



**Unaudited consolidated financial
statements of the Krka Group and
unaudited financial statements of the
Krka Company for 2012,
with important notes**

Novo mesto, March 2013

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Based on the provisions of Article 386 of the Markets in Financial Instruments Act, Krka, d. d., Šmarješka cesta 6, 8501 Novo mesto hereby releases

IMPORTANT NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP AND THE UNAUDITED FINANCIAL STATEMENTS OF THE KRKA COMPANY FOR 2012

The unaudited consolidated financial statements of the Krka Group and the unaudited financial statements of the Krka Company for 2012, as well as comparative data for 2011, have been drawn up pursuant to the International Financial Reporting Standards (IFRS). Comparative data for 2011 are audited.

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

Krka Group ID card

Krka, d. d., Novo mesto (hereafter: Krka Company) is the controlling company in the Krka Group, which on 31 December 2012 included the following subsidiaries:

	Controlling company's ownership stake 31 Dec 2012
TERME KRKA, d. o. o., Novo mesto	100%
Farma GRS, d. o. o., Novo mesto	99.7%
KRKA-FARMA d. o. o., Zagreb, Croatia	100%
KRKA ROMANIA S.R.L., Bucharest, Romania	100%
KRKA-FARMA DOO BEOGRAD, Belgrade, Serbia	100%
KRKA-FARMA DOOEL, Skopje, Macedonia	100%
KRKA FARMA d. o. o., Sarajevo, Bosnia and Herzegovina	100%
OOO KRKA-RUS, Istra, Russian Federation	100%
OOO KRKA FARMA, Sergiev Posad, Russian Federation	100%
KRKA UKRAINE LLC, Kiev, Ukraine	100%
TOO KRKA Kazakhstan, Almati, Kazakhstan	100%
KRKA-POLSKA, Sp. z o. o., Warsaw, Poland	100%
KRKA ČR, s. r. o., Prague, Czech Republic	100%
KRKA Magyarország Kft., Budapest, Hungary	100%
KRKA Slovensko, s. r. o., Bratislava, Slovakia	100%
UAB KRKA LIETUVA, Vilnius, Lithuania	100%
SIA KRKA Latvia, Riga, Latvia	100%
TAD Pharma GmbH, Cuxhaven, Germany	100%
KRKA Sverige AB, Stockholm, Sweden	100%
KRKA Pharma GmbH, Vienna, Austria	100%
Krka France, Paris, France	100%
KRKA Belgium, SA/NV, Brussels, Belgium	95%
KRKA Farmaceutici Milano, S.r.l., unico socio, Milan, Italy	100%
KRKA Farmacêutica, Unipessoal Lda., Estoril, Portugal	100%
KRKA FARMACÉUTICA, S.L., Madrid, Spain	100%
KRKA PHARMA DUBLIN LIMITED, Dublin, Ireland	100%
KRKA USA, LLC, Wilmington, USA	100%

The owner of 5% share in company in Belgium is company Krka France.

On 31 December 2012 the subsidiary Terme Krka, d. o. o. held a 63.10% ownership stake in the company Golf Grad Otočec, d. o. o. and the subsidiary Farma GRS was the 100% owner of companies GRS Vizfarma, d. o. o. and GRS Tehfarma, d. o. o.

