pharmaceuticals, self-medication products, cosmetic

and animal health products, while the Krka Group generated EUR 528.8 million of sales revenues from these products plus the health-resort and tourist services.

83% of the Group's sales revenues came from prescription pharmaceuticals, up 4% compared to the first half-year 2010. The Group generated over 90% of its sales revenues in markets outside Slovenia.

The Group generated EUR 535.1 million of total revenues (i.e. sales revenues plus other operating and financial income) in the first half-year 2011 (up 4% compared to the first half-year 2010), of which Krka Company contributed EUR 494.4 million.

The breakdown of sales results into individual markets and according to groups of products and services is given under *Marketing and sales* below.

### Expenses

**Group expenses increased 4% compared to the first half-year 2010.**

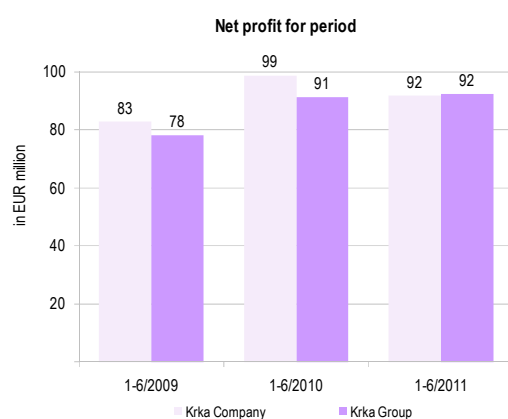
Total Group expenses amounted to EUR 416.7 million, up 4% compared to the first half-year 2010.

The Group incurred EUR 409.9 million of operating expenses, of which EUR 199.9 million were production costs for goods sold, EUR 129.2 million were distribution expenses, EUR 43.7 million were R&D costs, and EUR 37.1 million were administrative expenses.

Production costs for goods sold increased 5% compared to the first half-year 2010, on the costs to sales ratio of 37.8%. Distribution expenses increased 8%, on the costs to sales ratio of 24.4%.

The Group R&D costs were up 9%, on a R&D costs to sales ratio of 8.3%. The Group does not capitalise R&D costs, therefore they are recognised as expenses for the period in full. Administrative expenses decreased by one-tenth, on a costs to sales ratio of 7.0%.

## Operating results



The Group recorded EUR 123.2 million of operating profit, up 15% on the first half-year 2010. This increase was mainly due to our portfolio of products sold, especially in the markets of East and West

## Assets

**Total assets of the Krka Group increased 4% in the first half-year 2011.**

The Group's assets at the end of June totalled EUR 1,540.8 million, up 4% compared to year-end 2010.

Non-current assets stood for 55.5% of total assets, down 1.4 of a percentage point compared to the beginning of the year.

The largest item under non-current assets, which totalled EUR 855.1 million in the first half-year 2011,

## Equity and liabilities

Group equity amounted to EUR 1,133.7 million, up 8% compared to year-end 2010, standing for 73.6% of total equity and liabilities.

Amounting to EUR 205.2 million at the end of the first half-year 2011, non-current liabilities stood for 13.3% of the Group's total assets. The Group had EUR 109.3 million worth of provisions, which thus remained on par with year-end 2010, and there were also no changes in the value of long-term borrowings.

Current liabilities had decreased 13% compared to

Europe. In most markets, however, we continue to face severe pressure to lower our prices of pharmaceuticals.

Pre-tax profit amounted to EUR 118.4 million, up 4% compared to the first half-year 2010. Income tax totalled EUR 26.0 million and the effective tax rate was 22.0%.

The Group generated EUR 92.4 million of net profit, up 1% compared to the first half-year 2010, of which the Krka Company generated EUR 91.6 million of net profit, a decrease of 7% compared to the first half-year 2010.

**The net profit generated by the Group was up 1% compared to the first half-year 2010 and the net profit generated by the Krka Company down 7%.**

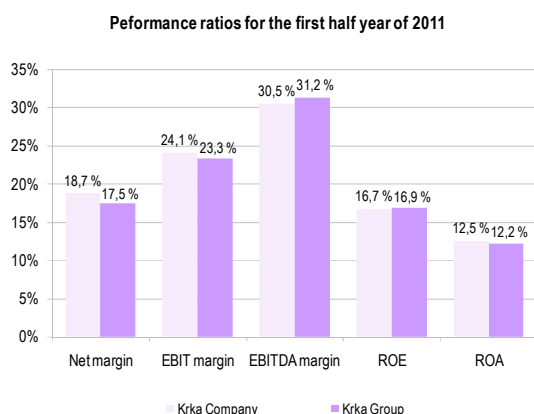
was property, plant and equipment (PPE) on EUR 696.2 million. PPE stood for 45.2% of the Group's total assets. The value of PPE increased 1% from the beginning of the year. Intangible assets totalled EUR 122.1 million at the end of June.

Current assets increased 7% to EUR 685.7 million, inventories increased 9% to EUR 250.4 million, while receivables increased 2% to EUR 410.6 million.

year-end 2010 and totalled EUR 201.9 million at the end of the first half-year 2011, which was 13.1% of the Group's total assets. The breakdown of current liabilities shows that operating liabilities amounted to EUR 81.0 million, down 11% compared to year-end 2010, and that short-term borrowings amounted to EUR 20.9 million, down 64%. Total long-term and short-term borrowings decreased 30% on year-end 2010.

Other current liabilities totalled EUR 92.7 million, up 27% compared to year-end 2010.

## Performance ratios



At the end of the first half-year 2011 the Group's net margin was 17.5% (Krka Company 18.7%), the EBIT margin 23.3% (24.1%) and the EBITDA margin 31.2% (30.5%). ROE at Group level was 16.9% (Krka Company 16.7%), with ROA at 12.2% (Krka Company 12.5%).

## Risk forecasts for the second half-year 2011

Forecasts for the second half of the year do not anticipate significantly different risks and uncertainties to those witnessed thus far in 2011.

## Marketing and sales

In the first half-year 2011 Krka topped sales figures recorded over the same period in 2010 both at Group level and Krka Company level. The Group sold EUR 528.8 million worth of products and

services, up 6% on last year's figures, while Krka Company contributed EUR 488.7 million to the total sales revenues, up 2% compared to the same period in 2010.

## Sales by region

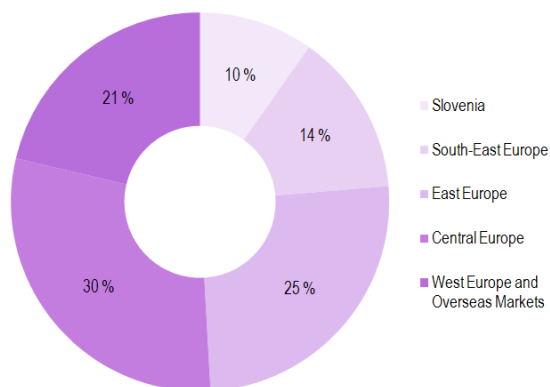
Krka's sales over the first half-year 2011 were the highest in Region Central Europe, where it sold EUR 156.4 million worth of products and services, which is 30% of total Group sales. Its second largest sales volume was recorded in Region East Europe, where it made EUR 134.6 million, which is one-fourth of its total sales. West Europe and Overseas Markets was the third largest region in

terms of sales volume; Krka made EUR 112.6 million there. Krka sold EUR 73.5 million worth of products and services in South-East Europe, while Slovenia, where Krka generated a total of EUR 51.6 million of sales revenues in the first half-year 2011, represents under one-tenth of the total Krka Group sales volume.

in EUR thousand	Krka Group			Krka Company		
	1-6/2011	1-6/2010	Ind.	1-6/2011	1-6/2010	Ind.
Slovenia	51,629	50,835	102	35,108	37,677	93
South-East Europe	73,545	68,745	107	72,643	70,262	103
East Europe	134,580	119,731	112	125,883	127,882	98
Central Europe	156,440	155,583	101	152,440	152,747	100
West Europe and Overseas Markets	112,611	105,138	107	102,611	88,980	115
<b>Total</b>	<b>528,805</b>	<b>500,032</b>	<b>106</b>	<b>488,685</b>	<b>477,548</b>	<b>102</b>



## Krka Group sales by region in the first half of 2011



### Slovenia

**On domestic market Krka remains firmly on the first place among pharmaceutical producers.**

Krka sold EUR 51.6 million worth of products and services in its home market in the first half-year 2011. The majority of sales revenues came from prescription

pharmaceuticals, which contributed EUR 28.9 million. Self-medication and cosmetic products contributed a further EUR 3.8 million, while EUR 1.5 million came from animal health products. The increasingly restrictive legislation governing the marketing of pharmaceutical products, numerous new generic pharmaceutical companies and molecules on the market, and substantial price drops of our key products have diminished Krka's market share to 12.5%. Nevertheless Krka remains firmly on the first place in Slovenia.

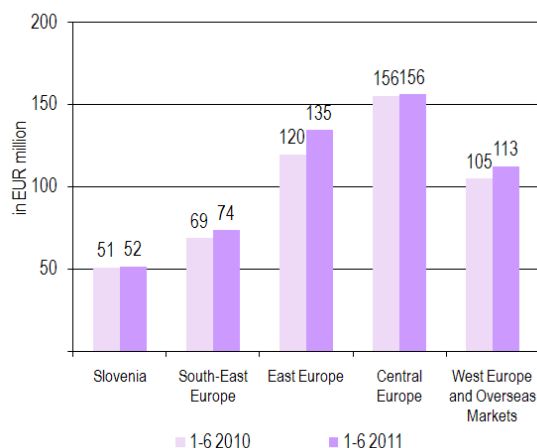
Our best-selling prescription pharmaceuticals were Prenessa (perindopril), Prenewel (perindopril,

### South-East Europe

Sales in the first half-year 2011 totalled EUR 73.5 million, up 7% on the first half-year 2010. In most markets in the region, including Romania, Bosnia and Herzegovina, Serbia, Bulgaria, Macedonia and Montenegro, Krka recorded sales growth, while in Croatia, Albania and Kosovo sales were slightly down.

**Romania** is the leading market in Region South-East Europe in terms of sales volumes. Krka sold EUR 23.6 million of products and services there, up

## Krka Group sales by region in the first half of 2010 and 2011



indapamide), Atoris (atorvastatin), Ultop (omeprazole), Enap (enalapril), Lorista (losartan) and Nolpaza (pantoprazole). Emozul (esomeprazole) and Sorvasta (rosuvastatin), which were launched to the market in 2010, also recorded good sales results. The best-selling self-medication products were Nalgesin S (naproxen), Septotele and Bilobil (ginkgo biloba).

In the first half-year 2011 Krka started marketing its new prescription drug Asolfena (solifenacin) treating an overactive bladder. The two new self-medication products are Nolpaza Control (pantoprazole) and Septotele plus oral spray.

Terme Krka contributed EUR 17.0 million to the total Group sales revenues, up 21% compared to the first half-year 2010, when the Strunjan hotel was closed for renovation during the initial months of the year.

19% on the first half-year 2010.

Prescription pharmaceuticals contributed most to the sales figure, especially Enap (enalapril), Ciprinol (ciprofloxacin), Rawel (indapamide), Fromilid (clarithromycin) and Tramadol (tramadol). Newer drugs were also important contributors to the overall sales result, especially Prenessa (perindopril), Atoris (atorvastatin), Tolura (telmisartane), Oprymea

**With high sales growth Romania was the most successful market in region South-East Europe.**

(pramipexole) and Emanera (esomeprazole). These products, together with the recently launched products like Ifirmasta (irbesartan), Vizarsin (sildenafil) and Rolpryna (ropinirole), have the potential to boost future sales growth.

The sales of self-medication products, of which Bilobil (ginkgo biloba) remains the best-selling product, was up 7%. The best-selling animal health products were Enroxil (enrofloxacin) and Floron (florfenicol), while products to treat pets, especially Fypryst (fipronil), also recorded significant sales growth.

With sales on the **Croatian** market – one of Krka's key markets – worth EUR 18.8 million, Krka has remained the leading foreign generic pharmaceutical producer in the country. Krka has also remained the market leader with respect to the statin therapeutic group and select groups of antimicrobial active pharmaceutical ingredients (clarithromycin, quinolones). Krka has strengthened its market shares in the proton pump inhibitor and sartan groups, and preserved a high market share in the ACE inhibitor and benzodiazepine groups.

