



**Unaudited Interim Report for the
Krka Group and Krka Company
January-March 2011**

Novo mesto, May 2011

CONTENTS

Introduction.....	3
Significant achievements – January-March 2011.....	3
Highlights	4
Significant events after the accounting period.....	5
ID card of the Krka Group	6
Organisational chart of the Krka Group.....	7
Krka Group business model.....	8
The 2010-2014 Krka Group development strategy	8
Business report.....	10
Financial risk	10
Investor information.....	11
Business operations analysis.....	14
Marketing and sales	16
Research and development	24
Investments.....	26
Employees	28
Condensed consolidated financial statements of the Krka Group with notes	29
Consolidated statement of the financial position of the Krka Group.....	29
Consolidated income statement of the Krka Group.....	30
Consolidated statement of comprehensive income of the Krka Group	30
Consolidated statement of changes in equity of the Krka Group	31
Consolidated statement of cash flows of the Krka Group.....	33
Segment reporting of the Krka Group	34
Notes to the consolidated financial statements	35
Condensed financial statements of the Krka Company with notes	41
Statement of the financial position of Krka, d. d., Novo mesto	41
Income statement of Krka, d. d., Novo mesto	42
Statement of comprehensive income of Krka, d. d., Novo mesto.....	42
Statement of changes in equity of Krka, d. d., Novo mesto	43
Statement of cash flows of Krka, d. d., Novo mesto.....	45
Segment reporting of Krka, d. d., Novo mesto	46
Notes to the financial statements of Krka, d. d., Novo mesto.....	47
Management Board declaration of responsibility.....	53

INTRODUCTION

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

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

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

The Supervisory Board discussed the January-March 2011 business report for the Krka Group and Company at its regular meeting on 11 May 2011.

Significant achievements – January-March 2011

- The Krka Group achieved sales of products and services worth EUR 258.0 million, while the Krka Company's sales were worth EUR 236.1 million.
- Group sales, expressed in Euros, grew by 5% compared to the same period last year, and the Company's sales by 2%.
- The Krka Group's operating profit was EUR 60.9 million, 12% higher than for the first quarter of last year while the Company's operating profit was EUR 57.2 million, what is 9% higher than profit for the first quarter of last year
- The net profit for the Krka Group was EUR 48.0 million, 2% higher than for the first quarter of last year, while the net profit of the Krka Company was EUR 47.0 million, 5% lower than for the first quarter of last year.
- The highest relative and absolute growth (EUR 8.7 million or 15%) was achieved in Region East Europe. With 30% of overall sales, Region Central Europe remains Krka's largest sales region.
- Sales on markets outside Slovenia over the period represented 91% of the Group's sales and 93% of the Company's.
- The Krka share price as listed on the Ljubljana Stock Exchange on 31 March 2011 was EUR 60.00, 4% down compared to the end of 2010. The Krka Company's market capitalisation was EUR 2,125.6 million.
- The Krka Group spent EUR 23.4 million on investment, EUR 20.5 million of which was invested by the Krka Company and EUR 2.9 million by subsidiaries.
- At the end of March 2011 the Krka Group had 8678 employees, 1% more than at the start of the year.

Highlights

in EUR thousand	Krka Group		Krka Company	
	1-3/2011	1-3/2010	1-3/2011	1-3/2010
Sales revenues	257,956	246,107	236,134	231,425
EBIT	60,890	54,249	57,169	52,401
EBITDA	81,025	73,714	72,069	66,974
Net profit	47,952	47,061	47,018	49,537
R&D costs	22,658	23,372	21,478	21,721
Investments	23,435	18,365	20,453	13,227

	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
Non-current assets	851,162	846,506	815,481	807,409
Current assets	667,418	641,698	647,486	638,902
Equity	1,095,093	1,053,327	1,098,697	1,058,154
Non-current liabilities	202,140	202,709	172,242	171,542
Current liabilities	221,347	232,168	192,028	216,615

RATIOS	1-3/2011	1-3/2010	1-3/2011	1-3/2010
EBIT margin	23.6%	22.0%	24.2%	22.6%
EBITDA margin	31.4%	30.0%	30.5%	28.9%
Net profit margin	18.6%	19.1%	19.9%	21.4%
ROE ¹	19.0%	19.9%	18.5%	20.7%
ROA ²	13.4%	13.8%	13.6%	14.9%
Liabilities/Equity	0.387	0.423	0.332	0.371
R&D costs/Sales revenues	8.8%	9.5%	9.1%	9.4%

NUMBER OF EMPLOYEES	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010
At the day	8678	8175	4274	4371

KRKA GROUP SHARE INFORMATIONS	1-3/2011	1-3/2010
Total number of shares issued	35,426,120	35,426,120
Earnings per share in EUR ³	5.69	5.57
Share price at the end of period in EUR	60.00	72.38
Share price/earnings ratio (P/E)	10.55	13.00
Book value of share in EUR ⁴	30.91	27.47
Share price/book value (P/B)	1.94	2.64
Market capitalisation in EUR thousand (at the end of period)	2,125,567	2,564,143

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

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

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

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

Significant events after the accounting period

- The company Novartis AG, Switzerland, withdrew the claim it had lodged with the Warsaw district court against Krka's subsidiary Krka-Polska, Sp. z o.o., Warsaw, due to alleged violation of the patent PL 188 271, which protects a solid dosage (tablet), containing the active pharmaceutical ingredient valsartan and excipients.

This brought full legal closure to the dispute. Krka informed the public of the dispute on 17 March 2009.

- On 13 April Krka received a decision from Ljubljana District Court in the dispute between Eli Lilly Company Limited, Hampshire, UK and Krka due to alleged violation of an Eli Lilly patent protecting a pharmaceutical form containing the active pharmaceutical ingredient olanzapine,

i.e. the formulation of a pharmaceutical in Slovenia.

Proceedings before court began in March 2008. Ljubljana District Court found that the patent claim that Krka was alleged to have violated had been annulled with legal finality in the interim, therefore Eli Lilly's claim was rejected as unfounded. The decision is not yet final and Eli Lilly can file an appeal against the first instance decision.

Krka made information on this dispute public on 4 February 2008, 12 March 2008 and 28 October 2008.

- In period from 1 April 2011 to 12 May 2011 Krka bought 19,771 own shares in total value of 1,172,314 EUR. On 12 May 2011 Krka had 1,785,834 own shares, representing 5.0% of equity.

ID card of the Krka Group

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

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

Telephone: +386 7 331 21 11

Fax: + 386 7 332 15 37

E-mail: info@krka.biz

Website: www.krka.si

Basic activity: Production of pharmaceutical preparations

Activity code: 21.200

Year established: 1954

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

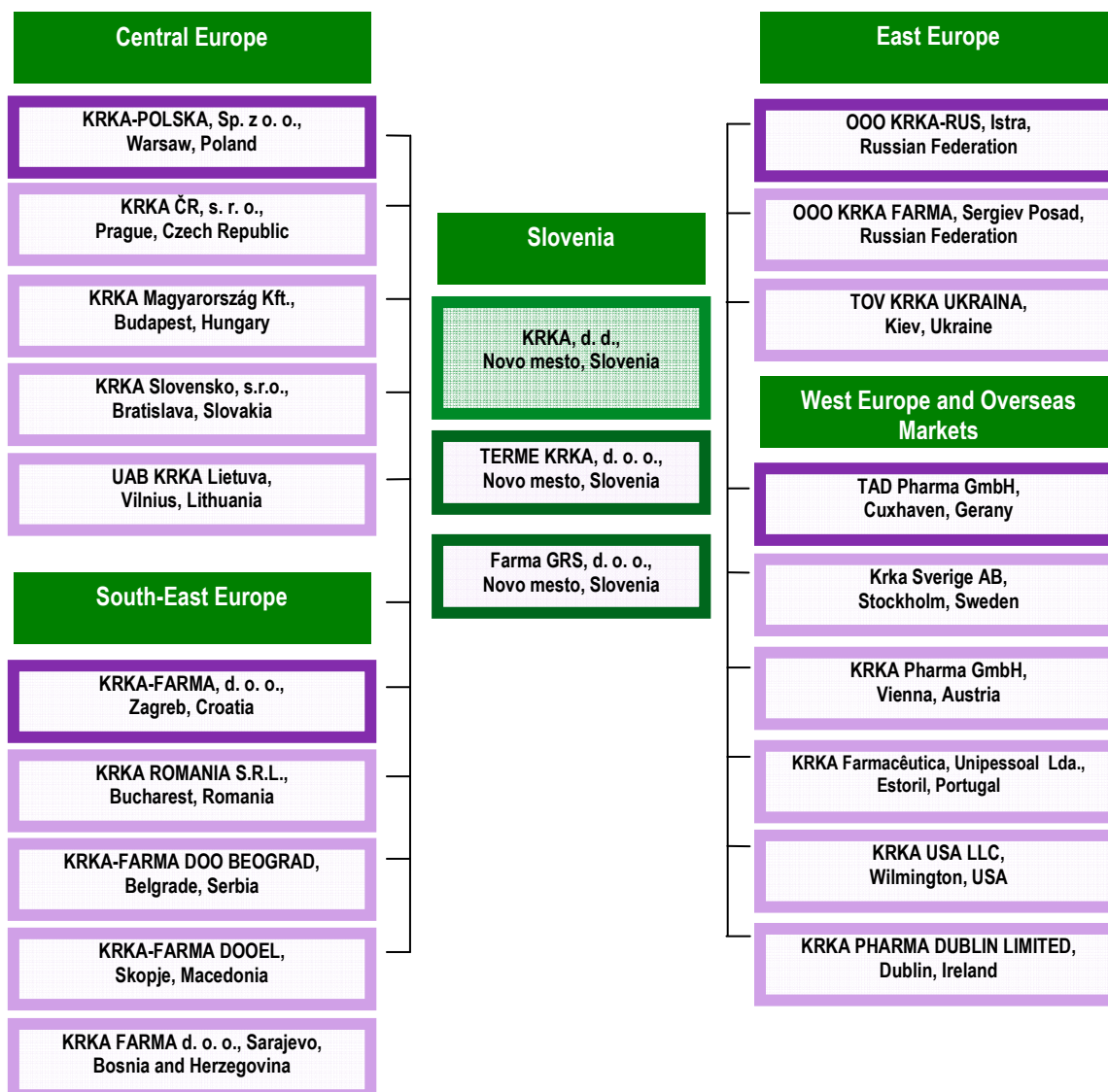
VAT number: 82646716

Company ID number: 5043611

Called-up capital: EUR 59,126,194.28

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

Organisational chart of the Krka Group



production-distribution companies

other subsidiaries

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

Krka and its partners Metronik, Iskra Pio and the Dolenjska and Bela Krajina Chamber of Commerce and Industry successfully applied for EU grants for research and development investments. A new research and development and production plant will

be built at the Ločna location, which will function within the Krka Group as the subsidiary, Farma GRS d.o.o. The value of the entire project is EUR 45 million, for which Krka will receive a grant of EUR 10.3 million, while the three partners will together receive EUR 0.3 million. The controlling company Krka, d. d., Novo mesto, holds a 99.7% ownership share in Farma GRS.