Highlights and indicators

EUR thousand	Krka Group		Krka Company	
	2012	2011	2012	2011
Revenues	1,143,301	1,075,627	1,035,280	957,653
EBIT	192,308	211,561	161,382	178,150
EBITDA	282,276	298,747	230,994	244,564
Profit for the year	159,839	162,735	154,615	150,392
R&D costs	101,102	92,932	98,446	87,202
Investments	153,288	109,713	69,959	79,617
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Non-current assets	926,000	863,865	863,442	812,668
Current assets	700,748	670,162	702,843	650,780
Equity	1,240,521	1,139,754	1,232,215	1,140,485
Non-current liabilities	145,362	155,092	113,310	126,830
Current liabilities	240,865	239,181	220,760	196,133
RATIOS	2012	2011	2012	2011
EBIT margin	16.8 %	19.7 %	15.6 %	18.6 %
EBITDA margin	24.7 %	27.8 %	22.3 %	25.5 %
Profit margin (ROS)	14.0 %	15.1 %	14.9 %	15.7 %
ROE	13.4 %	14.8 %	13.0 %	13.7 %
ROA	10.1 %	10.8 %	10.2 %	10.3 %
Liabilities/Equity	0.311	0.346	0.271	0.283
R&D costs/Revenues	8.8 %	8.6 %	9.5 %	9.1 %
NUMBER OF EMPLOYEES	2012	2011	2012	2011
Year-end	9,461	8,948	4,495	4,379
Average	9,197	8,789	4,448	4,370

SHARE INFORMATION	2012	2011
Total number of shares issued	35,426,120	35,426,120
Earnings per share in EUR ¹	4,80	4,85
Share price at end of year in EUR	50,00	52,90
Price/Earnings ratio (P/E)	10,41	10,91
Book value in EUR ²	35,02	32,17
Price/Book value (P/B)	1,43	1,64
Market capitalisation in EUR thousand (end of period)	1.771.306	1,874,042

¹ Profit for the year attributable to equity holders of the parent/Average number of shares issued in the year, excluding treasury shares

² Book value was calculated using the total number of issued shares.

Sales

Krka Group sales by Region

The Group sold EUR 1,143.3 million worth of products and services in 2012, of which EUR 1,052.3 million, or 92%, came from markets outside Slovenia. Sales growth was recorded in Krka's sales regions East Europe (up 24%), West Europe and Overseas Markets (up 5%) and South-East Europe (up 1%), while sales in Region Central Europe and Slovenia decreased by 2 and 11%, respectively, compared to 2011.

Krka's leading sales region is Region East Europe, which contributed 31%, or EUR 354.2 million, to overall sales, and where sales growth was recorded in all markets. In the Russian Federation, the largest market in the Region as well as Krka's largest single market, Krka sold EUR 244.2 million worth of products, a quarter more than in 2011. Other larger markets in the Region that recorded double-digit sales growth were Ukraine (up 17%), Kazakhstan (up 27%), Uzbekistan (up 33%), Belarus (up 34%) and Moldova (up 15%).

Krka's second most important region in terms of sales is Region Central Europe, where Krka generated EUR 282.4 million, which is one quarter of its overall sales. In Poland, the largest market in the Region and one of Krka's key markets, product sales were EUR 111.6 million, up 2% from 2011. In the Czech Republic, the second largest market in the Region, product sales amounted to EUR 67.0 million, an increase by 4% compared to 2011. Key market Hungary was the third most important market in the Region in terms of sales volume, with product sales there amounting to EUR 48.7 million in 2012, down 24% compared to last year. The main reason for decreasing sales is strong price reductions caused by austerity measures in the field of health care. The other markets in the Region recorded rising sales in 2012, with growth being the highest, 9%, in Estonia, and with sales up 8% in Lithuania and Latvia, and by 7% in Slovakia.

Third in terms of sales is Region West Europe and Overseas Markets, where we sold EUR 267.6 million worth of products, which is 23% of total Group sales. We mainly increased sales via partners operating in the new overseas markets, and via our own strengthened sales network operating in the markets of Germany, the Nordic countries, Portugal, Austria and Ireland. Our sales network was expanded to the Spanish, Italian and French markets. Having contributed EUR 65.8 million, Germany remains the Region's most important market. Other important markets in the Region that recorded sales growth include the UK and Ireland (up 30%), France (up 11%), the Nordic countries (up 10%), the Benelux (up 9%), Portugal (up 4%), and the Arabian Peninsula and Iran where sales doubled.

