



**The unaudited consolidated financial  
statements of the Krka Group and  
unaudited financial statements of the  
Krka Company for 2010 with important  
notes**

Novo mesto, March 2011

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Krka, d. d., Novo mesto, Šmarješka cesta 6, 8501 Novo mesto, in accordance with the Article 386 of Market in Financial Instruments Act (ZTFI) hereby publishes

## IMPORTANT NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP AND UNAUDITED FINANCIAL STATEMENTS OF THE KRKA COMPANY FOR 2010

The Group's unaudited consolidated financial statements and the Krka Company's unaudited financial statements for 2010 and the comparative figures for 2009 were prepared in accordance with the International Financial Reporting Standards (IFRS). The comparative statements for 2009 are audited.

The company has no authorised capital and has not made a conditional share capital increase.

### Data on the Krka Group

Krka d.d. Novo mesto (the Krka Company) is the controlling company of the Krka Group, which on 31 December 2010 included the following subsidiaries:

	Ownership share 31. 12. 2010
<b>Controlling company</b>	
KRKA, d. d., Novo mesto, Slovenia	
<b>Subsidiaries</b>	
Terme Krka, d. o. o., Novo mesto, Slovenia	100%
KRKA-FARMA d. o. o., Zagreb, Croatia	100%
KRKA ROMANIA S.R.L., Bucharest, Romania	100%
KRKA-FARMA DOO BEOGRAD, Belgrade, Serbia	100%
KRKA-FARMA DOOEL, Skopje, Macedonia	100%
KRKA FARMA, d. o. o., Sarajevo, Bosnia and Herzegovina	100%
OOO KRKA-RUS, Istra, Russian Federation	100%
OOO KRKA FARMA, Sergiev Posad, Russian Federation	100%
TOV KRKA UKRAINA, Kiev, Ukraine	100 %
KRKA-POLSKA, Sp. z o. o., Warsaw, Poland	100%
KRKA ČR, s. r. o., Prague, Czech Republic	100%
KRKA Magyarország Kft, Budapest, Hungary	100%
KRKA Slovensko, s.r.o., Bratislava, Slovakia	100%
UAB KRKA LIETUVA, Vilnius, Lithuania	100%
TAD Pharma GmbH, Cuxhaven, Germany	100%
KRKA Sverige AB, Stockholm, Sweden	100%
KRKA Pharma GmbH, Vienna, Austria	100%
KRKA Farmacêutica, Unipessoal Lda., Estoril, Portugal	100%
KRKA PHARMA DUBLIN LIMITED, Dublin, Ireland	100%
KRKA USA, LLC, Wilmington, USA	100%

On 31 December 2010 the subsidiary Terme Krka had a 63.10% ownership share in the company Golf Grad Otočec, d.o.o.

In 2010 the company representative office in Kiev, Ukraine, was converted into the subsidiary TOV KRKA UKRAINA, Kiev, Ukraine in 100 % ownership of controlling company.

## Performance indicators

EUR thousand	Krka Group		Krka Company	
	2010	2009	2010	2009
Sales revenues	1,010,021	953,038	932,366	850,119
EBIT	211,470	234,992	199,742	211,635
EBITDA	293,191	311,667	260,477	270,430
Net profit	170,987	173,685	165,920	170,812
Non-current assets	845,415	808,022	807,409	784,594
Current assets	641,700	533,010	638,902	528,345
Equity	1,053,320	920,369	1,058,154	932,010
Non-current liabilities	201,625	237,834	171,542	205,785
Current liabilities	232,170	182,829	216,615	175,144
R&D costs	90,924	88,283	84,514	82,999
Investments	115,172	91,488	91,824	82,324
<b>RATIOS</b>				
Net profit margin	16.9%	18.2%	17.8%	20.1%
EBIT margin	20.9%	24.7%	21.4%	24.9%
EBITDA margin	29.0%	32.7%	27.9%	31.8%
ROE <sup>1</sup>	17.3%	20.4%	16.7%	19.8%
ROA <sup>2</sup>	12.1%	13.3%	12.0%	13.5%
Liabilities/Equity	0.412	0.457	0.367	0.409
R&D costs/Sales revenues	9.0%	9.3%	9.1%	9.8%
Number of employees at the end of year	8569	7975	4533	5260
Average number of employees	8328	7816	4633	5205
Earnings per share in EUR <sup>3</sup>	5.06	5.14	4.91	5.05
Book value of share in EUR <sup>4</sup>	29.73	25.98	29.87	26.31

1 Net profit / average equity balance in period

2 Net profit / average assets balance in period

3 Net profit of the majority owner / average number of shares issued excluding own shares

4 Equity at 31 December / number of shares issued

The Krka Group's operating profit reached EUR 211.5 million in 2010, while operating profit increased for depreciation and amortization (EBITDA) reached EUR 293.2 million. Group's net profit amounted to EUR 171.0 million, which is EUR 2.7 million or 2% less than in year 2009.