Our best-selling products in the first half-year 2011 were Atoris (atorvastatin), Zyllt (clopidogrel), Lanzul (lansoprazole), Enap (enalapril), Ciprinol (ciprofloxacin), Vasilip (simvastatin), Helex (alprazolam), Ampril (ramipril) and Nolpaza (pantoprazole). We launched two new products in March, Perineva and Co-Perineva (perindopril and combination with indapamide), while five additional products will be launched in the second half of the year.

In **Bosnia and Herzegovina** sales reached EUR 8.6 million, up 6%. Prescription pharmaceuticals contributed the largest share, especially Enap (enalapril), Zyllt (clopidogrel), Naklofen (diclofenac), Lorista (losartan) and Atoris (atorvastatin). Recently we have also added Roswera (rosuvastatin) to our product portfolio.

The highest sales growth according to groups of products was recorded by self-medication products (up 24%), among which the best-sellers were Septolete, B-Complex and Bilobil (ginkgo biloba).

Our sales in **Macedonia** generated EUR 6.5 million in the first half-year 2011, an increase of one-tenth over the first half-year 2010. This ranks Krka the leading foreign generic pharmaceutical producer in

the country. Our best-selling prescription pharmaceuticals in Macedonia were Enap (enalapril), Helex (alprazolam), Atoris (atorvastatin), Cordipin (nifedipin), Oспен (phenoxymethylpenicillin), Naklofen (diclofenac) and Lorista (losartan). The sales of self-medication products increased by as much as 31% to EUR 1.1 million. We expect the trend to continue, partly owing to the newly launched products Nolpaza (pantoprazole), Prenessa (perindopril), Emanera (esomeprazole), Roswera (rosuvastatin), Bilobil Aktiv (ginkgo biloba) and Pikovit Prebio syrup.

We sold EUR 5.7 million worth of products in **Bulgaria**, up 12% on the first half-year 2010. The bulk of sales came from prescription pharmaceuticals, especially the best-sellers Lorista (losartan), Enap (enalapril), Atoris (atorvastatin) and Rawel (indapamide). High sales growth was recorded by Co-Valsacor (valsartan, hydrochlorothiazide), Emanera (esomeprazole) and Prenessa (perindopril). The following new products have recently been launched in the Bulgarian market: Karbis (candesartan), Co-Prenessa (perindopril, hydrochlorothiazide) and Lanzul 28 x 30 mg. In the group of animal health products, the sales of Fypryst (fipronil) took off with success.

Our sales in the **Serbian** market witnessed a 52% growth over the first half-year 2011, when Krka made EUR 5.1 million there, partly on the back of new products having been listed on the approved medicines list in February. We continue investing efforts into additional Krka products being added to the list, as this is the key driver of sales growth. We have also continued our work related to cooperative production in Serbia.

Prescription pharmaceuticals Atoris (atorvastatin), Ampril (ramipril) and Vasilip (simvastatin) contributed most to the volume of sales, while the strongest contributors among the recently launched products were Nolpaza (pantoprazole) and Valsacor (valsartan).

In **Kosovo**, where Krka is the leading pharmaceutical company, we sold EUR 2.4 million worth of products. This is similar to the sales figures recorded in the first half-year 2010, and the reason is the difficult economic situation as well as low purchasing power. With a similar market situation in **Albania**, sales there also reached EUR 2.4 million. In **Montenegro** Krka sold EUR 0.6 million worth of products, up 31%.

## East Europe

Region East Europe consists of several markets, of which the leader in terms of sales volume is the Russian Federation, which is Krka's key market as well as its largest individual market. Krka sold EUR 134.6 million worth of products in Region East Europe in the first half-year 2011, up 12%. Sales growth was recorded in most markets of the Region.

We sold EUR 92.8 million worth of products in the **Russian Federation**, up 5% compared to the first half-year 2010. Three-quarters came from prescription pharmaceuticals, followed by self-medication products and animal health products.

Out leading products in this market in the first half-year 2011 were Enap (enalapril), Lorista (losartan), Herbion, Atoris (atorvastatin), Orsoten (orlistat), Pikovit, Vasilip (simvastatin), Zyllt (clopidogrel), Perineva (perindopril) and Fromilid (clarithromycin). Sales were additionally boosted by the new products Orsoten (orlistat) and Orsolim (orlistat), Perineva (perindopril) and Niperten (bisoprolol). On the day the patent expired, we also launched Zalasta (olanzapine), which is the first generic pharmaceutical in the market.

In the Russian Federation Krka is still the market leader in therapeutic groups of statins, multi-vitamins for children and cough syrups. We have many strongly positioned products in the platelet aggregation inhibitor group, and in the weight-loss and weight-maintenance programme. Our market share in the sartan group has increased considerably.

The construction of the production and distribution centre in the Russian Federation, which started in February, is coming along according to plans. This has consolidated Krka's status as a domestic producer, which is extremely important when operating in the Russian Federation.

**Additional sales and promotion activities have given Krka's sales growth in the rebounding Ukrainian market a considerable boost.**

Krka has reorganised its marketing approach in **Ukraine** by establishing a subsidiary for marketing and by strengthening promotion efforts, only to generate EUR 21.5 million on the growing Ukrainian pharmaceuticals market. This is an increase of 48% on the first half-year 2010. The largest contributors to sales volume were prescription pharmaceuticals,

especially Enap (enalapril), Fromilid (clarithromycin), Atoris (atorvastatin), Naklofen (diclofenac), Ciprinol (ciprofloxacin) and Lorista (losartan). The best performing self-medication products were Duovit, Bilobil (ginkgo biloba) and Herbion.

In **Kazakhstan** the sales growth trend has continued and Krka has further increased its market share. In the first half-year 2011 sales were up 27% compared to the first half-year 2010, mainly due to the sales volume of prescription pharmaceuticals Enap (enalapril), Zyllt (clopidogrel) and Gliklada (gliclazide). The best performing self-medication product there is still Duovit. Orsoten (orlistat) was initially launched on the Kazakhstan market in March this year.

Sales in **Uzbekistan** reached EUR 4.1 million, which is slightly less than in the first half-year 2010. This is predominantly due to our customers there having limited access to foreign currency. Nevertheless Krka remains a leading pharmaceutical company in the country. Our best-selling prescription pharmaceuticals are Enap (enalapril) and Naklofen (diclofenac), while the best performing self-medication products are Pikovit and Septotele.

Sales growth continued in **Belarus**, resulting in EUR 2.6 million of sales revenues, up 66%. Our best-selling products in this market have not changed: they are Enap (enalapril), Lorista (losartan) and Duovit. Due to an over 50% devaluation of the national currency in May, we expect the purchasing power in Belarus to drop and the prices of medicinal products in pharmacies to advance over the course of 2011.

Having sold EUR 2.3 million worth of products in the first half-year 2011, up 29%, we have increased our market share in **Moldavia** from 4.2% to 4.9% and thus further consolidated our status as a top three pharmaceuticals supplier. The largest contributors to sales volume were prescription pharmaceuticals, including Ampril (ramipril), Enap (enalapril) and Rawel (indapamide). In the first half-year 2011 Ampril (ramipril) became our best-selling preparation and the leading ramipril in the market. Our leading self-medication products are Panzynom and Herbion syrup, which had become the second best-selling cough medicine six months after being launched in the market.

Sales growth was also recorded in certain smaller markets of Krka's sales Region East Europe. On sales worth EUR 1.5 million, up 74%, we remain a leading pharmaceutical producer in **Mongolia**, where we have launched several new products. The 13% sales growth recorded in **Azerbaijan** was mainly due to the sale of self-medication products. In **Kyrgyzstan**, where we have had a proprietary marketing representative office since the beginning of the year, we have launched several new products and recorded a 26% growth in sales. Sales in

## Central Europe

In terms of sales volumes Region Central Europe is Krka's largest sales Region.

Region Central Europe consists of three of Krka's key markets: Poland, Czech Republic and Hungary. On a sales growth of 1%, total sales volume in the Region amounted to EUR 156.4

million, which makes it the largest Krka sales Region.

On EUR 66.7 million (up 0.2%) worth of Krka products sold there in the first half-year 2011, **Poland** remains Krka's second largest individual market and the leading market in Region Central Europe, having contributed over 40% to the total sales volume. Most sales revenues were again generated on prescription pharmaceuticals, where the sales figures for the first half-year 2011 were on par with those for the first half-year 2010. Our leading products are Atoris (atorvastatin), Lorista (losartan), Nolpaza (pantoprazole), Valsacor (valsartan), Zalasta (olanzapine), Prenessa (perindopril), Sulfasalazin (sulfasalazine) and Vasilip (simvastatin).

The sale of self-medication products was down on 2010, mainly due to lower sales figures for Septotele, our leading self-medication product. We were very successful with animal health products, where sales were up 39%. The key products in this group are Floron (florfenicol), Fypryst (fipronil) and Enroxil (enrofloxacin).

In the **Czech Republic** Krka sold EUR 32.2 million worth of products, up 4% on the first half-year 2010. The largest contributors to sales volume were

**Turkmenistan** have also increased compared to the first half-year 2010, by 11%. Sales volumes in **Georgia**, on the other hand, have decreased compared to the first half-year 2010, which is due to the more moderate sale of cosmetic products that comes as a result of the increased sale of prescription pharmaceuticals and self-medication products. Lower sales in **Armenia** were due to the consolidated distribution of pharmaceuticals. Sales in **Tajikistan** were also down compared to the first half-year 2010, by 6%.

prescription pharmaceuticals, especially Atoris (atorvastatin), Lorista (losartan), Lexaurin (bromazepam), Asestra (sertraline), Prenessa (perindopril), Lanzul (lansoprazole), Amprilan (ramipril) and Valsacor (valsartan). Nalgesin (naproxen) took the lead among self-medication products.

Sales in **Hungary** grew 6% to EUR 31.7 million. The largest contributors were the prescription pharmaceuticals Atoris (atorvastatin), Prenessa/Perineva (perindopril), Lavestra (losartan), Nolpaza (pantoprazole), Kardogrel (clopidogrel) and Lansoptol (lansoprazole). Self-medication products were on a slight decline compared to the first half-year 2010, while the sale of animal health products was up 39%.

In **Slovakia** Krka sold EUR 12.0 million worth of products. Prices continued to drop throughout the second quarter of 2011, which eventually led to a reduction of sales compared to the first half-year 2010. Sales volume boosters are still the prescription pharmaceuticals Atoris (atorvastatin), Prenessa (perindopril), Valsacor (valsartan), Fromilid (clarithromycin), Nolpaza (pantoprazole) and Lexaurin (bromazepam). Self-medication products recorded a moderate growth in sales, the best-selling product remaining Nalgesin (naproxen).

Sales growth was, further, recorded in two of the three Baltic markets: sales were up 14% in **Latvia** and 4% in **Estonia**. Sales in **Lithuania** remained on par with the figures recorded in the first half-year 2010.

## West Europe and Overseas Markets

**The sales of new products has compensated for the lower overall sales value due to dropping prices.**

Sales in Region West Europe and Overseas Markets reached EUR 112.6 million in the first half-year 2011, up 7% on the first half-year 2010. Sales in Region West Europe and Overseas Markets reached

EUR 112.6 million in the first half-year 2011, up 7% on the first half-year 2010. The sales of new products have compensated drop in sale of existing products due to lower prices.

Prescription pharmaceuticals remained the strongest contributors to the total sales volume. In the first half-year 2011 we consolidated out sales via partners, and the sales of Krka products under its own brand through subsidiaries is also increasing. The best results were recorded by Krka Farmacêutica in Portugal, which expanded its product portfolio and increased Krka's market share in the majority of products we offer. Sales values were particularly high for clopidogrel, perindopril and losartan, with combinations.

The highest growth levels in absolute terms were recorded by Krka's German subsidiary TAD Pharma. The sales volumes achieved by the Dublin-based Krka Pharma remained on par with last year's figures, however we expect sales to grow in the second half-year 2011, mainly due to new products being launched. In the second quarter of

2011 we have also started promoting Krka's brand products in Ireland, as Krka Pharma Dublin began with its own marketing campaigns.

The most important markets in Region West Europe and Overseas Markets remain Germany, France, Italy, the Benelux countries and Spain, the UK and the Nordic countries. Krka generated most of its sales volume in the first half-year 2011 inesomeprazole, where we are the leading generic pharmaceutical company in West Europe. We are also a leading generic producer of clopidogrel, pantoprazole, lansoprazole, gliclazide SR, perindopril and enalapril. In markets without patent protection we launched olanzapine, valsartan in fixed-dose combination with hydrochlorothiazide, repaglinide, rivastigmine, galantamine SR and ropinirole SR.