Krka Group business model

Krka is one of the world's leading generic pharmaceutical companies. It is headquartered in Slovenia, and has over 50 years of experience in the industry.

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

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

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

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

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

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

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

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

The 2010-2014 Krka Group development strategy

The Krka Group updates its development strategy every two years, at last it was update at the end of 2009. At its meeting on 28 July 2010 new Krka Supervisory Board was acquainted with the Group's

development strategy for the period 2010-2014. Krka's key strategies and objectives for 2010-2014 are set out below.

Key strategies and objectives – to 2014

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

Key strategies – to 2014

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

Krka Group's business objectives for 2011

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

BUSINESS REPORT

Financial risk

Foreign exchange risk

The Krka Group's broad spread of international operations exposes it to exchange rate risks linked to the Russian rouble, Croatian kuna, Romanian lei, Polish zloty, Czech koruna, Hungarian forint, Ukrainian hryvnia and the Serbian dinar.

The Krka Group's statement of financial position discloses a surplus of assets over liabilities in all the currencies mentioned. Currencies positions did not change significantly during the first quarter of 2011 compared to the end of 2010.

Interest rate risk

At the end of the first quarter of 2011 the Krka Group had four long-term loans, linked to the 6-month EURIBOR.

No new long-term loans were agreed during the first quarter. Total exposure to interest rate changes fell

Credit risk

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

Total receivables increased over the first quarter, due to regular changes in the sales dynamic. Total

Liquidity risk

Risks relating to the Krka Group's solvency were controlled over the first quarter of the year by means of effective short-term cash flow planning. In the short term, liquidity needs are met by means of regular cash flow provision, agreed credit from banks, short-term deposits, and daily, weekly, monthly and longer-term planning and monitoring of cash inflows and outflows on a rolling basis. The

Interest rate differences for the key currencies mentioned above and the euro continued to grow during the first quarter of the year, so the high cost of hedging with financial derivatives rose further. Currency positions were not hedged in the first quarter of 2011.

The appreciation of the Russian rouble and Romanian lei generated positive exchange rate differences.

in absolute terms, due to repayments of existing loans.

No hedging was carried out against interest rate increases during the first quarter.

outstanding receivables did not increase and remained within the limits that Krka considers normal and acceptable.

A proportion of receivables does have insurance cover.

We assess that on average the quality of trade receivables remained unchanged in terms of maturity structure and assessed customer risk.

cash balance was optimised in the accounts of all subsidiaries. We assess liquidity risk as low.

Short-term borrowing was just slightly higher at the end of the first quarter than at the end of the previous year due to high inflows in March. All liabilities were settled punctually.

Property, business interruption and liability insurance

The Krka Group's property insurance plans for this year are based on a spatial principle, with the division of premises into fire complexes. These limit a specific risk to a specific location. Each location is separately evaluated in terms of exposure to individual risks (fire, explosion, earthquake, high winds, etc.), as well as in terms of maximum potential loss to property and taking into account costs that would arise in the event of business interruption.

The Ločna production site in Novo mesto has the most fire complexes. The entire production process, from raw material to finished product takes place within the complexes, and an interruption in production could affect sales. Krka has business interruption insurance to cover the costs and loss of profits in the event of damage within a fire complex.

Krka's business interruption insurance is, however, only a financial measure that does not offer cover for losses due to the absence of our products from the market and the reduced trust of our clients. Krka also implements numerous measures to reduce the likelihood and consequences of damage events.

The Group pays increasingly close attention to managing risk and liability within the planning and implementing of investment with construction, installation, surety and liability insurance. In the first quarter, Krka used insurance to manage risk and liability in key investment projects. In addition to renewing regular annual insurance, it also insured clinical testing around the world, analysed vehicle insurance and reviewed insurance agreements by individual country.

Investor information

At the end of March 2011 Krka had 77,464 shareholders, which is over 5% fewer than at the end of 2010.

In the first quarter of 2011, the ownership share of international investors increased, while the shares

of individual Slovenian investors, investment companies and funds and other companies fell slightly.

The ownership share of foreign investors increased by 7%.

Ownership structure (%)

	31 Mar 2011	31 Dec 2010
Individual Slovenian investors	42.9	43.5
SOD fund	15.0	15.0
KAD and PPS funds	10.2	10.2
Slovenian investment companies and funds	4.7	5.0
Other Slovenian companies	8.3	8.6
International investors	13.9	13.0
Own shares	5.0	4.7
Total	100.0	100.0

At the end of March 2011 Krka held 1,766,063 own shares, representing 5.0% of nominal capital. In the

first quarter of 2011 Krka bought back 103,782 own shares worth a total of EUR 6,449,503.

Ten largest shareholders in Krka on 31 March 2011

	Country	Number of shares	Proportion in equity (%)	Proportion in voting rights (%)
SLOVENSKA ODŠKODNINSKA DRUŽBA, D. D.	Slovenia	5,312,070	14.99	15.78
KAPITALSKA DRUŽBA, D. D.	Slovenia	3,493,030	9.86	10.38
NEW WORLD FUND INC	USA	856,441	2.42	2.54
UNICREDIT BANK AUSTRIA AG	Austria	504,220	1.42	1.50
LUKA KOPER, D. D.	Slovenia	433,970	1.23	1.29
SOCIETE GENERALE-SPLITSKA BANKA D. D.	Croatia	390,498	1.10	1.16
ZAVAROVALNICA TRIGLAV, D. D.	Slovenia	388,300	1.10	1.15
DELNIŠKI VZAJEMNI SKLAD TRIGLAV STEBER I	Slovenia	379,698	1.07	1.13
HYPO ALPE-ADRIA-BANK D. D.	Croatia	353,528	1.00	1.05
UNICREDIT BANK HUNGARY ZRT	Hungary	279,629	0.79	0.83
Total		12,391,384	34.98	36.81

At the end of March 2011 the ten largest Krka shareholders together held 12,391,384 shares, representing just under 35% of all shares issued and almost 37% of total voting rights.

On 31 March 2011 members of the Krka Management Board and Supervisory Board held a total of 50,895 shares in the company, or 0.119% of all shares issued.

Shares in Equity and Voting Rights of Krka Management Board and Supervisory Board Members on 31 March 2011

	Number of shares	Proportion in equity (%)	Proportion in voting rights (%)
Management Board members			
Jože Colarič	22,500	0.06351	0.06684
Vinko Zupančič	120	0.00034	0.00036
Aleš Rotar	12,770	0.03605	0.03794
Zvezdana Bajc	1,660	0.00469	0.00493
Danica Novak Malnar	0		
Total Management Board members	37,050	0.10459	0.11007
Supervisory Board members			
Jože Lenič	180	0.00051	0.00053
Matjaž Rakovec	400	0.00113	0.00119
Franc Šašek	540	0.00152	0.00160
Julijana Kristl	230	0.00065	0.00068
Vincenc Manček	11,543	0.03258	0.03429
Mojca Osolnik Videmšek	452	0.00128	0.00134
Tomaž Sever	500	0.00141	0.00149
Sergeja Slapničar	0		
Mateja Vrečer	0		
Total Supervisory Board members	13,845	0.01450	0.04112

Trading in Krka shares – January to March 2011

Krka's share price fell by 4.7% over the first quarter and stood at EUR 60.00 at the end of March. The value of the Slovenian blue chip index (SBI TOP) fell by 2% over the same period. Krka's market capitalisation as at 31 March 2011 was EUR 2.1 billion.

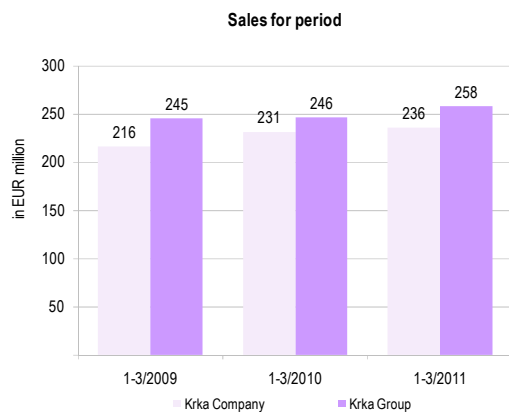
The average daily trading volume in Krka shares for the first quarter of 2011 was EUR 0.8 million, making it the most-traded security on the Ljubljana Stock Exchange.

For some years Krka shares have been the most-traded security on Ljubljana Stock

Business operations analysis

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

Revenues



Group sales grew by 5%, Company sales by 2%.

The sale revenues of the Krka Group increased by 5% compared to the first quarter of last year, while the Krka Company recorded an increase of 2%. The Krka Company generated sales revenues of EUR 236.1 million from the sale of prescription pharmaceuticals, self-medication products,

cosmetics and animal health products, while the Krka Group generated EUR 258.0 million from sales of these products plus sales of health-resort and tourist services.

Sales of prescription pharmaceuticals, which increased 2% on the comparable period last year, represented 81% of the Krka Group's overall sales. Almost 91% of Group sales were generated on markets outside Slovenia.

Together with other operating and financial revenues, the Group generated total revenues of EUR 263.1 million, and the Krka Company EUR 241.0 million.

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

Expenses

Total Group operating expenses increased 3% compared to the first quarter last year.

The Krka Group's total operating expenses for the first quarter of 2011 totalled EUR 201.2 million, 3% higher than for the same period last year.

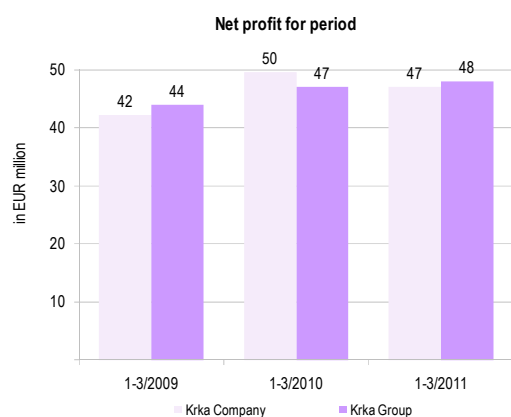
The Krka Group recorded operating expenses of EUR 199.9 million, EUR 99.1 million of which were from production costs of goods sold, EUR 60.2 million from distribution expenses, EUR 22.7 million R&D costs and EUR 18.0 million administrative expenses.

The Group's production costs of goods sold increased by 8% compared to the same period last year, and their ratio to sales was 38.4%. The distribution expenses to sales ratio was 23.3%, the same level as for the first quarter of last year.

R&D costs decreased by 3% and their ratio to sales was 8.8%. R&D costs are recognised in full as expenses for the period, since they are not capitalised.

Administrative expenses decreased by 9% compared to the first quarter of last year, and their ratio to sales revenues was 7.0%.