In comparison of profits between years it should be noted that in 2009 the Krka Group eliminated long-term provisions for lawsuits in the value of EUR 91.4 million and established new long-term provisions for lawsuits in the value of EUR 47.5 million, which had a positive impact on profits in 2009.

## Sales

### Krka Group sales by region

In 2010 the Krka Group achieved sales of products and services worth EUR 1 010.0 million, EUR 905.4 million of which on markets outside Slovenia, which is 90% of Group sales. Sales growth was achieved in the sales regions of East Europe (up by 17%), Central Europe (10%) and South-East Europe (7%). Sales in Slovenia were 1% lower compared to 2009 sales, while in Region West Europe and Overseas Market they were down by 7%.

The Krka Group's largest sales region, with 29% of total sales, was Region Central Europe, where sales of EUR 293.7 million were generated. In Poland, which is the largest market in that region with 44% of Krka's central European sales and one of Krka's key markets, product sales were worth EUR 130.3 million with sales growth of 16%. Double-digit sales growth was also achieved in this region on the markets of Hungary (21%) and Estonia (31%).

The second-ranking region by sales was Region East Europe, where sales were worth EUR 264.9 million, 26% share of the Group's overall sales. Compared to the previous year, sales increased on most markets in the region. In the Russian Federation, the largest market in this region and also the Krka Group's largest single market, product sales were worth 191.6 million with growth of 13%. Among the larger markets, double-digit growth was achieved in Ukraine (up by 65%), Uzbekistan (38%), Kazakhstan (14%) and Georgia (14%).

The third largest area by sales generated was Region Western Europe and Overseas Markets, where sales were worth EUR 208.8 million, which is 21% of overall Group sales. The most important markets falling within this sales region are Germany, the Nordic countries, France, the United Kingdom and Portugal. Compared to the previous year, sales grew strongly in Portugal and Spain, the Nordic countries and other European countries. Two digit growth within the prescription pharmaceuticals were achieved on overseas markets.

In Region South-East Europe product sales were worth EUR 138.0 million, 14% of overall Group sales. The largest market in this region, with sales of EUR 41.2 million, was Croatia, followed by Romania, where sales increased by a quarter to EUR 40.0 million. Double-digit growth was also recorded in Macedonia and Montenegro.

In Slovenia the Krka Group's sales of product and services were worth EUR 104.6 million, which is one tenth of overall Group sales. The main contribution to the sales generated came from prescription pharmaceuticals, while the Terme Krka Group's sales of health and tourism services totalled EUR 30.8 million, which is 7% down on the previous year. The fall in the Terme Krka Group's sales was due to the closure the Talaso Strunjan business unit for renovation work in the first half of the year.

### Krka Group sales by product group

The most important product group in the Krka Group sales profile is prescription pharmaceuticals, sales of which were worth EUR 830.3 million, an increase of 5% compared to 2009. Self-medication product sales were worth EUR 111.7 million or one quarter more than on the previous year. Sales of animal health products totalled EUR 30.5 million, one tenth up on the 2009 figure, while sales of cosmetic products were worth EUR 5.6 million, with a drop of 23 %. Sales of health and tourism services totalled EUR 30.8 million, a fall of 7%.

## Research and development

In 2010 Krka acquired first market authorisations for 24 new products in 49 forms and strengths. Most new products are result of vertical integration of development and production processes, which enables Krka products to achievement long-term competitiveness on the market.

Market authorisations for prescription pharmaceuticals covered 14 new products in 33 pharmaceutical forms and strengths. The selection of pharmaceuticals for treatment of cardiovascular disease was supplemented with two new products: telmisartan (Tolura) in tablet forms in 3 strengths, and candesartan (Candecor) in tablet form in 4 strengths. Market authorisation was gained also for new pharmaceutical from the statin group, rosuvastatin (Sorvasta) in film-coated tablet form in 4 strengths.

The established brands Lorista, Valsacor in Prenessa/Prenivel have been supplemented with new combinations of losartan, valsartan and perindopril with diuretics. Market authorisations have been acquired in most European Union countries for the combined pharmaceuticals Lorista H, Valsacombi and Co-Prenessa.

Three new products were added to the range of gastrointestinal pharmaceuticals from the proton pump inhibitor group. Market authorisation was also acquired for esomeprazole (Emanera, Emozul) and rabeprazole (Gelbra) in the form of gastroresistant capsules and respectively tablets and for pantoprazole in powder form for preparation as an injection solution, which is a new pharmaceutical form which enables treatment of the most pretentious patients in hospital already.