The sales of animal health products nearly doubled compared to the results for the first half-year 2010, with the best-selling product being enrofloxacin. Another strong seller was toltrazuril, which had been successfully launched in all key West European markets. In the second quarter of 2011 we also launched marbofloxacin injections, febantel and florfenicol premix.

Positive sales trends continued in Overseas Markets, where we sold products worth nearly one-fourth more as compared to the first half-year 2010.



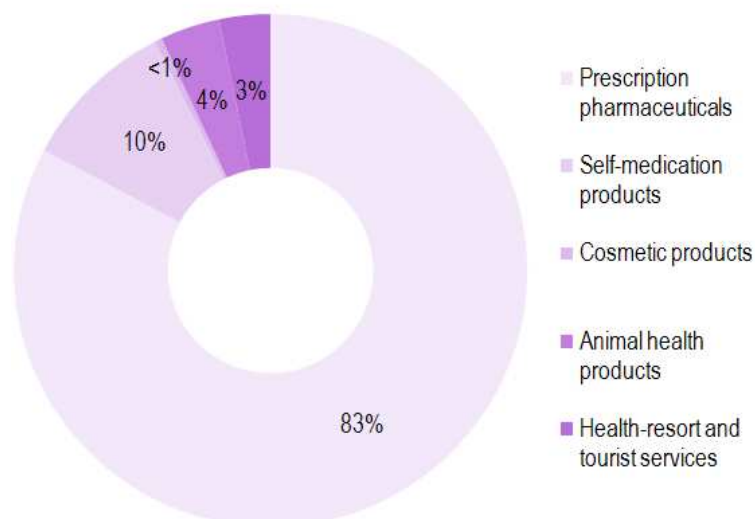
## Sales by product and service groups

Having generated 93% of overall Krka Group sales in the first half-year 2011, human health products are Krka's best-selling group of products. Prescription pharmaceuticals contributed as much as 83% of Krka Group sales, followed by self-medication products on 10% and animal health products on 4%. Health-resort and tourist services stand for 3% of the overall Krka Group sales. Sales growth was recorded in all groups of products and

services, apart from cosmetic products. The highest growth rates were achieved in animal health products and health-resort and tourist services, whereby in case of the latter the increase in sales in the first half-year 2011 compared to the figures for the first half-year 2010 is largely due to the extensive renovation of the Talaso Strunjan hotel and the related reduction in sales at the beginning of 2010.

in EUR thousand	Krka Group			Krka Company		
	1-6/2011	1-6/2010	Ind.	1-6/2011	1-6/2010	Ind.
Human health products	491,485	470,920	104	468,128	462,299	101
- prescription pharmaceuticals	437,342	420,538	104	414,145	409,839	101
- self-medication products	51,673	47,534	109	51,455	49,547	104
- cosmetic products	2,470	2,848	87	2,528	2,913	87
Animal health products	19,889	14,689	135	19,650	14,402	136
Health-resort and tourist services	16,991	13,998	121			
Other	440	425	104	907	847	107
<b>Total</b>	<b>528,805</b>	<b>500,032</b>	<b>106</b>	<b>488,685</b>	<b>477,548</b>	<b>102</b>

### Krka Group sales by product and service group in H1 2011



### Prescription pharmaceuticals

The Group sold EUR 437.3 million worth of prescription pharmaceuticals, up 4% on the first half-year 2010.

Sales increased most in Region East Europe (up 12%), Region South-East Europe (up 9%), and Region West Europe and Overseas Markets (up

3%). Sales in Region Central Europe remained on par with the figures for the first half-year 2010, while in Slovenia sales were down 7%.

**Krka recorded the highest sales growth rate in prescription pharmaceuticals in Region East Europe.**

Among larger individual markets, Krka recorded the highest sales growth in prescription pharmaceuticals in Germany (up 30%), Hungary (up 7%), Russian Federation (up 4%) and the Czech Republic (up 4%).

Among mid size individual markets, sales growth was highest in Ukraine (up 69%), Italy (up 35%) and Romania (up 24%), while in Spain and the Benelux countries Krka's sales nearly doubled.

Among smaller individual markets, high growth rates were recorded in Serbia (up 76%), Belarus (up 38%), Kazakhstan (up 23%), Moldavia (up 22%), Latvia (up 13%), Bulgaria (up 10%) and several others.

**Krka's best selling product is Atoris.**

Krka's overall best-selling prescription pharmaceuticals are Atoris (atorvastatin), Enap (enalapril), Lorista/Lavestra (losartan), Prenessa/Perineva (perindopril), Nolpaza (pantoprazole), Zyllt (clopidogrel), Emozul/Emanera (esomeprazole), Lanzul (lanzoprazole), Valsacor (valsartan) and Vasilip (simvastatin). We recorded the highest growth rate in Emozul/Emanera, in which sales increased nearly four times. Sales have increased considerably also for Prenessa/Perineva (perindopril), Valsacor (valsartan), Fromilid (clarithromycin), Gliklada/Glyclada (gliclazide) and Ampril/Amprilan (ramipril), all of which recorded sales growth rates of over 20%.

**New products in group of prescription pharmaceuticals are solifenacin and ropinirole with prolonged release.**

Krka has launched several new prescription pharmaceuticals in the course of 2011, i.e. products with active pharmaceutical ingredients new to the Krka portfolio. One of these is Asolfena (solifenacin), which treats urinary incontinence and has been launched in Slovenia and Slovakia. Another product with a new active pharmaceutical ingredient is Ralnea/Rolpryna SR (ropinirole), which treats Parkinson's disease and has been launched in several Central European countries. New products further include line

extension drugs, where existing active pharmaceutical ingredients appear in new concentrations, combinations or pharmaceutical forms. These include Tanyz (tamsulosin) in form of prolonged-release tablets, which has been launched in Poland and Portugal this year, and Yasnal (donepezil), which has been launched in Poland in the form of orodispersible tablets. The established high blood pressure treatment product irbesartan was supplemented with an irbesartan product in a new fixed-dose combination with the diuretic hydrochlorothiazide; it was launched in Hungary.

In the first half-year 2011 Krka launched several existing products on new markets, of which some of the most important include: the launch of Atoris (atorvastatin) in Romania, the launch of Zalasta (olanzapine) in the Czech Republic, Slovakia and Hungary, and the launch of Rosvasta (rosuvastatin) in Slovakia. One of our leading products, perindopril, was also introduced to new markets: we have launched Perineva (perindopril) as well as its combination with indapamide in Croatia, Prenessa (perindopril) in Macedonia and Georgia, and its combination with indapamide in Kazakhstan and Ukraine. Other important launches included that of Ifirmasta/Irabel (irbesartan) in Romania, the Czech Republic, Slovakia and Hungary, Karbis (candesartan) in Bulgaria, and Lorista (losartan) in several smaller markets, mainly in East Europe. We have also launched Nolpaza (pantoprazole) in Macedonia, Bosnia and Herzegovina, Belarus and Kazakhstan, Orsoten (orlistat) and Gliklada (gliclazide) in Kazakhstan, Yasnal (donepezil) in Romania, and rabeprazole and quetiapine in Portugal.

The bulk of our marketing efforts focused on raising awareness about some of the most common illnesses of the present times, including those affecting the cardiovascular, gastrointestinal and central nervous systems, and on educating target groups about the contemporary treatment doctrines. The key aspect of our marketing activities includes promoting Krka products for the treatment of these conditions as high quality, safe and effective products with high added value.

## Self-medication products

**The sale of self-medication products has increased compared to the first half-year 2010 in the majority of Krka's most important markets.**

Krka sold EUR 51.7 million worth of self-medication products in the first half-year 2011, up 9%. Sales increased most in Region East Europe (up 13%), Region South-East Europe (up 3%) and in Slovenia (up 2%), while sales in

Region Central Europe have remained on par with the figures for the first half-year 2010.

In South-East Europe we recorded sales growth in Serbia (up 38%), Macedonia (up 31%), Bosnia and Herzegovina (up 24%), Romania (up 7%) and Kosovo (up 4%), while in Croatia sales were down on the first half-year 2010.

Krka also recorded sales growth with respect to its self-medication products in the two largest markets of Region East Europe, where sales grew 5% in the Russian Federation and 6% in Ukraine. High sales growth rates were further recorded in Kazakhstan (up 43%) and Uzbekistan (up 24%) as well as in the majority of the Region's smaller markets.

Sales figures for Region Central Europe have remained practically unchanged from those for the first half-year 2010. Sales were slightly lower in Poland, but they increased in the Czech Republic (up 7%), Latvia (up 6%) and Slovakia (up 2%), while in Lithuania Krka's sales nearly doubled.

Krka's leading self-medication products are Bilobil, Herbion, Septolete, Pikovit and Duovit, which is also where the majority of marketing funds are directed.

## Cosmetic products

Krka sold EUR 2.5 million worth of cosmetic products in the first half-year 2011, down 13% on the same period last year. Sales in Slovenia were down 22%, but we did increase sales in the Russian Federation and Ukraine.

All our marketing campaigns related to cosmetic products focused on Fitoval, which was the best-selling product in the group, recording a sales growth of 28%.

## Animal health products

**Krka expanded its animal health portfolio by introducing several new products.**

In the first half-year 2011 Krka sold EUR 19.9 million worth of animal health products, up 35% on the first half-year 2010.

The highest sales growth was recorded in Region West Europe and Overseas Markets, where sales doubled. Our sales figures were highest in France and Germany. On the growth rate of 38%, Region Central Europe is the second largest Region in terms of sales, where the largest contributors were Poland, Hungary and Lithuania. The growth trend extended to Slovenia, where sales were up 13% on the first half-year 2010. A similar growth rate was

recorded in Region East Europe, where the leader is the Russian Federation on a 15% growth in sales. Sales in the markets of South-East Europe were on par with the figures for the first half-year 2010.

Of the established Krka brand products, sales were up most for Floron and Ecocid S. The best-selling product from the group remains Enroxil, Krka's flagship animal health product.

An important achievement in terms of marketing and sales in the first half-year 2011 was the successful launch of new products Tolzesya/Toltarox, Quiflox/Quiflor and Fypryst.

## Health-resort and tourist services

In the first half-year 2011 Krka sold EUR 17.0 million worth of health-resort and tourist services in Slovenia, up 21% on the first half-year 2010. Branch Talaso Strunjan, which had been closed for

extensive renovation during the initial four months of 2010, had excellent occupancy during the first half-year 2011 and generated sales worth EUR 5.3 million. On a 75% occupancy rate the spa complex



Terme Šmarješke Toplice generated sales worth EUR 5.1 million, while the spa complex Terme Dolenjske Toplice contributed EUR 4.9 million. The hotel complex Hoteli Otočec increased sales by 12%, generating EUR 1.7 million worth of sales, while Hotel Krka in Novo mesto increased sales by 22%.

With 172,736 lodgings recorded in the first half-year 2011, the occupancy rate of Terme Krka Group hotels was 65%. The majority of guests were Slovene, who accounted for 75% of the lodgings, while the most numerous group of foreign guests were the Italians on 9%, followed by German-speaking guests on 6% and Russians on 3%.

## Research and development

In the first half-year 2011 Krka acquired first marketing authorisations for 11 new products in 28 pharmaceutical dosage forms and strengths. In its

various markets Krka acquired 607 marketing authorisations for products in 1,286 pharmaceutical dosage forms and strengths.

### Prescription pharmaceuticals

In the first half-year 2011 we acquired marketing authorisation for 6 new prescription pharmaceuticals in 21 dosage forms and strengths.

tablet form, in three strengths, was acquired for the entire EU applying a centralised procedure (CP). Both combinations of active substance yield the desired effects in the treatment of high blood pressure, which monotherapy cannot offer.

Marketing authorisation was acquired for the new product **Galsya/Galnora** with the active substance **galantamine**, in capsule form, with sustained release in three strengths. It is used for symptomatic treatment of mild to moderate Alzheimer's disease. Following a finalised EU decentralised procedure (DCP) we acquired marketing authorisations for galantamine in most EU countries.