In Region South-East Europe Krka sold EUR 148.1 million of products in 2012, which represents 13% of Group sales. The Region's largest market is Romania, where sales amounted to EUR 47.0 million, followed by Croatia, where Krka sold EUR 35.2 million worth of products. Double-digit sales growth was recorded in Serbia, while sales also increased in Bosnia and Herzegovina, Macedonia, Bulgaria and Kosovo.

In Slovenia Krka sold EUR 91.0 million worth of products and services, which is 8% of Group sales. The majority came from prescription pharmaceuticals.

Krka Group sales by product and service groups

Krka's most important group of products in terms of sales value remain prescription pharmaceuticals. They contributed EUR 994.6 million to overall sales, up 7% from 2011. The best-selling therapeutic group of prescription pharmaceuticals in 2012 were again products treating cardiovascular diseases, followed by pharmaceuticals treating gastrointestinal and metabolic disorders, and by medicines for the central nervous system.

Non-prescription product sales amounted to EUR 123.0 million, up 8% year-on-year, while animal health product sales were up 12% to EUR 42.8 million. Health resort and tourist services generated EUR 31.9 million in sales, a decrease by 9% compared to the year before. Other sales revenues of the Krka Group amounted to EUR 1.1 million.

Research and development

In 2012 Krka acquired marketing authorisations for 14 new products in 25 pharmaceutical dosage forms and strengths, and was granted 612 new marketing authorisations for various products in different countries.

We acquired marketing authorisations for eight new prescription pharmaceuticals. By obtaining approvals for three new medicines, capecitabine, exemestane and letrozole, Krka entered the area of oncology medications. Capecitabine, manufactured in the form of film-coated tablets in three strengths, is a substance treating colon and stomach cancer, and breast cancer. Exemestane in the form of 25 mg film-coated tablets is used to treat early and advanced hormone-dependant breast cancer in postmenopausal women. Likewise used to treat breast cancer in postmenopausal women, letrozole in the form of 2.5 mg film-coated tablets is applied when immediate operation is inappropriate. This medicine is also efficient in post-operative treatment and after other treatment as well as in preventing early and advanced forms of cancer from spreading. All three cancer treatment products are administered orally, making them easy to take and allowing for home treatment.

The range of products for the treatment of high blood pressure was supplemented with the fixed-dose combination of olmesartan and the diuretic hydrochlorothiazide in the form of film-coated tablets in four strengths, which was approved in nine European countries. Likewise in nine European countries approval was granted for Prenessa Q-Tab (perindopril) in two strengths, in the new form of orodispersible tablets which make the medicine easier to take. In 17 European countries we obtained marketing authorisations for Karbis (candesartan) tablets in four strengths, and acquired approvals for valsartan film-coated tablets, likewise in four strengths. Atoris (atorvastatin), a medicine treating cardiovascular diseases, was authorised in the form of film-coated tablets in three strengths in 12 European countries.

In all West European markets we acquired marketing authorisations for sildenafil orodispersible tablets in three strengths, a medicine for erectile dysfunction. In the area of antidiabetic medications we obtained new approvals for pioglitazone, treating type-2 diabetes, and for Gliclada (gliclazide) – modified-release tablets in the new dosage of 60 mg. The innovative pharmaceutical form of prolonged-release tablets enables 24-hour glycaemic control with a once-daily administration, ensuring an optimally even release of the substance.

As to antipsychotics, we obtained marketing authorisations in seven European countries for ziprasidone capsules in four strengths, and the proton pump inhibitor pantoprazole was authorised in the form of gastro-resistant tablets in six European countries.

We also acquired marketing authorisations for one new non-prescription product and five new animal health products.

Investments

The Group spent EUR 153.3 million on investments in 2012, of which the controlling company invested EUR 70.0 million and subsidiaries EUR 83.3 million. The majority of these investments were allocated to increasing and modernising production capacity and research and development capacity.

In June work started on the largest investment in Krka's history – the solid dosage forms production plant Notol 2, which is being built at Krka's central location at Ločna in Novo mesto, Slovenia. The 55,000 m² plant's investment value is EUR 200 million, and its target capacity is 4.5 billion finished products per year. Production is planned to start in 2015.