The range of pharmaceuticals for the treatment of diseases of the central nervous system has been expanded, including the new pharmaceutical ropinirole (Rolpryna SR) in prolonged release tablet in 3 strengths, with a once-a-day dosage. In the Russian Federation, Krka acquired market authorisation through national procedures for a new medicine from the antipsychotic group, aripiprazole fumarat (Zylaxera), with 4 strengths in tablet form.

Market authorisation was gained for the new product Asolfena with solifenacin in film-coated tablet form in 2 strengths. It is used to treat symptoms of an excessively active bladder. The existing brand Tanyz (tamsulosin) was expanded with market authorisation in several European Union countries for new pharmaceutical forms: film-coated tablets with adapted release Tanyz ERAS. Tanyz is used to treat benign prostatic hyperplasia.

National procedures are also underway. These are important in assuring the supply of a good selection of new products in eastern and southeastern European countries.

Krka has also expanded its self-medication product range, with two new products belonging to one of the key Krka brands, Septolete. Market authorisation was acquired for the new strawberry flavour Septolete Plus in pastille form, and for Septolete Plus spray in Slovenia, Estonia, Lithuania and Latvia for the first time. A new pharmaceutical spray form offers immediate action on the membrane enabling effective mitigation of pain or discomfort.

Notifications were acquired for the products Pikovit Omega 3 and Pikovit Prebiotik in the Russian Federation. Notification was acquired on the markets of the Russian Federation, Kazakhstan and Ukraine for Orsoslim capsules, which is a product that helps reduce or regulate body weight. Market authorisation was acquired in Ukraine for Bilobil intense and Herbion Ginseng in capsule form.

Decentralised procedures were used to gain market authorisation for 7 new animal health products in 13 forms, while in the cosmetics sector the market possibilities of the Fitoval brand were broadened.

## Investments

The Krka Group allocated EUR 115.2 million to investments in 2010, of which EUR 91.8 million was invested by the controlling company and EUR 23.4 million by subsidiaries. Some of the investment activities that were slowed down in 2009 due to the uncertain conditions were added to the 2010 investments.

In April Krka opened modern capacities with separate plants for syrup production and biocides at the Bršljin in Novo mesto. The value of this investment was EUR 26 million.

In November a renovated and expanded high-bay packaging warehouse in value of EUR 3.4 million was opened. Exterior of new warehouse capacity has been used to install a solar power plant.

The largest current Krka investment is the construction of a plant for production of solid pharmaceutical forms (OTO) at the Krka complex in Ločna, which will increase plant's capacity to 2.5 billion tablets, capsules or coated tablets per year. The first production line is set for start-up in the second quarter 2011. The estimated value of investment is EUR 91 million.

In September 2009 work started on construction of the new research and control centre (RKC-3), which is build for research and development activities and which will include state-of-the-art laboratory equipment to monitor the quality of input materials, intermediate products and finished products. The move to the new premises is planned till the end of June 2011. The estimated value of the entire investment is EUR 22 million.

In the Russian Federation Krka will modernise and expand the logistics centre, and construct a new solid dosage pharmaceutical production plant, which will support the flexible and modular development of production capacity in a number of phases. The building permits were acquired and the implementation plans produced during 2010. Production is scheduled to start in 2013.

Tablet and capsule packaging capacity at the TAD Pharma and Krka Rus subsidiaries was increased with the purchase of new packaging lines. The lines started operating in October 2010.

In the Terme Krka Group, accommodation and pool capacity and healthcare facilities were expanded at the Hotel Strunjan.

## Employees

Več kot polovico vseh zaposlenih v skupini Krka ob koncu leta 2010 je imelo najmanj univerzitetno izobrazbo. Povprečna starost zaposlenih je nekaj manj kot 38 let, delež zaposlenih žensk je 62 %.

At the end of 2010 the Krka Group had 8569 employees, 4459 (52%) of which in Slovenia and 4110 (48%) outside Slovenia. The number of employees in the Krka Group increased by 594 compared to 2009 (7% growth). The Krka Company had 4533 employees, 3784 in Slovenia and 749 in representative offices abroad.

The number of employees outside Slovenia increased by 377 or one-tenth. In Slovenia the number of employees was up by 217 (5% growth).

Over half of all employees in the Krka Group had a least a first university degree by the end of 2010. The average age is slightly less than 38 years, and the proportion of female employees is 62%.

## Shares and shareholders

The Krka share price on the final of trading in 2010 stood at EUR 62.95, which is nearly 2% down on the end of 2009 when it was EUR 64.04. At the same time the Slovenian Blue Chip Index (SBITOP) fell by more than 13%. The growth in the Krka share price over the past five years has significantly exceeded the SBITOP index and the global index for the sector, S&P Global Healthcare.