We also acquired the marketing authorisation for a fixed-dose combination of **perindopril** and **amlodipine**, in tablet form in four strengths. Due to the synergies and complementation of both active substances, the combination of **perindopril** and **amlodipine** has a strong anti-hypertension effect, it minimises adverse effects, offers better protection for the target organs and ensures improved patient cooperation.

Applying a DCP we, further, acquired the marketing authorisation for **levetiracetam** in film-coated tablets in four strengths. This antiepileptic may be used independently or to support other therapy for epileptic seizures.

Applying a DCP Krka also acquired the marketing authorisation for **Atoris (atorvastatin)** in film-coated tablet form, in three new strengths. The 80 mg Atoris tablets represent the maximum daily dose and are intended for patients with high risk of cardiovascular complications, particularly for the prevention of strokes. The two intermediate Atoris tablet strengths (30 mg and 60 mg) offer a further choice of dosage when seeking the most appropriate ratio between efficacy and active substance delivery. In order to secure our chances for increasing our market share, we filed for the additional marketing authorisation for **rosuvastatin (Roswera)** in film-coated tablets and in six strengths. The EU DCP has been finalised, granting Krka marketing authorisations for **rosuvastatin** in an additional 12 European countries.

The range of pharmaceuticals to reduce blood pressure was expanded with additional sartans. Marketing authorisations were acquired for products based on two key molecules – **irbesartan** and **candesartan**. The new combinations of candesartan and irbesartan with a diuretic supplement and consolidate the established Krka brands **Candecor**, **Karbis** and **Ifirmasta**. We acquired the marketing authorisation for the fixed-dose combination of candesartan and hydrochlorothiazide (**Candecombi/Karbicombi**) in tablet form, in four strengths, across the majority of EU countries, while the marketing authorisation for **Ifirmacombi**, a fixed-dose combination of **irbesartan** and **hydrochlorothiazide**, in film-coated

Efforts to increase our market shares included new marketing authorisations in the markets of West and Central Europe. We acquired new marketing authorisations in the majority of European countries for **levocetirizine (Cezero)** in the form of film-coated tablets, in six European countries for **sertraline hydrochloride** in the form of film-coated tablets in six strengths, and in four European countries for **candesartan (Canocord)** in the form of tablets in four strengths. **Donepezil**, in the form of film-coated tablets and in two strengths, received a new marketing authorisation in 13 European countries.

### Self-medication products

In the first half-year 2011 we have finalised the marketing authorisation procedures for a new herbal self-medication product, **Herbion ivy syrup**. The product that has initially been registered in Slovenia contains a dry extract of the leaves of common ivy (*Hedera helix*). It dilutes thick mucus in the respiratory tract and is used to facilitate expectoration with increased mucus secretion.

In Ukraine we registered soft gel capsules **Palprostes**, recommended to alleviate the symptoms of benign prostatic hyperplasia and to aid in the complex therapy for this state.

We took Krka's key brand product **Septolete** to new markets: the **Septolete plus spray** was registered

### Animal health products

In the first half-year 2011 Krka acquired marketing authorisations for two new animal health products in four pharmaceutical dosage forms and strengths. Marketing authorisation procedures were finalised for antihelmintic **Dehinel** in two forms, **Dehinel plus XL** and **Dehinel plus flavour** tablets. Applying the EU DCP we acquired marketing authorisations in 20 European countries. Both products treat internal parasite infestations in dogs.

Again applying the EU DCP, we acquired marketing authorisations for the new pharmaceutical product **marbofloxacin (Marfloxin/Quiflor)** in the form of solution for injection, in two strengths. The product is used to treat bacterial infections in cattle and pigs.

Additional marketing authorisations were also applied for in the markets of South-East Europe. In Croatia, Bosnia and Herzegovina and Serbia we registered **pantoprazole (Nolpaza)** in powder form for solution for injection. In Croatia we filed for a new marketing authorisation for **ezetimibe (Ezoleta)** tablets, while in several South-East European countries we also filed for new marketing authorisations for **rosuvastatin (Roswera)** film-coated tablets of four strengths and for **esomeprazole (Emanera)** gastro resistant capsules of two strengths.

in the Czech Republic (**Neoseptolete DUO**), Croatia, Macedonia and Bulgaria. **Septolete plus honey and lime** lozenges were introduced to the markets of West Europe after being registered in Portugal.

Additional marketing authorizations were acquired for **Bilobil** capsules 120 mg in Latvia and in the markets of South-East Europe.

We reinforced the market possibilities of our **Orsoslim** product in capsule form by acquiring a certificate in the Russian Federation on the basis of clinical study results, which allows the nutritional product to be labelled with indications.

Krka also expanded its portfolio of products for pets. In Croatia, Serbia and Ukraine we acquired the marketing authorisation for the pharmaceutical product **fipronil (Fypryst)** in the form of pour-on skin solution. In Serbia we acquired the marketing authorisation for **enrofloxacin** flavoured tablets (**Enroxil flavour**) in three strengths, treating bacterial infection in cats and dogs. **Carprofen (Rycarfa)** in the form of tablets and injection solution was registered in six West European countries (Belgium, Denmark, Finland, Sweden, Norway and Portugal).

## Cosmetic products

Krka increased the group of cosmetic products marketed under Krka's brand name Fitoval. First marketing authorisations were acquired for two

products, the **Fitoval intense dermatological anti-dandruff shampoo** and the **Fitoval control dermatological anti-dandruff shampoo**.

## Investments

In the first half-year 2011 the Group spent EUR 53.1 million on investments, of which the controlling company invested EUR 45.5 million and

subsidiaries EUR 7.6 million.

Below we highlight some of our ongoing projects.

### Solid dosage pharmaceutical production plant

Work started in June 2009 to build a new solid dosage production (OTO) plant at the Krka production complex in Ločna. It will increase our production capacity by 2.5 billion tablets, coated tablets or capsules per year. The plant has five floors with a total surface area of 17,000 m<sup>2</sup>. The investment is worth EUR 91 million.

installation of technological equipment to begin. The complete fittings of the plant will gradually come into place by the end of 2012.

The steel building construction was set up and the main construction work finished in 2009. Installation works started in January 2010. By the end of September 2010 the installations fitted thus far made it possible for hardware qualification and

The technical inspection of the plant was carried out as planned in mid-February 2011, followed by a preliminary operation permit decision issued in March. After being verified by the Agency for Medicinal Products and Medical Devices of the Republic of Slovenia and after having acquired the authorization to produce medicinal products, regular production on line one opened in April.

### R&D and control centre 3 (RKC 3)

To a large extent Krka's sales growth depends on the work of its R&D teams developing new products. The new RKC 3 will facilitate the expansion of Krka's R&D projects, in terms of quantity and quality, as well as foster quality and control of incoming materials, semi-processed products and end products pursuant to the standards of good laboratory practice governing new production facilities. The new RKC 3 will provide the conditions we need to operate state-of-the-art laboratory equipment and to introduce the latest analytical methods we need to maintain our competitive advantage.

Covering a total net surface area of 11,479 m<sup>2</sup> the RKC 3 facility is sited next to RKC 1 and RKC 2, with which it forms a functional and architectural whole.

The entire laboratory equipment and furnishings had been fitted by the end of March 2011, in May we received the operating permit, while at the beginning of June the Agency for Medicinal Products and Medical Devices of the Republic of Slovenia examined the laboratories. The migration to the new premises, worth EUR 22 million, is ongoing.

### Production of sterile products – Phase II

Investment into the sterile product production plant will gradually increase ampoule production to 130 million per year. In the initial stage of the expansion we will install two ampoule-filling lines, two injection

solution preparation lines and one ampoule packaging line. We are currently drawing up the detailed design and selecting technology suppliers.

## Production of animal health tablets

We are increasing our capacities for the production of animal health tablets to 80 million tablets per year in two shifts.

The project initiation documents, technology design

documentation and detailed design are ready, and by the end of 2011 we intend to complete the related construction and installation work, as well as install the blister packing equipment. Preliminary production is planned to begin early next year.

## Sinteza 4 – increasing production capacity

The additional technological equipment we are installing will help increase the flexibility and productivity of the Sinteza 4 production plant as well as increase the range of products it can generate simultaneously. Four reactors equipped with distillation columns and condensers will be upgraded at individual lines, while two new

centrifuges will increase centrifugal capacity. Centrifuges will be connected during refitting at the beginning of August, when employees go on collective annual leave, and should be operational by the end of August. The upgrade of the reactor equipment will be completed by the end of October 2011.

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

In February 2011 Krka has began building a new distribution centre in the Russian Federation with a new solid dosage forms production plant. The flexible, modular construction of production facilities will progress in several phases: phase I will include a gradual incorporation of six packaging lines. The plant's capacity will be 1.5–1.8 billion tablets and capsules per year. The investment, worth EUR 135 million, is also important from view of the

government of the Russian Federation, which has been striving to strengthen domestic pharmaceutical production; this project will help Krka consolidate its status of a domestic pharmaceuticals producer in the Russian Federation. Excavation work was completed in spring, currently foundation piles are being put into place to construct foundations. Production is planned to start in 2013.

## Increased capacities in Croatia

The existing and partly refurbished production and distribution centre in Jastrebarsko, which operates under the subsidiary Krka Farma Zagreb, will increase its production capacity for semi-processed products and end products in the packaging phase,

facilitate the manufacture of granulate and film-coated tablets in low-humidity conditions and the production of double-layer tablets. The investment is worth an estimated EUR 3.8 million and will be finalised in the first quarter of 2012.

## New projects

We have started drawing up the project documentation for a new plant for solid oral dosage forms, Notol 2, back in 2010. The basic design was ready by the end of March 2011, while detailed design is planned to be fully compiled by the end of this year. We have already filed for a building permit and official procedures are ongoing. The new plant will have the capacity to produce 4.5 billion end products per year.

Krka will expand its chemical production in Slovenia to a location in Krško, where it is planning to build an API production plant, Sinteza 1. Currently we are in the phase of designing the plant and obtaining all the relevant consents required to acquire a building permit. The detailed design will be completed during 2011.

## Employees

At the end of June 2011 the Group had 8,823 employees, which is up 254 or 3% compared to the beginning of the year. In the first half-year 2011, 93 new employees joined Krka in Slovenia and 161 abroad.

Krka's companies and representative offices outside Slovenia employ over 48% of all Group employees. 52% of all Krka Group employees have a bachelor's degree or higher.

### Krka Group employees education profile

	30 Jun 2011		31 Dec 2010	
	Number of employees	Share (%)	Number of employees	Share (%)
PhD	94	1.1	90	1.0
Master's degree	256	2.9	245	2.9
Bachelor's degree	4,197	47.6	4,076	47.6
Higher professional degree	860	9.7	780	9.1
Vocational college degree	257	2.9	248	2.9
Upper secondary school degree	1,735	19.7	1,711	20.0
Other	1,424	16.1	1,419	16.5
<b>Total Krka Group</b>	<b>8,823</b>	<b>100.0</b>	<b>8,569</b>	<b>100.0</b>
– in Slovenia	4,552	51.6	4,459	52.0
– outside Slovenia	4,271	48.4	4,110	48.0

We have secured a continuous inflow of new employees by offering study grants to talented students. Currently there are 89 students that receive Krka study grants. They are primarily pharmacy and chemistry students, while Krka also awards grants to outstanding students from other fields that are of interest to the company. In school year 2010/11 we awarded eight new study grants.

Krka supports both personal and professional growth of its employees, which is why we systematically plan the development of our key and promising staff. We place a lot of emphasis on our employee's leadership and management skills and therefore hold management workshops for various management levels. High potential employees, which we see as promising in a given field, are assigned complex projects, sent to specialised trainings and enrolled into specialised studies, and they also receive training with respect to professional and project team work that we have set up in-house. Education and trainings, conferences addressing various issues, and other international events maintain the exchange of good practices within the Group and promote its international culture.

Krka employees undergo additional training both in Slovenia and abroad related to various professional areas of expertise, quality, management, personal growth, foreign languages and informatics. Krka organizes most of these trainings itself.

Our employees are very motivated to learn more and attain higher academic degrees. We currently have 78 employees enrolled into specialisation, master's or doctorate programmes, which are partly financed by Krka, and 385 employees enrolled into part-time studies. 21 of our employees completed their studies in the first half-year 2011, while another 40 are enrolling into various study programmes in autumn this year.

Krka has maintained its certificate system of implementing, examining and approving knowledge, which prioritizes actual, practical knowledge of staff working in the production of raw materials and end products as well as logistics. Krka has awarded as many as 759 national certificates under this system since 2002, 617 of which went to Krka employees. 90 additional Krka employees are preparing to be examined with respect to working in the production of active substances and end products as well as logistics later this year.