Also ongoing is the investment in Krka's subsidiary Farma GRS, d. o. o., founded together with partners in a project aimed at advancing the pharmaceutical industry. New research, development and production capacity is being set up at Krka's location at Ločna in a project with the investment value of EUR 45 million, of which the European Regional Development Fund is contributing slightly over EUR 10 million. The newly founded company will set up the infrastructure for developing new products and technologies related to pharmaceutical chemistry and technology. In the facilities of the Production centre for the final processing of active ingredients test production started in 2012, while the new Chemicals development centre will start operations in 2013.

During the summer of 2012 construction work started at Krka's location in Krško, Slovenia on the Sinteza 1 plant, which will increase our API and intermediates production capacity. In the project with the investment value of over

EUR 85 million we are also constructing the infrastructure required for production purposes. The Sinteza 1 plant will allow for production flexibility and enable transfer to large scale production of new APIs and intermediates in the shortest time possible. It will also foster production in a controlled environment, consistent with the European Community Regulation on chemicals and their safe use (REACH). Mechanical and electrical wiring installation started in 2012, while the manufacturing equipment will be fitted in the second half of 2013. Production in the new plant will start at the end of 2014.

The Sterile product production plant is gradually increasing the production of injectables to 130 million per year. The installation of the new technological equipment was completed by the end of 2012, while process qualifications and gradual transfers of technologies from existing lines in the old injectables facility will continue until the end of March 2013 when production is planned to start on the new equipment.

The Bršljin plant is undergoing an upgrade of technological equipment, aimed at increasing its production capacity for animal health products with biocidal effect.

One of the most important ongoing investments of the Krka Group is the construction of a new plant and expansion of the logistics centre Krka Rus 2 in the Russian Federation. Its estimated investment value EUR 135 million and it will consolidate Krka's position as a domestic producer of pharmaceuticals in the country. The plant's target production capacity is 1.8 billion tablets and capsules per year. Construction is going according to plan and should be completed at the end of 2013.

Employees

At the end of 2012 the Krka Group had 9,461 employees, of which 4,764 (50.4%) worked in Slovenia and 4,697 (49.6%) abroad. Compared to the figures for 2011, the number of employees at Group level increased by 513 or 6%.

The number of Krka's employees working outside Slovenia increased by 352 or 8%, while in Slovenia it rose by 161 or 3%. In Slovenia staff numbers are increasing the most in the product supply and R&D departments, while abroad Krka mainly strengthened its marketing and sales teams.

At the end of 2012, 52% of Krka Group employees held bachelors' or higher academic degrees.

Investor information

On the last trading day in 2012 Krka traded at EUR 50.00 at the Ljubljana Stock Exchange, down 5% from the year-end of 2011 when it traded at EUR 52.90. In the same period the Slovene blue-chip index SBI TOP advanced by 8%. Krka's market capitalisation at the end of 2012 totalled EUR 1.8 billion.

The average daily trading volume in Krka on the Ljubljana Stock Exchange in 2012 was EUR 0.6 million, preserving Krka's status of the most actively traded security on the Ljubljana Stock Exchange.

At the end of 2012 Krka had 68,026 shareholders, 6% less than at year-end 2011 when there were 72,720. International investors increased their shareholdings the most in the reported period, to almost 19% of all issued shares. The shareholdings of Slovenian state-owned funds – restitution fund Slovenska odškodninska družba and pension fund manager Kapitalska družba with its Prvi pokojninski sklad fund – remained unchanged, while the holdings of other groups of Slovenian shareholders, i.e. investment companies and funds, other companies and individual investors, decreased.

Since April 2012 Krka shares have also been listed on the Warsaw Stock Exchange.

Plans for 2013

The Group's product and service sales target for 2013 is EUR 1,202 million, with a growth rate of 5%. The planned profit for 2013 is at the level of 2012. East Europe will be Krka's largest sales region and the Russian federation its largest individual market.