In 2010 average daily turnover of Krka shares on the Ljubljana Stock Exchange was EUR 0.7 million and fell by 10% compared to 2009. Average daily turnover in volume fell by over 20%. Krka shares stayed nevertheless the most traded security on the Ljubljana Stock Exchange.

At the end of 2010 Krka had 79,296 shareholders, which is 4% lower than at the end of the previous year. The largest increase in ownership share by group over the past year has been for international investors, increasing from 9.7% to 13.0%, while the share held by Slovenian investment companies and funds fell from 7.0% to 5.0%, and the share held by other Slovenian business investors dropped from 8.9% to 8.6%. The ownership share of SOD (Slovenska odškodninska družba) and KAD (Kapitalska družba) with PPS remained unchanged.

In the second half of 2010, Krka purchased treasury shares in line with a resolution of the 14th AGM in 2009. In 2010 Krka bought 35,661 treasury shares. On 31 December 2010 Krka had 1,662,281 treasury shares, representing 4.7% of equity.

The market capitalisation of the Krka Company at the end of last year was EUR 2.2 billion.

## Plans for 2011

The product and service sales target is EUR 1,069 million, which will mean 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%.

Prescription pharmaceuticals, with growth anticipated at 6%, will remain the most important product group, and are expected to represent over 82% of overall sales.

The planned net profit for the Krka Group is EUR 162 million.

At the end of 2010 the Krka Group will have almost 8900 employees (growth of 4%), 48% of whom outside Slovenia. EUR 159 million will be invested, primarily in increasing and modernising production and R&D capacity and infrastructure.

## Significant events after the accounting period

Events that occurred after the reporting period, i.e. 2 March 2011 are illustrated below.

In February 2011, Krka started work in the Russian Federation on the construction of a new solid dosage pharmaceutical production plant, which will support the flexible and modular development of production capacity in several phases. The investment is worth EUR 135 million, and consolidates Krka's status as a domestic pharmaceutical producer in Russia. Production will start in 2013.

The Krka Company and its partners Metronik, Iskra Pio and the Dolenjske and Bela Krajina Chamber of Commerce and Industry successfully applied for EU grants for research and development investments. New research and development and production plant will be built at the Ločna location, which will function within the Krka Group as the subsidiary, Farma GRS, d. o. o. The value of the entire project is EUR 45 million, for which Krka will receive a grant of EUR 10.3 million, while the three partners will together receive EUR 0.3 million.

On 1 March 2010 the Krka Company has received the decision of the District Court in Helsinki in the litigation filed by plaintiffs Merck Frosst Canada Limited, Canada, Merck Sharp & Dohme B.V., Netherlands and MSD Finland Oy, Finland (hereinafter collectively referred as MSD) against defendants Krka, d.d., Novo mesto and Krka's subsidiary Krka Sverige AB (hereinafter collectively referred as Krka), for alleged infringement of two patents held by MSD protecting two manufacturing processes of active pharmaceutical ingredient montelukast in Finland. The litigation commenced in 2009. District Court in Helsinki found that manufacturing process employed for production of active ingredient montelukast by Krka does not fall into the scope of patented process of MSD and consequently denied the complaint as unfounded. The judgement is not final. MSD can appeal against the judgement of the first instance.

Krka je tudi v letu 2011 kupovala lastne delnice v skladu s sklepom 14. skupščina delničarjev iz leta 2009. V letu 2011 je bilo do 2. 3. odkupljenih 48.748 lastnih delnic. Na dan 2. 3. 2011 je tako Krka imela 1.711.029 lastnih delnic, kar predstavlja 4,8 % kapitala.

In 2011 Krka continues to purchase treasury shares in line with a resolution of the 14th AGM in 2009. In 2011 Krka bought 48,748 treasury shares. On 2 March 2011 Krka had 1,711,029 treasury shares, representing 4.8% of equity.

These events did not affect the 2010 financial statements of the Krka Group and Company.

