



**Unaudited Interim Report
for the Krka Group
and the Krka Company
for the First Half of 2012**

Novo mesto, July 2012

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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 of 2012 and for the first half of 2011 are unaudited, while the statements for the full business year 2011 present audited figures. The company has no authorised capital and has not made a conditional share capital increase.

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

on the Ljubljana Stock Exchange electronic information dissemination system SEOnet and/or in the Delo daily newspaper. This interim report for the Krka Group and Company is also available on the Krka website www.krka.si.

The Supervisory Board discussed the January–June 2012 Report for the Krka Group and Company at its regular meeting on 25 July 2012.

Highlights of the first half of 2012

- The Krka Group sold EUR 565.3 million worth of products and services, of which the Krka Company sold EUR 521.3 million.
- Both Group and Company sales increased by 7% compared to the same period last year.
- The Group generated EUR 117.1 million of operating profit, a decrease by 5% compared to the same period last year, while the Krka Company generated EUR 102.3 million of operating profit, down 13%.
- The Group reported a profit for the period of EUR 90.1 million, down 3% compared to the same period last year, while the Krka Company generated EUR 82.9 million of profit for the period, down one tenth.
- The highest absolute as well as relative sales growth (up EUR 33.4 million, or 25%) was recorded in Region East Europe, which is Krka's largest sales region, contributing 30% to total sales.
- In the reported period the Group generated 92%, and the Krka Company 94%, of its revenues in markets outside Slovenia.
- As at 30 June 2012, Krka's share traded at EUR 42.00, having lost 21% since the year-end of 2011, and Krka's market capitalisation amounted to EUR 1.488 million.
- The Group spent EUR 58.0 million on investments, of which the Krka Company invested EUR 26.4 million and its subsidiaries EUR 31.6 million.
- At the end of the first half of 2012, the Krka Group had 9,209 employees, 3% more than at the beginning of the year.

Krka Group and Krka Company financial highlights

	Krka Group		Krka Company	
EUR thousand	1-6/2012	1-6/2011	1-6/2012	1-6/2011
Revenues	565,292	528,805	521,274	488,685
EBIT	117,055	123,247	102,267	117,606
EBITDA	161,333	165,175	136,518	149,036
Profit for the period	90,055	92,426	82,859	91,620
R&D costs	47,975	43,707	47,321	41,311
Investments	58,045	53,148	26,436	45,503
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
Non-current assets	872,938	859,468	826,422	809,065
Current assets	739,318	674,559	715,778	654,383
Equity	1,226,131	1,139,754	1,218,353	1,140,485
Non-current liabilities	152,608	155,092	126,731	126,830
Current liabilities	233,517	239,181	197,116	196,133
RATIOS	1-6/2012	1-6/2011	1-6/2012	1-6/2011
EBIT margin	20.7%	23.3%	19.6%	24.1%
EBITDA margin	28.5%	31.2%	26.2%	30.5%
Profit margin (ROS)	15.9%	17.5%	15.9%	18.7%
ROE ¹	15.2%	16.9%	14.1%	16.7%
ROA ²	11.4%	12.2%	11.0%	12.5%
Liabilities/Equity	0.315	0.359	0.266	0.300
R&D costs/Revenues	8.5%	8.3%	9.1%	8.5%
NUMBER OF EMPLOYEES	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
As at	9,209	8,948	4,473	4,379

SHARE INFORMATION	1-6/2012	1-6/2011
Total number of shares issued	35,426,120	35,426,120
Earnings per share in EUR ³	5.40	5.49
Share price at end of period in EUR	42.00	60.00
Price/Earnings ratio (P/E)	7.78	10.94
Book value in EUR ⁴	34.61	32.00
Price/Book value (P/B)	1.21	1.87
Market capitalisation in EUR thousand (at end of period)	1,487,897	2,125,567

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

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

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

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

Events after the accounting period

- On 5 July 2012, Krka, d. d., Novo mesto held its 17th Annual General Meeting. It took place in Otočec, Slovenia. Shareholders were acquainted with the Management Board's annual report, remuneration of the Management and Supervisory Boards, the auditor's report and the report by the Supervisory Board on its verification and approval of the 2011 Annual Report. The General Meeting also adopted a resolution on the appropriation of accumulated profit for 2011, and discharged the Management and Supervisory Boards from liability for 2011.

A resolution was adopted distributing to shareholders gross dividends of EUR 1.50 per

share, and allocating the remaining accumulated profit to other revenue reserves and retained earnings. Dividends will be paid within 60 days of the General Meeting, to shareholders recorded in the share register as at 11 July 2012.

At the end of the Meeting shareholders discussed the proposed appointment of the auditor, and accepted the Supervisory Board's proposal to appoint Ernst & Young Revizija, poslovno svetovanje, d. o. o., Ljubljana as the auditor for the financial year 2012.

- Krka received the judgement of the High Court in Ljubljana, which refused the appeal filed by Merck Frosst Canada Limited, Purdy's Wharf Tower One, 1959 Upper Water Street, Halifax, Nova Scotia, Canada ("MSD"), confirming the decision of the District Court in Ljubljana dated 15 March 2010, which refused the motion filed by MSD against Krka and Salus, Ljubljana, d. d. due to an alleged infringement of its patent relating to the active ingredient montelukast. The plaintiff demanded that the defendants be banned to manufacture, sell, offer for sale, market and import the product Monkasta as well as any other product containing the active

pharmaceutical ingredient montelukast in Slovenia, and claimed patent infringement damages.

The decision of the District Court in Ljubljana is final, while the plaintiff has the option to file for a revision against the decision with the Supreme Court.

With reference to the montelukast dispute, Krka has released several information briefs in Slovenia in the past, dated 23 March 2010, 23 April 2009, 5 December 2008, 13 March 2008 and 14 June 2007.

- In November 2008, Krka informed public that it had been visited by the representatives of the European Commission, who were collecting data within the scope of the sector analysis of pharmaceutical market and competitiveness on the aforesaid market.

The Commission has been investigating the alleged violation of the competition law in sales of perindopril medicinal product on markets of the European Union.

Within the scope of its investigation, the Commission informed Krka that due to the alleged violation of rules on the prevention of

competition in the European Union, the Commission would continue the procedure and would investigate Krka as well as all other companies involved in the investigation since 2008, but the continuation of the procedure does not prejudice the final decision. Krka has not yet received the Statement of Objections, i.e the findings of the Commission during investigation which is expected shortly.

Krka believes that it has not violated the EU competition rules in sales of perindopril.

ID card of the Krka Group

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

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

Telephone: +386 (0)7 331 21 11

Fax: +386 (0)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

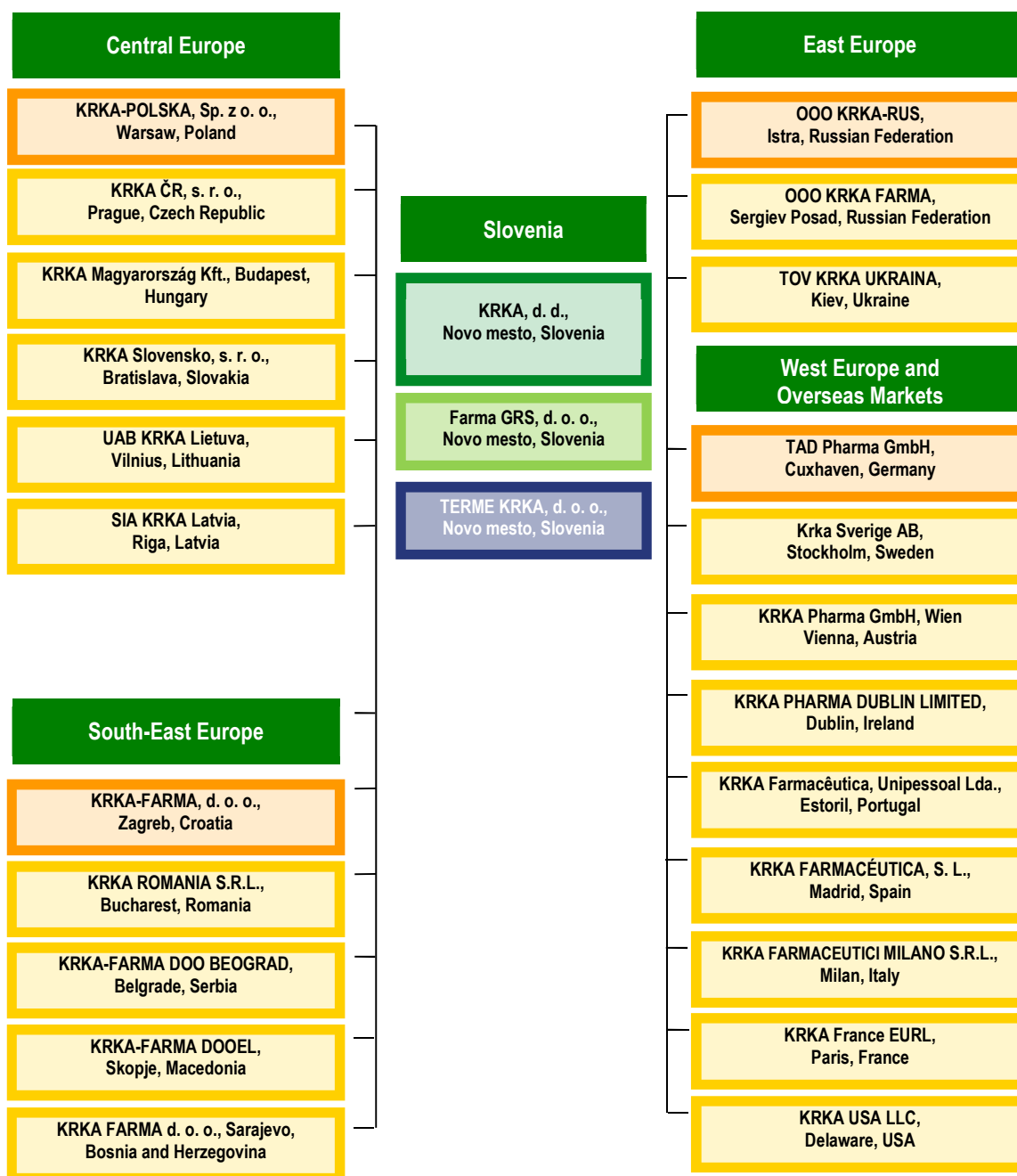
VAT identification number: 82646716

Company ID number: 5043611

Share capital: EUR 59,126,194.28

Shares: 35,426,120 ordinary registered no-par value shares. Krka has been listed on the Ljubljana Stock Exchange under symbol KRKG since 1997 and additionally on the Warsaw Stock Exchange under symbol KRK since April 2012.

Krka Group organisation chart



Production-distribution companies
Health-resort and tourist services company

Other subsidiaries outside Slovenia
EU project: Research and development company

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

Krka Group business model

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

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

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

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

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

Our modern pharmaceuticals and chemicals production 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, non-prescription products and animal health products. Krka's portfolio mainly includes pharmaceuticals in solid dosage forms. Krka's core business is complemented by the health-resort and tourist services offered by the Terme Krka Group.

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

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

Krka Group development strategy

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

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

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

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

Key strategic objectives to 2016

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

Key strategies to 2016

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

Business objectives of the Krka Group for 2012

- With a growth rate of 6%, the product and service sales target is EUR 1,134 million.
- Central Europe will remain Krka's largest sales region and the Russian Federation its most important individual market.
- Sales outside Slovenia are expected to account for 90% of total sales.
- With the expected sales growth of 5%, prescription pharmaceuticals will remain the most important product group, accounting for 81% of total sales.
- The planned profit is EUR 170 million.
- At the end of 2012 the Group will have almost 9,700 employees (up 5%), one half outside Slovenia.
- Although EUR 200 million has been set aside for investments, to be spent mainly on expanding and modernising production capacity, research and development capacity, and infrastructure, the actual investment spending is expected to be lower, the result of good pricing conditions negotiated with suppliers and contractors.

BUSINESS REPORT

Financial risk

Foreign exchange risk

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

The Group statement of financial position shows a surplus of assets over liabilities, i.e. a long currency position, in all the mentioned currencies. The key categories that make up a currency position are trade receivables, trade payables, and the parent company's receivables from and payables

to its subsidiaries.

The majority of the currencies that are of key importance for Krka's operations depreciated relative to the euro in the second quarter, resulting in negative exchange rate differences on our books, which neutralised the positive foreign exchange trends witnessed in the first quarter.

Currency positions were not hedged in the second quarter.

Interest rate risk

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

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

Credit risk

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

The value of total trade receivables at the half-year was a little higher compared to the beginning of the year but lower than at the end of the first quarter. The key markets did not witness trends for extending payment terms.

The amount of past due receivables at the half-year

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

Customer payment discipline is estimated to have remained unchanged, and the quality of trade receivables in terms of maturity structure and assessed customer risk has also remained unchanged on average.

On account of our active management of receivables, we have not recorded any major write-offs of receivables in the first half of 2012, but we did form an additional allowance for bad debts.

Liquidity risk

On account of a stable and strong cash flow from the Group's operations, the Krka Group's liquidity risk is estimated to be low.