For investments we have set aside EUR 182 million, to be spent mainly on expanding and modernising production and research and development capacity, and infrastructure. The number of employees in Slovenia and abroad is planned to increase by a total of 6% to almost 10,200.

Novo mesto, March 2013

Krka, d. d., Novo mesto
Management Board

Krka Group consolidated statement of financial position (unaudited)

EUR thousand	31 Dec 2012	31 Dec 2011
Assets		
Property, plant and equipment	772,291	707,509
Intangible assets	118,507	119,082
Deferred tax assets	24,512	27,340
Non-current loans	5,387	4,821
Non-current investments	5,100	4,944
Other non-current assets	203	169
Total non-current assets	926,000	863,865
Inventories	250,751	254,229
Trade and other receivables	415,233	394,094
Current loans	11,091	1,050
Current investments	679	602
Cash and cash equivalents	22,994	20,187
Total current assets	700,748	670,162
Total assets	1,626,748	1,534,027
Equity		
Share capital	59,126	59,126
Treasury shares	-55,656	-42,584
Reserves	192,069	174,409
Retained earnings	1,043,544	947,289
Equity holders of the parent	1,239,083	1,138,240
Non-controlling interest	1,438	1,514
Total equity	1,240,521	1,139,754
Liabilities		
Non-current borrowings	12,900	25,500
Provisions	104,746	104,819
Deferred revenue	12,424	6,670
Deferred tax liabilities	15,292	18,104
Total non-current liabilities	145,362	155,093
Trade payables	105,415	90,888
Current borrowings	13,355	44,091
Income tax liabilities	2,497	1,309
Other current liabilities	119,598	102,892
Total current liabilities	240,865	239,180
Total liabilities	386,227	394,273
Total equity and liabilities	1,626,748	1,534,027

Krka Group consolidated income statement (unaudited)

EUR thousand	2012	2011
Revenues	1,143,301	1,075,627
Cost of sales	-467,557	-416,704
Gross profit	675,744	658,923
Other income	8,526	7,125
Distribution expenses	-318,215	-286,000
R&D costs	-101,102	-92,932
Administrative expenses	-72,645	-75,555
Operating profit	192,308	211,561
Financial income	5,418	493
Financial expenses	-7,227	-12,079
Net financial expenses	-1,809	-11,586
Profit before tax	190,499	199,975
Income tax expense	-30,660	-37,240
Profit for the year	159,839	162,735
Attributable to:		
– equity holders of the parent	159,915	162,801
– non-controlling interest	-76	-66
Basic earnings per share (in EUR)	4.80	4.85
Diluted earnings per share (in EUR)	4.80	4.85

Krka Group consolidated statement of comprehensive income (unaudited)

EUR thousand	2012	2011
Profit for the year	159,839	162,735
Other comprehensive income for the year		
Change in fair value of available-for-sale financial assets	106	-281
Deferred tax effect – change in fair value of available-for-sale financial assets	19	56
TAD – effect of the actuarial calculation	260	0
Effect of the actuarial calculation on deferred tax – TAD	-910	0
Translation reserve	4,463	-8,250
Total other comprehensive income for the year	3,938	-8,475
Total comprehensive income for the year	163,777	154,260
Attributable to:		
– equity holders of the parent	163,853	154,326
– non-controlling interest	-76	-66

Krka Group consolidated statement of changes in equity for 2012 (unaudited)