Operating results



The Krka Group's operating profit of EUR 60.9 million was 12% higher than for the

equivalent period last year. At EUR 62.0 million, the pre-tax profit was 2% lower than for the first quarter of last year.

Corporate income tax totalled EUR 14.0 million and the effective tax rate was 22.6%.

The Krka Group's net profit was EUR 48.0 million, which was 2% up on the net profit for the first quarter of last year, while the net profit of the Krka Company totalled EUR 47.0 million, down 5% on the same period last year.

The Group's net profit was 2% up on the same period last year, while the Company's net profit was 5%

Assets

Krka Group assets increased by 2% to the end of 2010.

The Group's assets at the end of March totalled EUR 1,518.6 million, growth of 2% from the end of 2010.

The ratio of non-current assets to total assets was 56.0%, a reduction of less than one percentage point compared to the start of the year.

The most significant item under non-current assets, which overall were worth EUR 851.2 million, was

property, plant and equipment (PPE), which at EUR 693.3 million represented 45.7% of total Group assets. This was an increase of 1% compared to the start of the year. Intangible assets were worth EUR 121.6 million at the end of March.

Current assets increased over the first quarter by 4% to EUR 667.4 million. Inventories increased by 1% over the period to EUR 232.4 million, while receivables increased by 3% to EUR 416.0 million.

Equity and liabilities

The Group's equity increased by 4% compared to the end of 2010, and now represents 72.1% of total equity and liabilities.

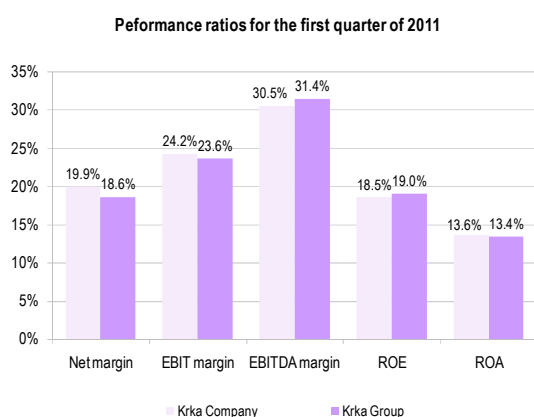
Non-current liabilities were worth EUR 202.1 million, 13.3% of the Group's total assets. Provisions, which were worth EUR 109.4 million at the end of March, were 1% up on the end of 2010, while the value of long-term borrowing did not change during the period.

Current liabilities fell by 5% compared to the end of

2010, down to EUR 221.3 million or 14.6% of total Group assets. In the current liability structure, operating liabilities were 14% lower than at the end of 2010, down to EUR 78.2 million, while short-term borrowings were down 21% to EUR 45.6 million. The combined value of long-term and short-term borrowing was one tenth lower than at the end of 2010.

Other current liabilities were worth EUR 83.3 million, an increase of 14% compared to the end of last year.

Performance ratios



The Krka Group's net margin was 18.6% (Krka Company: 19.9%), the EBIT margin was 23.6% (Company: 24.2%), and the EBITDA margin 31.4% (Company: 30.5%). The Krka Group's ROE was 19.0% (Company: 18.5%), and its ROA was 13.4% (Company: 13.6%).

Risk forecast for remainder of business year

Forecasts for the rest of the year do not anticipate different risks and uncertainties to those in the first quarter of 2011.

Marketing and sales

In the first three months of this year both the Krka Group and Company exceeded last year's first-quarter sales. The Krka Group generated sales worth EUR 258.0 million over the period, exceeding

last year's first-quarter figure by 5%, while the Krka Company generated sales worth EUR 236.1 million, which is 2% down on the same period last year.

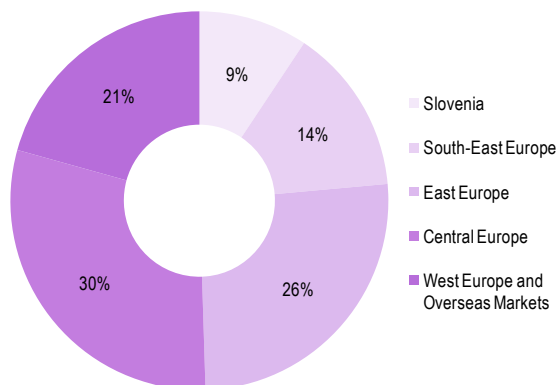
Sales by region

The Group's largest sales region was Region Central Europe with sales of EUR 77.0 million or 30% of overall Group sales. It is followed in sales volume by Region East Europe: EUR 66.8 million, a 24% share of Group sales. The third largest sales region over the period was West Europe and

Overseas Markets with sales worth EUR 53.3 million, representing 21% of total Group sales. Sales in Region South-East Europe reached EUR 36.7 million (14% of Group sales), while sales on the Slovenian market totalled EUR 24.1 million, 9% of total Group sales.

in EUR thousand	Krka Group			Krka Company		
	1-3/2011	1-3/2010	Ind.	1-3/2011	1-3/2010	Ind.
Slovenia	24,105	24,499	98	16,366	18,834	87
South-East Europe	36,734	34,593	106	37,847	34,828	109
East Europe	66,782	58,074	115	58,456	60,271	97
Central Europe	77,021	75,863	102	75,947	74,789	102
West Europe and Overseas Markets	53,314	53,078	100	47,518	42,703	111
Total	257,956	246,107	105	236,134	231,425	102

Krka Group and Krka Company sales by region, January-March 2011



Slovenia

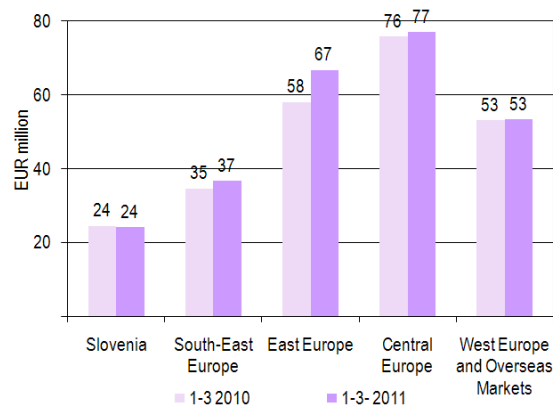
In the first quarter of the year Krka sold products and services worth EUR 24.1 million on its domestic market. The prescription pharmaceutical product group contributed most – EUR 13.4 million – to that figure. Sales of self-medication and cosmetics products were worth EUR 1.9 million and sales of animal health products EUR 0.6 million. Krka maintained its position as market leader on the Slovenian prescription pharmaceutical market with a 13% share.

South-East Europe

Sales in the first quarter of the year totalled EUR 36.7 million, an increase of 6% on the same period last year. Sales growth was recorded on most markets: Serbia, Montenegro, Romania, Bulgaria, Macedonia, Bosnia and Herzegovina and Kosovo. Sales in Croatia and Albania were slightly down on first-quarter sales last year.

Croatia is one of Krka's key markets. With sales there worth EUR 9.8 million, Krka remains the leading foreign generic pharmaceutical producer in the country. It retained its position as market leader in the statin therapeutic group and in select groups of antimicrobial active pharmaceutical ingredients (clarithromycin, quinolones). Krka strengthened its market shares in the proton pump inhibitor and sartan groups, and retained a high market share in the ACE inhibitor and benzodiazepine groups. The bestselling prescription pharmaceuticals were

Krka Group sales by region for January-March 2010 and 2011



The best-selling prescription pharmaceuticals were Atoris (atorvastatin), Prenessa (perindopril), Ultop (omeprazole), Renewel (perindopril, indapamide) and Nolpaza (pantoprazole), while the top sellers in the self-medication group were Nalgessin S (naproxen), Septolete and Panatus (butamirate).

Terme Krka recorded sales growth of 37% compared to the first quarter of last year, when a hotel in Strunjan was closed for renovation. It contributed EUR 8.0 million to overall Krka sales.

Atoris (atorvastatin), Zyllt (clopidogrel), Lanzul (lansoprazole), Enap (enalapril), Ciprinol (ciprofloxacin), Vasilip (simvastatin), Helax (alprazolam), Ampril (ramipril) and Nolpaza (pantoprazole). High growth was also achieved with Elicea (escitalopram) and Nolpaza (pantoprazole). Two new products with high sales potential were launched in March: Perineva and Co-Perineva (perindopril and its fixed-dose combination with indapamide).

Romania was still a rapidly growing market at the end of the first quarter of 2011, with clear potential for future growth. With sales of EUR 12.1 million and 12% growth, Romania has assumed the leading sales position in the region. Prescription pharmaceuticals remained the most important, primarily products established on the market for a number of years such as Enap (enalapril), Ciprinol

(ciprofloxacin), Rawel (indapamide), Tenox (amlodipine), Fromilid (clarithromycin) and Tramadol (tramadol), as well as products launched more recently such as Prenessa (perindopril), Atoris (atorvastatin), Tolura (telmisartan), Opryme (pramipexole), Lorista (losartan), Emanera (esomeprazole) and Nolpaza (pantoprazole). The newer products offer great potential for future sales growth.

Self-medication product sales grew by 2%. Bilobil (ginkgo biloba) remains the most important product in the group. The two leading animal health products were Enroxil (enrofloxacin) and Floron (florfenicol), while significant growth was recorded in sales of product to treat pets, Fyprist (fipronil) and Rycarfa (carprofen).

In **Bosnia and Herzegovina** Krka sold products worth EUR 4.1 million, 6% higher than for the same period last year. The main contribution came from prescription pharmaceuticals, sales of which grew by 4%, while the highest increase in sales by group was for self-medication products (up 52%). The growth in sales of cosmetic and animal health products was slightly lower. The bestselling products are Enap (enalapril), Zyllt (clopidogrel), Naklofen (diclofenac), Lorista (losartan), Atoris (atorvastatin), Oспен (phenoxymethylpenicillin) and Septotele. Nolpaza (pantoprazole) and Bilobil Intense (ginkgo biloba) were launched on this market.

In **Macedonia** sales grew 9% to EUR 3.1 million, with which Krka retained its position as the leading foreign generic pharmaceutical producer on the market. The largest contribution to overall sales came from Enap (enalapril), Helex (alprazolam), Oспен (phenoxymethylpenicillin), Atoris (atorvastatin), Cordipin (nifedipine), Naklofen (diclofenac) and Lanzul (lansoprazole). A significant growth in sales was also recorded in the self-medication product group with sales reaching EUR 0.6 million. A further challenge and opportunity for growth comes from the new products that have enriched the company's offer on this market: Enyglid (repaglinide), Opryme (pramipexole), Nolpaza (pantoprazole), Prenessa (perindopril), Emanera (esomeprazole), Bilobil Aktiv (ginkgo biloba) and Pikovit Prebiotik syrup.