Novo mesto, March 2011

Krka, d. d., Novo mesto  
Management Board

## Unaudited consolidated statement of the financial position of the Krka Group

in EUR thousand	31 Dec 2010	31 Dec 2009
<b>Assets</b>		
Property, plant and equipment	686,461	649,146
Intangible assets	122,815	126,581
Deferred tax assets	26,414	22,392
Long-term loans	4,312	4,064
Investments	5,238	5,658
Other non-current assets	175	181
<b>Total non-current assets</b>	<b>845,415</b>	<b>808,022</b>
Inventories	229,343	181,646
Trade and other receivables	402,688	334,906
Short-term loans	1,227	2,213
Current investments, including derivatives	653	834
Cash and cash equivalents	7,789	13,411
<b>Total current assets</b>	<b>641,700</b>	<b>533,010</b>
<b>Total assets</b>	<b>1,487,115</b>	<b>1,341,032</b>
<b>Equity</b>		
Share capital	59,126	59,126
Own shares	-21,749	-19,489
Reserves	159,157	150,494
Retained earnings	855,209	728,554
<b>Equity holders of the parent</b>	<b>1,051,743</b>	<b>918,685</b>
Minority interest	1,577	1,684
<b>Total equity</b>	<b>1,053,320</b>	<b>920,369</b>
<b>Liabilities</b>		
Long-term borrowings	67,214	105,113
Provisions	109,062	107,514
Deferred revenues	6,966	6,785
Deferred tax liabilities	18,383	18,422
<b>Total non-current liabilities</b>	<b>201,625</b>	<b>237,834</b>
Trade payables	91,386	72,500
Short-term borrowings	57,910	51,084
Income tax liabilities	9,814	1,695
Other current liabilities	73,060	57,550
<b>Total current liabilities</b>	<b>232,170</b>	<b>182,829</b>
<b>Total liabilities</b>	<b>433,795</b>	<b>420,663</b>
<b>Total equity and liabilities</b>	<b>1,487,115</b>	<b>1,341,032</b>

## Unaudited consolidated income statement of the Krka Group

in EUR thousand	2010	2009
Revenues	1,010,021	953,038
Production cost of goods sold	-385,410	-370,244
<b>Gross profit</b>	<b>624,611</b>	<b>582,794</b>
Other operating income	11,887	102,786
Distribution expenses	-254,723	-289,185
R&D expenses	-90,924	-88,283
Administrative expenses	-79,381	-73,120
<b>Result from operating activities</b>	<b>211,470</b>	<b>234,992</b>
Financial income	7,972	1,070
Financial costs	-8,071	-11,740
<b>Net financial result</b>	<b>-99</b>	<b>-10,670</b>
<b>Profit before tax</b>	<b>211,371</b>	<b>224,322</b>
Income tax expense	-40,384	-50,637
<b>Profit for the period</b>	<b>170,987</b>	<b>173,685</b>
<b>Attributable to:</b>		
– equity holders of the parent	171,094	173,766
– minority interest	-107	-81
<b>Basic earnings per share (in EUR)</b>	<b>5.06</b>	<b>5.14</b>
<b>Diluted earnings per share (in EUR)</b>	<b>5.06</b>	<b>5.14</b>

## Unaudited consolidated statement of comprehensive income of the Krka Group

in EUR thousand	2010	2009
<b>Net profit for the period</b>	<b>170,987</b>	<b>173,685</b>
<b>Other comprehensive income for the period:</b>		
Changes in profits for previous periods	0	-126
Changes in fair value of financial assets available for sale	-421	-686
Deferred tax effect - change in fair value of financial assets available for sale	84	170
Deferred tax effect and tax effect of transition to IFRS	0	-37
Translation reserve	3,682	-242
Deferred tax effect – translation reserve	-1,942	-202
<b>Total other comprehensive income for the period</b>	<b>1,403</b>	<b>-1,123</b>
<b>Total comprehensive income for the period</b>	<b>172,390</b>	<b>172,562</b>
<b>Attributable to:</b>		
- Equity holders of the parent	172,497	172,701
- Minority interest	-107	-139

**Unaudited consolidated statement of changes in equity of the Krka Group for 2010**

	Share capital	Own shares	Reserves					Retained earnings			Equity holders of the parent	Minority interest	Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserves	Other revenue reserves	Net profit for the period	Net profit carried forward			
in EUR thousand													
<b>Balance at 1 Jan 2010</b>	59,126	-19,489	120,992	14,990	22,184	2,104	-9,776	570,354	106,766	51,434	918,685	1,684	920,369
<b>Net profit for the period</b>	0	0	0	0	0	0	0	0	171,094	0	171,094	-107	170,987
<b>Other comprehensive income for the period</b>													
Changes in fair value of financial assets available for sale	0	0	0	0	0	-421	0	0	0	0	-421	0	-421
Deferred tax effect - change in fair value of financial assets available for sale	0	0	0	0	0	84	0	0	0	0	84	0	84
Translation reserve	0	0	0	0	0	0	3,682	0	0	0	3,682	0	3,682
Deferred tax effect – translation reserve	0	0	0	0	0	0	-1,942	0	0	0	-1,942	0	-1,942
<b>Total other comprehensive income for the period</b>	0	0	0	0	0	-337	1,740	0	0	0	1,403	0	1,403
<b>Total comprehensive income for the period</b>	0	0	0	0	0	-337	1,740	0	171,094	0	172,497	-107	172,390
<b>Transactions with owners, recorded directly in equity</b>													
Formation of statutory reserves	0	0	0	0	5,000	0	0	0	-5,000	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	0	52,000	-52,000	0	0	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	0	-106,766	106,766	0	0	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	0	62,285	0	-62,285	0	0	0
Formation of own shares reserves			2,260						-2,260		0		0
Purchase of own shares		-2,260									-2,260		-2,260
Dividends paid	0	0	0	0	0	0	0	0	0	-37,179	-37,179	0	-37,179
<b>Total transactions with owners, recorded directly in equity</b>	0	-2,260	2,260	0	5,000	0	0	114,285	-166,026	7,302	-39,439	0	-39,439
<b>Balance at 31 Dec 2010</b>	59,126	-21,749	123,252	14,990	27,184	1,767	-8,036	684,639	111,834	58,736	1,051,743	1,577	1,053,320