The risks related to the Group's liquidity in the first half of the year were managed by effective short-term cash flow management, pre-agreed current borrowing from banks, planning and monitoring

cash inflows, and by optimising the bank balances of the Krka Group subsidiaries.
The amount of new current borrowings from banks in the reported period was low, and a part of excess

cash was placed with banks as current deposits.
All our liabilities were settled regularly and in the agreed time frames.

Property, business interruption and liability insurance

In insuring its property, the Krka Group takes into account past loss events, and adjusts the amounts and scope of insurance covers to sales growth trends and its tangible property. Each location of the Group's property is individually assessed both for exposure to individual risks and for maximum possible material loss and business interruption.

Consistent with the corporate insurance programme for subsidiaries abroad, insurance policies were taken out in the first half of the year from local insurers, i.e. original policies were taken out inside the European Union in line with the system of the free exchange of services. With a view to protecting the Group financially and legally with respect to civil

and employer's liability and liability for ecological damage, Krka's subsidiaries abroad have local insurance against liability as well, which provides for an optimum protection of the Group.

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

Share information

In the first half of 2012, Krka's share price decreased by almost 21%, while the Slovenian benchmark stock index SBI TOP dropped by nearly 12%. In the reported period, international investors increased their shareholdings in Krka the most. Holding almost 17% of Krka's shares at the end of

June, this was the largest stake they have ever held. Domestic individual investors, investment companies and funds, and other domestic companies, on the other hand, have decreased their holdings in the reported period. At the end of June 2012, Krka had a total of 70,061 shareholders.

Shareholder structure (%)

	30 Jun 2012	31 Dec 2011
Slovenian individual investors	40.7	41.2
State restitution fund (Slovenska odškodninska družba)	15.0	15.0
State pension asset manager (Kapitalska družba) and fund PPS	10.2	10.2
Slovenian investment companies and funds	3.6	3.8
Other Slovenian companies	7.8	8.1
International investors	16.7	16.0
Treasury shares	6.0	5.7
Total	100.0	100.0

In the first half of 2012 Krka repurchased 108,813 treasury shares. On 30 June 2012 it thus held a

total of 2,133,930 treasury shares, which is 6.024% of the company's share capital.

Krka's 10 largest shareholders on 30 June 2012

	Country	No. of shares	Share in equity (%)	Share of voting rights (%)
Slovenska odškodninska družba, d. d.	Slovenia	5,312,070	14.99	15.96
Kapitalska družba, d. d.	Slovenia	3,493,030	9.86	10.49
Societe Generale-Splitska banka, d. d.	Croatia	913,821	2.58	2.74
New World Fund inc.	USA	755,000	2.13	2.27
Hypo Alpe-Adria-Bank, d. d.	Croatia	692,593	1.96	2.08
Luka Koper, d. d.	Slovenia	433,970	1.23	1.30
Zavarovalnica Triglav, d. d.	Slovenia	388,300	1.10	1.17
Delniški vzajemni sklad Triglav, Steber I	Slovenia	362,243	1.02	1.09
Unicredit Bank Austria, AG	Austria	349,581	0.99	1.05
Unicredit Bank Hungary, ZRT	Hungary	342,080	0.97	1.03
Total		13,042,688	36.83	39.18

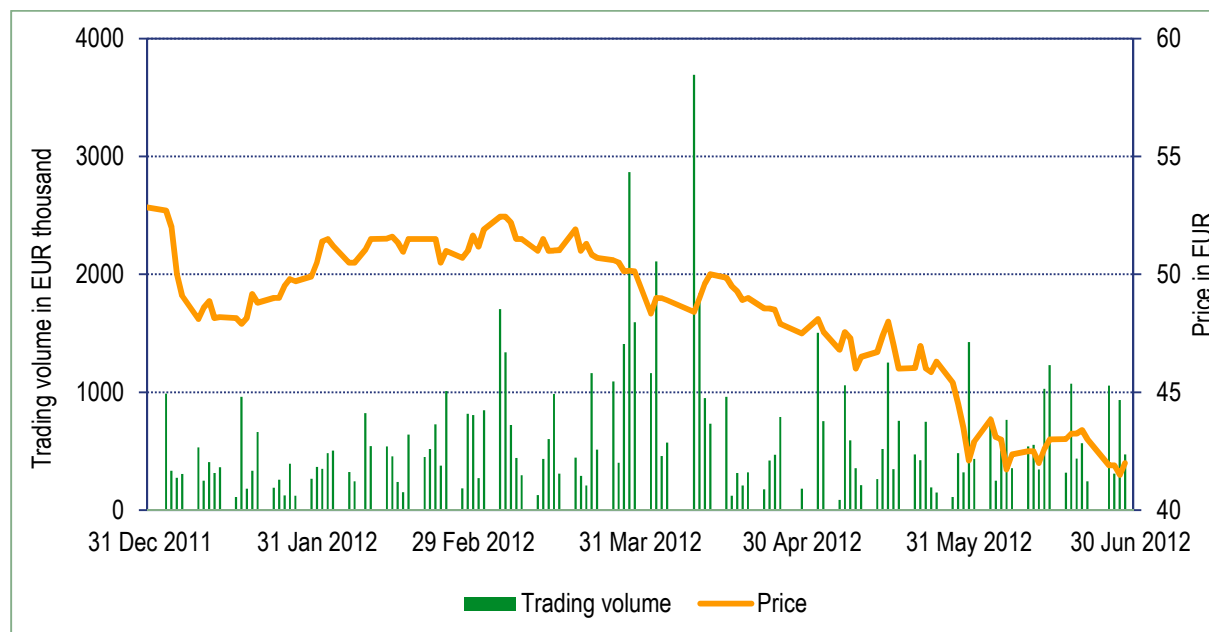
On 30 June 2012, Krka's 10 largest shareholders held a total of 13,042,688 shares, which is 36.83% of all issued shares.

On 30 June 2012, members of the Krka Management and Supervisory Boards held a total of 50,895 shares, which is 0.144% of all issued shares.

Shares in equity and shares of voting rights held by members of the Krka Management Board and Supervisory Board on 30 June 2012

	No. of shares	Share in equity (%)	Share of voting rights (%)
Management Board members			
Jože Colarič	22,500	0.064	0.068
Aleš Rotar	12,770	0.036	0.038
Zvezdana Bajc	1,660	0.005	0.005
Vinko Zupančič	120	0.000	0.000
Danica Novak-Malnar	0	0.000	0.000
Total Management Board	37,050	0.105	0.111
Supervisory Board members			
Jože Lenič	180	0.001	0.001
Matjaž Rakovec	400	0.001	0.001
Franc Šašek	540	0.002	0.002
Julijana Kristl	230	0.001	0.001
Vincenc Manček	11,543	0.033	0.035
Mojca Osolnik Videmšek	452	0.001	0.001
Tomaž Sever	500	0.001	0.002
Sergeja Slapničar	0	0.000	0.000
Mateja Vrečer	0	0.000	0.000
Total Supervisory Board	13,845	0.040	0.042

Share trading in the first half of 2012



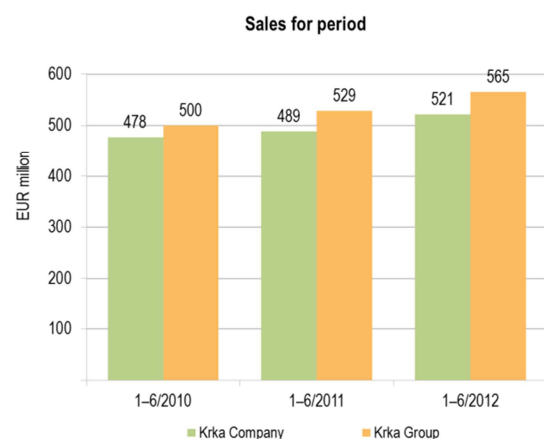
During the first half of the year, Krka's share price peaked at the beginning of January, when it traded at EUR 52.70, and hit its low at the end of June, when it stood at EUR 41.50. On 30 June 2012, Krka's closing price was EUR 42.00, and its market

capitalisation amounted to EUR 1.5 billion. Deals in Krka generated an average daily trading volume of EUR 0.6 million over the reported period, making Krka the most traded security on the Ljubljana Stock Exchange.

Business operations analysis

The business operations analysis includes data for the Krka Group and the Krka Company, whereas the commentary relates mainly to the Krka Group.

Revenues



Both the Krka Group and the Krka Company witnessed a 7% increase in their sales revenues compared to the same period last year. The Krka Company sold EUR 521.3 million worth of prescription pharmaceuticals, non-prescription products and animal health products, while the Group generated EUR 565.3 million of sales revenue from these products plus the health-resort and tourist services.

The sale of prescription pharmaceuticals increased by 8% compared to the same period last year, representing 84% of total Krka Group sales. The Group generated 92% of its sales in markets outside Slovenia.

Taking into account other operating and financial income, the Group generated a total of EUR 568.2 million of revenues and the Krka Company generated EUR 524.3 million.

Expenses

Total Group expenses incurred in the first half of 2012 amounted to EUR 459.7 million, up one tenth compared to the same period last year.

The Group incurred EUR 450.3 million of operating expenses, of which the cost of sales amounted to EUR 220.0 million, distribution expenses amounted to EUR 147.2 million, R&D costs amounted to EUR 48.0 million, and administrative expenses amounted to EUR 35.1 million.

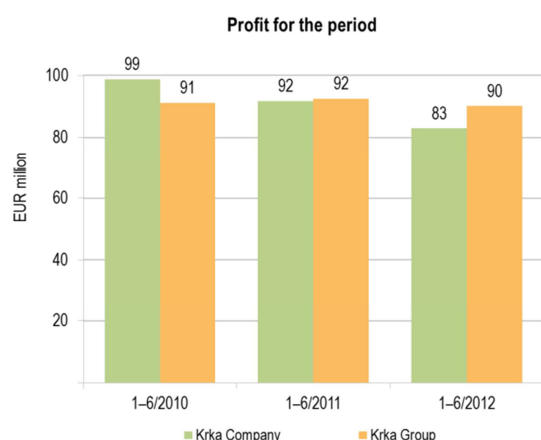
The cost of sales increased by one tenth compared to the same period last year, on the costs to sales

A more detailed analysis of sales results by individual markets and groups of products and services is given in Chapter Marketing and Sales below.

ratio of 38.9%, and distribution expenses increased by 14% compared to the same period last year, on the costs to sales ratio of 26.0%. These increases are partly the result of sales taxes for pharmaceuticals (clawback, etc) in individual markets.

Group R&D costs increased by 10%, on the costs to sales ratio of 8.5%. The Group does not capitalise R&D costs, therefore they are recognised as expenses for the period in full. Administrative expenses decreased by 5% compared to the same period last year, on a costs to sales ratio of 6.2%.

Operating results



The Group recorded EUR 117.1 million of operating profit, down 5% compared to the same period last year. Pre-tax profit amounted to EUR 108.5 million, down 8% compared to the same period last year.

Income tax totalled EUR 18.5 million, with current tax amounting to EUR 19.3 million. The effective tax rate was 17.0%.

The Group generated EUR 90.1 million of profit for the first half of 2012, 3% less than in the same period last year, and the Krka Company generated EUR 82.9 million of profit for the period, down one tenth.

Assets

At the end of June 2012, Group assets amounted to EUR 1,612.3 million, an increase by 5% compared to the end of 2011. Non-current assets represented 54.1% of total assets, down 1.9 of a percentage point since the beginning of the year.

The largest item under non-current assets, which together amounted to EUR 872.9 million, was property, plant and equipment on EUR 719.5 million, which is 44.6% of the Group's total assets. The value of property, plant and equipment

increased by 2% from the beginning of the year. Intangible assets amounted to EUR 116.8 million.

Current assets increased by 10% to EUR 739.3 million during the first half of the year, with inventories decreasing by 2% to EUR 248.9 million, and receivables increasing by 5% to EUR 420.9 million (of which trade receivables amounted to EUR 373.2 million, 3% more than at the beginning of the year).

Equity and liabilities

The Group's equity increased by 8% compared to the end of 2011 and now represents 76.1% of total equity and liabilities.

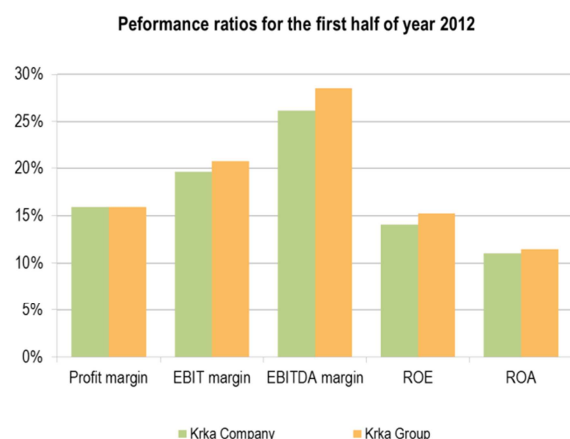
Amounting to EUR 152.6 million, non-current liabilities represent 9.5% of the Group's total assets. Provisions amounted to EUR 104.7 million at the end of June, and thus remained on the same level as at the year-end of 2011. The value of non-current borrowings did also not change in the reported period.