Exhibiting preventive as well as curative care for the health of our staff, Krka provides its employees with a wide range of activities for them to maintain a high quality of life at work and beyond. This results in employee satisfaction and makes Krka the target employer for top experts, which in turn contributes to the company's good results.

We additionally motivate our staff with various material and immaterial awards, and we devote special attention to our most successful and loyal employees. At the Krka Awards Day in June we awarded long-service awards to 343 of our most loyal employees, recognition awards to our top

managers and colleagues, and awards for innovation. In the first half-year 2011 261 of our colleagues came forward with 216 useful proposals. Krka also organised a common sports and social event for all employees.

At the Forum of Excellence and Craftsmanship organised by the Economists' Association of Dolenjska and Bela krajina and the Faculty of Organisation Science Novo mesto, which was held in the town of Otočec in May this year, Krka received the prize for the company that employed most in the region back in 2010.

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

### Statement of consolidated financial position

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
<b>Assets</b>			
Property, plant and equipment	696,231	686,461	101
Intangible assets	122,067	122,815	99
Deferred tax assets	26,543	27,505	97
Long-term loans	4,942	4,312	115
Non-current investments	5,125	5,238	98
Other non-current assets	183	175	105
<b>Total non-current assets</b>	<b>855,091</b>	<b>846,506</b>	<b>101</b>
Inventories	250,356	229,343	109
Trade and other receivables	410,575	402,686	102
Short-term loans	5,604	1,227	457
Current investments, including derivative financial instruments	617	653	94
Cash and cash equivalents	18,566	7,789	238
<b>Total current assets</b>	<b>685,718</b>	<b>641,698</b>	<b>107</b>
<b>Total assets</b>	<b>1,540,809</b>	<b>1,488,204</b>	<b>104</b>
<b>Equity</b>			
Share capital	59,126	59,126	100
Own shares	-33,511	-21,749	154
Reserves	170,766	159,233	107
Retained earnings	935,819	855,140	109
<b>Equity holders of the parent</b>	<b>1,132,200</b>	<b>1,051,750</b>	<b>108</b>
Non-controlling interest	1,565	1,577	99
<b>Total equity</b>	<b>1,133,765</b>	<b>1,053,327</b>	<b>108</b>
<b>Liabilities</b>			
Long-term borrowings	67,214	67,214	100
Provisions	109,274	108,889	100
Deferred revenues	10,225	7,138	143
Deferred tax liabilities	18,444	19,468	95
<b>Total non-current liabilities</b>	<b>205,157</b>	<b>202,709</b>	<b>101</b>
Trade payables	81,034	91,386	89
Short-term borrowings	20,942	57,910	36
Income tax liabilities	7,214	9,814	74
Other current liabilities	92,697	73,058	127
<b>Total current liabilities</b>	<b>201,887</b>	<b>232,168</b>	<b>87</b>
<b>Total liabilities</b>	<b>407,044</b>	<b>434,877</b>	<b>94</b>
<b>Total equity and liabilities</b>	<b>1,540,809</b>	<b>1,488,204</b>	<b>104</b>



## Consolidated income statement

in EUR thousand	1-6/2011	1-6/2010	Ind. 11/10
Sales revenues	528,805	500,032	106
Production cost of goods sold	-199,928	-190,888	105
<b>Gross profit</b>	<b>328,877</b>	<b>309,144</b>	<b>106</b>
Other operating income	4,417	6,312	70
Distribution expenses	-129,228	-119,338	108
R&D costs	-43,707	-48,109	91
Administrative expenses	-37,112	-41,122	90
<b>Operating profit</b>	<b>123,247</b>	<b>106,887</b>	<b>115</b>
Financial income	1,903	9,915	19
Financial expenses	-6,720	-2,444	275
<b>Net financial expenses / income</b>	<b>-4,817</b>	<b>7,471</b>	<b>-64</b>
<b>Profit before tax</b>	<b>118,430</b>	<b>114,358</b>	<b>104</b>
Income tax expense	-26,004	-23,173	112
<b>Profit for the period</b>	<b>92,426</b>	<b>91,185</b>	<b>101</b>
Attributable to:			
– equity holders of the parent	92,441	91,220	101
– non-controlling interest	-15	-35	43
<b>Basic earnings per share (in EUR)*</b>	<b>2.74</b>	<b>2.70</b>	<b>102</b>
<b>Diluted earnings per share (in EUR)**</b>	<b>2.74</b>	<b>2.70</b>	<b>102</b>

\* Net profit attributable to equity holders of the parent / average number of shares issued in the period, less own shares.

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

## Consolidated statement of comprehensive income

in EUR thousand	1-6/2011	1-6/2010	Ind. 11/10
<b>Profit for the period</b>	<b>92,426</b>	<b>91,185</b>	<b>101</b>
<b>Other comprehensive income for the period</b>			
Changes in profits of previous periods	0	-8	0
Changes in fair value of financial assets available for sale	-202	-257	79
Deferred tax effect – change in fair value of financial assets available for sale	40	51	78
Translation reserve	-67	3,253	-2
<b>Total other comprehensive income for the period</b>	<b>-229</b>	<b>3,039</b>	<b>-8</b>
<b>Total comprehensive income for the period</b>	<b>92,197</b>	<b>94,224</b>	<b>98</b>
Attributable to:			
– equity holders of the parent	92,212	94,259	98
– non-controlling interest	-15	-35	43



## Consolidated statement of changes in equity

	Share capital	Own shares	Reserves					Retained earnings			Total equity holders of the parent	Non-controlling interest	Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserve	Other revenue reserves	Net profit for the period	Net profit carried forward			
in EUR thousand													
<b>Balance at 1 Jan 2011</b>	<b>59,126</b>	<b>-21,749</b>	<b>123,252</b>	<b>14,990</b>	<b>27,184</b>	<b>1,767</b>	<b>-7,960</b>	<b>684,639</b>	<b>111,765</b>	<b>58,736</b>	<b>1,051,750</b>	<b>1,577</b>	<b>1,053,327</b>
<b>Profit for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>92,441</b>	<b>0</b>	<b>92,441</b>	<b>-15</b>	<b>92,426</b>
<b>Other comprehensive income for the period</b>													
Changes in fair value of financial assets available for sale	0	0	0	0	0	-202	0	0	0	0	-202	0	-202
Deferred tax effect – change in fair value of financial assets available for sale	0	0	0	0	0	40	0	0	0	0	40	0	40
Translation reserve	0	0	0	0	0	0	-67	0	0	0	-67	0	-67
<b>Total other comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-162</b>	<b>-67</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-229</b>	<b>0</b>	<b>-229</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-162</b>	<b>-67</b>	<b>0</b>	<b>92,441</b>	<b>0</b>	<b>92,212</b>	<b>-15</b>	<b>92,197</b>
<b>Transactions with owners, recorded in equity</b>													
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 Board 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	-111,765	111,765	0	0	0
Transfer to other revenue reserves under the resolution of the AGM	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for own shares	0	0	11,762	0	0	0	0	0	-11,762	0	0	0	0
Repurchase of own shares	0	-11,762	0	0	0	0	0	0	0	0	-11,762	0	-11,762
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of minority interest	0	0	0	0	0	0	0	0	0	0	0	3	3
<b>Total transactions with owners, recorded in equity</b>	<b>0</b>	<b>-11,762</b>	<b>11,762</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-123,527</b>	<b>111,765</b>	<b>-11,762</b>	<b>3</b>	<b>-11,759</b>
<b>Balance at 30 Jun 2011</b>	<b>59,126</b>	<b>-33,511</b>	<b>135,014</b>	<b>14,990</b>	<b>27,184</b>	<b>1,605</b>	<b>-8,027</b>	<b>684,639</b>	<b>80,679</b>	<b>170,501</b>	<b>1,132,200</b>	<b>1,565</b>	<b>1,133,765</b>

in EUR thousand	Share capital	Own shares	Reserves					Retained earnings			Total equity holders of the parent	Non-controlling interest	Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserve	Other revenue reserves	Net profit for the period	Net profit carried forward			
<b>Balance at 1 Jan 2010</b>	<b>59,126</b>	<b>-19,489</b>	<b>120,992</b>	<b>14,990</b>	<b>22,184</b>	<b>2,104</b>	<b>-9,776</b>	<b>570,354</b>	<b>106,766</b>	<b>51,434</b>	<b>918,685</b>	<b>1,684</b>	<b>920,369</b>
<b>Profit for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>91,220</b>	<b>0</b>	<b>91,220</b>	<b>-35</b>	<b>91,185</b>
<b>Other comprehensive income for the period</b>													
Changes in profits of previous periods	0	0	0	0	0	0	0	0	0	-8	-8	0	-8
Changes in fair value of financial assets available for sale	0	0	0	0	0	-257	0	0	0	0	-257	0	-257
Deferred tax effect – change in fair value of financial assets available for sale	0	0	0	0	0	51	0	0	0	0	51	0	51
Translation reserve	0	0	0	0	0	0	3,253	0	0	0	3,253	0	3,253
<b>Total other comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-206</b>	<b>3,253</b>	<b>0</b>	<b>0</b>	<b>-8</b>	<b>3,039</b>	<b>0</b>	<b>3,039</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-206</b>	<b>3,253</b>	<b>0</b>	<b>91,220</b>	<b>-8</b>	<b>94,259</b>	<b>-35</b>	<b>94,224</b>
<b>Transactions with owners, recorded in equity</b>													
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 Board 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 AGM	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
Acquisition of minority interest	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total transactions with owners, recorded in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>62,285</b>	<b>-106,766</b>	<b>7,302</b>	<b>-37,179</b>	<b>0</b>	<b>-37,179</b>
<b>Balance at 30 Jun 2010</b>	<b>59,126</b>	<b>-19,489</b>	<b>120,992</b>	<b>14,990</b>	<b>22,184</b>	<b>1,898</b>	<b>-6,523</b>	<b>632,639</b>	<b>91,220</b>	<b>58,728</b>	<b>975,765</b>	<b>1,649</b>	<b>977,414</b>

## Consolidated statement of cash flows

in EUR thousand	1-6/2011	1-6/2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit for the period</b>	<b>92,426</b>	<b>91,185</b>
<b>Adjustments for:</b>	<b>70,027</b>	<b>69,064</b>
– amortisation/depreciation	41,928	39,672
– foreign exchange differences	166	3,895
– investment income	-419	-931
– investment expense	656	1,422
– interest expense and other financial expense	1,689	1,840
– income tax	26,004	23,174
– other	3	-8
<b>Operating profit before changes in net operating current assets</b>	<b>162,453</b>	<b>160,249</b>
Change in trade receivables	-7,671	-29,391
Change in inventories	-21,013	-29,414
Change in operating debts (liabilities)	-11,145	22,790
Change in provisions	385	1,054
Change in deferred revenues	3,087	760
Change in other current liabilities	19,694	7,097
Income taxes paid	-28,051	-10,184
<b>Cash generated from operations</b>	<b>117,739</b>	<b>122,961</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	137	273
Proceeds from sale of property, plant and equipment	1,200	127
Purchase of intangible assets	-5,057	-1,889
Purchase of property, plant and equipment	-47,533	-45,715
Long-term loans	-702	-656
Proceeds from repayment of long-term loans	441	1,264
Acquisition of non-current investments	-30	-32
Proceeds from sale of non-current investments	20	21
Payments in connection with current investments and loans	-4,685	-34,951
Payments in connection with derivative financial instruments	-8	0
Proceeds from derivative financial instruments	5	0
<b>Net cash used in investing activities</b>	<b>-56,212</b>	<b>-81,558</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-1,839	-2,277
Repayment of long-term borrowings	-20,336	-17,261
Acquisition of short-term borrowings	-16,482	-5,913
Dividends paid	-55	-40
Repurchase of own shares	-11,762	0
<b>Net cash used in financing activities</b>	<b>-50,474</b>	<b>-25,491</b>
<b>Net increase in cash and cash equivalents</b>	<b>11,053</b>	<b>15,912</b>
Cash and cash equivalents at beginning of period	7,789	13,411
Effect of exchange rate fluctuations on cash held	-276	-43
<b>Net cash and cash equivalents at end of period</b>	<b>18,566</b>	<b>29,280</b>