Sales in Serbia were worth EUR 2.4 million in the first quarter, exceeding last year's first-quarter sales by 92%. In February new Krka products were added to the approved medicines list, which remains a key condition for sales growth, and work relating to cooperative production continued. Prescription pharmaceuticals contributed most to sales: Atoris (atorvastatin), Fromilid (klaritromicin) and Vasilip (simvastatin).

Libra, our largest buyer in Bulgaria gave us an award for being the the fastest and most accurate foreign supplier.

Sales on the **Bulgarian market** grew 12% to EUR 2.3 million. Prescription pharmaceuticals contributed most to sales: Lorista (losartan), Fromilid (clarithromycin), Enap (enalapril), Atoris (atorvastatin) and Rawel (indapamide). Notable for their high sales growth were Co-Valsacor (valsartan in fixed-dose combination with hydrochlorothiazide), Emanera (esomeprazole) and Prenessa (perindopril). The product range has been strengthened recently with the addition of two new products: Karbis (candesartan) and Co-Prenessa (perindopril in fixed-dose combination with hydrochlorothiazide).

In **Kosovo**, where Krka remains the leading pharmaceutical producer on the market, sales reached EUR 1.3 million. The reduced level of growth was due to the current unfavourable economic conditions and the population's low purchasing power.

Sales in **Albania** were worth EUR 1.2 million, not as high as last year's first quarter, due to consolidation in the distribution chain and the general economic state of the market. Despite this, we remain the leading pharmaceuticals company by sales in Albania. The bestselling products are Lorista (losartan), Enap (enalapril) and Ciprinol (ciprofloxacin).

Although it is relatively small, **Montenegro** had the highest growth in the region. The main contribution to sales of EUR 0.3 million came from Lorista (losartan), Oспен (phenoxymethylpenicillin) and Atoris (atorvastatin).

East Europe

Region East Europe was the fastest growing region, with sales growth of 15%. Over two-thirds of total sales of EUR 66.8 million came from Russian

Implementation of the production-distribution investment started in the Russian Federation in February.

Federation, while high growth was also recorded in Ukraine, Kazakhstan, Belarus and some of the smaller markets in the region. Region East Europe

remains Krka's second largest sales region.

The key market of the **Russian Federation** is Krka's largest individual market, where sales worth EUR 46.8 million were achieved over the first three months of the year, exceeding sales over the same period last year by 6%. With sales of EUR 31.5 million, prescription pharmaceuticals were the highest selling product group, followed by self-medication products with EUR 12.6 million, and animal health products with EUR 2.3 million.

The best selling products were Herbion, Lorista (losartan), Pikovit, Atoris (atorvastatin), Enap (enalapril), Zyllt (clopidogrel), Orsoten (orlistat), Vasilip (simvastatin), Ultop (omeprazole) and Panzynorm. Sales were also successful for new products such as Perineva (perindopril), Niperten (bisoprolol), Nolpaza (pantoprazole) and Valsacor (valsartan). The leading animal health products were Enroxil (enrofloxacin), Floron (florfenicol) and Kokcisan (salinomycin).

Krka products are market leaders in the statins group, multi-vitamin preparations without minerals for paediatric use and pharmaceuticals to treat colds. Our products also have high market shares among macrolide antibiotics, ACE inhibitors, including combinations with diuretics and in the platelet aggregation inhibitors group. The market share in the sartan group is increasing, with Krka already the second-ranked sartan producer overall. Krka is also counting on sales growth in the future, as it continues to add new products to its portfolio. Good sales among the new products is being achieved with Lorista (losartan), Valsacor (valsartan), Nolpaza (pantoprazole), Ampril (ramipril), Perineva (perindopril) and Orsoten (orlistat).

According to a survey of medical professionals (pharmacies/pharmacists, health centres/doctors, distributors, personnel from the health ministry and supervisory agencies and pharmaceutical products), published in the leading pharmaceutical weekly

journal Farmvestnik, Krka ranks as third in the list of the most influential and best-respected foreign pharmaceutical companies. The same survey ranked two products, Orsoten (orlistat) and Lorista (losartan), in the top-ten 'golden-launch' products.

In early February Krka started construction of a production and distribution centre in the Russian Federation. This has consolidated Krka's status as a domestic producer, which is extremely important when operating in the Russian Federation.

General growth in the pharmaceuticals market, a reorganised marketing approach and strengthened promotional work enabled Krka to achieve sales growth of 67% and EUR 10.5 million in **Ukraine**. The main contribution came from prescription pharmaceutical products, particularly Enap (enalapril), Fromilid (clarithromycin), Atoris (atorvastatin), Naklofen (diclofenac), Ciprinol (ciprofloxacin) and Lorista (losartan). Notable self-medication products include Duovit, Bilobil (ginkgo biloba) and Herbion.

Over 40% sales growth was achieved in **Kazakhstan**, coming primarily from prescription pharmaceuticals such as Enap (enalapril), Gliclada (gliclazide) and Zyllt (clopidogrel). The most important products on the Kazakhstani market overall include Duovit from the self-medication product group. In March Krka presented Orsoten (orlistat) to Kazakhstani consumers for the first time, which is the first product on this market to be produced in production facilities in the Russian Federation.

Sales in **Uzbekistan** were slightly behind the first-quarter figures from last year, standing at EUR 1.8 million. The lower sales were the results of the restrictions on currency purchases that buyers faced. The best-selling products remain Hiconcil (amoxicillin), Pikovit and Naklofen (diclofenac).

After a fall in sales in 2010, sales growth was achieved in the first quarter of 2011 in **Belarus** with sales reaching EUR 1.6 million. Our most important products on the market are Enap (enalapril), Duovit and Lorista (losartan).

Product sales in **Moldova** reached EUR 1.0 million, 3% higher than the figure for the same period last year. The highest proportion of overall sales came from pharmaceutical products, including Ampril

(ramipril), Enap (enalapril), Rawel (indapamide), Fromilid (clarithromycin) and Tenox (amlodipine). The highest sales growth by product group was recorded by self-medication products.

High sales growth was achieved on a number of smaller markets in the region. In **Mongolia** the main contribution to sales of EUR 0.9 million came from prescription pharmaceuticals, while the 41% sales growth in **Azerbaijan** was largely achieved from self-medication products. In **Georgia** total growth

Central Europe

With 2% sales growth and sales of EUR 77.0 million, Region Central Europe remains Krka's largest sales region. Sales growth was achieved on most markets in the region.

Poland, one of Krka's key markets, is the second-largest individual Krka market with sales of EUR 33.5 million and 1% growth. It is the largest market in the region, with 43% of overall sales.

Prescription pharmaceuticals remained the most important group with growth of 1%. Many Krka pharmaceuticals are market leaders in their therapeutic group: Atoris (atorvastatin) among pharmaceuticals to treat high cholesterol, Lorista (losartan) and Valsacor (valsartan) are the most important generic sartans, and Nolpaza (pantoprazole) is the most frequently used generic pantoprazole. Other notable products include Zalasta (olanzapine), Prenessa (perindopril), Vasilip (simvastatin), Sulfasalazin (sulfasalazine) and Fromilid (clarithromycin).

Sales of self-medication products remained at the level of last year's first-quarter figure. The best-selling products were Septotele, with 24% growth, and Bilobil (ginkgo biloba). Sales growth was also achieved for animal health products, with Enroxil (enrofloxacin) and Floron (florfenicol) key among them.

On the **Czech** market, which since January this year has been classed as a key Krka market like Hungary, Krka achieved sales growth of 12.9% with sales reaching EUR 17 million. The majority of sales

West Europe and Overseas Markets

The value of sales on the markets of Region West Europe and Overseas Markets remained similar to

was 3%, while it was 18% in **Kyrgyzstan**, where marketing work have been run from Krka's own representative office since the start of the year. The lower volume of sales in **Armenia** compared to the first quarter last year can be attributed to consolidation in the distribution of pharmaceuticals, and the introduction of new legislation on the pricing of pharmaceuticals. Sales were also down (19%) in Turkmenistan compared to the first quarter of last year, while in **Tajikistan** sales growth of 22% was achieved.

came from prescription pharmaceutical products: Atoris (atorvastatin), Lorista (losartan), Lexaurin (bromazepam), Asentra (sertraline), Amprilan (ramipril) and Lanzul (lansoprazole). Of these, Asentra (sertraline), Amprilan (ramipril) and Lexaurin (bromazepam) achieved the highest sales growth. The leading self-medication product was Septotele.

On the **Hungarian** market, moderate 1.8% growth was achieved in the first quarter, with sales reaching EUR 13.8 million. The greatest contribution to total sales from the most important and fastest growing product group – prescription pharmaceuticals – came from Atoris (atorvastatin), Prenessa/Perineva (perindopril), Nolpaza (pantoprazole), Lavestra (losartan), Fromilid (clarithromycin) and Kardogrel (clopidogrel). Sales of self-medication products fell in the first quarter, but animal health product sales grew.

The **Slovakian** market was marked by an erosion of prices in the first quarter of the year, which led a reduction in sales compared to the same period last year, down to EUR 6.1 million. Prescription pharmaceuticals contributed most to sales: Atoris (atorvastatin), Prenessa (perindopril), Fromilid (clarithromycin), Valsacor (valsartan), Nolpaza (pantoprazole) and Lexaurin (bromazepam). Sales of self-medication products grew 11% reaching EUR 0.5 million. The best-selling product was Nalgesin (naproxen).

In **Latvia** and **Estonia** sales growth of 15 and 9% growth was recorded respectively, while sales in **Lithuania** fell by 3%.

the comparable period last year. Krka countered significant pressure to reduce prices with the launch

of new products that will have a positive impact on future sales growth.

Prescription pharmaceutical products retained their leading role in the sales structure. Krka is increasing the proportion of products sold under Krka's own brands via its own subsidiaries. The highest sales growth was achieved by the Krka Farmaceutica company in Portugal, where success came largely from sales of clopidogrel and perindopril. Sales value remained highest for sales via partners.

The most important markets in the region by sales value are **Germany, France, the United Kingdom, the Nordic countries** and the **Benelux countries**. The highest proportion of sales by product over the first quarter came from esomeprazole, which was successfully launched last year as the first generic on the market. Krka retained its position among the generic producers of clopidogrel, pantoprazole, lansoprazole, gliclazide SR and enalapril, perindopril and losartan in varied fixed-dose combinations on the markets of western Europe. In the first quarter of the year, a combination of valsartan with diuretic was launched in **Spain**,

ramipril was launched via subsidiaries in Sweden and Portugal, while rivastigmine was launched in Portugal.

The highest animal health product sales in the first quarter were achieved on the markets of France and Germany. In France sales more than doubled

The proportion of own brands sold via Krka subsidiaries is increasing.

compared to the same period last year. Sales growth was also recorded in the **Other Asia** sales office, mainly with sales Kokcisan (salinomycin). The majority of animal health product sales come from enrofloxacin, while there was an increase in sales of toltrazuril and florfenicol premix, which were launched last year. Florfenicol premix was successfully launched in Italy and Greece this year.