Current liabilities decreased by 2% compared to the

end of 2011 and totalled EUR 233.5 million, which is 14.5% of the Group's total assets. Among current liabilities, trade payables amounted to EUR 87.8 million, down 3% compared to the end of 2011, with current borrowings amounting to EUR 26.6 million, down 40%. Total non-current and current borrowings decreased by one quarter compared to the end of 2011.

Other current liabilities increased by 14% compared to the end of last year and amounted to EUR 117.1 million.

Performance ratios



The Group's profit margin was 15.9% (Krka Company 15.9%), the EBIT margin 20.7% (19.6%) and the EBITDA margin 28.5% (26.2%). ROE at Group level was 15.2% (Krka Company 14.1%), with ROA at 11.4% (Krka Company 11.0%).

Marketing and sales

Over the initial six months of 2012, both the Krka Group and the Krka Company improved the sales figures recorded in the same period last year. The

Krka Group generated EUR 565.2 million of sales, and the Krka Company EUR 521.3 million.

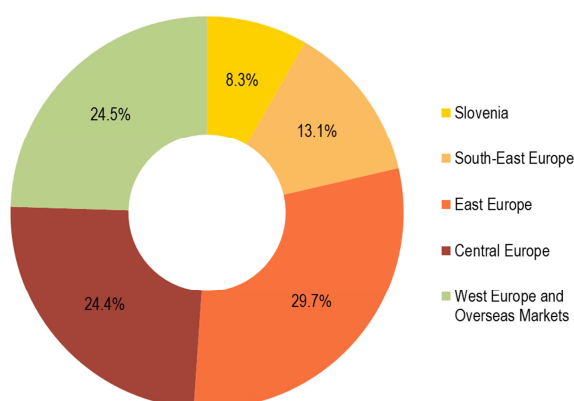
Sales by Region

Krka's sales were the highest in Region East Europe, where they amounted to EUR 167.9 million, which is 30% of total Group sales. With EUR 138.6 million of revenues generated there, the second largest sales region was Region West Europe and Overseas Markets, which contributed 25% to total sales. The third largest area in terms of sales was

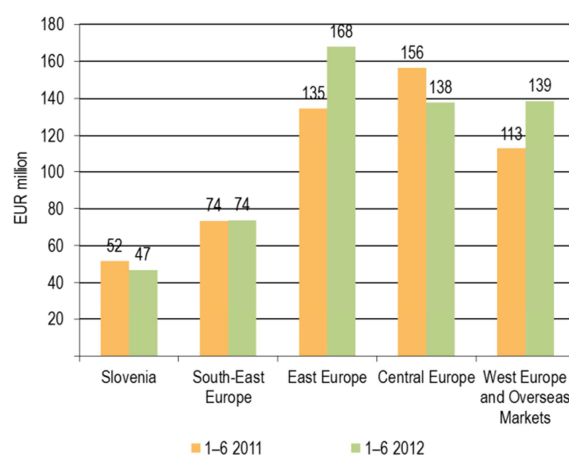
Region Central Europe, where Krka sold EUR 137.9 million worth of products, which is 24% of total Group sales. An additional EUR 73.8 million (13% of total sales) came from Region South-East Europe, while Slovenia, where Krka generated a total of EUR 47 million, represents 8% of total Krka Group sales.

EUR thousand	Krka Group			Krka Company		
	1-6/2012	1-6/2011	Index	1-6/2012	1-6/2011	Index
Slovenia	46,974	51,629	91	31,449	35,108	90
South-East Europe	73,846	73,545	100	78,387	72,643	108
East Europe	167,941	134,580	125	145,806	125,883	116
Central Europe	137,903	156,440	88	142,189	152,440	93
West Europe and Overseas Markets	138,628	112,611	123	123,443	102,611	120
Total	565,292	528,805	107	521,274	488,685	107

Krka Group sales by Region, January–June 2012



Krka Group sales by Region, January–June 2011 and January–June 2012



Slovenia

In Slovenia Krka sold EUR 47 million worth of products and services in the first half of 2012, down 9% compared to the same period last year. The majority of sales came from prescription pharmaceuticals, which generated EUR 25.8 million, with non-prescription products contributing a further EUR 3.3 million, and animal health products an additional EUR 1.5 million. Terme Krka Group sales amounted to EUR 16 million.

Marketing focused on the launch of the fixed-dose combination of perindopril and amlodipine under the Amlessa brand. This new product has made Krka even more prominent in the antihypertensives market. We also focused on treatments for hyperlipidaemia conditions, having organised several expert meetings where we presented the guidelines on how to manage dyslipidaemias. We promoted the new 15 and 30 mg concentrations of Sorvasta (rosuvastatin) and the 30 and 60 mg concentrations of Atoris (atorvastatin), both of which will help doctors and patients decide on an optimum

dosage of the medicine. With the new product Galsya (galantamine) we are consolidating our position in the market of anti-dementia medicines, and we have further supplemented our range of prescription products by launching the new antihistamine Dasselta (desloratadine) in February and Rolpryna (ropinirole) in April, whereby we have entered the field of treating Parkinson's disease.

Our best-selling prescription pharmaceuticals in the first half of the year were Prenessa (perindopril), Atoris (atorvastatin), Ultop (omeprazole), Lorista (losartan) and Sorvasta (rosuvastatin), while the leading non-prescription products were Nalgesin S (naproxen), Bilobil (ginkgo biloba), B-complex, Septotele and Panatus (butamirate).

The supplemented rules on determining the prices of pharmaceuticals, which took effect in February, contributed to driving down the costs of medications, while the now passed Public Finance Balance Act has introduced the ceiling

reimbursement prices for each therapeutic group of medications. Notwithstanding, Krka still holds a 12%

market share in Slovenia, remaining the leader in its domestic prescription pharmaceuticals market.

South-East Europe

Product sales in the markets of South-East Europe totalled EUR 73.8 million, up 0.4% compared to the same period last year. The largest sales growths were recorded in the markets of Serbia, Bosnia and Herzegovina, and Macedonia, while sales in Croatia, Romania, Bulgaria and Albania were down compared to the same period last year.

In **Croatia**, one of Krka's key markets, sales totalled EUR 18 million, maintaining Krka's position as the leading foreign producer of generic pharmaceuticals in the country. We remained the leading provider in the statin therapeutic group and in selected groups of antimicrobial substances (macrolides, quinolones), while we also achieved important market shares and recorded sales growth for our proton pump inhibitors, ACE inhibitors and sartans.

Our leading products in terms of sales were Atoris (atorvastatin), Zyllt (clopidogrel), Ampril (ramipril), Helex (alprazolam), Enap (enalapril), Valsacor (valsartan), Lanzul (lansoprazole), Emanera (esomeprazole), Nalpaza (pantoprazole) and Lorista (losartan).

A new reimbursement list took effect in May, which now includes Krka's Roswera (rosuvastatin), Nalpaza IV (pantoprazole) and Monkasta (montelukast). These medications will additionally drive sales growth and increase our market shares in the statin therapeutic groups, proton pump inhibitor groups and products for asthma treatment.

The largest individual market in Region South-East Europe remains **Romania**, where we sold EUR 23.2 million worth of products in the first half of the year. The most important sales drivers were prescription pharmaceuticals, of which the largest sales growths were recorded for Prenessa (perindopril), Co-Prenessa (perindopril and hydrochlorothiazide), Atoris (atorvastatin) and Roswera (rosuvastatin), while we were also successful in selling older products, such as Enap (enalapril), Ciprinol (ciprofloxacin), Rawel (indapamide), Tramadol (tramadol) and Tenox (amlodipine). We successfully completed the first stage of launching Karbis (candesartan).

With respect to non-prescription products, we are

preparing to launch new brands on the market as well as expand our range of products marketed under existing brands, while in the area of animal health products, we are entering the market primarily with new products aimed at treating pets, which are becoming more and more important in terms of sales.

In **Bosnia and Herzegovina** sales totalled EUR 9.5 million, an increase by 11%. The majority of sales was generated by prescription pharmaceuticals, of which the leaders were Enap (enalapril), Zyllt (clopidogrel), Lorista (losartan), Naklofen (diclofenac) and Atoris (atorvastatin), while we also launched the medicine Emanera (esomeprazole) on the market. The best-selling non-prescription products were B-complex, Septotele and Bilobil (ginkgo biloba).

In **Macedonia** sales increased by 4% compared to the same period last year, amounting to EUR 6.7 million, which makes Krka the leading foreign producer of generic pharmaceuticals in the country. The majority of sales came from prescription pharmaceuticals, mainly from Enap (enalapril), Atoris (atorvastatin), Helex (alprazolam), Cordipin (nifedipine) and Lorista (losartan), while the leading non-prescription products were Bilobil (ginkgo biloba), B-complex, Daleron (paracetamol), Herbion and Septotele. We launched several new products on the market in the reported period, which have the potential to contribute to future sales growth. They are Atoris 30 and 60 mg (atorvastatin), Co-Prenessa (perindopril and indapamide) and Nalpaza Control (pantoprazole).

In **Serbia** sales in the first half of the year amounted to EUR 5.9 million, an increase by 16% compared to the same period last year. The sales growth recorded by Krka exceeded the general market's growth, and comes as the result of our extensive local promotion and marketing activities. The main contribution to overall sales came from prescription pharmaceuticals, especially Atoris (atorvastatin), Ampril (ramipril) and Zyllt (clopidogrel), while the non-prescription product and animal health product that contributed the most was Bilobil (ginkgo biloba) and Floron (florfenicol), respectively.

In **Bulgaria** we sold EUR 5.6 million worth of products, 2% less than in the comparable period last year. The leading products in terms of sales were prescription pharmaceuticals, especially Lorista (losartan) and Lorista H (losartan and hydrochlorothiazide), Atoris (atorvastatin), Co-Valsacor (valsartan and hydrochlorothiazide), Enap (enalapril), Flosteron (betamethasone), Rawel (indapamide) and Co-Prenessa (perindopril and indapamide). Let us also single out the successful launch of Roswera (rosuvastatin), and the medicines Tolura (telmisartan) and Nalpaza (pantoprazole), which were added into the product portfolio.

Sales in **Albania** amounted to EUR 2.1 million in the first half of the year, remaining below the level from

East Europe

In addition to Krka's key market the Russian Federation, which is also Krka's largest individual market, Region East Europe encompasses a number of Eastern European and Central Asian markets. We recorded sales growth in all of these markets in the first half of the year, with total sales in the Region amounting to EUR 167.9 million, making it Krka's leading sales region.

In the **Russian Federation** product sales amounted to EUR 114.9 million, an increase by 24% compared to the same period last year. The dominant share of sales and sales growth came from prescription pharmaceuticals, followed by non-prescription products and animal health products.

The leading products in terms of sales were Enap (enalapril), Lorista (losartan), Atoris (atorvastatin), Zyllt (clopidogrel), Orsoten (orlistat), Herbion, Perineva (perindopril), Nalpaza (pantoprazole), Nalgesin (naproxen) and Ultop (omeprazole), while new products, i.e. those launched on the market over the past five years, are also becoming more and more important in sales terms. Krka has preserved a prominent position in the Russian Federation in several therapeutic areas, being one of the country's leading suppliers of ACE inhibitors, statins, sartans, multivitamin products for children, cough syrups, proton pump inhibitors and weight loss pharmaceuticals. According to independent sources, Krka's sales growth in the Russian Federation is higher than the average growth of the pharmaceuticals market. The highest sales growth rates over the first half of 2012 were recorded for

last year despite intense marketing and sales activities. The most important products were Enap (enalapril), Lorista (losartan), Hiconcil (amoxicillin), Ciprinol (ciprofloxacin) and Zalasta (olanzapine).

Sales in **Kosovo** increased by 2% to EUR 2.4 million, preserving Krka's position as the market's leading provider of pharmaceuticals. The main contribution to overall sales came from the prescription pharmaceuticals Enap (enalapril), Lorista (losartan), Naklofen (diclofenac), Zyllt (clopidogrel) and Atoris (atorvastatin). In **Montenegro** we sold just over EUR 0.4 million worth of products, a part of which was due to our answering public tenders.

the medicines Zyllt (clopidogrel), Nalgesin (naproxen), Lorista (losartan), Perineva (perindopril), Atoris (atorvastatin) and Nalpaza (pantoprazole).

In May we successfully launched Roxera (rosuvastatin), which will strengthen Krka's market position as the supplier of statins. Testifying to our successful work in launching new products is the most prestigious Russian pharmaceutical award Platinum Ounce, which Krka received in April for the launch of Perineva (perindopril), declared the best launch of the year.

Having intensified marketing activities in **Ukraine**, where the entire pharmaceuticals market recorded growth over the reported period, our sales there were up one quarter compared to the same period last year, amounting to EUR 27 million. The largest contributors to sales were prescription pharmaceuticals, especially Enap (enalapril), Atoris (atorvastatin), Coryol (carvedilol) and Naklofen (diclofenac). Among non-prescription products, the best-selling product was Herbion, while the leader among animal health products, which were the product group that recorded the highest sales growth, was Enroxil (enrofloxacin).

In **Kazakhstan** we again witnessed continued sales growth as well as market share growth, selling EUR 6.6 million worth of products there, up 27% compared to the same period last year. The main drivers of sales growth were prescription pharmaceuticals, among which the leaders were

Enap (enalapril), Zyllt (clopidogrel), Duovit, Lorista (losartan), Herbion and Fromilid (clarithromycin). In the future, sales growth will also be driven by Nalpaza (pantoprazole), Repodiab (repaglinide), Roxera (rosuvastatin) and Orsoten (orlistat), which were launched on the market in 2011.