## Segment reporting

in EUR thousand	European Union		South-East Europe		East Europe		Other markets		Total	
	1-6/2011	1-6/2010	1-6/2011	1-6/2010	1-6/2011	1-6/2010	1-6/2011	1-6/2010	1-6/2011	1-6/2010
<b>Revenues from non-Group companies</b>	<b>338,299</b>	<b>325,296</b>	<b>44,194</b>	<b>43,751</b>	<b>134,578</b>	<b>119,731</b>	<b>11,734</b>	<b>11,254</b>	<b>528,805</b>	<b>500,032</b>
<b>Revenues from Group companies</b>	<b>72,493</b>	<b>77,013</b>	<b>29,525</b>	<b>30,918</b>	<b>73,753</b>	<b>63,614</b>	<b>0</b>	<b>0</b>	<b>175,771</b>	<b>171,545</b>
Other operating income	4,149	3,577	39	101	229	2,634	0	0	4,417	6,312
<b>Operating profit</b>	<b>96,421</b>	<b>87,995</b>	<b>12,091</b>	<b>10,594</b>	<b>12,372</b>	<b>6,051</b>	<b>2,363</b>	<b>2,247</b>	<b>123,247</b>	<b>106,887</b>
Interest income	148	423	4	4	4	4	0	0	156	431
Interest expense	-1,600	-1,737	-7	-13	-1	0	0	0	-1,608	-1,750
<b>Net financial income/expense</b>	<b>-3,724</b>	<b>4,543</b>	<b>312</b>	<b>656</b>	<b>-1,315</b>	<b>2,091</b>	<b>-90</b>	<b>181</b>	<b>-4,817</b>	<b>7,471</b>
Income tax expense	-19,021	-19,238	-3,197	-3,164	-3,581	-556	-205	-215	-26,004	-23,173
<b>Profit for the period</b>	<b>73,676</b>	<b>73,300</b>	<b>9,206</b>	<b>8,086</b>	<b>7,476</b>	<b>7,586</b>	<b>2,068</b>	<b>2,213</b>	<b>92,426</b>	<b>91,185</b>
Investments	46,801	41,935	335	56	6,012	2,541	0	0	53,148	44,532
Depreciation of PPE	27,172	25,790	1,431	2,357	7,338	6,279	182	186	36,123	34,612
Amortisation of intangible assets	3,570	3,667	1,237	352	937	981	61	60	5,805	5,060
	<b>30 Jun 2011</b>	<b>31 Dec 2010</b>	<b>30 Jun 2011</b>	<b>31 Dec 2010</b>	<b>30 Jun 2011</b>	<b>31 Dec 2010</b>	<b>30 Jun 2011</b>	<b>31 Dec 2010</b>	<b>30 Jun 2011</b>	<b>31 Dec 2010</b>
<b>Total assets</b>	<b>1,142,443</b>	<b>1,094,719</b>	<b>96,370</b>	<b>96,806</b>	<b>292,138</b>	<b>283,746</b>	<b>9,858</b>	<b>12,933</b>	<b>1,540,809</b>	<b>1,488,204</b>
<b>Total liabilities</b>	<b>259,025</b>	<b>270,408</b>	<b>28,240</b>	<b>33,239</b>	<b>112,457</b>	<b>122,723</b>	<b>7,322</b>	<b>8,507</b>	<b>407,044</b>	<b>434,877</b>

## Notes to the consolidated financial statements

### Sales revenues

**EUR 528,805 thousand**

Sales revenues consist of EUR 51,629 thousand worth of revenues generated from the sale of products, services and goods in Slovenia EUR (9.8% of net sales revenues) and EUR 477,176

thousand worth of sales in foreign markets (90.2% of net sales revenues). Sales revenues generated in the first half-year 2011 were 6% higher than those generated over the same period in 2010.

### Production costs of goods sold

**EUR 199,928 thousand**

Compared to the first half-year 2010, the production costs of goods sold incurred in first half-year 2011

increased 5%, their costs to sales ratio being 37.8%.

### Distribution expenses

**EUR 129,228 thousand**

Distribution expenses include the costs of marketing and sales campaigns in Slovenia and abroad. Given

their amount in the first half-year 2010, they increased 8%, on a costs to sales ratio of 24.4%.

### R&D costs

**EUR 43,707 thousand**

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

Given their amount in first half-year 2010, they decreased 9%, on a costs to sales ratio of 8.3%.

### Administrative expenses

**EUR 37,112 thousand**

Compared to the first half-year 2010, administrative expenses decreased by one-tenth, on a costs to sales ratio of 7.0%.

### Costs by nature

**EUR 409,975 thousand**

in EUR thousand	1-6/2011	1-6/2010	Ind. 11/10
Cost of goods and material	138,476	146,282	95
Cost of services	99,549	99,319	100
Employee benefits cost	133,074	127,046	105
Amortisation/Depreciation	41,928	39,672	106
Other operating expenses	14,594	15,019	97
<b>Total costs</b>	<b>427,621</b>	<b>427,338</b>	<b>100</b>
Change in the value of inventories	-17,646	-27,881	63
<b>Total</b>	<b>409,975</b>	<b>399,457</b>	<b>103</b>

## Employee benefits cost

EUR 133,074 thousand

in EUR thousand	1-6/2011	1-6/2010	Ind. 11/10
Gross wages and salaries, and continued pay	101,871	97,787	104
Social security contributions and payroll tax	21,147	17,942	118
Retirement benefits and anniversary bonuses	2,046	3,561	57
Other employee benefits cost	8,010	7,756	103
<b>Total employee benefits cost</b>	<b>133,074</b>	<b>127,046</b>	<b>105</b>

## Other operating expenses

EUR 14,594 thousand

in EUR thousand	1-6/2011	1-6/2010	Ind. 11/10
Grants and assistance for humanitarian and other purposes	1,792	1,494	120
Environmental levies	1,186	957	124
Other taxes and levies	5,009	1,673	299
Loss in the sale and write-offs of PPE and intangible assets	609	4,317	14
Write-offs and allowances for inventories	3,830	3,597	106
Other costs	2,168	2,981	73
<b>Total other operating expenses</b>	<b>14,594</b>	<b>15,019</b>	<b>97</b>

## Financial income and financial expenses

in EUR thousand	1-6/2011	1-6/2010	Ind. 11/10
Exchange differences	488	9,298	5
Interest income	156	431	36
Income from derivative financial instruments, thereof:	5	0	
– inflows	5	0	
Dividend income	90	0	
Reversal of impairment	1,159	176	659
Other income	5	10	50
<b>Total financial income</b>	<b>1,903</b>	<b>9,915</b>	<b>19</b>
Interest expense	-1,608	-1,750	92
Change in fair value of investments through profit or loss	-39	-42	93
Expense from derivative financial instruments, thereof:	-8	0	
– outflows	-8	0	
Other expenses	-80	-91	88
Impairment and write-off of receivables	-4,985	-561	889
<b>Total financial expenses</b>	<b>-6,720</b>	<b>-2,444</b>	<b>275</b>
<b>Net financial expenses/income</b>	<b>-4,817</b>	<b>7,471</b>	<b>-64</b>

## Income tax expense

EUR 26,004 thousand

The levied income tax amounts to EUR 25,974 thousand, which is 21.9% of pre-tax profit. Together with the deferred tax of EUR 30 thousand, the total

income tax expense in the income statement equals EUR 26,004 thousand. The effective tax rate is 22.0%.

## Property, plant and equipment

EUR 696,231 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Property	29,370	29,370	100
Plant	306,011	306,844	100
Equipment	293,246	274,637	107
Property, plant and equipment under construction	67,604	75,610	89
<b>Total property, plant and equipment</b>	<b>696,231</b>	<b>686,461</b>	<b>101</b>

The value of property, plant and equipment stands for 45% of the Group's total assets. Krka's major

investments are described in the *Business Report*, under section *Investments*.

## Intangible assets

EUR 122,067 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Goodwill	42,644	42,644	100
Trademark	42,403	42,403	100
Concessions, patents, licences, trademarks and similar rights	32,031	33,077	97
Intangible assets under construction	4,989	4,691	106
<b>Total intangible assets</b>	<b>122,067</b>	<b>122,815</b>	<b>99</b>

Long-term industrial property rights and intangible assets under construction constitute market

authorisation documentation for new medicines and software.

## Loans

EUR 10,546 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
<b>Long-term loans</b>	<b>4,942</b>	<b>4,312</b>	<b>115</b>
– long-term loans	4,942	4,312	115
<b>Short-term loans</b>	<b>5,604</b>	<b>1,227</b>	<b>457</b>
– portion of long-term loan maturing next year	1,215	940	129
– short-term loans	4,389	285	1.540
– short-term interest receivable	0	2	0
<b>Total loans</b>	<b>10,546</b>	<b>5,539</b>	<b>190</b>

## Investments

EUR 5,742 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
<b>Non-current investments</b>	<b>5,125</b>	<b>5,238</b>	<b>98</b>
– financial assets available for sale	5,125	5,238	98
<b>Current investments, including derivative financial instruments</b>	<b>617</b>	<b>653</b>	<b>94</b>
– instruments held for trading	76	93	82
– other current investments	541	560	97
<b>Total investments</b>	<b>5,742</b>	<b>5,891</b>	<b>97</b>

The financial assets available for sale include

shares and stakes worth EUR 834 thousand in

Slovenia and EUR 4,291 thousand in shares and stakes held abroad.

Slovene mutual funds worth EUR 284 thousand and assets under management worth EUR 257 thousand.

Other current investments comprise shares in

## Inventories

EUR 250,356 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Material	83,298	84,463	99
Work in progress	60,163	48,263	125
Products and merchandise	106,895	96,617	111
<b>Total inventories</b>	<b>250,356</b>	<b>229,343</b>	<b>109</b>

## Trade and other receivables

EUR 410,575 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Short-term trade receivables	364,596	368,780	99
Other short-term receivables	45,979	33,906	136
<b>Total receivables</b>	<b>410,575</b>	<b>402,686</b>	<b>102</b>

## Cash and cash equivalents

EUR 18,566 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Cash in hand	42	61	69
Bank balances	18,524	7,728	240
<b>Total cash and cash equivalents</b>	<b>18,566</b>	<b>7,789</b>	<b>238</b>

## Equity

EUR 1,133,765 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Share capital	59,126	59,126	100
Own shares	-33,511	-21,749	154
Reserves	170,766	159,233	107
– share premium	135,014	123,252	110
– legal reserves	14,990	14,990	100
– statutory reserves	27,184	27,184	100
– fair value reserve	1,605	1,767	91
– translation reserves	-8,027	-7,960	101
Retained earnings	935,819	855,140	109
<b>Equity holders of the parent</b>	<b>1,132,200</b>	<b>1,051,750</b>	<b>108</b>
Non-controlling interest	1,565	1,577	99
<b>Total equity</b>	<b>1,133,765</b>	<b>1,053,327</b>	<b>108</b>



## Borrowings

EUR 88,156 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
<b>Long-term borrowings</b>	<b>67,214</b>	<b>67,214</b>	<b>100</b>
– borrowings from domestic banks	67,071	67,071	100
– borrowings from foreign banks	143	143	100
<b>Short-term borrowings</b>	<b>20,942</b>	<b>57,910</b>	<b>36</b>
– portion of long-term borrowing maturing next year	17,054	37,899	45
– borrowings from domestic banks	2,430	18,500	13
– borrowings from foreign banks	83	0	
– borrowings from other entities	359	317	113
– interest payable	1,016	1,194	85
<b>Total borrowings</b>	<b>88,156</b>	<b>125,124</b>	<b>70</b>

## Provisions

EUR 109,274 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Provisions for retirement benefits and anniversary bonuses	55,487	55,315	100
Other provisions	53,787	53,574	100
– provisions for lawsuits	49,015	49,015	100
– other provisions	4,772	4,559	105
<b>Total provisions</b>	<b>109,274</b>	<b>108,889</b>	<b>100</b>

## Deferred revenues

EUR 10,225 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Grants received for the Beta plant in Šentjernej	103	125	82
Grants received for Dolenjske and Šmarješke Toplice and Golf Grad Otočec	5,123	5,276	97
Grants by the European Regional Development Fund	24	26	92
Grants by the European Regional Development Fund – development of new technologies (FBD project)	947	926	102
Grants received from the Ministry of the Economy under the Slovene economy development centres programme	3,180	0	
Properties, plant and equipment received for free	584	591	99
Emission coupons	6	22	27
Other deferred revenues	258	172	150
<b>Total deferred revenues</b>	<b>10,225</b>	<b>7,138</b>	<b>143</b>

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

Potentials«; 1. priority axis: competitiveness and research excellence; 1.1. priority objective: improving competitiveness and research excellence.