A positive sales trend was recorded on **overseas markets**, with sales increasing by more than one half. Krka is counting on continued sales growth in future, primarily due to the planned launch of new products and acquisition of new partners.

Sales by product and service group

Prescription pharmaceuticals are the leading product group with 81% of overall sales.

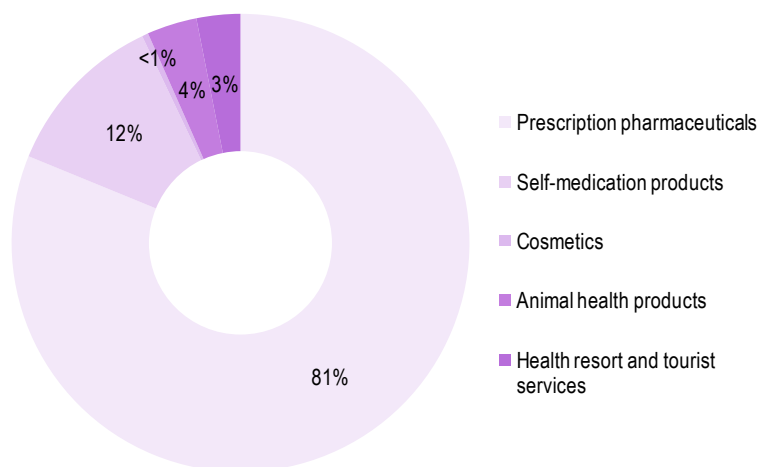
Human health products were the most important in the Group's overall sales during the January-March 2011 period, with a share of 93%. The highest sales within this group were

achieved by prescription pharmaceuticals with an 81% share of total Krka Group sales, followed by self-medication products with a 12% share and

animal health products with a 4% share. Sales of health-resort and tourist services represent 3% of overall Krka Group sales. Sales growth compared to the first quarter of last year was achieved in all major product and service groups and was highest for animal health products and health-resort and tourist services. The latter was mainly due to the fall in sales last year when large-scale investment works were carried out at the Talaso Strunjan resort in early 2010.

in EUR thousand	Krka Group			Krka Company		
	1-3/2011	1-3/2010	Ind.	1-3/2011	1-3/2010	Ind.
Human health products	240,682	233,301	103	227,111	224,396	101
- prescription pharmaceuticals	209,203	204,659	102	198,219	196,007	101
- self-medication products	30,304	27,353	111	27,660	26,946	103
- cosmetics	1,175	1,289	91	1,232	1,443	85
Animal health products	9,076	6,734	135	8,565	6,623	129
Health resort and tourist services	7,986	5,843	137			
Other	212	229	93	458	406	113
Total	257,956	246,107	105	236,134	231,425	102

Krka Group sales by product and service group for January-March 2011



Prescription pharmaceuticals

The Krka Group achieved prescription pharmaceutical sales of EUR 209.2 million, an increase of 2% on the same period last year.

Prescription pharmaceutical sales increased most in eastern and south-eastern Europe.

Sales increased most in Region East Europe (up 12%) and in Region South-East Europe (7%), and also increased in Region Central Europe (2%). In Region

West Europe and Overseas Markets sales were one tenth down on sales for the comparable period last year.

On Krka's larger markets, the highest growth in prescription pharmaceuticals compared to the same period in 2010 was achieved in Ukraine (78% growth), Germany (31%) and the Czech Republic (13%). On mid-sized markets high sales growth was achieved in Benelux and Spain, where sales more than doubled, and in Romania (18%), Portugal (31%) and Italy (23%). On smaller markets the highest sales growth was achieved in Serbia and Belarus, where sales more than doubled, and in Mongolia with 85% growth, while double-digit growth was also achieved in Latvia, Azerbaijan, Kazakhstan and a number of other markets.

The ten leading prescription pharmaceuticals by sales were Atoris (atorvastatin), Lorista/Lavestra (losartan), Enap (enalapril), Nolpaza (pantoprazol), Zyllt (klopidogrel), Prenessa/ Perineva (perindopril),

Lanzul/ Lansoptol (lansoprazole), Emozul/ Emanera (esomeprazole), Fromilid (chlorithromycin) and Vasilip (simvastatin).

Asolfena (solifenacin) was launched in March. This is a new active pharmaceutical ingredient for Krka and the product is intended for treatment of urinary incontinence.

In the first three months of 2011 Krka launched several existing products to new markets, some of the most important of which included:

launching Atoris (atorvastatin) in Romania, launching Perineva (perindopril) – including a fixed-dose combination with indapamide – in Croatia, launching Prenessa (perindopril) in Georgia and its fixed-dose combination with indapamide in Kazakhstan, launching Ifirmasta/Irabel (irbesartan) in the Czech Republic, Slovakia and Hungary, Karbis (candesartan) in Bulgaria and Lorista (losartan) on several smaller, mainly eastern European markets, the launching of Nolpaza (pantoprazole) in Macedonia, Bosnia and Herzegovina, Belarus and Kazakhstan, Yasnal (donepezil) in Romania and Gliclada (gliclazide) in Kazakhstan, as well as the launch of rabeprazole in Portugal.

Numerous significant prescription pharmaceutical launches to new markets.

Most marketing work focused on key therapeutic groups. These are primarily medicines to treat high

blood pressure – including the important sartans and ACE inhibitors – medicines to reduce plasma lipids, anti-ulcer pharmaceuticals, and

pharmaceuticals to treat conditions of the central nervous system.

Self-medication products

The highest self-medication sales were on the markets of eastern and south-eastern Europe.

The Krka Group achieved self-medication product sales of EUR 30.3 million, an increase of 11% on the same period last year. Sales increased most in Region East Europe (17% growth),

Region South-East Europe (9%) and Slovenia (3%), while in Region Central Europe and Overseas Markets sales fell compared to the first quarter last year.

Growth of 3% was achieved on the largest market, the Russian Federation, and growth of 54% in Ukraine, while sales in Kazakhstan more than trebled, and growth was also achieved on most other markets in eastern Europe. In south-eastern Europe the highest growth was achieved in Serbia (54% growth), Bosnia and Herzegovina (52%),

Macedonia (47%) and Kosovo (40%), while in central Europe sales more than trebled in Lithuania, and growth was also achieved in the Czech Republic (15%) and Slovakia (11%).

The leading products are Bilobil, Pikovit, Septotele, Herbion and Duovit, to which the majority of advertising and other promotional work is dedicated.

Many completely new products were for the first time launched in the first three months of 2011, such as a spray-form antiseptic, Septotele Plus spray in Slovenia, Latvia and Estonia and Orsolim, a product to reduce body mass, in Ukraine and Kazakhstan. Krka also continued to launch products such as Nolpaza control (pantoprazole), Nalgesin S, Septotele plus with honey and lemon flavour, Pikovit IQ/Omega 3 and Pikovit Prebio and Bilobil Aktiv/duo on new markets.

Cosmetic products

The Krka Group achieved cosmetic product sales worth EUR 1.2 million, a fall of 9% on the same period last year.

The most important product is Fitoval, which was the focus of major marketing campaigns. Sales grew compared to the same period last year.

Animal health products

The highest growth of animal health products was on individual markets of eastern, central and western Europe.

Sales of animal health products during the first quarter of the year totalled EUR 9.1 million, growth of 35% compared to the first quarter of 2010. The largest contribution to sales growth

came from the markets of western Europe (52% growth), followed by central Europe (57%) and eastern Europe (42%). Sales also increased in Slovenia (5% growth), while small reductions in sales were recorded in south-eastern Europe.

On larger markets sales increased most in Hungary (93% growth), Poland (59%) and the Russian Federation (51%), France, where sales more than doubled and in Germany (15%).

The leading products are Enroxil (enrofloxacin), Floron (florfenicol), while in third place there is the newly launched Toltarox/Tolzesya (toltrazuril), followed by Kokcisan (salinomycin), the Ecocid S biocide and Fypryst (fipronil).

In addition to established strategic sections of the market, the marketing work for new launches also focuses on products for pets.

Health-resort and tourist services

The Terme Krka Group generated sales of

EUR 8.0 million in the first quarter of 2011, 37%

higher than in the first quarter of 2010 when the Talaso Strunjan resort was not operating due to renovation works.

The largest contribution to the revenue structure came from hotel activities, which were worth EUR 2.7 million, an increase of 52% compared to the same period last year. This is followed by healthcare, which generated sales worth EUR 2.3 million, growth of 33% and catering with sales worth EUR 2.0 million, also growth of 33%.

Research and development

In the first quarter of 2011, first marketing authorisations were acquired for 8 products in 19 pharmaceutical forms and strengths. Over the

The highest occupancy rate (76%) in the first quarter was achieved at Terme Šmarješke Toplice, while the average occupancy of capacity at Talaso Strunjan and Terme Dolenjske Toplice was 60%. Slovenian guests recorded almost 65,000 overnight stays in the first quarter, which is 51% more than for the first quarter of 2010. Among the 8,151 overnight stays by foreigners, the most frequent guests were Italians, followed by Austrians, Germans, Croats and Russians.

period, 442 new marketing authorisations were acquired on various markets for 874 pharmaceutical forms and strengths.

Prescription pharmaceuticals

Over the period Krka acquired marketing authorisation for 4 new products in 13 pharmaceutical forms and strengths.

Marketing authorisation was acquired for the new product **Galsya/ Galabar/ Galema**, which contains the active substance **galantamine** in prolonged release capsule form in three strengths. It is used for symptomatic treatment of mild to moderate Alzheimer's disease. An EU decentralised procedure (DCP) was concluded to gain marketing authorisation for galantamine in most EU countries.

Marketing authorisation for the new galantamine product increased possibilities for treating Alzheimer's.

Krka's sartan range for cardiovascular disease was expanded.

The field of treatments for cardiovascular disease, Krka's range of sartans was expanded. Marketing

authorisations were acquired for products based on two key molecules – **irbesartan** and **candesartan**. The new combinations of candesartan and irbesartan with a diuretic supplement and strengthen the **Candecor**, **Karbis** and **Ifirmasta** brands. In most EU countries marketing authorisation was acquired for **Candecombi/Karbicombi** (fixed-dose combination

of candesartan and hydrochlorothiazide) in tablet form in 4 strengths. A centralised procedure (CP) was used to acquire marketing authorisation throughout the EU for **Ifirmacombi**, a fixed-dose combination of **irbesartan** and **hydrochlorothiazide**, in film-coated tablet form in 3 strengths. Both combinations of active substance enable appropriate effects to be achieved in the treatment of high blood pressure that monotherapy cannot offer.

A DCP was used to gain marketing authorisation for **Atoris (atorvastatin)** in film-coated tablet form in 3 new strengths. The 80mg Atoris tablets provide the highest daily dose of the medicine and are intended for patients with high risk of cardiovascular complications, particularly for the prevention of strokes. Two intermediate Atoris tablet strengths (30 mg and 60 mg) offer a further choice of dose, when the right ratio between efficacy and active substance delivery is sought in therapeutic use with atorvastatin.