Sales in **Uzbekistan** increased by 36% to EUR 5.6 million, mainly on account of prescription pharmaceuticals, of which the best sales results were recorded for Enap (enalapril) and Lorista (losartan). The leading non-prescription products in terms of sales were Pikovit and Septotele. On account of the specifics of payment transactions in that market, we continue to devote special attention to shortening payment terms and decreasing receivables.

In the stagnating **Belarus** market we sold EUR 3 million worth of products in the first half of the year, an increase by 17%. The largest contributors to total sales were prescription pharmaceuticals, especially Lorista (losartan) and Enap (enalapril), while the third best-selling product was Pikovit from the non-prescription group. The largest sales growth among product groups was recorded by animal health products, the sale of which doubled.

Sales in **Moldova** were up 11% to EUR 2.6 million, the majority of which again came from prescription

pharmaceuticals, mainly Ampril (ramipril), Enap (enalapril), Rawel (indapamide), Kaptopril (captopril) and Tenox (amlodipine). Holding a 5% market share in Moldova, Krka is one of the three largest providers of pharmaceuticals in that market.

In **Mongolia** sales increased by 35%. The majority of sales there comes from prescription pharmaceuticals, to which we added Atoris (atorvastatin), Rawel (indapamide), Zyllt (clopidogrel) and Orsoslim (orlistat). Sales also increased in all the other markets of the Caucasus and Central Asia, where they totalled EUR 6.2 million. In **Azerbaijan** sales were up 7%, and in **Georgia** they increased by 4% compared to the same period last year. The 85% sales growth recorded in **Kyrgyzstan** was largely driven by Pikovit, Duovit, Herbion and Enap (enalapril), while in **Turkmenistan**, where sales nearly doubled compared to the same period last year, the most important products in terms of sales were Naklofen (diclofenac), Pikovit, Fromilid (clarithromycin) and Enap (enalapril). Sales in **Armenia** were up 46%, mainly on account of prescription pharmaceuticals, and in **Tajikistan** they increased by 53%, likewise largely on account of prescription pharmaceuticals, of which Nalpaza (pantoprazole), launched this year, made a notable contribution. The newly launched products in this market further include Vasilip (simvastatin) and Lorista (losartan).

Central Europe

In addition to Poland, the Czech Republic and Hungary, Krka's key markets, Region Central Europe also encompasses Slovakia and the three Baltic countries: Lithuania, Latvia and Estonia. Despite sales having increased in the majority of the markets in the Region, the lower sales figures recorded for Poland and Hungary caused the overall sales to drop by 12% compared to the same period last year.

Sales in **Poland** decreased by 17% compared to the same period last year, amounting to EUR 55.4 million. The decrease was mainly the result of the recent legislative changes in the country, and we expect sales to pick up later this year.

The majority of sales came from prescription pharmaceuticals, of which the leaders remain Atoris (atorvastatin), Lorista (losartan), Valsacor (valsartan), Nalpaza (pantoprazole), Prenessa (perindopril), Sulfasalazin (sulfasalazine) and

Roswera (rosuvastatin). After being launched on the market only this year, Roswera has already become a leading product in terms of sales. Good sales results were also recorded for the other newly launched products: Doreta (paracetamol and tramadol), Nimvastid (rivastigmine), Elicea (escitalopram), Ultop (omeprazole), Cezera (levocetirizine), Emanera (esomeprazole) and Karbis (candesartan). Septotele and Bilobil (ginkgo biloba) remain the most important non-prescription products, while the leading animal health product in terms of sales was Fypryst (fipronil), a product for treating pets, followed by Floron (florfenicol).

In the **Czech Republic** we sold EUR 34 million worth of products, up 6% compared to the same period last year. The largest contributors to overall sales were prescription pharmaceuticals, of which the leaders were Atoris (atorvastatin), Lorista (losartan), Lexaurin (bromazepam), Lanzul (lansoprazole), Asentra (sertraline), Amprilan

(ramipril) and Prenessa (perindopril). The best-selling non-prescription product remains Nalgesin (naproxen).

In **Hungary** sales amounted to EUR 20 million. The largest contributors were prescription pharmaceuticals, especially Prenessa (perindopril), Atoris (atorvastatin), Nolpaza (pantoprazole) and Valsacor (valsartan), and Roxera (rosuvastatin), which had been launched last year. Lower total sales are mainly the result of healthcare reforms in the country, which affected the prices of pharmaceuticals and their reimbursement.

West Europe and Overseas Markets

Contributing just over EUR 138.6 million to total sales for the first half of the year, up 23%, Region West Europe and Overseas Markets is Krka's second largest sales region. Despite strong pressures to lower our prices in several markets of the Region, we expect sales growth to continue into the second half of the year, mainly on account of products launched last year.

Sales during the six months to June were stepped up compared to the same period last year both via partners and via Krka's subsidiaries in Western Europe. Prescription pharmaceuticals remain our most important group of products, and the most important markets in Western Europe remain **Germany, the UK, France, the Nordic countries, the Benelux, Italy, Portugal and Spain**. Krka has preserved the position as the leading generic producer of esomeprazole, clopidogrel, galantamine SR, gliclazide SR and ropinirole SR in Western Europe, and as one of the leaders in producing the generic olanzapine, pantoprazole, lansoprazole, perindopril, pioglitazone and donepezil.

The subsidiary **TAD Pharma** in Germany, which in the second quarter successfully launched candesartan together with combinations, and atorvastatin, recorded an 18% growth in sales. The leading products in terms of sales were pantoprazole, galantamine SR and clopidogrel.

The highest sales growths in relative terms were recorded by the subsidiaries **Krka Sverige** in Sweden and **Krka Farmacêutica** in Portugal. Krka Sverige recorded the best sales results for well established prescription pharmaceuticals, while in

Sales in **Slovakia** reached EUR 13.4 million in the first six months of 2012, up 12% compared to the same period last year. Our most important products in terms of sales were prescription pharmaceuticals, especially Atoris (atorvastatin), Prenessa (perindopril), Valsacor (valsartan), Nolpaza (pantoprazole) and Fromilid (clarithromycin).

In the first half of 2012 sales growth was also recorded in all the three Baltic countries, with sales in **Latvia** increasing by 17%, in **Estonia** by 12% and in **Lithuania** by 4%.

Portugal we increased market shares for the majority of products, especially for perindopril and quetiapine.

Sales growth was also recorded by the subsidiary **Krka Pharma** in Austria, where we expect good sales results in the second half of the year, when we plan to launch several new products with high sales potentials.

Krka Pharma Dublin has been launching new products at an accelerated pace, therefore sales figures there are growing each month. In the first half of 2012, Krka was left as the only remaining provider of generic galantamine SR and ropinirole SR in the Irish market.

In the reported period, Krka's newly incorporated subsidiaries in Spain and Italy launched the first Krka own-brand products in those market, which we plan to do in France as well by the end of the year. The sale of animal health products increased by 22% in the first half of 2012, whereby the largest contributors remain enrofloxacin and fipronil. In all the key markets of Western Europe we have also preserved and increased the sale of marbofloxacin, florfenicol and toltrazuril.

Sales in the Overseas Markets increased by 36%, with the best results reported for the **Arabian Peninsula and Iran**. Krka's sales office there started to sell Krka's own-brand products in **Iraq** in the reported period. By launching new products and entering new markets we will preserve sales growth there in the future.

Krka Group and Krka Company sales by product and service group

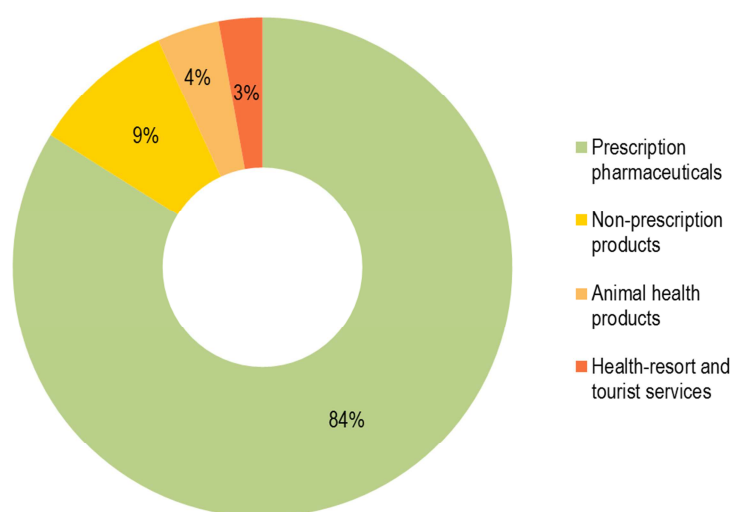
Having generated 93% of the overall Krka Group sales, human health products are Krka's most important group of products. Prescription pharmaceuticals contributed the most, 84%, followed by non-prescription products, which represent 9% of total Group sales, and animal health products, which represent 4%. Health-resort and tourist services contribute the remaining 3% to

the overall Krka Group sales.

Substantial sales growth compared to the same period last year was recorded for prescription pharmaceuticals and animal health products, while the sale of non-prescription products and health-resort and tourist services were down.

	Krka Group			Krka Company		
EUR thousand	1-6/2012	1-6/2011	Index	1-6/2012	1-6/2011	Index
Human health products	526,090	491,485	107	498,083	468,128	106
– Prescription pharmaceuticals	473,681	437,342	108	455,993	414,145	110
– Non-prescription products	52,409	54,143	97	42,090	53,983	78
Animal health products	22,736	19,889	114	22,252	19,650	113
Health-resort and tourist services	15,952	16,991	94			
Other	514	440	117	939	907	104
Total	565,292	528,805	107	521,274	488,685	107

Krka Group sales by product and service group, January–June 2012



Prescription pharmaceuticals

The Krka Group sold EUR 473.6 million worth of prescription pharmaceuticals in the first half of 2012, 8% more than in the same period last year.

Sales increased the most in Region East Europe (up 30%), Region West Europe and Overseas Markets (up 24%) and Region South-East Europe (up 6%), while in Region Central Europe and in

Region Slovenia sales were down compared to the same period last year.

With respect to larger individual markets, the highest sales growth rates for prescription pharmaceuticals were recorded in the Russian Federation (up 31%), Germany (up 16%) and the Czech Republic (up 6%).

With respect to medium size markets, let us single out the high sales growth rates in the UK (up 151%), the Nordic countries (up 61%), Ukraine (up 27%), Romania (up 17%) and Slovakia (up 13%).

With respect to smaller markets, high sales growths were recorded in Uzbekistan (up 46%), Mongolia (up 41%), Moldova (up 21%), Kazakhstan (up 19%), Serbia (up 17%), Belarus (up 17%) and Latvia (up 11%). In the Arabian Peninsula sales more than doubled, and even the smallest markets, such as Armenia, Georgia, Kyrgyzstan, Tajikistan and Turkmenistan, recorded sales growth rates of several tens of per cents.

The top 10 best-selling prescription pharmaceuticals are Enap (enalapril), Atoris (atorvastatin), Lorista (losartan), Prenessa (perindopril), Nolpaza (pantoprazole), Zyllt (clopidogrel), Emozul/Emanera (esomeprazole), Valsacor (valsartan), Lanzul (lansoprazole) and Zalasta (olanzapine), of which the highest sales growths were reported for Valsacor (up 39%) and Emozul/Emanera (up 33%). Good sales results are also reported for Prenessa, Zalasta, Ampiril, Yasnal, Orsoten and Nalgesin, the sale of which increased by more than 10% each.

In the first half of 2012, several existing products were launched on new markets:

- Dasselta/Esradin (desloratadine) in Slovenia, Lithuania, Latvia, Estonia, the Czech Republic, Slovakia, Hungary, Romania, Germany, Austria, Portugal, Finland and Ireland,
- Roswera/Roxera (rosuvastatin) in Croatia, Kosovo, Lithuania, Kazakhstan, Ukraine and Russia,
- Amlessa/Dalnessa/Tonarssa (fixed-dose combination of perindopril and amlodipine) in Romania, Latvia, the Czech Republic, Slovakia and Portugal,

- Tolura (telmisartan) in Bulgaria, the Czech Republic, Slovakia, Hungary and Finland,
- Emanera/Emozul (esomeprazole) in Macedonia, Bosnia and Herzegovina and Finland, Nolpaza in Bulgaria, Spain and Italy,
- Zalasta (olanzapine) in the Czech Republic, Austria, Italy and Portugal,
- Yasnal (donepezil) in Germany and Ireland, Galsya SR (galantamine) in Romania, Austria, Italy and Finland,
- Kventiax/Quentiax (quetiapine) in Romania, Germany, Austria and Italy,
- Rolpryna SR (ropinirole) in Slovenia, Austria and Italy,
- Monkasta (montelukast) in Croatia, Prenessa (perindopril) in Italy,
- Co-Prenessa (fixed-dose combination of perindopril and indapamide) in Macedonia,
- pioglitazone in Portugal,
- Repodiab (repaglinide) in Kazakhstan,
- Valsacor (valsartan) in Belarus,
- Co-Valsacor (fixed-dose combination of valsartan and hydrochlorothiazide) in Italy,
- Karbis/Candecor (candesartan) in the Czech Republic, Romania and Germany,
- Karbicombi/Candecor (fixed-dose combination of candesartan and hydrochlorothiazide) in the Czech Republic, Romania, Germany, Italy, Finland and Ireland, and
- Doreta (fixed-dose combination of tramadol and paracetamol) in Romania.