## Trade payables

EUR 81,034 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Payables to domestic suppliers	36,531	42,365	86
Payables to foreign suppliers	43,709	48,525	90
Payables from advances	794	496	160
<b>Total trade payables</b>	<b>81,034</b>	<b>91,386</b>	<b>89</b>

## Other current liabilities

EUR 92,697 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Accrued contractual discounts on products sold to other customers	46,710	34,943	134
Payables to employees – gross wages, other charges	26,562	27,405	97
Other	19,425	10,710	181
<b>Total other current liabilities</b>	<b>92,697</b>	<b>73,058</b>	<b>127</b>

## Contingent liabilities

EUR 10,236 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Guarantees issued	8,072	2,704	299
Other	2,164	2,164	100
<b>Total contingent liabilities</b>	<b>10,236</b>	<b>4,868</b>	<b>210</b>

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

### Statement of financial position

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
<b>Assets</b>			
Property, plant and equipment	524,046	513,683	102
Intangible assets	29,903	29,752	101
Investments in subsidiaries	226,224	227,409	99
Deferred tax assets	19,037	19,162	99
Long-term loans	12,332	12,206	101
Non-current investments	4,916	5,029	98
Other non-current assets	176	168	105
<b>Total non-current assets</b>	<b>816,634</b>	<b>807,409</b>	<b>101</b>
Inventories	180,534	163,974	110
Trade and other receivables	424,936	423,042	100
Short-term loans	51,507	49,686	104
Current investments, including derivative financial instruments	617	653	94
Cash and cash equivalents	5,179	1,547	335
<b>Total current assets</b>	<b>662,773</b>	<b>638,902</b>	<b>104</b>
<b>Total assets</b>	<b>1,479,407</b>	<b>1,446,311</b>	<b>102</b>
<b>Equity</b>			
Share capital	59,126	59,126	100
Own shares	-33,511	-21,749	154
Reserves	178,793	167,193	107
Retained earnings	933,442	853,584	109
<b>Total equity</b>	<b>1,137,850</b>	<b>1,058,154</b>	<b>108</b>
<b>Liabilities</b>			
Long-term borrowings	66,800	66,800	100
Provisions	102,033	101,632	100
Deferred revenues	3,993	2,668	150
Deferred tax liabilities	401	442	91
<b>Total non-current liabilities</b>	<b>173,227</b>	<b>171,542</b>	<b>101</b>
Trade payables	95,181	109,553	87
Short-term borrowings	28,672	57,189	50
Income tax liabilities	5,977	8,635	69
Other current liabilities	38,500	41,238	93
<b>Total current liabilities</b>	<b>168,330</b>	<b>216,615</b>	<b>78</b>
<b>Total liabilities</b>	<b>341,557</b>	<b>388,157</b>	<b>88</b>
<b>Total equity and liabilities</b>	<b>1,479,407</b>	<b>1,446,311</b>	<b>102</b>

## Income statement

in EUR thousand	1-6/2011	1-6/2010	Ind. 11/10
Sales revenues	488,685	477,548	102
Production cost of goods sold	-189,277	-187,420	101
<b>Gross profit</b>	<b>299,408</b>	<b>290,128</b>	<b>103</b>
Other operating income	3,395	2,379	143
Distribution expenses	-117,126	-106,321	110
R&D costs	-41,311	-45,051	92
Administrative expenses	-26,760	-28,678	93
<b>Operating profit</b>	<b>117,606</b>	<b>112,457</b>	<b>105</b>
Financial income	2,280	10,695	21
Financial expenses	-6,455	-2,110	306
<b>Net financial expenses / income</b>	<b>-4,175</b>	<b>8,585</b>	<b>-49</b>
<b>Profit before tax</b>	<b>113,431</b>	<b>121,042</b>	<b>94</b>
Income tax expense	-21,811	-22,428	97
<b>Profit for the period</b>	<b>91,620</b>	<b>98,614</b>	<b>93</b>
<b>Basic earnings per share (in EUR)*</b>	<b>2,72</b>	<b>2,92</b>	<b>93</b>
<b>Diluted earnings per share (in EUR)**</b>	<b>2,72</b>	<b>2,92</b>	<b>93</b>

\* Net profit / average number of shares issued in the period, less own shares.

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

## Statement of comprehensive income

in EUR thousand	1-6/2011	1-6/2010	Ind. 11/10
<b>Profit for the period</b>	<b>91,620</b>	<b>98,614</b>	<b>93</b>
<b>Other comprehensive income for the period</b>			
Changes in fair value of financial assets available for sale	-202	-257	79
Deferred tax effect – change in fair value of financial assets available for sale	40	51	78
Translation reserve	-162	-206	79
<b>Total other comprehensive income for the period</b>	<b>91,458</b>	<b>98,408</b>	<b>93</b>

## Statement of changes in equity

	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										
<b>Balance at 1 Jan 2011</b>	<b>59,126</b>	<b>-21,749</b>	<b>123,252</b>	<b>14,990</b>	<b>27,184</b>	<b>1,767</b>	<b>684,639</b>	<b>106,660</b>	<b>62,285</b>	<b>1,058,154</b>
<b>Profit for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>91,620</b>	<b>0</b>	<b>91,620</b>
<b>Other comprehensive income for the period</b>										
Changes in fair value of financial assets available for sale	0	0	0	0	0	-202	0	0	0	-202
Deferred tax effect – change in fair value of financial assets available for sale	0	0	0	0	0	40	0	0	0	40
<b>Total other comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-162</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-162</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-162</b>	<b>0</b>	<b>91,620</b>	<b>0</b>	<b>91,458</b>
<b>Transactions with owners, recorded in equity</b>										<b>0</b>
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 Board 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	-106,660	106,660	0
Transfer to other revenue reserves under the resolution of the AGM	0	0	0	0	0	0	0	0	0	0
Formation of reserves for own shares	0	0	11,762	0	0	0	0	-11,762	0	0
Repurchase of own shares	0	-11,762	0	0	0	0	0	0	0	-11,762
Dividends paid	0	0	0	0	0	0	0	0	0	0
<b>Total transactions with owners, recorded in equity</b>	<b>0</b>	<b>-11,762</b>	<b>11,762</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-118,422</b>	<b>106,660</b>	<b>-11,762</b>
<b>Balance at 30 Jun 2011</b>	<b>59,126</b>	<b>-33,511</b>	<b>135,014</b>	<b>14,990</b>	<b>27,184</b>	<b>1,605</b>	<b>684,639</b>	<b>79,858</b>	<b>168,945</b>	<b>1,137,850</b>

	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										
<b>Balance at 1 Jan 2010</b>	<b>59,126</b>	<b>-19,489</b>	<b>120,992</b>	<b>14,990</b>	<b>22,184</b>	<b>2,104</b>	<b>570,354</b>	<b>103,812</b>	<b>57,937</b>	<b>932,010</b>
<b>Profit for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>98,614</b>	<b>0</b>	<b>98,614</b>
<b>Other comprehensive income for the period</b>										
Changes in fair value of financial assets available for sale	0	0	0	0	0	-257	0	0	0	-257
Deferred tax effect – change in fair value of financial assets available for sale	0	0	0	0	0	51	0	0	0	51
<b>Total other comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-206</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-206</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-206</b>	<b>0</b>	<b>98,614</b>	<b>0</b>	<b>98,408</b>
<b>Transactions with owners, recorded in equity</b>										
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 Board 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 AGM	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
<b>Total transactions with owners, recorded in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>62,285</b>	<b>-103,812</b>	<b>4,347</b>	<b>-37,180</b>
<b>Balance at 30 Jun 2010</b>	<b>59,126</b>	<b>-19,489</b>	<b>120,992</b>	<b>14,990</b>	<b>22,184</b>	<b>1,898</b>	<b>632,639</b>	<b>98,614</b>	<b>62,284</b>	<b>993,238</b>

## Statement of cash flows

in EUR thousand	1-6/2011	1-6/2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit for the period</b>	<b>91,620</b>	<b>98,614</b>
<b>Adjustments for:</b>	<b>54,269</b>	<b>53,337</b>
– amortisation/depreciation	31,430	29,645
– foreign exchange differences	234	-57
– investment income	-1,451	-1,705
– investment expense	580	1,282
– interest expense and other financial expense	1,665	1,744
– income tax	21,811	22,428
<b>Operating profit before changes in net operating current assets</b>	<b>145,889</b>	<b>151,951</b>
Change in trade receivables	-1,894	-52,390
Change in inventories	-16,560	-11,339
Change in operating debts (liabilities)	-14,372	19,953
Change in provisions	401	2,029
Change in deferred revenues	1,325	753
Change in other current liabilities	-2,684	5,268
Income taxes paid	-24,344	-5,122
<b>Cash generated from operations</b>	<b>87,761</b>	<b>111,103</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	895	969
Proceeds from sale of property, plant and equipment	1,522	1,889
Purchase of intangible assets	-3,002	-1,380
Purchase of property, plant and equipment	-40,631	-30,581
Refund of subsequent payments	1,185	185
Long-term loans	-1,881	-5,492
Proceeds from repayment of long-term loans	4,590	3,476
Acquisition of non-current investments	-30	-32
Proceeds from sale of non-current investments	20	22
Payments in connection with current investments and loans	-4,549	-43,837
Payments in connection with derivative financial instruments	-8	0
Proceeds from derivative financial instruments	5	0
<b>Net cash used in investing activities</b>	<b>-41,884</b>	<b>-74,781</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-1,815	-2,177
Repayment of long-term borrowings	-20,336	-17,036
Acquisition of short-term borrowings	-8,031	-4,977
Dividends paid	-55	-40
Repurchase of own shares	-11,762	0
<b>Net cash used in financing activities</b>	<b>-41,999</b>	<b>-24,230</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,878</b>	<b>12,092</b>
Cash and cash equivalents at beginning of period	1,547	7,487
Effect of exchange rate fluctuations on cash held	-246	-26
<b>Net cash and cash equivalents at end of period</b>	<b>5,179</b>	<b>19,553</b>



## Segment reporting

in EUR thousand	European Union		South-East Europe		East Europe		Other markets		Total	
	1-6/2011	1-6/2010	1-6/2011	1-6/2010	1-6/2011	1-6/2010	1-6/2011	1-6/2010	1-6/2011	1-6/2010
<b>Sales revenues</b>	<b>309,032</b>	<b>294,314</b>	<b>43,292</b>	<b>45,268</b>	<b>125,883</b>	<b>127,882</b>	<b>10,478</b>	<b>10,084</b>	<b>488,685</b>	<b>477,548</b>
Other operating income	3,395	2,379	0	0	0	0	0	0	3,395	2,379
<b>Operating profit</b>	<b>91,445</b>	<b>86,456</b>	<b>12,833</b>	<b>11,408</b>	<b>12,220</b>	<b>13,516</b>	<b>1,108</b>	<b>1,077</b>	<b>117,606</b>	<b>112,457</b>
Interest income	860	1,092	0	0	131	128	0	0	991	1,220
Interest expense	-1,640	-1,713	0	0	0	0	0	0	-1,640	-1,713
<b>Net financial income/expense</b>	<b>-2,639</b>	<b>5,291</b>	<b>-370</b>	<b>814</b>	<b>-1,076</b>	<b>2,299</b>	<b>-90</b>	<b>181</b>	<b>-4,175</b>	<b>8,585</b>
Income tax expense	-16,959	-17,243	-2,380	-2,275	-2,266	-2,696	-206	-214	-21,811	-22,428
<b>Profit for the period</b>	<b>71,847</b>	<b>74,504</b>	<b>10,083</b>	<b>9,947</b>	<b>8,878</b>	<b>13,119</b>	<b>812</b>	<b>1,044</b>	<b>91,620</b>	<b>98,614</b>
Investments	45,503	31,991	0	0	0	0	0	0	45,503	31,991
Depreciation of property, plant and equipment	21,928	20,909	1,272	1,266	5,195	4,449	182	185	28,577	26,809
Amortisation of intangible assets	1,804	1,748	253	269	735	759	61	60	2,853	2,836
	<b>30 Jun 2011</b>	<b>31 Dec 2010</b>	<b>30 Jun 2011</b>	<b>31 Dec 2010</b>	<b>30 Jun 2011</b>	<b>31 Dec 2010</b>	<b>30 Jun 2011</b>	<b>31 Dec 2010</b>	<b>30 Jun 2011</b>	<b>31 Dec 2010</b>
<b>Total assets</b>	<b>1,131,168</b>	<b>1,101,437</b>	<b>67,192</b>	<b>73,163</b>	<b>271,195</b>	<b>258,786</b>	<b>9,852</b>	<b>12,925</b>	<b>1,479,407</b>	<b>1,446,311</b>
<b>Total liabilities</b>	<b>215,991</b>	<b>237,223</b>	<b>30,258</b>	<b>37,031</b>	<b>87,984</b>	<b>105,395</b>	<b>7,324</b>	<b>8,508</b>	<b>341,557</b>	<b>388,157</b>

## Notes to the financial statements

### Sales revenues

**EUR 488,685 thousand**

Sales revenues consist of EUR 35,108 thousand worth of revenues generated from the sale of products, services and goods in Slovenia (7.2% of net sales revenues) and EUR 453,577 thousand

worth of sales in foreign markets (92.8% of net sales revenues). The sales revenues generated in the first half-year 2011 were 2% higher than those generated in the same period of 2010.