**Unaudited consolidated statement of changes in equity of the Krka Group for 2009**

	Share capital	Own shares	Reserves					Retained earnings			Equity holders of the parent	Minority interest	Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserves	Other revenue reserves	Net profit for the period	Net profit carried forward			
in EUR thousand													
<b>Balance at 1 Jan 2009</b>	<b>59,126</b>	<b>-19,489</b>	<b>120,992</b>	<b>14,990</b>	<b>17,184</b>	<b>2,620</b>	<b>-9,332</b>	<b>450,417</b>	<b>102,955</b>	<b>42,010</b>	<b>781,473</b>	<b>1,823</b>	<b>783,296</b>
<b>Net 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>173,766</b>	<b>0</b>	<b>173,766</b>	<b>-81</b>	<b>173,685</b>
<b>Other comprehensive income for the period</b>													
Changes in profits for previous periods	0	0	0	0	0	0	0	0	0	-68	-68	-58	-126
Changes in fair value of financial assets available for sale	0	0	0	0	0	-686	0	0	0	0	-686	0	-686
Deferred tax effect - change in fair value of financial assets available for sale	0	0	0	0	0	170	0	0	0	0	170	0	170
Deferred tax effect and tax effect of transition to IFRS	0	0	0	0	0	0	0	0	0	-37	-37	0	-37
Translation reserve	0	0	0	0	0	0	-242	0	0	0	-242	0	-242
Deferred tax effect – translation reserve	0	0	0	0	0	0	-202	0	0	0	-202	0	-202
<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>-516</b>	<b>-444</b>	<b>0</b>	<b>0</b>	<b>-105</b>	<b>-1,065</b>	<b>-58</b>	<b>-1,123</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>-516</b>	<b>-444</b>	<b>0</b>	<b>173,766</b>	<b>-105</b>	<b>172,701</b>	<b>-139</b>	<b>172,562</b>
<b>Transactions with owners, recorded directly in equity</b>													
Formation of statutory reserves	0	0	0	0	5,000	0	0	0	-5,000	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	0	62,000	-62,000	0	0	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	0	-102,955	102,955	0	0	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	0	57,937	0	-57,937	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	-35,489	-35,489	0	-35,489
<b>Total transactions with owners, recorded directly in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,000</b>	<b>0</b>	<b>0</b>	<b>119,937</b>	<b>-169,955</b>	<b>9,529</b>	<b>-35,489</b>	<b>0</b>	<b>-35,489</b>
<b>Balance at 31 Dec 2009</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>

## Unaudited consolidated cash flow statement of the Krka Group

in EUR thousand	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit for the period</b>	<b>170,987</b>	<b>173,685</b>
<b>Adjustments for:</b>	<b>124,440</b>	<b>133,908</b>
– amortisation /depreciation	81,721	76,675
– exchange differences	-2,079	-696
– investment income	-1,315	-1,328
– investment expense	1,926	3,363
– interest expense and other financial expense	3,803	5,421
– income tax	40,384	50,637
– other	0	-164
<b>Operating profit before changes in net operating current assets and provisions</b>	<b>295,427</b>	<b>307,593</b>
Change in trade receivables	-75,585	-85,629
Change in inventories	-47,697	29,701
Change in operating debts (liabilities)	18,885	3,589
Change in provisions	1,526	-42,127
Change in deferred revenues	202	1,410
Change in other current liabilities	15,428	7,814
Income taxes paid	-28,437	-56,612
<b>Cash generated from operations</b>	<b>179,749</b>	<b>165,739</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of current investments	803	737
Dividends received	9	13
Proceeds from sale of property, plant and equipment and intangible assets	2,285	1,649
Purchase of intangible assets	-7,251	-8,065
Purchase of property, plant and equipment	-107,923	-83,419
Given long-term loans	-1,373	-1,238
Proceeds from repayment of long-term loans	1,063	1,035
Acquisition of non-current investments	-36	-65
Proceeds from sale of non-current investments	41	219
Acquisition of/ proceeds from current investments and loans	1,534	-1,042
Payments in connection with derivative financial instruments	0	-1,035
<b>Net cash used in investing activities</b>	<b>-110,848</b>	<b>-91,211</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-4,279	-6,941
Repayment of long-term borrowings	-37,407	-29,541
Proceeds from long-term borrowings	0	60,000
Repayment of short-term borrowings	6,784	-56,586
Proceeds from short-term borrowings	-37,097	-35,327
Dividends paid	-2,260	0
<b>Net cash used in financing activities</b>	<b>-74,259</b>	<b>-68,395</b>
<b>Net increase in cash and cash equivalents</b>	<b>-5,358</b>	<b>6,133</b>
Cash and cash equivalents at beginning of period	13,411	7,604
Effect of exchange rate fluctuations on cash held	-264	-326
<b>Net cash and cash equivalents at end of period</b>	<b>7,789</b>	<b>13,411</b>