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 reserve	Translation reserve	Other revenue reserves	Profit for the year	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 year	0	0	0	0	0	0	0	0	0	159,915	0	159,915	-76	159,839
Other comprehensive income for the year														
TAD – provision charge from the actuarial calculation of pensions	0	0	0	0	0	0	0	0	0	0	-910	-910	0	-910
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	106	0	0	0	0	106	0	106
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	19	0	0	0	0	19	0	19
Effect of the actuarial calculation on deferred tax	0	0	0	0	0	0	0	0	0	0	260	260	0	260
Translation reserve	0	0	0	0	0	0	0	4,463	0	0	0	4,463	0	4,463
Total other comprehensive income for the year	0	0	0	0	0	0	125	4,463	0	0	-650	3,938	0	3,938
Total comprehensive income for the year	0	0	0	0	0	0	125	4,463	0	159,915	-650	163,853	-76	163,777
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	25,000	-25,000	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	61,387	0	-61,387	0	0	0
Formation of reserves for treasury shares	0	0	13,072	0	0	0	0	0	0	-13,072	0	0	0	0
Repurchase of treasury shares	0	-13,072	0	0	0	0	0	0	0	0	0	-13,072	0	-13,072
Dividends paid	0	0	0	0	0	0	0	0	0	0	-49,938	-49,938	0	-49,938
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	-13,072	13,072	0	0	0	0	0	86,387	-162,222	12,825	-63,010	0	-63,010
Balance at 31 Dec 2012	59,126	-55,656	55,656	101,503	14,990	30,000	1,667	-11,747	846,998	121,843	74,703	1,239,083	1,438	1,240,521

Krka Group consolidated statement of changes in equity for 2011 (unaudited)

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 reserve	Translation reserve	Other revenue reserves	Profit for the year	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 year	0	0	0	0	0	0	0	0	0	162,801	0	162,801	-66	162,735
Other comprehensive income for the year														
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	-281	0	0	0	0	-281	0	-281
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	56	0	0	0	0	56	0	56
Translation reserve	0	0	0	0	0	0	0	-8,250	0	0	0	-8,250	0	-8,250
Total other comprehensive income for the year	0	0	0	0	0	0	-225	-8,250	0	0	0	-8,475	0	-8,475
Total comprehensive income for the year	0	0	0	0	0	0	-225	-8,250	0	162,801	0	154,326	-66	154,260
Transactions with owners, recognised directly in equity			0											
Formation of statutory reserves	0	0	0	0	0	2,816	0	0	0	-2,816	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and Supervisory Board	0	0	0	0	0	0	0	0	15,000	-15,000	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 Meeting	0	0	0	0	0	0	0	0	60,972	0	-60,972	0	0	0
Formation of reserves for treasury shares	0	0	20,835	0	0	0	0	0	0	-20,835	0	0	0	0
Repurchase of treasury shares	0	-20,835	0	0	0	0	0	0	0	0	0	-20,835	0	-20,835
Dividends paid	0	0	0	0	0	0	0	0	0	0	-47,001	-47,001	0	-47,001
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	-20,835	20,835	0	0	2,816	0	0	75,972	-150,416	3,792	-67,836	3	-67,833
Balance at 31 Dec 2011	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

Krka Group consolidated statement of cash flows (unaudited)

EUR thousand	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	159,839	162,735
Adjustments for:	129,360	127,202
– amortisation/depreciation	89,968	87,186
– foreign exchange differences	2,242	–3,354
– investment income	–1,894	–871
– investment expense	6,146	3,834
– interest expense and other financial expense	2,238	3,167
– income tax	30,660	37,240
Operating profit before changes in net operating current assets	289,199	289,937
Change in trade receivables	–18,189	9,535
Change in inventories	3,478	–23,260
Change in trade payables	14,527	–498
Change in provisions	–983	–4,070
Change in deferred revenue	5,754	–468
Change in other current liabilities	16,538	29,738
Income taxes paid	–31,995	–51,799
Cash generated from operations	278,329	249,115
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,129	378
Dividends received	17	16
Proceeds from sale of property, plant and equipment	767	255
Purchase of intangible assets	–8,155	–7,621
Purchase of property, plant and equipment	–145,132	–102,092
Non-current loans	–1,673	–1,502
Proceeds from repayment of non-current loans	904	980
Acquisition of non-current investments	–134	–63
Proceeds from sale of non-current investments	47	67
Payments/Proceeds in connection with current investments and loans	–9,795	87
Payments in connection with derivative financial instruments	–4,987	0
Proceeds from derivative financial instruments	102	0
Net cash used in investing activities	–166,910	–109,495
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	–2,860	–3,361
Repayment of non-current borrowings	–41,300	–37,899
Repayment/Acquisition of current borrowings	–1,010	–17,440
Dividends paid	–49,770	–46,902
Repurchase of treasury shares	–13,072	–20,835
Proceeds of payments from non-controlling interests	0	3
Net cash used in financing activities	–108,012	–126,434
Net increase in cash and cash equivalents	3,407	13,186
Cash and cash equivalents at beginning of period	20,187	7,789
Effect of exchange rate fluctuations on cash held	–600	–788
Net cash and cash equivalents at end of period	22,994	20,187