A significant new development in marketing our prescription pharmaceuticals is that we are setting up our own marketing and sales teams in Italy and Spain, where we have already hired the initial sales staff and launched the first own-brand Krka products. Similar preparations for setting up our own sales teams and launching own-brand products are currently also ongoing in France.

Non-prescription products

We sold EUR 52.4 million worth of non-prescription products in the first half of the year, a decrease by 3% compared to the same period last year. Sales were nevertheless up in numerous markets, most notably in Region East Europe.

In Slovenia sales decreased compared to the same period last year, which was mainly due to our terminating the sale of cosmetic products and due to the slightly weaker sale of seasonal products.

Sales in Region South-East Europe were down compared to the first half of 2011 primarily due to lower sales in Romania, where they restricted the reimbursement of ginkgo biloba products, one of which is our key product Bilobil. In Croatia and Serbia the sale of non-prescription products remained on the same levels as last year, while in the markets of Macedonia, Bosnia and Herzegovina and Albania sales increased (up 7%).

In Region East Europe sales were up one tenth, with several of the Region's markets having witnessed sales growths individually: in Kazakhstan sales were up 47%, in Mongolia they were up 25%, in Uzbekistan 21%, in Ukraine 12%, in the Russian Federation 6% and in Belarus 5%. High growth rates were also recorded in smaller markets, such as Armenia, Kirghizia, Tajikistan and Turkmenia. In Region Central Europe sales decreased by 11% compared to the same period last year, mainly due

to lower sales in Poland. In the Region's other markets we recorded important growth rates, as sales there increased by 61% in Latvia, by 23% in Lithuania and by 2% in the Czech Republic and Slovakia.

The leading non-prescription products are Herbion, Bilobil, Septolete, Nalgesin, Pikovit, Panzynom, Duovit and Fitoval, which are therefore the focus of the majority of our marketing activities.

Animal health products

In the first six months of 2012, Krka sold EUR 22.7 million worth of animal health products, an increase by 14% compared to the same period last year.

Sales increased the most in Region West Europe and Overseas Markets (up 22%). The Region's most important markets are the Benelux countries, where sales tripled, and France, where sales were up 9%. The runner-up sales region is Region East Europe, where sales increased by 13% and where the highest sales growth was recorded for Ukraine (up 68%). Region Central Europe recorded a 12% sales growth, mainly driven by sales in Poland (up 15%) and by the high sales growth rates (over 100%) in the Czech Republic and Latvia. In Region

South-East Europe sales were up 5%, mainly driven by the 33% sales growth in Serbia. In Slovenia the sale of animal health products increased by 1% compared to the same period last year.

Among Krka's established brands, Enroxil and Floron are taking the lead in sales terms, followed by the newly launched Fypryst, the sale of which has tripled compared to the same period last year.

Marketing activities in the first half of the year focused on launching Fypryst in Region West Europe, Marfloxin in Central and South-East Europe, and Misoxin in the Russian Federation.

Health-resort and tourist services

In the first half of 2012 the Terme Krka Group generated EUR 16 million of sales, a decrease by 6% compared to the same period in 2011. The decrease in overnight stays of guests from one of our key markets, Italy, could not be fully compensated with the rising number of guests from the domestic and Russian markets. In the domestic market, positive sales trends were recorded for the spa health care guest group, especially in the spa resort Terme Dolenjske Toplice and the sea side resort Strunjan. Companies' preventive health care recreation and seminars guest group, on the other

hand, witnessed negative trends, a result of austerity measures implemented in Slovenia. Russian guests are gaining increasing importance, with 7,200 overnight stays having been recorded from them in the first half of the year, an increase by 64% compared to last year.

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

Research and development

In the first half of 2012 we acquired first marketing authorisations for five new products in 13 dosage

forms and strengths, and obtained 320 marketing authorisations for 64 products in different markets.

Prescription pharmaceuticals

We obtained marketing authorisations for four new prescription pharmaceuticals in 12 pharmaceutical forms and strengths. By acquiring marketing authorisations under EU procedures (Mutual Recognition Procedure -- MRP, Decentralised Procedure -- DCP, Centralised Procedure -- CP) and national procedures we expanded marketing opportunities for various established products.

Krka is one of the leading generic producers of pharmaceuticals for the treatment of cardiovascular diseases. We expanded our product portfolio for the treatment of high blood pressure with the new fixed-dose combination of angiotensin II antagonist **olmesartan** and diuretic **hydrochlorothiazide**. The combination of olmesartan and hydrochlorothiazide supplements Krka's rich portfolio of sartans and their fixed-dose combinations, and offers a further choice of treatment for patients suffering from high blood pressure. It is a new option for patients not responding to the treatment with olmesartan or other sartans and their combinations, and for those suffering from side effects due to such treatment. The fixed-dose combination of olmesartan and hydrochlorothiazide in film-coated tablets in four strengths was authorised in nine European countries under the DCP.

Our range of products to lower blood pressure was also expanded to new markets of Western Europe. Two DCPs were completed for **candesartan (Karbis)** in tablet form in four strengths, and new marketing authorisations acquired in 17 European countries. Applying the DCP we, further, acquired the marketing authorisation for **valsartan** film-coated tablets in four strengths.

Additional marketing authorisations were obtained under the MRP in 12 European countries for Krka's well established product for the treatment of cardiovascular diseases, **atorvastatin (Atoris)**, in the form of film-coated tablets in the three strengths of 10 mg, 20 mg and 40 mg.

Perindopril (Prenessa Q-Tab) in the new patient-friendly form of **orodispersible tablets** in two strengths was authorised under the DCP in nine European countries.

Having obtained marketing authorisations for the new medicine **capecitabine**, we entered the field of oncology medications. Capecitabine in the form of film-coated tablets in three strengths is a substance

treating different kinds of cancer, including colon and stomach cancer, and breast cancer. The side effect profile of capecitabine is favourable, with the incidence of hair loss and haematological side effects being generally low and manageable. It is also indicated in the treatment of older patients and those with kidney and liver disorders. The oral form of the medicine is patient friendly and easy to use, allowing for home therapy. We obtained marketing authorisations for capecitabine in 29 countries under the CP.

Applying the CP, we obtained marketing authorisations in all the markets of Western Europe for **sildenafil orodispersible tablets** in three strengths. The orodispersible tablets, which treat erectile dysfunction, taste pleasant, and since they dissolve rapidly without chewing they are suitable for patients having difficulties swallowing ordinary tablets.

As to antidiabetics, we obtained new marketing authorisations in the countries of Western Europe for **pioglitazone**, which treats type-2 diabetes. **Pioglitazone (Paglitaz)** in tablet form in three strengths was authorised in 29 countries under the CP.

As to antipsychotics, we obtained additional marketing authorisations for **ziprasidone** capsules in four strengths in seven European countries.

In the Russian Federation we obtained marketing authorisations for the statins **atorvastatin (Atoris)** in the form of film-coated tablets in three new strengths and **rosuvastatin (Roxera)** in the form of film-coated tablets in as many as six strengths. Further in the Russian Federation, we obtained a new marketing authorisation for **lisinopril (Zonixem)** in tablet form in three strengths, and for the fixed-dose combination of **lisinopril** and **hydrochlorothiazide (Zonixem HL, Zonixem HD)** in tablet form in three different strengths.

With respect to Krka's key therapeutic group, proton pump inhibitors, marketing authorisations were acquired in the Russian Federation and Ukraine for **rabeprazole (Zulbex)** gastro-resistant tablets in two strengths.

Further in Ukraine, we obtained new marketing authorisations for the fixed-dose combination **losartan** and **hydrochlorothiazide (Lorista H 100**

mg/12.5 mg) in the form of film-coated tablets, for **rabeprazole (Zulbex)** gastro-resistant tablets in two strengths, and for **olanzapine (Zalasta)** tablets and orodispersible tablets.

In the markets of South-Eastern Europe we acquired new marketing authorisations for products in key therapeutic groups. The well established **atorvastatin (Atoris)** in the form of film-coated tablets in three new strengths (30 mg, 60 mg and 80 mg) was authorised in Croatia, Macedonia and Kosovo. In Macedonia we further authorised **rosuvastatin (Roswera)** film-coated tablets in an additional two strengths, and in Serbia the sartan **telmisartan (Tolura)** in the form of tablets in two strengths.

Non-prescription products

In the first half of 2012 we obtained new marketing authorisations for our key non-prescription brands.

We gained an additional marketing authorisation for the **Bilobil** 120 mg capsules in Estonia, while the herbal **Palprostes** soft gel capsules were authorised in the Russian Federation.

Herbion ivy syrup was approved in several markets of Eastern and South-Eastern Europe: Ukraine, Kazakhstan, Macedonia, Bosnia and Herzegovina, Belarus and Moldova.

As to analgesics, marketing opportunities were expanded for the well established brand **Nalgesin**

Animal health products

In the first half of 2012 we obtained the first marketing authorisation for our new product **doxycycline (Misoxin)** in the form of oral powder. The product was approved in the Russian Federation.

Applying the CP we obtained in 27 EU countries marketing authorisations for our probiotic product **Animavit** in the form of water soluble granules, which contains probiotics of a strain of **Bacillus subtilis**.

We also completed the DCP for the **fipronil** spot-on

In Croatia we also obtained new marketing authorisations for the fixed-dose combination **valsartan** and **hydrochlorothiazide (Valsacombi)** in the form of film-coated tablets in two strengths, the fixed-dose combination **losartan/HCTZ (Lorista H 100 mg/12.5 mg)** in the form of film-coated tablets, **tamsulosin (Tanyz ERAS)** film-coated tablets, the fixed-dose combination **candesartan** and **hydrochlorothiazide (Karbicombi)** in the form of tablets in four strengths, **rabeprazole (Zulbex)** gastro-resistant tablets in two strengths, **ropinirole (Rolpryna SR)** prolonged-release tablets in three strengths, and **rivastigmine (Nimvastid)** capsules and orodispersible tablets.

(**naproxen**). Having completed the DCP for **naproxen** film-coated tablets in two strengths, they were approved in six countries of Western Europe, and we also obtained new marketing authorisations for **Nalgesin** in Croatia, Albania, Moldova and Serbia.

In the markets of Eastern Europe we strengthened the position of Krka's key brand **Septolete** by obtaining marketing authorisations for the **Septolete plus spray** in Belarus, and for the **Septolete plus honey and lime** lozenges in the Russian Federation, Ukraine, Turkmenistan, Armenia and Romania.

solution in five strengths, obtaining marketing authorisations for the product in 11 countries of Western Europe.

In Azerbaijan we authorised the **Giraxa (colistin)** water soluble powder for the preparation of oral solution, treating bacterial infections in farm animals, and in Serbia we obtained a new marketing authorisation for **Rycarfa (carprofen)** flavoured tablets in three strengths, used as a pain reliever after operations and in degenerative changes of the musculoskeletal system.

Investments

In the first six months of 2012 the Krka Group allocated EUR 58.0 million for investments, of which the controlling company invested EUR 26.4 million and subsidiaries EUR 31.6 million. Krka has set aside EUR 200 million for investments in 2012, however, investment spending will in fact be lower, as we negotiated good pricing conditions with suppliers and contractors.

In June work started on the largest investment in Krka's history – the new oral solid dosage pharmaceutical production plant Notol 2, which is being built at Krka's central location at Ločna in Novo mesto, Slovenia. The plant with the target capacity of 4.5 billion finished products per year is worth EUR 200 million.

Also ongoing is the investment into Krka's subsidiary Farma GRS, d. o. o., which Krka founded together with partners in a project aimed at further developing the pharmaceutical industry. New research, development and production capacity is being set up at Krka's location at Ločna in Novo mesto, Slovenia, in a project worth EUR 45 million. The company will set up the infrastructure for developing new products and technologies related to pharmaceutical chemistry and technology. The project is being co-funded by the European Union, contributing over EUR 10 million from the European Regional Development Fund.

We began the construction of the Sinteza 1 plant in Krško, Slovenia. The API production plant will provide for maximum production flexibility and foster the transition to large scale production of complex APIs and intermediates in a controlled environment, consistent with the European Community Regulation on chemicals and their safe use (REACH).

There are other completed or ongoing investment projects that will increase Krka's production capacity. By refurbishing one of Krka's existing plants, we have set up the conditions for producing bulk products and packaging animal health tablets. The investment was worth EUR 1.4 million. We will gradually also increase ampoule production to 130 million per year. In a project worth EUR 2.9 million, we have increased the production capacity for bulk products and finished products in the existing and partly refurbished plant in the subsidiary Krka Farma Zagreb.

One of our most important ongoing investments is the construction of the new plant and the expansion of the logistics centre in the Russian Federation, Krka Rus 2. The investment is worth an estimated EUR 135 million and will consolidate Krka's position as a domestic producer of pharmaceuticals in the country. The plant's production capacity is 1.8 billion tablets and capsules per year, while the construction is planned to finish in 2013.