## Unaudited statement of the financial position of the Krka Company

in EUR thousand	31 Dec 2010	31 Dec 2009
<b>Assets</b>		
Property, plant and equipment	513,683	485,653
Intangible assets	29,752	29,683
Investments in subsidiaries	227,409	227,585
Deferred tax assets	19,162	18,977
Long-term loans	12,206	17,080
Non-current investments	5,029	5,449
Other non-current assets	168	167
<b>Total non-current assets</b>	<b>807,409</b>	<b>784,594</b>
Inventories	163,974	138,612
Trade and other receivables	423,042	346,881
Short-term loans	49,686	34,711
Current investments, including derivatives	653	654
Cash and cash equivalents	1,547	7,487
<b>Total current assets</b>	<b>638,902</b>	<b>528,345</b>
<b>Total assets</b>	<b>1,446,311</b>	<b>1,312,939</b>
<b>Equity</b>		
Share capital	59,126	59,126
Own shares	-21,749	-19,489
Reserves	167,193	160,270
Retained earnings	853,584	732,103
<b>Total equity</b>	<b>1,058,154</b>	<b>932,010</b>
<b>Liabilities</b>		
Long-term borrowings	66,800	103,836
Provisions	102,610	100,222
Deferred revenues	1,690	1,201
Deferred tax liabilities	442	526
<b>Total non-current liabilities</b>	<b>171,542</b>	<b>205,785</b>
Trade payables	109,553	88,534
Short-term borrowings	57,189	49,458
Income tax liabilities	8,635	0
Other current liabilities	41,238	37,152
<b>Total current liabilities</b>	<b>216,615</b>	<b>175,144</b>
<b>Total liabilities</b>	<b>388,157</b>	<b>380,929</b>
<b>Total equity and liabilities</b>	<b>1,446,311</b>	<b>1,312,939</b>

## Unaudited income statement of the Krka Company

in EUR thousand	2010	2009
Revenues	932,366	850,119
Production cost of goods sold	-369,242	-339,090
<b>Gross profit</b>	<b>563,124</b>	<b>511,029</b>
Other operating income	6,267	96,656
Distribution expenses	-228,306	-260,831
R&D costs	-84,514	-82,999
Administrative expenses	-56,829	-52,220
<b>Result from operating activities</b>	<b>199,742</b>	<b>211,635</b>
Financial income	10,637	12,160
Financial expenses	-6,982	-10,139
<b>Net financial result</b>	<b>3,655</b>	<b>2,021</b>
<b>Profit before tax</b>	<b>203,397</b>	<b>213,656</b>
Income tax expense	-37,477	-42,844
<b>Profit for the period</b>	<b>165,920</b>	<b>170,812</b>
<b>Basic earnings per share (in EUR)</b>	<b>4,91</b>	<b>5,05</b>
<b>Diluted earnings per share (in EUR)</b>	<b>4,91</b>	<b>5,05</b>

## Unaudited consolidated statement of comprehensive income of the Krka Company

in EUR thousand	2010	2009
<b>Net profit for the period</b>	<b>165,920</b>	<b>170,812</b>
<b>Other comprehensive income for the period:</b>		
Changes in fair value of financial assets available for sale	-421	-686
Deferred tax effect - change in fair value of financial assets available for sale	84	170
<b>Total other comprehensive income for the period</b>	<b>-337</b>	<b>-516</b>
<b>Total comprehensive income for the period</b>	<b>165,583</b>	<b>170,296</b>