Krka Company statement of financial position (unaudited)

EUR thousand	31 Dec 2012	31 Dec 2011
Assets		
Property, plant and equipment	519,219	524,532
Intangible assets	29,908	29,654
Investments in subsidiaries	259,455	225,444
Deferred tax assets	16,987	18,577
Non-current loans	32,837	9,571
Non-current investments	4,891	4,735
Other non-current assets	145	155
Total non-current assets	863,442	812,668
Inventories	190,555	193,301
Trade and other receivables	432,935	395,645
Current loans	65,305	46,209
Current investments	679	602
Cash and cash equivalents	13,369	15,023
Total current assets	702,843	650,780
Total assets	1,566,285	1,463,448
Equity		
Share capital	59,126	59,126
Treasury shares	-55,656	-42,584
Reserves	203,816	190,619
Retained earnings	1,024,929	933,324
Total equity	1,232,215	1,140,485
Liabilities		
Non-current borrowings	13,700	25,500
Provisions	96,491	97,505
Deferred revenue	2,752	3,439
Deferred tax liabilities	367	386
Total non-current liabilities	113,310	126,830
Trade payables	118,496	95,550
Current borrowings	58,917	60,556
Other current liabilities	43,347	40,027
Total current liabilities	220,760	196,133
Total liabilities	334,070	322,963
Total equity and liabilities	1,566,285	1,463,448

Krka Company income statement (unaudited)

EUR thousand	2012	2011
Revenues	1,035,280	957,653
Cost of sales	-433,531	-383,258
Gross profit	601,749	574,395
Other income	2,316	4,774
Distribution expenses	-288,695	-257,483
R&D costs	-98,446	-87,202
Administrative expenses	-55,542	-56,334
Operating profit	161,382	178,150
Financial income	22,431	14,046
Financial expenses	-7,690	-11,822
Net financial income	14,741	2,224
Profit before tax	176,123	180,374
Income tax expense	-21,508	-29,982
Profit for the year	154,615	150,392
Basic earnings per share (in EUR)	4.65	4.48
Diluted earnings per share (in EUR)	4.65	4.48

Krka Company statement of comprehensive income (unaudited)

EUR thousand	2012	2011
Profit for the year	154,615	150,392
Other comprehensive income for the year		
Change in fair value of available-for-sale financial assets	106	-281
Deferred tax effect – change in fair value of available-for-sale financial assets	19	56
Total other comprehensive income for the year	125	-225
Total comprehensive income for the year	154,740	150,167

Krka Company statement of changes in equity for 2012 (unaudited)

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 year	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 year	0	0	0	0	0	0	0	0	154,615	0	154,615
Other comprehensive income for the year											
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	106	0	0	0	106
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	19	0	0	0	19
Total other comprehensive income for the year	0	0	0	0	0	0	125	0	0	0	125
Total comprehensive income for the year	0	0	0	0	0	0	125	0	154,615	0	154,740
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 and Supervisory Board	0	0	0	0	0	0	0	25,000	-25,000	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 Meeting	0	0	0	0	0	0	0	61,387	0	-61,387	0
Formation of reserves for treasury shares	0	0	13,072	0	0	0	0	0	-13,072	0	0
Repurchase of treasury shares	0	-13,072	0	0	0	0	0	0	0	0	-13,072
Dividends paid	0	0	0	0	0	0	0	0	0	-49,938	-49,938
Total transactions with owners, recognised directly in equity	0	-13,072	13,072	0	0	0	0	86,387	-149,813	416	-63,010
Balance at 31 Dec 2012	59,126	-55,656	55,656	101,503	14,990	30,000	1,667	846,998	116,543	61,388	1,232,215