A new marketing authorisation was acquired in Croatia for **Nolpaza (pantoprazole)** in powder form for preparation as an injection solution, and in Croatia and Macedonia marketing authorisation was acquired for **Roswera (rosuvastatin)** in film-coated tablets in 4 strengths.

Self-medication products

Over the period marketing authorisation procedures were concluded in the self-medication field for two products from the herbal product range, **Herbion ivy syrup** and **Palprostes** capsules.

Marketing authorisation was acquired for **Palprostes** in soft capsule form in Ukraine. The product contains an extract of the saw palmetto fruit (*Serenoa repens*). It is recommended for the alleviation of symptoms and to aid in complex therapy for benign prostatic hyperplasia. Patients can take Palprostes over a lengthy period, and the soft capsules are a patient-friendly medical form.

Animal health products

During the first quarter of the year, Krka acquired marketing authorisation for 2 new products in 4 dosage forms and strengths. Marketing authorisation procedures were concluded for **Dehinel** in 2 forms, **Dehinel plus XL** tablets under the name **Endogard Plus XL/Endro plus XL** and **Dehinel plus flavour** tablets under the name **Endogard Plus Flavour/Endro plus Flavour**. An EU DCP was used to acquire marketing authorisation in 20 European countries. Both products are intended to treat internal parasite infestations in dogs.

Marketing authorisation was acquired for the **Herbion ivy syrup** product in Slovenia. The product contains a dry extract of the leaves of common ivy (*Hedera helix*). It dilutes thick mucus in the respiratory tract and is used to facilitate expectoration with increased mucus secretion.

The marketing possibilities of **Orsoslim** in capsule form were expanded and in the Russian Federation a certificate was acquired on the basis of clinical study results, which allows the nutritional product to be labelled with indications.

A DCP was used to acquire marketing authorisations for the new product **Marfloxin/Quiflor** (**marbofloxacin**) in injection solution form in 2 strengths. The product is used to treat bacterial infections in cattle and pigs.

Marketing authorisation was acquired for marbofloxacin, a new animal health product to treat infections.

The range of products for pets was expanded over the period. Marketing authorisation was acquired for the pharmaceutical **fipronil** (**Fypryst**) in Croatia and Serbia in solution form for application on skin.

Investments

The Krka Group allocated EUR 23.4 million to investment in the first quarter of 2011, with EUR 20.5 million invested by the controlling company, and EUR 2.9 million by subsidiaries.

Solid dosage pharmaceutical production plant

Work started in June 2009 to build a new solid dosage production (OTO) plant at the Krka production complex in Ločna. This will increase production capacity by 2.5 billion tablets, coated tablets or capsules per year. The plant has five floors with a total surface area of 17,000 m², and the value of the investment is EUR 91 million.

The steel building core was put in place in 2009 and the main construction work finished. Installation

The projects currently undergoing the most intense work are described below.

works started in January 2010. The installation work was advanced enough by the end of September to start qualifying machinery and installing technological equipment, which will take until the end of 2012.

The technical inspection of the plant is planned for mid-February 2011. The text operation permit was acquired in early March. Test production started on the first line in April 2011.

Development and control centre (RKC 3)

The growth of Krka sales depends to a large extent on research and development teams creating new products. The construction of the new RKC 3 will offer the possibility of expanding research and development in terms of quantity and quality, and ensure the quality and control of incoming materials, bulk products and finished products in line with the good laboratory practice standards for new production capacity. RKC 3 will provide the conditions we need to operate state-of-the-art laboratory equipment and to introduce the latest analytical methods we need to maintain our

competitive advantage.

The facility has a total net surface area of 11,479 m² and is sited next to RKC 1 and RKC 2, with which it forms a functional and architectural whole. The facility installation were ready for fitting in mid-January 2011.

The technical inspection of the plant took place in mid-April 2011. The move to the new premises worth EUR 22 million is planned for the end of June 2011.

Sterile product production – Phase II

Investment in the sterile product production plant will gradually increase ampoule production to 130 million per year. The first phase will see the installation of two ampoule-filling lines, two injection

solution preparation lines and one ampoule packaging line. The preparation of the user platform and the selection of technology suppliers is underway.

Production of flavoured animal health tablets

The premises and purchase equipment for production of flavoured animal health tablets will be prepared at the solution and emulsion production plant. Production capacity will be 80 million tablets a

year, with two shifts.

Project documentation is being prepared with test production set to commence in January 2012.

Sinteza 4 – increase in capacity

The purchase of additional technological equipment

will increase the flexibility and productivity of the

Sinteza 4 plant and the range of products that can be produced simultaneously in the plant. Four reactors equipped with distillation columns and condensers will be added to individual lines. The

installation of two new centrifuges will increase centrifuge capacity. The start of test production is planned for the end of this August.

Investments outside Slovenia

In February 2011 Krka started work on the construction of a new solid dosage pharmaceutical production plant in the Russian Federation, which will support the flexible and modular development of production capacity in several phases. Six packaging lines will be fitted in phase one. The factory's capacity will be between 1.5 and 1.8 billion

tablets and capsules per year. The investment is worth EUR 135 million and is also significant in the light of efforts by the Russian government to boost domestic pharmaceutical production, as it consolidates Krka's status as a domestic producer. Production is planned to start in 2013.

New projects

In 2010 preparations started on the project documentation for construction of a new production plant for solid dosage oral pharmaceutical forms – Notol 2. The user platform and technological plant has been produced. Plans to acquire the building permit were produced by the end of March 2011, and project auditing is underway. According to the established schedule, and implementation plans will be produced by November 2011.

Krka's strategic location for the expansion of pharmaceutical and chemical production in Slovenia is in Krško, where it is building an API production plant: Sinteza 1. The investment is in the phase of planning and acquiring consents from the responsible institutions for a building permit. The implementation projects will be produced during 2011.

Employees

The number of Krka employees in the first quarter of the year increased by 17 in Slovenia, and by 92 outside Slovenia. At the end of March 2011 the Krka Group had 8,678 employees, which is 503 more than at the end of March 2010.

The proportion of Krka Group employees working in companies and representative offices outside Slovenia is 48%. Fifty-seven per cent of all Group employees had at least a university or higher professional degree.

Educational structure of Krka Group employees

Educational level	31 Mar 2011		31 Dec 2010	
	Headcount	Share (%)	Headcount	Share (%)
Doctorate	90	1.0	90	1.0
Master of science	251	2.9	245	2.9
University education	4144	47.8	4076	47.6
Higher professional education	829	9.5	780	9.1
Vocational college education	252	2.9	248	2.9
Secondary school education	1709	19.7	1711	20.0
Other	1403	16.2	1419	16.5
Total	8678	100.0	8569	100.0
- in Slovenia	4476	51.6	4459	52.0
- abroad	4202	48.4	4110	48.0

Study grants are one method of attracting talented new employees to our companies. At present there are 91 students on Krka study grants, largely in the fields of pharmacy and chemistry, though grants are also available to outstanding students in other fields of interest to Krka.

The Krka appraisal interviews, the competence system and employee development system enables Krka to monitor its employees' development in a planned manner, with the guidance of their line managers. Krka ensures a high quality platform and continuity in key work positions through the annual formation and updating of a portfolio of key and promising staff and planned investment in their development, education and skills development.

Our employees also study at home and abroad in the fields of specialist knowledge, quality, leadership, personal development, foreign languages and information science. The training is adapted to the needs of our employees, the technological process, market conditions and Krka's developmental needs, so most education is organised in-house.

Krka employees show great interest in acquiring new knowledge and gaining higher qualifications.

At present Krka is supporting 72 of its employees in specialist, master's and doctoral studies, while a further 407 employees are involved in part-time studies alongside their work. During the first quarter, 13 Krka staff members completed their studies.

Efforts to provide employee with overall quality of work and quality of life continued, with a broad range of activities available, which help achieve the Krka mission of Living a Healthy Life among our employees as well. This year Krka has also continued the Together We'll Scale the Heights campaign, which encourages employees to become more mobile and spread awareness of the importance of a healthy lifestyle. A clean-up campaign was organised as part of the open day project, in which third-age university students and Krka employees' children and relatives were invited to visit the company.

These campaigns make use of fun and informal socialising to build a shared culture of participation and belonging.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP WITH NOTES

Consolidated statement of the financial position of the Krka Group

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Assets			
Property, plant and equipment	693,304	686,461	101
Intangible assets	121,598	122,815	99
Deferred tax assets	26,564	27,505	97
Long-term loans	4,307	4,312	100
Non-current investments	5,223	5,238	100
Other non-current assets	166	175	95
Total non-current assets	851,162	846,506	101
Inventories	232,393	229,343	101
Trade and other receivables	416,047	402,686	103
Short-term loans	1,056	1,227	86
Current investments, including derivatives	646	653	99
Cash and cash equivalents	17,276	7,789	222
Total current assets	667,418	641,698	104
Total assets	1,518,580	1,488,204	102
Equity			
Equity			
Share capital	59,129	59,126	100
Own shares	-28,211	-21,749	130
Reserves	165,968	159,233	104
Retained earnings	896,639	855,140	105
Equity holders of the parent	1,093,525	1,051,750	104
Non-controlling interest	1,568	1,577	99
Total equity	1,095,093	1,053,327	104
Liabilities			
Long-term borrowings	67,214	67,214	100
Provisions	109,434	108,889	101
Deferred revenue	7,069	7,138	99
Deferred tax liabilities	18,423	19,468	95
Total non-current liabilities	202,140	202,709	100
Trade payables	78,243	91,386	86
Short-term borrowings	45,551	57,910	79
Income tax liabilities	14,292	9,814	146
Other current liabilities	83,261	73,058	114
Total current liabilities	221,347	232,168	95
Total liabilities	423,487	434,877	97
Total equity and liabilities	1,518,580	1,488,204	102

Consolidated income statement of the Krka Group

in EUR thousand	1-3/2011	1-3/2010	Ind. 11/10
Revenues	257,956	246,107	105
Production cost of goods sold	-99,087	-91,546	108
Gross profit	158,869	154,561	103
Other operating income	2,877	2,953	97
Distribution expenses	-60,172	-60,142	100
R&D costs	-22,658	-23,372	97
Administrative expenses	-18,026	-19,751	91
Operating profit	60,890	54,249	112
Financial income	2,285	10,427	22
Financial expenses	-1,224	-1,333	92
Net financial expenses / income	1,061	9,094	12
Profit before tax	61,951	63,343	98
Income tax expense	-13,999	-16,282	86
Profit for the period	47,952	47,061	102
Attributable to:			
– equity holders of the parent	47,961	47,083	102
– non-controlling interest	-9	-22	41
Basic earnings per share (in EUR)	1.42	1.39	102
Diluted earnings per share (in EUR)	1.42	1.39	102