Employees

Employees are the key to good business results, therefore Krka invests into employee development, upholds relations among employees, and caters for the well-being of its employees in the workplace and outside it.

At the end of June 2012, the Krka Group had 9,209 employees, which is 261, or 3%, more than at the

beginning of the year. The number of Krka employees increased in the first half of the year by 99 in Slovenia and by 162 abroad.

Krka's subsidiaries and representation offices outside Slovenia employ 49% of the Group's employees. 51% of the Group's team having university or higher academic degrees.

Education profiles of Krka Group employees in numbers

	30 Jun 2012		31 Dec 2011	
	Number of employees	Share (%)	Number of employees	Share (%)
Doctorate	100	1.1	95	1.1
Master of science	273	3.0	266	3.0
University education	4,353	47.3	4,230	47.3
Higher professional education	1,013	11.0	945	10.6
Vocational college education	262	2.8	257	2.9
Secondary school education	1,813	19.7	1,760	19.7
Other	1,395	15.1	1,395	15.6
Total	9,209	100.0	8,948	100.0

By offering study grants to students we have secured a continuous inflow of new talented employees. Currently there are 78 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 the 2011/12 school year, Krka awarded 11 new scholarships.

We foster our employees' professional and personal growth, and systematically plan the development of key and promising employees. A lot of attention is devoted to developing leadership skills in employees. Krka organises its own leadership schools for different levels of leadership: the Krka International Leadership School, which is attended by directors and heads of units from Krka's subsidiaries and representative offices abroad as well as those from Krka's branches in Slovenia, the Krka Operational Leadership School, and the elementary level leadership programme. Promising employees that are envisaged for professional development in a specific field are included into complex projects, they undergo specialist trainings, they are enrolled into studies of expert fields, and they are also enrolled into Krka's in-house programme for expert and project teams. By organising trainings, thematic conferences and other international events we foster the exchange of good practices and promote the development of international culture in the Group.

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 organises most of these trainings itself.

Employees show a keen interest in gaining new knowledge and attaining higher academic degrees, and Krka supports them in their endeavours. 58 Krka employees are currently enrolled into postgraduate studies towards obtaining a specialisation, master's degree or doctoral degree with Krka's support, and 304 are enrolled into part time graduate studies. During the first half of 2012, 21 employees completed their studies, and in autumn an additional 45 are enrolling into various study programmes with Krka's support.

The Group continues to operate the certificate-awarding system, which places emphasis on the candidates' actual practical knowledge about the production of raw materials and finished products as well as logistics. We examine and approve knowledge under this system, having awarded 849 certificates in the period from 2002 to 2012, 707 to Krka employees and 142 to candidates from other organisations in the pharmaceutical industry.

We offer a wide range of free-time activities to our employees, striving for a wholesome quality of their work and life.

We devote special attention to our best and year-long colleagues. At the Krka Awards Day in June we bestowed 407 recognition awards to the most loyal employees, the most successful managers and other employees, and the employees that had contributed innovative solutions (in the first half of 2012, 270 employees put forward 324 worthwhile proposals). The event was of a sporting and social nature, and intended for all Krka employees.

At the end of last year we conducted a measurement of the organisational climate in the Krka Group. The results show that the climate is

good and that employees are target-oriented and highly engaged.

In April Krka was conferred a recognition award by the Slovenian Human Resource Association,

recognising our contribution to the sustainable development of the human resource profession and our support to the development and operations of the Association.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP, WITH NOTES

Statement of consolidated financial position of the Krka Group

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Assets			
Property, plant and equipment	719,473	703,112	102
Intangible assets	116,844	119,082	98
Deferred tax assets	25,452	27,340	93
Non-current loans	5,727	4,821	119
Non-current investments	5,256	4,944	106
Other non-current assets	186	169	110
Total non-current assets	872,938	859,468	102
Inventories	248,885	253,208	98
Trade and other receivables	420,929	399,512	105
Current loans	45,745	1,050	4,357
Current investments	625	602	104
Cash and cash equivalents	23,134	20,187	115
Total current assets	739,318	674,559	110
Total assets	1,612,256	1,534,027	105
Equity			
Share capital	59,126	59,126	100
Treasury shares	-47,785	-42,584	112
Reserves	181,133	174,409	104
Retained earnings	1,032,154	947,289	109
Total equity holders of the parent	1,224,628	1,138,240	108
Non-controlling interest	1,503	1,514	99
Total equity	1,226,131	1,139,754	108
Liabilities			
Non-current borrowings	25,500	25,500	100
Provisions	104,729	104,819	100
Deferred revenue	6,914	6,670	104
Deferred tax liabilities	15,465	18,103	85
Total non-current liabilities	152,608	155,092	98
Trade payables	87,809	90,888	97
Current borrowings	26,625	44,091	60
Income tax liabilities	1,952	1,309	149
Other current liabilities	117,131	102,893	114
Total current liabilities	233,517	239,181	98
Total liabilities	386,125	394,273	98
Total equity and liabilities	1,612,256	1,534,027	105

Consolidated income statement of the Krka Group

EUR thousand	1-6/2012	1-6/2011	Index
Revenues	565,292	528,805	107
Cost of sales	-220,006	-199,928	110
Gross profit	345,286	328,877	105
Other income	2,068	4,417	47
Distribution expenses	-147,200	-129,228	114
R&D costs	-47,975	-43,707	110
Administrative expenses	-35,124	-37,112	95
Operating profit	117,055	123,247	95
Financial income	867	1,903	46
Financial expenses	-9,406	-6,720	140
Net financial expenses	-8,539	-4,817	177
Profit before tax	108,516	118,430	92
Income tax expense	-18,461	-26,004	71
Profit for the period	90,055	92,426	97
Attributable to:			
– equity holders of the parent	90,066	92,441	97
– non-controlling interest	-11	-15	73
Basic earnings per share (in EUR)*	2.70	2.74	98
Diluted earnings per share (in EUR)**	2.70	2.74	

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

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

Consolidated statement of comprehensive income of the Krka Group

EUR thousand	1-6/2012	1-6/2011	Index
Profit for the period	90,055	92,426	97
Other comprehensive income for the period			
Change in fair value of available-for-sale financial assets	262	-202	-130
Deferred tax effect – change in fair value of available-for-sale financial assets	-52	40	-130
Translation reserve	0	-67	0
Deferred tax effect – translation reserve	1,313	0	
Total other comprehensive income for the period	1,523	-229	-665
Total comprehensive income for the period	91,578	92,197	99
Attributable to:			
– equity holders of the parent	91,589	92,212	99
– non-controlling interest	-11	-15	73

Consolidated statement of changes in equity of the Krka Group

EUR thousand	Reserves								Retained earnings			Total equity holders of the parent	Non-controlling interest	Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserve	Other revenue reserves	Profit for the period	Retained earnings			
Balance at 1 Jan 2012	59,126	-42,584	42,584	101,503	14,990	30,000	1,542	-16,210	760,611	124,150	62,528	1,138,240	1,514	1,139,754
Profit for the period	0	0	0	0	0	0	0	0	0	90,066	0	90,066	-11	90,055
Other comprehensive income for the period														
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	262	0	0	0	0	262	0	262
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	-52	0	0	0	0	-52	0	-52
Deferred tax effect – translation reserve	0	0	0	0	0	0	0	1,313	0	0	0	1,313	0	1,313
Total other comprehensive income for the period	0	0	0	0	0	0	210	1,313	0	0	0	1,523	0	1,523
Total comprehensive income for the period	0	0	0	0	0	0	210	1,313	0	90,066	0	91,589	-11	91,578
Transactions with owners, recognised directly in equity														
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management Board and Supervisory Board	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	-124,150	124,150	0	0	0
Transfer to other revenue reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	5,201	0	0	0	0	0	0	-5,201	0	0	0	0
Repurchase of treasury shares	0	-5,201	0	0	0	0	0	0	0	0	0	-5,201	0	-5,201
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners, recognised directly in equity	0	-5,201	5,201	0	0	0	0	0	0	-129,351	124,150	-5,201	0	-5,201
Balance at 30 Jun 2012	59,126	-47,785	47,785	101,503	14,990	30,000	1,752	-14,897	760,611	84,865	186,678	1,224,628	1,503	1,226,131

EUR thousand	Reserves								Retained earnings			Total equity holders of the parent	Non-controlling interest	Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserve	Other revenue reserves	Profit for the period	Retained earnings			
Balance at 1 Jan 2011	59,126	-21,749	21,749	101,503	14,990	27,184	1,767	-7,960	684,639	111,765	58,736	1,051,750	1,577	1,053,327
Profit for the period	0	0	0	0	0	0	0	0	0	92,441	0	92,441	-15	92,426
Other comprehensive income for the period														
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	-202	0	0	0	0	-202	0	-202
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	40	0	0	0	0	40	0	40
Translation reserve	0	0	0	0	0	0	0	-67	0	0	0	-67	0	-67
Total other comprehensive income for the period	0	0	0	0	0	0	-162	-67	0	0	0	-229	0	-229
Total comprehensive income for the period	0	0	0	0	0	0	-162	-67	0	92,441	0	92,212	-15	92,197
Transactions with owners, recognised directly in equity														
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management Board and Supervisory Board	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	-111,765	111,765	0	0	0
Transfer to other revenue reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	11,762	0	0	0	0	0	0	-11,762	0	0	0	0
Repurchase of treasury shares	0	-11,762	0	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	0
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	3	3
Total transactions with owners, recognised directly in equity	0	-11,762	11,762	0	0	0	0	0	0	-123,527	111,765	-11,762	3	-11,759
Balance at 30 Jun 2011	59,126	-33,511	33,511	101,503	14,990	27,184	1,605	-8,027	684,639	80,679	170,501	1,132,200	1,565	1,133,765

Consolidated statement of cash flows of the Krka Group

EUR thousand	1-6/2012	1-6/2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	90,055	92,426
Adjustments for:	68,477	70,027
– amortisation/depreciation	44,278	41,928
– foreign exchange differences	17	166
– investment income	-748	-419
– investment expense	5,430	656
– interest expense and other financial expense	1,039	1,689
– income tax	18,461	26,004
– other	0	3
Operating profit before changes in net operating current assets	158,532	162,453
Change in trade and other receivables	-25,423	-7,671
Change in inventories	4,323	-21,013
Change in trade payables	-3,080	-11,145
Change in provisions	-90	385
Change in deferred revenue	244	3,087
Change in other current liabilities	14,271	19,694
Income taxes paid	-14,614	-28,051
Cash generated from operations	134,164	117,739
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	241	137
Dividends received	1	0
Proceeds from sale of property, plant and equipment	143	1,200
Purchase of intangible assets	-2,113	-5,057
Purchase of property, plant and equipment	-55,971	-47,533
Non-current loans	-1,087	-702
Proceeds from repayment of non-current loans	540	441
Acquisition of non-current investments	-98	-30
Proceeds from sale of non-current investments	29	20
Payments in connection with current investments and loans	-44,848	-4,685
Payments in connection with derivative financial instruments	-4,987	-8
Proceeds from derivative financial instruments	102	5
Net cash used in investing activities	-108,048	-56,212
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-1,344	-1,839
Repayment of non-current borrowings	-16,700	-20,336
Acquisition/Repayment of current borrowings	343	-16,482
Dividends paid	-32	-55
Repurchase of treasury shares	-5,201	-11,762
Net cash used in financing activities	-22,934	-50,474
Net increase in cash and cash equivalents	3,181	11,053
Cash and cash equivalents at beginning of period	20,187	7,789
Effect of exchange rate fluctuations on cash held	-234	-276
Net cash and cash equivalents at end of period	23,134	18,566

Segment reporting of the Krka Group

	European Union		South-East Europe		East Europe		Other		Total	
EUR thousand	1-6/2012	1-6/2011	1-6/2012	1-6/2011	1-6/2012	1-6/2011	1-6/2012	1-6/2011	1-6/2012	1-6/2011
Revenues to non-group companies	335,359	338,299	45,035	44,194	167,941	134,578	16,957	11,734	565,292	528,805
Revenues to Group companies	37,446	72,493	35,529	29,525	71,450	73,753	0	0	144,425	175,771
Revenues from reversal of provisions and other income	1,922	4,149	18	39	128	229	0	0	2,068	4,417
Operating profit	70,492	96,421	13,077	12,091	28,709	12,372	4,777	2,363	117,055	123,247
Interest revenue	406	148	4	4	10	4	0	0	420	156
Interest expenses	-982	-1,600	-4	-7	0	-1	0	0	-986	-1,608
Net financial income/expenses	-1,842	-3,724	-2,033	312	-4,478	-1,315	-186	-90	-8,539	-4,817
Income tax expense	-10,434	-19,021	-2,474	-3,197	-5,151	-3,581	-402	-205	-18,461	-26,004
Profit for the period	58,216	73,676	8,570	9,206	19,080	7,476	4,189	2,068	90,055	92,426
Investments in property, plant and equipment, and intangible assets	39,781	46,801	2,188	335	16,076	6,012	0	0	58,045	53,148
Depreciation of property, plant and equipment	30,075	27,172	2,334	1,431	7,228	7,338	228	182	39,865	36,123
Amortisation of intangible assets	3,206	3,570	285	1,237	838	937	84	61	4,413	5,805
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
Total assets	1,195,319	1,155,647	96,125	91,825	308,964	274,283	11,848	12,272	1,612,256	1,534,027
Total liabilities	226,164	247,401	31,152	27,121	119,473	112,024	9,336	7,727	386,125	394,272

Notes to the consolidated financial statements of the Krka Group

Revenues

EUR 565,292 thousand

Sales revenues consist of EUR 46,974 thousand from the sale of products, services and goods in Slovenia (8.3% of sales revenues), and of EUR

518,318 thousand of sales in foreign markets (91.7% of sales revenues). Compared to the same period last year, revenues were up 7%.