Krka Company statement of changes in equity for 2011 (unaudited)

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 year	Retained earnings	
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 year	0	0	0	0	0	0	0	0	150,392	0	150,392
Other comprehensive income for the year											
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	-281	0	0	0	-281
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	56	0	0	0	56
Total other comprehensive income for the year	0	0	0	0	0	0	-225	0	0	0	-225
Total comprehensive income for the year	0	0	0	0	0	0	-225	0	150,392	0	150,167
Transactions with owners, recognised directly in equity			0								
Formation of statutory reserves	0	0	0	0	0	2,816	0	0	-2,816	0	0
Formation of other revenue reserves under the resolution of the Management and Supervisory Board	0	0	0	0	0	0	0	15,000	-15,000	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 Meeting	0	0	0	0	0	0	0	60,972	0	-60,972	0
Formation of reserves for treasury shares	0	0	20,835	0	0	0	0	0	-20,835	0	0
Repurchase of treasury shares	0	-20,835	0	0	0	0	0	0	0	0	-20,835
Dividends paid	0	0	0	0	0	0	0	0	0	-47,001	-47,001
Total transactions with owners, recognised directly in equity	0	-20,835	20,835	0	0	2,816	0	75,972	-145,311	-1,313	-67,836
Balance at 31 Dec 2011	59,126	-42,584	42,584	101,503	14,990	30,000	1,542	760,611	111,741	60,972	1,140,485

Krka Company statement of cash flows (unaudited)

EUR thousand	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	154,615	150,392
Adjustments for:	81,917	88,872
– amortisation/depreciation	69,612	66,414
– foreign exchange differences	–103	735
– investment income	–17,515	–14,265
– investment expense	5,714	2,711
– interest expense and other financial expense	2,701	3,295
– income tax	21,508	29,982
Operating profit before changes in net operating current assets	236,532	239,264
Change in trade receivables	–34,352	30,615
Change in inventories	2,746	–29,010
Change in trade payables	22,946	–14,003
Change in provisions	–1,014	–4,127
Change in deferred revenue	–687	771
Change in other current liabilities	2,893	–1,310
Income taxes paid	–21,848	–43,206
Cash generated from operations	207,216	178,994
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,980	2,021
Dividends received	17	16
Proportionate profit of subsidiaries	13,661	11,978
Proceeds from sale of property, plant and equipment	5,110	1,762
Purchase of intangible assets	–6,340	–6,248
Purchase of property, plant and equipment	–63,620	–73,368
Acquisition of subsidiaries and a share of minority interest without obtained assets	–33,938	–1,220
Refund of subsequent payments in subsidiaries	185	3,185
Non-current loans	–25,384	–2,641
Proceeds from repayment of non-current loans	3,261	6,822
Acquisition of non-current investments	–89	–50
Proceeds from sale of non-current investments	47	60
Payments/Proceeds in connection with current investments and loans	–19,918	1,766
Payments in connection with derivative financial instruments	–4,987	–8
Proceeds from derivative financial instruments	102	5
Net cash used in investing activities	–129,913	–55,920
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	–3,293	–3,416
Repayment of non-current borrowings	–41,300	–37,036
Non-current borrowings	800	0
Repayment/Acquisition of current borrowings	28,057	–776
Dividends paid	–49,770	–46,902
Repurchase of treasury shares	–13,072	–20,835
Net cash used in financing activities	–78,578	–108,965
Net increase in cash and cash equivalents	–1,275	14,109
Cash and cash equivalents at beginning of period	15,023	1,547
Effect of exchange rate fluctuations on cash held	–379	–633
Net cash and cash equivalents at end of period	13,369	15,023