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

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

Consolidated statement of comprehensive income of the Krka Group

in EUR thousand	1-3/2011	1-3/2010	Ind. 11/10
Profit for the period	47,952	47,061	102
Other comprehensive income for the period:			
Changes in fair value of financial assets available for sale	-16	-302	5
Deferred tax effect – change in fair value of financial assets available for sale	3	61	5
Translation reserve	286	5,855	5
Total other comprehensive income for the period	273	5,614	5
Total comprehensive income for the period	48,225	52,675	92
Attributable to:			
– equity holders of the parent	48,234	52,697	92
– non-controlling interest	-9	-22	41

Consolidated statement of changes in equity of the Krka Group

in EUR thousand	Share capital	Own shares	Reserves					Retained earnings			Total equity holders of the parent	Non-controlling interest	Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserve	Other revenue reserves	Net profit for the period	Net profit carried forward			
Balance at 1 Jan 2011	59,126	-21,749	123,252	14,990	27,184	1,767	-7,960	684,639	111,765	58,736	1,051,750	1,577	1,053,327
Net profit for the period	0	0	0	0	0	0	0	0	47,961	0	47,961	-9	47,952
Other comprehensive income for the period													
Changes in fair value of financial assets available for sale	0	0	0	0	0	-16	0	0	0	0	-16	0	-16
Deferred tax effect – change in fair value of financial assets available for sale	0	0	0	0	0	3	0	0	0	0	3	0	3
Translation reserve	0	0	0	0	0	0	286	0	0	0	286	0	286
Total other comprehensive income for the period	0	0	0	0	0	-13	286	0	0	0	273	0	273
Total comprehensive income for the period	0	0	0	0	0	-13	286	0	47,961	0	48,234	-9	48,225
Transactions with owners recorded in equity													
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	0	-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	0	0	0	0	0
Formation of reserves for own shares			6,462						-6,462	0	0		0
Repurchase of own shares		-6,462									-6,462		-6,462
Dividends paid	0	0	0	0	0	0	0	0	0		0	0	0
Acquisition of minority interest	3	0	0	0	0	0	0	0	0	0	3	0	3
Total transactions with owners recorded in equity	3	-6,462	6,462	0	0	0	0	0	-118,227	111,765	-6,459	0	-6,459
Balance at 31 Mar 2011	59,129	-28,211	129,714	14,990	27,184	1,754	-7,674	684,639	41,499	170,501	1,093,525	1,568	1,095,093

in EUR thousand	Share capital	Own shares	Reserves					Retained earnings			Total equity holders of the parent	Non-controlling interest	Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserves	Translation reserve	Other revenue reserves	Net profit for the period	Net profit carried forward			
Balance at 1 Jan 2010	59,126	-19,489	120,992	14,990	22,184	2,104	-9,776	570,354	106,766	51,434	918,685	1,684	920,369
Net profit for the period	0	0	0	0	0	0	0	0	47,083	0	47,083	-22	47,061
Other comprehensive income for the period													
Changes in fair value of financial assets available for sale	0	0	0	0	0	-302	0	0	0	0	-302	0	-302
Deferred tax effect – change in fair value of financial assets available for sale	0	0	0	0	0	61	0	0	0	0	61	0	61
Translation reserve	0	0	0	0	0	0	5,855	0	0	0	5,855	0	5,855
Total other comprehensive income for the period	0	0	0	0	0	-241	5,855	0	0	0	5,614	0	5,614
Total comprehensive income for the period	0	0	0	0	0	-241	5,855	0	47,083	0	52,697	-22	52,675
Transactions with owners recorded in equity													
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	0	-106,766	106,766	0	0	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners recorded in equity	0	0	0	0	0	0	0	0	-106,766	106,766	0	0	0
Balance at 31 Mar 2010	59,126	-19,489	120,992	14,990	22,184	1,863	-3,921	570,354	47,083	158,200	971,382	1,662	973,044

Consolidated statement of cash flows of the Krka Group

in EUR thousand	1-3/2011	1-3/2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	47,952	47,061
Adjustments for:	35,476	35,576
– amortisation /depreciation	20,135	19,465
– foreign exchange differences	300	-1,551
– investment income	-143	-709
– investment expense	219	1,123
– interest expense and other financial expense	963	966
– income tax	13,999	16,282
– other	3	0
Operating profit before changes in net operating current assets	83,428	82,637
Change in trade receivables	-13,455	-28,964
Change in inventories	-3,050	-9,006
Change in operating debts (liabilities)	-13,142	319
Change in provisions	544	1,093
Change in deferred revenue	-69	-712
Change in other current liabilities	10,241	3,483
Income taxes paid	-9,529	-14,166
Cash generated from operations	54,968	34,684
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	61	176
Proceeds from sale of property, plant and equipment	368	314
Purchase of intangible assets	-1,202	-783
Purchase of property, plant and equipment	-25,062	-21,492
Long-term loans	-219	-345
Proceeds from repayment of long-term loans	369	644
Acquisition of non-current investments	-11	-24
Proceeds from sale of non-current investments	20	14
Payments/Proceeds in connection with current investments and loans	182	1,270
Payments in connection with derivative financial instruments	5	0
Net cash used in investing activities	-25,489	-20,226
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-1,710	-2,137
Repayment of long-term borrowings	-17,836	-14,535
Acquisition of short-term borrowings	6,223	716
Dividends paid	-37	10
Repurchase of own shares	-6,462	0
Net cash used in financing activities	-19,822	-15,946
Net increase/decrease in cash and cash equivalents	9,657	-1,488
Cash and cash equivalents at beginning of period	7,789	13,411
Effect of exchange rate fluctuations on cash held	-170	-59
Net cash and cash equivalents at end of period	17,276	11,864

Segment reporting of the Krka Group

in EUR thousand	European Union		South-East Europe		Eastern Europe		Other markets		Total	
	1-3/2011	1-3/2010	1-3/2011	1-3/2010	1-3/2011	1-3/2010	1-3/2011	1-3/2010	1-3/2011	1-3/2010
Revenues to non-Group companies	163,585	162,382	22,316	21,713	66,782	58,074	5,273	3,938	257,956	246,107
Revenues to Group companies	37,078	36,557	16,521	14,858	33,570	31,692	0	0	87,169	83,107
Revenues from reversal of provisions and other revenues	2,726	2,524	25	11	125	418	0	0	2,876	2,953
Operating profit	46,466	44,119	5,682	3,899	8,459	6,018	283	213	60,890	54,249
Interest revenue	57	174	2	2	2	4	0	0	61	180
Interest expenses	915	907	1	7	1	0	0	0	916	914
Net financial income/expenses	498	5,564	230	860	300	2,523	33	147	1,061	9,094
Income tax expense	-10,285	-12,155	-1,976	-2,121	-1,839	-1,967	100	-39	-14,000	-16,282
Profit for the period	36,679	37,528	3,937	2,638	6,920	6,574	415	321	47,951	47,061
Investments in property, plant and equipment, and intangible assets	21,394	48,124	172	94	1,869	215	0	0	23,435	48,433
Depreciation of property, plant and equipment	3,709	25,006	624	1,652	1,315	4,784	10	169	5,658	31,611
Amortisation of intangible assets	9,395	3,748	1,367	1,250	3,441	752	274	39	14,477	5,789
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
Total assets	1,113,658	1,094,719	95,952	96,806	297,967	283,746	11,003	12,933	1,518,580	1,488,204
Total liabilities	268,636	270,408	33,871	33,239	113,570	122,723	7,410	8,507	423,487	434,877

Notes to the consolidated financial statements

Sales revenues

EUR 257,956 thousand

Sales revenues comprise revenues from the sale of products, services and goods on the domestic market worth EUR 24,104 thousand (9.3% of the Group's net sales revenues) and on foreign markets

worth EUR 233,852 thousand (90.7% of net sales revenues). The sales revenues were 5% higher than the result of the same period last year.

Production cost of goods sold

EUR 99,087 thousand

The Group's production costs of goods sold increased by 8% compared to the same period last year, and their ratio to sales was 38.4%.

Distribution expenses

EUR 60,172 thousand

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

They remained at the same level as for the same period last year, and their ratio to sales was 23.3%.

R&D costs

EUR 22,658 thousand

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

R&D costs were 3% lower than for the same period last year, and their ratio to sales revenues was 8.8%.

Administrative expenses

EUR 18,026 thousand

Administrative expenses decreased by 9% compared to the same period last year, and

their ratio to sales revenues was 7.0%.

Costs by nature

EUR 199.943 thousand

in EUR thousand	1-3/2011	1-3/2010	Ind. 11/10
Cost of goods and material	75,072	73,796	102
Cost of services	45,142	50,041	90
Employee benefits cost	64,679	59,645	108
Amortisation / Depreciation	20,135	19,465	103
Other operating expenses	6,523	6,565	99
Total costs	211,551	209,512	101
Change in the value of inventories	-11,608	-14,701	79
Total	199,943	194,811	103

Employee benefit cost

EUR 64,679 thousand

in EUR thousand	1-3/2011	1-3/2010	Ind. 11/10
Gross wages and salaries and continued pay	50,648	48,073	105
Social security contributions and payroll tax	10,982	8,947	123
Retirement benefits and anniversary bonuses	1,021	599	170
Other employee benefits cost	2,028	2,026	100
Total employee benefits cost	64,679	59,645	108

Other operating expenses

EUR 6,523 thousand

in EUR thousand	1-3/2011	1-3/2010	Ind. 11/10
Grants and assistance for humanitarian and other purposes	566	784	72
Environmental levies	421	502	84
Other taxes and levies	1,668	1,107	151
Loss in the sale of property, plant and equipment and intangible assets	211	1,111	19
Write-offs and allowances for inventories	1,889	1,464	129
Other costs	1,768	1,597	111
Total other operating expenses	6,523	6,565	99

Finance income and financial costs

in EUR thousand	1-3/2011	1-3/2010	Ind. 11/10
Exchange differences	2,112	9,772	22
Interest income	60	180	33
Change in fair value of investments through profit or loss	2	33	6
Income from derivative financial instruments, thereof:	5	0	
– inflows	5	0	
– changes in fair value	0	0	
Reversal of impairment	106	438	24
Other income	0	4	0
Total financial income	2,285	10,427	22
Interest expense	-916	-913	100
Change in fair value of investments through profit or loss	-8	-12	67
Other expenses	-47	-53	89
Impairment and write-off of receivables	-253	-355	71
Total financial expenses	-1,224	-1,333	92
Net financial income/expenses	1,061	9,094	12

Income tax expenses

EUR 13,999 thousand

The corporate income tax levied was EUR 14,047 thousand, which is 22.7% of the pre-tax profit. Taking into account the deferred tax of *minus* EUR 48 thousand, the income tax expense in

the income statement totals EUR 13,999 thousand.

The effective tax rate is 22.6%.