### Production costs of goods sold

**EUR 189,277 thousand**

Compared to the first half-year 2010, the production costs of goods sold incurred in the first half-year

2011 have increased 1%, their costs to sales ratio being 38.7%.

### Distribution expenses

**EUR 117,126 thousand**

Distribution expenses include the costs of marketing and sales campaigns in Slovenia and abroad. Given their amount in the first half-year 2010, they have

increased 10%, their costs to sales ratio being 24.0%.

### R&D costs

**EUR 41,311 thousand**

Krka does not capitalise R&D costs, therefore they are recognised in the current income statement in full. Given their amount in the first half-year 2010,

they decreased 8%, on a costs to sales ratio of 8.5%.

### Administrative expenses

**EUR 26,760 thousand**

Compared to the first half-year 2010, administrative expenses decreased 7%, on a costs to sales ratio of 5.5%.

### Costs by nature

**EUR 374,474 thousand**

in EUR thousand	1-6/2011	1-6/2010	Ind. 11/10
Cost of goods and material	145,381	141,348	103
Cost of services	126,262	113,969	111
Employee benefits cost	82,256	83,659	98
Amortisation/Depreciation	31,430	29,645	106
Other operating expenses	9,357	9,048	103
<b>Total costs</b>	<b>394,686</b>	<b>377,669</b>	<b>105</b>
Change in the value of inventories	-20,212	-10,199	198
<b>Total</b>	<b>374,474</b>	<b>367,470</b>	<b>102</b>

## Employee benefits cost

EUR 82,256 thousand

in EUR thousand	1-6/2011	1-6/2010	Ind. 11/10
Gross wages and salaries, and continued pay	63,655	63,848	100
Social security contributions and payroll tax	10,598	10,437	102
Retirement benefits and anniversary bonuses	2,050	3,550	58
Other employee benefits cost	5,953	5,824	102
<b>Total employee benefits cost</b>	<b>82,256</b>	<b>83,659</b>	<b>98</b>

## Other operating expenses

EUR 9,357 thousand

in EUR thousand	1-6/2011	1-6/2010	Ind. 11/10
Grants and assistance for humanitarian and other purposes	879	956	92
Environmental levies	985	887	111
Other taxes and levies	2,483	1,893	131
Loss in the sale and write-offs of PPE and intangible assets	533	1,241	43
Write-offs and allowances for inventories	3,222	2,987	108
Other costs	1,255	1,084	116
<b>Total other operating expenses</b>	<b>9,357</b>	<b>9,048</b>	<b>103</b>

## Financial income and financial expenses

in EUR thousand	1-6/2011	1-6/2010	Ind. 11/10
Exchange differences	327	9,475	3
Interest income	991	1,220	81
Income from derivative financial instruments, thereof:	5	0	
– inflows	5	0	
Dividend income	90	0	
Reversal of impairment	867	0	
<b>Total financial income</b>	<b>2,280</b>	<b>10,695</b>	<b>21</b>
Interest expense	-1,640	-1,713	96
Change in fair value of investments through profit or loss	-39	-42	93
Expense from derivative financial instruments, thereof:	-8	0	
– outflows	-8	0	
Other expenses	-25	-32	78
Impairment and write-off of receivables	-4,743	-323	1.468
<b>Total financial expenses</b>	<b>-6,455</b>	<b>-2,110</b>	<b>306</b>
<b>Net financial expenses/income</b>	<b>-4,175</b>	<b>8,585</b>	<b>-49</b>

## Income tax expense

EUR 21,811 thousand

The levied income tax amounts to EUR 21,686 thousand, which is 19.1% of pre-tax profit. Together with the deferred tax of EUR 125 thousand, the total income tax expense in the income statement equals

EUR 21,811 thousand. The effective tax rate is 19.2%, which is 0.7 of a percentage point less than in the first half-year 2010.

## Property, plant and equipment

EUR 524,046 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Property	17,283	17,283	100
Plant	202,996	201,335	101
Equipment	244,442	223,746	109
Property, plant and equipment under construction	59,325	71,319	83
<b>Total property, plant and equipment</b>	<b>524,046</b>	<b>513,683</b>	<b>102</b>

The value of property, plant and equipment stands for 35% of the Company's total assets. Krka's major

investments are described in the *Business Report*, under *Investments*.

## Intangible assets

EUR 29,903 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Concessions, patents, licences, trademarks and similar rights	25,461	25,375	100
Intangible assets under construction	4,442	4,377	101
<b>Total intangible assets</b>	<b>29,903</b>	<b>29,752</b>	<b>101</b>

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

## Loans

EUR 63,839 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
<b>Long-term loans</b>	<b>12,332</b>	<b>12,206</b>	<b>101</b>
– long-term loans to subsidiaries	7,732	8,210	94
– long-term loans to other entities	4,600	3,996	115
<b>Short-term loans</b>	<b>51,507</b>	<b>49,686</b>	<b>104</b>
– portion of long-term loan maturing next year	1,173	3,998	29
– short-term loans to subsidiaries	44,966	45,302	99
– short-term loans to other entities	5,046	160	3.154
– short-term interest receivable	322	226	143
<b>Total loans</b>	<b>63,839</b>	<b>61,892</b>	<b>103</b>

Long-term loans stand for 19% of total loans.

Short-term loans to other entities include loans that

the company grants to its employees, pursuant to the company's internal acts, and are primarily housing loans.

## Investments

EUR 5,533 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
<b>Non-current investments</b>	<b>4,916</b>	<b>5,029</b>	<b>98</b>
– financial assets available for sale	4,916	5,029	98
<b>Current investments, including derivative financial instruments</b>	<b>617</b>	<b>653</b>	<b>94</b>
– instruments held for trading	76	93	82
– other current investments	541	560	97
<b>Total investments</b>	<b>5,533</b>	<b>5,682</b>	<b>97</b>

The financial assets available for sale include EUR 626 thousand worth of shares and stakes in Slovenia and EUR 4,290 thousand worth of shares and stakes abroad.

Other current investments comprise shares in Slovene mutual funds worth EUR 284 thousand and assets under management worth EUR 257 thousand.

## Inventories

EUR 180,534 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Material	67,495	70,254	96
Work in progress	53,360	42,790	125
Products	53,942	46,731	115
Merchandise	5,737	4,199	137
<b>Total inventories</b>	<b>180,534</b>	<b>163,974</b>	<b>110</b>

## Trade and other receivables

EUR 424,936 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Short-term receivables due from subsidiaries	245,747	238,952	103
Trade receivables	164,860	166,472	99
Receivables due from other entities	14,329	17,618	81
<b>Total receivables</b>	<b>424,936</b>	<b>423,042</b>	<b>100</b>

## Cash and cash equivalents

EUR 5,179 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Cash in hand	8	8	100
Bank balances	5,171	1,539	336
<b>Total cash and cash equivalents</b>	<b>5,179</b>	<b>1,547</b>	<b>335</b>

## Equity

EUR 1,137,850 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Share capital	59,126	59,126	100
Own shares	-33,511	-21,749	154
Reserves	178,793	167,193	107
– share premium	135,014	123,252	110
– legal reserves	14,990	14,990	100
– statutory reserves	27,184	27,184	100
– fair value reserve	1,605	1,767	91
Retained earnings	933,442	853,584	109
<b>Total equity</b>	<b>1,137,850</b>	<b>1,058,154</b>	<b>108</b>

## Borrowings

EUR 95,472 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
<b>Long-term borrowings</b>	<b>66,800</b>	<b>66,800</b>	<b>100</b>
– borrowings from domestic banks	66,800	66,800	100
<b>Short-term borrowings</b>	<b>28,672</b>	<b>57,189</b>	<b>50</b>
– portion of long-term borrowing maturing next year	16,700	37,036	45
– borrowings from subsidiaries	8,057	143	5.634
– borrowings from domestic banks	2,513	18,500	14
– borrowings from other entities	359	317	113
– interest payable	1,043	1,193	87
<b>Total borrowings</b>	<b>95,472</b>	<b>123,989</b>	<b>77</b>

## Provisions

EUR 102,033 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Provisions for retirement benefits and anniversary bonuses	53,033	52,632	101
Other provisions	49,000	49,000	100
– provisions for lawsuits	49,000	49,000	100
<b>Total provisions</b>	<b>102,033</b>	<b>101,632</b>	<b>100</b>

Provisions for lawsuits stand for 48% of total provisions. Compared to the beginning of the year, provisions have increased due to additional

provisions formed for retirement benefits and anniversary bonuses.

## Deferred revenues

EUR 3,993 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Grants received for the Beta plant in Šentjernej	103	125	82
Grants by the European Regional Development Fund	24	26	92
Grants by the European Regional Development Fund – development of new technologies (FBD project)	947	926	102
Properties, plant and equipment received for free	584	591	99
Emission coupons	6	22	27
Other deferred revenues	2,329	978	238
<b>Total deferred revenues</b>	<b>3,993</b>	<b>2,668</b>	<b>150</b>

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

Potentials«; 1. priority axis: competitiveness and research excellence; 1.1. priority objective: improving competitiveness and research excellence.

## Trade payables

EUR 95,181 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Payables to subsidiaries	25,977	28,643	91
Payables to domestic suppliers	34,324	40,188	85
Payables to foreign suppliers	34,554	40,540	85
Payables from advances	326	182	179
<b>Total trade payables</b>	<b>95,181</b>	<b>109,553</b>	<b>87</b>

## Other current liabilities

EUR 38,500 thousand

in EUR thousand	30 Jun 2011	31 Dec 2010	Ind. 11/10
Accrued contractual discounts on products sold to other customers	13,138	13,138	100
Payables to employees – gross wages, other charges	21,440	23,777	90
Other	3,922	4,323	91
<b>Total other current liabilities</b>	<b>38,500</b>	<b>41,238</b>	<b>93</b>

## Contingent liabilities

EUR 11,620 thousand

in thousand EUR	30 Jun 2011	31 Dec 2010	Ind. 11/10
Guarantees issued	11,000	5,591	197
Other	620	620	100
<b>Total contingent liabilities</b>	<b>11,620</b>	<b>6,211</b>	<b>187</b>



## MANAGEMENT BOARD'S STATEMENT OF RESPONSIBILITIES

The Management Board of Krka, d. d., Novo mesto hereby states that the condensed financial statements of the Krka Company and the condensed consolidated financial statements of the Krka Group for the six months ended 30 June 2011 have been drawn up so as to provide a true and fair view of the financial standing and operating results of the Krka Company and Krka Group. The condensed statements for the period January–June 2011 have been drawn up using the same accounting principles as for the annual financial statements of the Krka Company and Group for 2010.

The condensed interim financial statements for the six months ended 30 June 2011 were drawn up pursuant to IAS 34 – Interim Financial Reporting, and must be read in conjunction with the annual financial statements drawn up for the business year ended 31 December 2010.

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

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

Novo mesto, 18 July 2011



Jože Colarič  
President of the Management Board and Chief Executive



Dr Aleš Rotar  
Member of the Management Board



Zvezdana Bajc  
Member of the Management Board



Vinko Zupančič  
Member of the Management Board



Danica Novak Malnar  
Member of the Management Board – Employee Representative