**Unaudited consolidated statement of changes in equity of the Krka Company for 2010**

	Share capital	Own shares	Reserves				Retained earnings			Total
			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>Net 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>	165,920	<b>0</b>	<b>165,920</b>
<b>Other comprehensive income for the period</b>										0
Changes in fair value of financial assets available for sale	0	0	0	0	0	-421	0	0	0	-421
Deferred tax effect - change in fair value of financial assets available for sale	0	0	0	0	0	84	0	0	0	84
<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>-337</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-337</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>-337</b>	<b>0</b>	<b>165,920</b>	<b>0</b>	<b>165,583</b>
<b>Transactions with owners, recorded directly in equity</b>										<b>0</b>
Formation of statutory reserves	0	0	0	0	5,000	0	0	-5,000	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	52,000	-52,000	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	-103,812	103,812	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	62,285	0	-62,285	0
Formation of own shares reserves	0	0	2,260	0	0	0	0	-2,260	0	0
Purchase of own shares	0	-2,260	0	0	0	0	0	0	0	-2,260
Dividends paid	0	0	0	0	0	0	0	0	-37,179	-37,179
<b>Total transactions with owners, recorded directly in equity</b>	<b>0</b>	<b>-2,260</b>	<b>2,260</b>	<b>0</b>	<b>5,000</b>	<b>0</b>	<b>114,285</b>	<b>-163,072</b>	<b>4,348</b>	<b>-39,439</b>
<b>Balance at 31 Dec 2010</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>

**Unaudited consolidated statement of changes in equity of the Krka Company for 2009**

	Share capital	Own shares	Reserves				Retained earnings			Total
			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 2009</b>	<b>59,126</b>	<b>-19,489</b>	<b>120,992</b>	<b>14,990</b>	<b>17,184</b>	<b>2,620</b>	<b>450,417</b>	<b>108,130</b>	<b>43,233</b>	<b>797,203</b>
<b>Net 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>170,812</b>	<b>0</b>	<b>170,812</b>
<b>Other comprehensive income for the period</b>										
Changes in fair value of financial assets available for sale	0	0	0	0	0	-686	0	0	0	-686
Deferred tax effect - change in fair value of financial assets available for sale	0	0	0	0	0	170	0	0	0	170
<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>-516</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-516</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>-516</b>	<b>0</b>	<b>170,812</b>	<b>0</b>	<b>170,296</b>
<b>Transactions with owners, recorded directly in equity</b>										
Formation of statutory reserves	0	0	0	0	5,000	0	0	-5,000	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	62,000	-62,000	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	-108,130	108,130	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	57,937	0	-57,937	0
Dividends paid	0	0	0	0	0	0	0	0	-35,489	-35,489
<b>Total transactions with owners, recorded directly in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,000</b>	<b>0</b>	<b>119,937</b>	<b>-175,130</b>	<b>14,704</b>	<b>-35,489</b>
<b>Balance at 31 Dec 2009</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>

## Unaudited consolidated cash flow statement of the Krka Company

in EUR thousand	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit for the period</b>	<b>165,920</b>	<b>170,812</b>
<b>Adjustments for:</b>	<b>99,740</b>	<b>94,995</b>
– amortisation/depreciation	60,735	58,795
– exchange differences	-75	-2,144
– investment income	-3,479	-12,533
– investment expense	1,497	3,001
– interest expense and other financial expense	3,585	5,032
– income tax	37,477	42,844
– other	0	0
<b>Operating profit before changes in net operating current assets and provisions</b>	<b>265,660</b>	<b>265,807</b>
Change in trade receivables	-84,199	-79,500
Change in inventories	-25,362	31,328
Change in operating debts (liabilities)	21,019	13,920
Change in provisions	2,388	-39,066
Change in deferred revenues	489	327
Change in other current liabilities	4,004	2,962
Income taxes paid	-20,991	-50,229
<b>Cash generated from operations</b>	<b>163,008</b>	<b>145,549</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	2,462	2,605
Dividends received	9	13
Profit of subsidiaries	428	9,436
Proceeds from sale of property, plant and equipment and intangible assets	2,101	7,800
Purchase of intangible assets	-5,961	-7,417
Purchase of property, plant and equipment	-85,863	-74,906
Acquisition of subsidiaries and minority interest net of cash	176	-2,533
Long-term loans	-6,043	-17,966
Proceeds from repayment of long-term loans	7,795	5,720
Acquisition of non-current investments	-36	-65
Proceeds from sale of non-current investments	35	204
Acquisition of current investments and loans	-11,578	-3,092
Payments in connection with derivative financial instruments	0	-1,034
<b>Net cash used in investing activities</b>	<b>-96,475</b>	<b>-81,235</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-4,056	-6,544
Repayment of long-term borrowings	-37,373	-28,072
Proceeds from long-term borrowings	0	60,000
Repayment of short-term borrowings	8,539	-47,083
Proceeds from short-term borrowings	-37,097	-35,327
Dividends paid	-2,260	0
<b>Net cash used in financing activities</b>	<b>-72,247</b>	<b>-57,026</b>
Net increase in cash and cash equivalents	<b>-5,714</b>	<b>7,288</b>
Cash and cash equivalents at beginning of period	7,487	294
Effect of exchange rate fluctuations on cash held	-226	-95
<b>Net cash and cash equivalents at end of period</b>	<b>1,547</b>	<b>7,487</b>