Cost of sales

EUR 220,006 thousand

Compared to the same period last year, the cost of sales increased by 10%, on a costs to sales ratio of 38.9%.

Distribution expenses

EUR 147,200 thousand

Distribution expenses include the costs incurred by the marketing and sales network in Slovenia and abroad.

Compared to the same period last year, they increased by 14%, on a costs to sales ratio of 26.0%.

R&D costs

EUR 47,975 thousand

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

costs were up 10%, on a costs to sales ratio of 8.5%.

Administrative expenses

EUR 35,124 thousand

Compared to the same period last year, administrative expenses were down 5%, on a costs to sales ratio of 6.2%.

Costs by nature

EUR 450,305 thousand

EUR thousand	1-6/2012	1-6/2011	Index
Cost of goods and material	148,528	138,476	107
Cost of services	103,010	99,549	103
Employee benefits cost	142,207	133,074	107
Depreciation and amortisation expense	44,278	41,928	106
Other expenses	23,362	14,594	160
Total costs	461,385	427,621	108
Change in the value of inventories	-11,080	-17,646	63
Total	450,305	409,975	110

Employee benefits cost

EUR 142,207 thousand

EUR thousand	1-6/2012	1-6/2011	Index
Gross wages and salaries and continued pay	109,457	101,871	107
Social security contributions and payroll tax	22,642	21,147	107
Retirement benefits and anniversary bonuses	1,838	2,046	90
Other employee benefits cost	8,270	8,010	103
Total employee benefits cost	142,207	133,074	107

Other expenses

EUR 23,362 thousand

EUR thousand	1-6/2012	1-6/2011	Index
Grants and assistance for humanitarian and other purposes	1,640	1,792	92
Environmental levies	1,339	1,186	113
Other taxes and levies	12,929	5,009	258
Loss on sale of property, plant and equipment and intangible assets	440	609	72
Write-offs and write-downs for inventories	4,183	3,830	109
Other costs	2,831	2,168	131
Total other expenses	23,362	14,594	160

Financial income and expenses

EUR thousand	1-6/2012	1-6/2011	Index
Net foreign exchange gain	0	488	0
Interest income	420	156	269
Change in fair value of investments through profit or loss	26	0	
Income from derivative financial instruments	102	5	2,040
– inflows	102	5	2,040
Dividend income	1	90	1
Reversal of impairment	318	1,159	27
Other income	0	5	0
Total financial income	867	1,903	46
Net foreign exchange loss	-1,201	0	
Interest expense	-986	-1,608	61
Change in fair value of investments through profit or loss	-3	-39	8
Expense from derivative financial instruments	-4,987	-8	62,338
– outflows	-4,987	-8	62,338
Impairment and write-off of receivables	-2,170	-4,985	44
Other expenses	-59	-80	74
Total financial expenses	-9,406	-6,720	140
Net financial expenses	-8,539	-4,817	177

Income tax expense

EUR 18,461 thousand

Current income tax amounts to EUR 19,258 thousand, which is 17.7% of pre-tax profit. Together with the deferred tax of EUR –797 thousand, the total income tax expense in the income statement

equals EUR 18,461 thousand. The effective tax rate is 17.0%, 5.0 of a percentage point less than for the same period last year.

Property, plant and equipment

EUR 719,473 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Property	30,629	30,613	100
Plant	321,445	328,868	98
Equipment	296,520	298,971	99
Property, plant and equipment under construction	70,879	44,660	159
Total property, plant and equipment	719,473	703,112	102

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

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

Intangible assets

EUR 116,844 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Goodwill	42,644	42,644	100
Trademark	42,403	42,403	100
Concessions, patents, licences and similar rights	31,797	34,035	93
Total intangible assets	116,844	119,082	98

Loans

EUR 51,472 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Non-current loans	5,727	4,821	119
– loans	5,727	4,821	119
Current loans	45,745	1,050	4,357
– current portion of loans due current year	433	883	49
– current loans to other entities	45,312	162	27,970
– current interest receivable	0	5	0
Total loans	51,472	5,871	877

Non-current loans represent 11% of total loans.

Non-current loans to other entities include loans that Krka extends in accordance with its internal acts to its employees, which are primarily housing loans.

Current loans to other entities include EUR 45,000 thousand of bank deposits with maturities longer than 30 days.

Investments

EUR 5,881 thousand

EUR thousand	1-6/2012	1-6/2011	Index
Non-current investments	5,256	4,944	106
– financial assets available for sale	5,256	4,944	106
Current investments, including derivatives	625	602	104
– instruments held for trading	66	68	97
– other current investments	559	534	105
Total investments	5,881	5,546	106

Financial assets available for sale include EUR 784 thousand of investments in shares made in Slovenia and EUR 4,472 thousand of investments in shares made abroad.

Other current investments refer to EUR 287 thousand worth of shares in Slovenian mutual funds, and to EUR 272 thousand worth of assets under management.

Inventories

EUR 248,885 thousand

EUR thousand	1-6/2012	1-6/2011	Index
Material	87,839	96,764	91
Work in progress	63,898	54,425	117
Products	91,796	95,236	96
Merchandise	5,352	6,783	79
Total inventories	248,885	253,208	98

Trade and other receivables

EUR 420,929 thousand

EUR thousand	1-6/2012	1-6/2011	Index
Trade receivables	373,249	361,290	103
Other receivables	47,680	38,222	125
Total receivables	420,929	399,512	105

Cash and cash equivalents

EUR 23,134 thousand

EUR thousand	1-6/2012	1-6/2011	Index
Cash in hand	71	45	158
Bank balances	23,063	20,142	115
Total cash and cash equivalents	23,134	20,187	115

Equity

EUR 1,226,131 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Share capital	59,126	59,126	100
Treasury shares	-47,785	-42,584	112
Reserves	181,133	174,409	104
– share premium	101,503	101,503	100
– reserves for treasury shares	47,785	42,584	112
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserve	1,752	1,542	114
– translation reserves	-14,897	-16,210	92
Retained earnings	1,032,154	947,289	109
Total equity holders of the parent	1,224,628	1,138,240	108
Non-controlling interest	1,503	1,514	99
Total equity	1,226,131	1,139,754	108

Borrowings

EUR 25,500 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Non-current borrowings	25,500	25,500	100
– borrowings from domestic banks	25,500	25,500	100
Current borrowings	26,625	44,091	60
– portion of non-current borrowings due current year	24,600	41,726	59
– borrowings from foreign banks	987	978	101
– borrowings from other entities	343	386	89
– interest payable	695	1,001	69
Total borrowings	52,125	69,591	75

Provisions

EUR 104,729 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Provisions for retirement benefits and anniversary bonuses	50,817	50,915	100
Other provisions	53,912	53,904	100
– provisions for lawsuits	49,100	49,122	100
– other provisions	4,812	4,782	101
Total provisions	104,729	104,819	100

Deferred revenue

EUR 6,914 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Grants received for the Beta plant in Šentjernej	59	81	73
Grants received for the health resorts Dolenjske and Šmarješke Toplice and for Golf Grad Otočec	4,819	4,970	97
Grants by the European Regional Development Fund	633	21	3,014
Grants by the European Regional Development Fund – development of new technologies (FBD project)	780	828	94
Properties, plant and equipment received for free	571	579	99
Emission coupons	7	7	100
Other deferred revenue	45	184	24
Total deferred revenue	6,914	6,670	104

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 87,809 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Payables to domestic suppliers	34,323	36,955	93
Payables to foreign suppliers	48,917	49,623	99
Payables from advances	4,569	4,310	106
Total trade payables	87,809	90,888	97

Other current liabilities

EUR 117,131 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Accrued contractual discounts on products sold to other customers	71,722	57,926	124
Payables to employees – gross wages, other charges	28,168	29,082	97
Other	17,241	15,885	109
Total other current liabilities	117,131	102,893	114

Contingent liabilities

EUR 12,964 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Guarantees issued	12,344	12,068	102
Other	620	620	100
Total contingent liabilities	12,964	12,688	102

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

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

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Assets			
Property, plant and equipment	514,261	520,929	99
Intangible assets	28,279	29,654	95
Investments in subsidiaries	249,815	225,444	111
Deferred tax assets	18,393	18,577	99
Non-current loans	10,483	9,571	110
Non-current investments	5,047	4,735	107
Other non-current assets	144	155	93
Total non-current assets	826,422	809,065	102
Inventories	189,225	193,299	98
Trade and other receivables	413,830	399,250	104
Current loans	96,194	46,209	208
Current investments	625	602	104
Cash and cash equivalents	15,904	15,023	106
Total current assets	715,778	654,383	109
Total assets	1,542,200	1,463,448	105
Equity			
Share capital	59,126	59,126	100
Treasury shares	-47,785	-42,584	112
Reserves	196,030	190,619	103
Retained earnings	1,010,982	933,324	108
Total equity	1,218,353	1,140,485	107
Liabilities			
Non-current borrowings	25,700	25,500	101
Provisions	97,505	97,505	100
Deferred revenue	3,088	3,439	90
Deferred tax liabilities	438	386	113
Total non-current liabilities	126,731	126,830	100
Trade payables	90,137	95,550	94
Current borrowings	67,389	60,556	111
Income tax liabilities	1,551	0	
Other current liabilities	38,039	40,027	95
Total current liabilities	197,116	196,133	101
Total liabilities	323,847	322,963	100
Total equity and liabilities	1,542,200	1,463,448	105

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

EUR thousand	1-6/2012	1-6/2011	Index
Revenues	521,274	488,685	107
Cost of sales	-206,033	-189,277	109
Gross profit	315,241	299,408	105
Other income	809	3,395	24
Distribution expenses	-139,308	-117,126	119
R&D costs	-47,321	-41,311	115
Administrative expenses	-27,154	-26,760	101
Operating profit	102,267	117,606	87
Financial income	2,262	2,280	99
Financial expenses	-7,618	-6,455	118
Net financial expenses	-5,356	-4,175	128
Profit before tax	96,911	113,431	85
Income tax expense	-14,052	-21,811	64
Profit for the period	82,859	91,620	90
Basic earnings per share (in EUR)*	2.48	2.72	91
Diluted earnings per share (in EUR)**	2.48	2.72	91

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

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

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

EUR thousand	1-6/2012	1-6/2011	Index
Profit for the period	82,859	91,620	90
Other comprehensive income for the period			
Change in fair value of available-for-sale financial assets	262	-202	-130
Deferred tax effect – change in fair value of available-for-sale financial assets	-52	40	-130
Total other comprehensive income for the period	210	-162	-130
Total comprehensive income for the period	83,069	91,458	91

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

EUR thousand	Reserves							Retained earnings			Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Profit for the period	Retained earnings	
Balance at 1 Jan 2012	59,126	-42,584	42,584	101,503	14,990	30,000	1,542	760,611	111,741	60,972	1,140,485
Profit for the period	0	0	0	0	0	0	0	0	82,859	0	82,859
Other comprehensive income for the period											
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	262	0	0	0	262
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	-52	0	0	0	-52
Total other comprehensive income for the period	0	0	0	0	0	0	210	0	0	0	210
Total comprehensive income for the period	0	0	0	0	0	0	210	0	82,859	0	83,069
Transactions with owners, recognised directly in equity											
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management Board and Supervisory Board	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	-111,741	111,741	0
Transfer to other revenue reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	5,201	0	0	0	0	0	-5,201	0	0
Repurchase of treasury shares	0	-5,201	0	0	0	0	0	0	0	0	-5,201
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners, recognised directly in equity	0	-5,201	5,201	0	0	0	0	0	-116,942	111,741	-5,201
Balance at 30 Jun 2012	59,126	-47,785	47,785	101,503	14,990	30,000	1,752	760,611	77,658	172,713	1,218,353

	Reserves							Retained earnings			Total equity
	Share capital	Treasury shares	Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Profit for the period	Retained earnings	
EUR thousand											
Balance at 1 Jan 2011	59,126	-21,749	21,749	101,503	14,990	27,184	1,767	684,639	106,660	62,285	1,058,154
Profit for the period	0	0	0	0	0	0	0	0	91,620	0	91,620
Other comprehensive income for the period											
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	-202	0	0	0	-202
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	40	0	0	0	40
Total other comprehensive income for the period	0	0	0	0	0	0	-162	0	0	0	-162
Total comprehensive income for the period	0	0	0	0	0	0	-162	0	91,620	0	91,458
Transactions with owners, recognised directly in equity											
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management Board and Supervisory Board	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	-106,660	106,660	0
Transfer to other revenue reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	11,762		0	0	0	0	-11,762	0	0
Repurchase of treasury shares	0	-11,762	0	0	0	0	0	0	0	0	-11,762
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners, recognised directly in equity	0	-11,762	11,762	0	0	0	0	0	-118,422	106,660	-11,762
Balance at 30 Jun 2011	59,126	-33,511	33,511	101,503	14,990	27,184	1,605	684,639	79,858	168,945	1,137,850

Statement of cash flows of Krka, d. d., Novo mesto

EUR thousand	1-6/2012	1-6/2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	82,859	91,620
Adjustments for:	52,032	54,269
– amortisation/depreciation	34,251	31,430
– foreign exchange differences	-734	234
– investment income	-2,186	-1,451
– investment expense	5,226	580
– interest expense and other financial expense	1,423	1,665
– income tax	14,052	21,811
Operating profit before changes in net operating current assets	134,891	145,889
Change in trade receivables	-19,754	-1,894
Change in inventories	4,074	-16,560
Change in trade payables	-5,413	-14,372
Change in provisions	0	401
Change in deferred revenue	-351	1,325
Change in other current liabilities	-1,956	-2,684
Income taxes paid	-7,143	-24,344
Cash generated from operations	104,348	87,761
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	764	895
Dividends received	1	0
Proportionate profit of subsidiaries	1,000	0
Proceeds from sale of property, plant and equipment	793	1,522
Purchase of intangible assets	-1,541	-3,002
Purchase of property, plant and equipment	-25,530	-40,631
Acquisition of subsidiaries and a share of minority interest	-24,370	0
Refund of subsequent payments in subsidiaries	0	1,185
Non-current loans	-1,484	-1,881
Proceeds from repayment of non-current loans	2,297	4,590
Acquisition of non-current investments	-69	-30
Proceeds from sale of non-current investments	29	20
Payments in connection with current investments and loans	-51,456	-4,549
Payments in connection with derivative financial instruments	-4,987	-8
Proceeds from derivative financial instruments	102	5
Net cash used in investing activities	-104,451	-41,884
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-1,698	-1,815
Repayment of non-current borrowings	-16,700	-20,336
Non-current borrowings	200	0
Acquisition/Repayment of current borrowings	24,611	-8,031
Dividends paid	-32	-55
Repurchase of treasury shares	-5,201	-11,762
Net cash used in financing activities	1,180	-41,999
Net increase in cash and cash equivalents	1,077	3,878
Cash and cash equivalents at beginning of period	15,023	1,547
Effect of exchange rate fluctuations on cash held	-196	-246
Net cash and cash equivalents at end of period	15,904	5,179

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

	European Union		South-East Europe		East Europe		Other		Total	
EUR thousand	1-6/2012	1-6/2011	1-6/2012	1-6/2011	1-6/2012	1-6/2011	1-6/2012	1-6/2011	1-6/2012	1-6/2011
Revenues	310,783	309,032	49,578	43,292	145,806	125,883	15,107	10,478	521,274	488,685
Revenues from reversal of provisions and other income	613	3,395	39	0	157	0	0	0	809	3,395
Operating profit	66,172	91,445	14,251	12,833	18,917	12,220	2,927	1,108	102,267	117,606
Interest revenue	851	860	0	0	41	131	0	0	892	991
Interest expenses	-1,246	-1,640	0	0	-159	0	0	0	-1,405	-1,640
Net financial income/expenses	-524	-2,639	-160	-370	-4,486	-1,076	-186	-90	-5,356	-4,175
Income tax expense	-9,093	-16,959	-1,958	-2,380	-2,599	-2,266	-402	-206	-14,052	-21,811
Profit for the period	56,555	71,847	12,133	10,083	11,832	8,878	2,339	812	82,859	91,620
Investments in property, plant and equipment, and intangible assets	26,436	45,503	0	0	0	0	0	0	26,436	45,503
Depreciation of property, plant and equipment	24,904	21,928	1,341	1,272	4,861	5,195	228	182	31,334	28,577
Amortisation of intangible assets	1,739	1,804	277	253	816	735	85	61	2,917	2,853
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
Total assets	1,220,083	1,154,960	67,485	60,845	242,792	235,380	11,840	12,263	1,542,200	1,463,448
Total liabilities	192,950	205,393	30,771	27,684	90,789	82,159	9,337	7,727	323,847	322,963

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

Revenues

EUR 521,274 thousand

Sales revenues consist of EUR 31,449 thousand from the sale of products, services and goods in Slovenia (6.0% of sales revenues), and of EUR

489,825 thousand of sales in foreign markets (94.0% of sales revenues). Compared to the same period last year, revenues were up 7%.

Cost of sales

EUR 206,033 thousand

Compared to the same period last year, the cost of sales increased by 9%, on a costs to sales ratio of 39.5%.

Distribution expenses

EUR 139,308 thousand

Distribution expenses include the costs incurred by the marketing and sales network in Slovenia and abroad.

Compared to the same period last year, they increased by 19%, on a costs to sales ratio of 26.7%.

R&D costs

EUR 47,321 thousand

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

costs increased by 15%, on a costs to sales ratio of 9.1%.

Administrative expenses

EUR 27,154 thousand

Compared to the same period last year, administrative expenses were up 1%, on a costs to sales ratio of 5.2%.

Costs by nature

EUR 419,816 thousand

EUR thousand	1-6/2012	1-6/2011	Index
Cost of goods and material	142,660	145,381	98
Cost of services	143,502	126,262	114
Employee benefits cost	86,448	82,256	105
Depreciation and amortisation expense	34,251	31,430	109
Other expenses	15,653	9,357	167
Total costs	422,514	394,686	107
Change in the value of inventories	-2,698	-20,212	13
Total	419,816	374,474	112

Employee benefits cost

EUR 86,448 thousand

EUR thousand	1-6/2012	1-6/2011	Index
Gross wages and salaries, and continued pay	67,276	63,655	106
Social security contributions and payroll tax	11,239	10,598	106
Retirement benefits and anniversary bonuses	1,836	2,050	90
Other employee benefits cost	6,097	5,953	102
Total employee benefits cost	86,448	82,256	105

Other expenses

EUR 15,653 thousand

EUR thousand	1-6/2012	1-6/2011	Index
Grants and assistance for humanitarian and other purposes	859	879	98
Environmental levies	1,117	985	113
Other taxes and levies	9,739	2,483	392
Loss on sale of property, plant and equipment and intangible assets	236	533	44
Write-offs and write-downs for inventories	2,361	3,222	73
Other costs	1,341	1,255	107
Total other expenses	15,653	9,357	167

Financial income and expenses

EUR thousand	1-6/2012	1-6/2011	Index
Net foreign exchange gain	236	327	72
Interest income	892	991	90
Change in fair value of investments through profit or loss	26	0	
Income from derivative financial instruments	102	5	2,040
– inflows	102	5	2,040
Dividend income	1,001	90	1,112
Collection of bad debts from previous periods	5	867	1
Total financial income	2,262	2,280	99
Interest expense	-1,405	-1,640	86
Change in fair value of investments through profit or loss	-3	-39	8
Expense from derivative financial instruments	-4,987	-8	62,338
– outflows	-4,987	-8	62,338
Impairment and write-off of receivables	-1,205	-4,743	25
Other expenses	-18	-25	72
Total financial expenses	-7,618	-6,455	118
Net financial expenses	-5,356	-4,175	128

Income tax expense

EUR 14,052 thousand

Current income tax amounts to EUR 13,868 thousand, which is 14.3% of pre-tax profit. Together with the deferred tax of EUR 184 thousand, the total income tax expense in the income statement equals

EUR 14,052 thousand. The effective tax rate is 14.5%, 4.7 of a percentage point less than for the same period last year.

Property, plant and equipment

EUR 514,261 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Property	18,579	18,579	100
Plant	223,785	229,580	97
Equipment	246,901	252,874	98
Property, plant and equipment under construction	24,996	19,896	126
Total property, plant and equipment	514,261	520,929	99

The value of property, plant and equipment represents 33% of the Company's total assets.

Krka's major investments are described in the Business Report, under Investments.

Intangible assets

EUR 28,279 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Concessions, patents, licences and similar rights	28,279	29,654	95
Total intangible assets	28,279	29,654	95

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

Loans

EUR 106,677 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Non-current loans	10,483	9,571	110
– non-current loans to subsidiaries	5,066	5,064	100
– non-current loans to other entities	5,417	4,507	120
Current loans	96,194	46,209	208
– portion of non-current loans due current year	368	2,363	16
– current loans to subsidiaries	50,518	43,596	116
– current loans to other entities	45,017	87	51,744
– current interest receivable	291	163	179
Total loans	106,677	55,780	191

Non-current loans represent one tenth of total loans.

Non-current loans to other entities include loans that Krka extends in accordance with its internal acts to its employees, which are primarily housing loans.

Current loans to other entities include EUR 45,000 thousand of bank deposits with maturities longer than 30 days.

Investments

EUR 5,672 thousand

EUR thousand	1-6/2012	1-6/2011	Index
Non-current investments	5,047	4,735	107
– financial assets available for sale	5,047	4,735	107
Current investments, including derivative financial instruments	625	602	104
– instruments held for trading	66	68	97
– other current investments	559	534	105
Total investments	5,672	5,337	106

Financial assets available for sale include EUR 576 thousand of investments in shares made in Slovenia, and EUR 4,471 thousand of investments in shares made abroad.

Other current investments refer to EUR 287 thousand worth of shares in Slovenian mutual funds, and to EUR 272 thousand worth of assets under management.

Inventories

EUR 189,225 thousand

EUR thousand	1-6/2012	1-6/2011	Index
Material	78,911	83,058	95
Work in progress	50,524	44,809	113
Products	52,781	57,770	91
Merchandise	7,009	7,662	91
Total inventories	189,225	193,299	98

Trade and other receivables

EUR 413,830 thousand

EUR thousand	1-6/2012	1-6/2011	Index
Short-term receivables due from subsidiaries	204,713	205,637	100
Trade receivables due from customers other than Group companies	189,768	169,746	112
Other receivables	19,349	23,867	81
Total receivables	413,830	399,250	104

Cash and cash equivalents

EUR 15,904 thousand

EUR thousand	1-6/2012	1-6/2011	Index
Cash in hand	9	8	113
Bank balances	15,895	15,015	106
Total cash and cash equivalents	15,904	15,023	106

Equity

EUR 1,218,353 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Share capital	59,126	59,126	100
Treasury shares	-47,785	-42,584	112
Reserves:	196,030	190,619	103
– share premium	101,503	101,503	100
– reserves for treasury shares	47,785	42,584	112
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserve	1,752	1,542	114
Retained earnings	1,010,982	933,324	108
Total equity	1,218,353	1,140,485	107

Borrowings

EUR 93,089 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Non-current borrowings	25,700	25,500	101
– borrowings from domestic banks	25,500	25,500	100
– borrowings from Group companies	200	0	
Current borrowings	67,389	60,556	111
– portion of non-current borrowings due current year	24,600	41,300	60
– borrowings from Group companies	41,648	17,798	234
– borrowings from other entities	343	386	89
– interest payable	798	1,072	74
Total borrowings	93,089	86,056	108

Provisions

EUR 97,505 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Provisions for retirement benefits and anniversary bonuses	48,505	48,505	100
Provisions for lawsuits	49,000	49,000	100
Total provisions	97,505	97,505	100

Deferred revenue

EUR 3,088 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Grants received for the Beta plant in Šentjernej	59	81	73
Grants by the European Regional Development Fund	19	21	90
Grants by the European Regional Development Fund – development of new technologies (FBD project)	780	828	94
Properties, plant and equipment received for free	571	579	99
Emission coupons	7	7	100
Other deferred revenue	1,652	1,923	86
Total deferred revenue	3,088	3,439	90

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 90,137 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Payables to subsidiaries	38,775	26,973	144
Payables to domestic suppliers	29,573	32,469	91
Payables to foreign suppliers	20,770	35,355	59
Payables from advances	1,019	753	135
Total trade payables	90,137	95,550	94

Other current liabilities

EUR 38,039 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Accrued contractual discounts on products sold to other customers	11,543	11,543	100
Payables to employees – gross wages, other charges	21,922	23,903	92
Other	4,574	4,581	100
Total other current liabilities	38,039	40,027	95

Contingent liabilities

EUR 15,768 thousand

EUR thousand	30 Jun 2012	31 Dec 2011	Index
Guarantees issued	15,148	14,896	102
Other	620	620	100
Total contingent liabilities	15,768	15,516	102

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 2012 have been drawn up so as to provide a true and fair view of the financial standing and operating results of the Krka Company and Krka Group. The condensed financial statements for the period January–June 2012 have been drawn up using the same accounting principles as for the annual financial statements of the Krka Company and Group for the full year 2011.

The condensed interim financial statements for the six months ended 30 June 2012 were drawn up

Novo mesto, 16 July 2012

pursuant to IAS 34 – Interim Financial Reporting, and should be read in conjunction with the annual financial statements drawn up for the year ended 31 December 2011.

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

The Management Board 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.



Jože Colarič
President of the Management Board and Chief Executive



Dr Aleš Rotar
Member of the Management Board



Zvezdana Bajc
Member of the Management Board



Dr Vinko Zupančič
Member of the Management Board



Danica Novak Malnar
Employee Representative – Member of the Management Board