Property, plant and equipment

EUR 693,304 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Property	29,372	29,370	100
Plant	303,076	306,844	99
Equipment	268,788	274,637	98
PPE under construction	92,068	75,610	122
Total property, plant and equipment	693,304	686,461	101

The value of property, plant and equipment represented 46% of the Group's total assets. Krka's

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

Intangible assets

EUR 121,598 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Goodwill	42,644	42,644	100
Trademark	42,403	42,403	100
Concessions, patents, licences, trademarks and similar rights	31,592	33,077	96
Intangible assets under construction	4,959	4,691	106
Total intangible assets	121,598	122,815	99

Long-term industrial property rights and intangible assets in acquisition constitute market authorisation documentation for new medicines and software.

Loans

EUR 5,363 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Long-term loans	4,307	4,312	100
– long-term loans	4,307	4,312	100
Short-term loans	1,056	1,227	86
– portion of long-term borrowing due next year	729	940	78
– short-term loans	325	285	114
– short-term interest receivable	2	2	100
Total loans	5,363	5,539	97

Investments

EUR 5,869 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Non-current investments	5,223	5,238	100
– financial assets available for sale	5,223	5,238	100
Current investments, including derivatives	646	653	99
– instruments held for trading	89	93	96
– other current investments	557	560	100
Total investments	5,869	5,891	100

The financial assets available-for-sale include shares and stakes worth EUR 866 thousand in

Slovenia, and EUR 4,357 thousand in shares and stakes held abroad.

Other current financial investments comprise

Slovenian mutual fund units worth EUR 284 thousand and assets under management worth EUR 273 thousand.

Inventories

EUR 232,393 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Material	76,524	84,463	91
Work in progress	52,710	48,263	109
Products	80,124	74,823	107
Merchandise	23,035	21,794	106
Total inventories	232,393	229,343	101

Trade and other receivables

EUR 416,047 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Short-term trade receivables	380,849	368,780	103
Other short-term receivables	35,198	33,906	104
Total receivables	416,047	402,686	103

Cash and cash equivalents

EUR 17,276 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Cash in hand	73	61	120
Bank balances	17,203	7,728	223
Total cash and cash equivalents	17,276	7,789	222

Equity

EUR 1,095,093 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Share capital	59,129	59,126	100
Own shares	-28,211	-21,749	130
Reserves	165,968	159,233	104
– share premium	129,714	123,252	105
– legal reserves	14,990	14,990	100
– statutory reserves	27,184	27,184	100
– fair value reserve	1,754	1,767	99
– translation reserves	-7,674	-7,960	96
Retained earnings	896,639	855,140	105
Equity holders of the parent	1,093,525	1,051,750	104
Non-controlling interest	1,568	1,577	99
Total equity	1,095,093	1,053,327	104

Borrowings

EUR 112,765 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Long-term borrowings	67,214	67,214	100
– borrowings from domestic banks	67,071	67,071	100
– borrowings from foreign banks	143	143	100
Short-term borrowings	45,551	57,910	79
– current portion of long term borrowings	19,803	37,899	52
– borrowings from domestic banks	24,593	18,500	133
– borrowings from foreign banks	370	0	0
– borrowings from other entities	338	317	107
– interest payable	447	1,194	37
Total borrowings	112,765	125,124	90

Provisions

EUR 109,434 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Provisions for retirement benefits and anniversary bonuses	55,860	55,315	101
Other provisions	53,574	53,574	100
– provisions for lawsuits	49,015	49,015	100
– other provisions	4,559	4,559	100
Total provisions	109,434	108,889	101

Deferred revenue

EUR 7,069 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Grants received for the Beta plant in Šentjernej	114	125	91
Grants received for the health resorts Dolenjske and Šmarješke Toplice and Golf Grad Otočec	5,200	5,276	99
Grants by the European Regional Development Fund	25	26	96
Grants by the European Fund – development of new technologies (FBD project)	926	926	100
Properties, plant and equipment received for free	587	591	99
Emission coupons	22	22	100
Other deferred revenue	195	172	113
Total deferred revenue	7,069	7,138	99

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

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

Trade payables

EUR 78,243 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Payables to domestic suppliers	38,041	42,365	90
Payables to foreign suppliers	39,667	48,525	82
Payables from advances	535	496	108
Total trade payables	78,243	91,386	86

Other current liabilities

EUR 83,261 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Accrued contractual discounts on products sold to other customers	44,295	34,943	127
Payables to employees – gross wages, other charges	27,124	27,405	99
Other	11,842	10,710	111
Total other current liabilities	83,261	73,058	114

Contingent liabilities

EUR 4,913 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Guarantees issued	2,747	2,704	102
Other	2166	2164	100
Total contingent liabilities	4,913	4,868	101

CONDENSED FINANCIAL STATEMENTS OF THE KRKA COMPANY WITH NOTES

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

in EUR thousand	31 Dec 2011	31 Dec 2010	Ind. 11/10
Assets			
Property, plant and equipment	521,914	513,683	102
Intangible assets	29,318	29,752	99
Investments in subsidiaries	226,409	227,409	100
Deferred tax assets	19,184	19,162	100
Long-term loans	13,483	12,206	110
Non-current investments	5,013	5,029	100
Other non-current assets	160	168	95
Total non-current assets	815,481	807,409	101
Inventories	166,141	163,974	101
Trade and other receivables	429,356	423,042	101
Short-term loans	47,391	49,686	95
Current investments, including derivatives	646	653	99
Cash and cash equivalents	3,952	1,547	255
Total current assets	647,486	638,902	101
Total assets	1,462,967	1,446,311	101
Equity			
Share capital	59,126	59,126	100
Own shares	-28,211	-21,749	130
Reserves	173,642	167,193	104
Retained earnings	894,140	853,584	105
Total equity	1,098,697	1,058,154	104
Liabilities			
Long-term borrowings	66,800	66,800	100
Provisions	102,253	101,632	101
Deferred revenue	2,750	2,668	103
Deferred tax liabilities	439	442	99
Total non-current liabilities	172,242	171,542	100
Trade payables	89,547	109,553	82
Short-term borrowings	49,690	57,189	87
Income tax liabilities	12,511	8,635	145
Other current liabilities	40,280	41,238	98
Total current liabilities	192,028	216,615	89
Total liabilities	364,270	388,157	94
Total equity and liabilities	1,462,967	1,446,311	101

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

in EUR thousand	1-3/2011	1-3/2010	Ind. 11/10
Revenues	236,134	231,425	102
Production cost of goods sold	-91,612	-91,128	101
Gross profit	144,522	140,297	103
Other operating income	2,216	2,906	76
Distribution expenses	-55,128	-54,830	101
R&D costs	-21,478	-21,721	99
Administrative expenses	-12,963	-14,251	91
Operating profit	57,169	52,401	109
Financial income	2,650	10,379	26
Financial expenses	-1,047	-932	112
Net financial expenses	1,603	9,447	17
Profit before tax	58,772	61,848	95
Income tax expense	-11,754	-12,311	95
Profit for the period	47,018	49,537	95
Basic earnings per share (in EUR)	1.39	1.47	95
Diluted earnings per share (in EUR)	1.39	1.47	95

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

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

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

in EUR thousand	1-3/2011	1-3/2010	Ind. 11/10
Net profit for the period	47,018	49,537	95
Other comprehensive income for the period:			
Changes in fair value of financial assets available for sale	-16	-302	5
Deferred tax effect – change in fair value of financial assets available for sale	3	60	5
Total other comprehensive income for the period	-13	-242	5
Total comprehensive income for the period	47,005	49,295	95

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

	Share capital	Own shares	Reserves				Retained earnings			Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Net profit for the period	Net profit carried forward	
in EUR thousand										
Balance at 1 Jan 2011	59,126	-21,749	123,252	14,990	27,184	1,767	684,639	106,660	62,285	1,058,154
Net profit for the period	0	0	0	0	0	0	0	47,018	0	47,018
Other comprehensive income for the period										
Changes in fair value of financial assets available for sale	0	0	0	0	0	-16	0	0	0	-16
Deferred tax effect – changes in fair value of financial assets available for sale	0	0	0	0	0	3	0	0	0	3
Total other comprehensive income for the period	0	0	0	0	0	-13	0	0	0	-13
Total comprehensive income for the period	0	0	0	0	0	-13	0	47,018	0	47,005
Transactions with owners recorded in equity										0
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	-106,660	106,660	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	0	0	0	0
Formation of reserves for own shares	0	0	6,462	0	0	0	0	-6,462	0	0
Repurchase of own shares	0	-6,462	0	0	0	0	0	0	0	-6,462
Dividends paid	0	0	0	0	0	0	0	0	0	0
Total transactions with owners recorded in equity	0	-6,462	6,462	0	0	0	0	-113,122	106,660	-6,462
Balance at 31 Mar 2011	59,126	-28,211	129,714	14,990	27,184	1,754	684,639	40,556	168,945	1,098,697

	Share capital	Own shares	Reserves				Retained earnings			Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Net profit for the period	Net profit carried forward	
in EUR thousand										
Balance at 1 Jan 2010	59,126	-19,489	120,992	14,990	22,184	2,104	570,354	103,812	57,937	932,010
Net profit for the period	0	0	0	0	0	0	0	49,537	0	49,537
Other comprehensive income for the period										
Changes in fair value of financial assets available for sale	0	0	0	0	0	-302	0	0	0	-302
Deferred tax effect – changes in fair value of financial assets available for sale	0	0	0	0	0	60	0	0	0	60
Total other comprehensive income for the period	0	0	0	0	0	-242	0	0	0	-242
Total comprehensive income for the period	0	0	0	0	0	-242	0	49,537	0	49,295
Transactions with owners recorded in equity										
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	-103,812	103,812	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	0
Total transactions with owners recorded in equity	0	0	0	0	0	0	0	-103,812	103,812	0
Balance at 31 Mar 2010	59,126	-19,489	120,992	14,990	22,184	1,862	570,354	49,537	161,749	981,305

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

in EUR thousand	1-3/2011	1-3/2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	47,018	49,537
Adjustments for:	27,306	27,487
– amortisation /depreciation	14,900	14,573
– exchange differences	99	-374
– investment income	-561	-1,005
– investment expense	183	1,062
– interest expense and other financial expense	931	920
– income tax	11,754	12,311
Operating profit before changes in net operating current assets	74,324	77,024
Change in trade receivables	-6,314	-38,723
Change in inventories	-2,167	529
Change in operating debts (liabilities)	-20,006	-3,473
Change in provisions	621	1,182
Change in deferred revenue	82	811
Change in other current liabilities	-922	-273
Income taxes paid	-7,900	-10,858
Cash generated from operations	37,718	26,219
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	497	498
Proceeds from sale of property, plant and equipment	377	2,034
Purchase of intangible assets	-977	-367
Purchase of property, plant and equipment	-22,204	-12,853
Acquisition of subsidiaries and a share of minority interest without obtained assets	1,000	0
Long-term loans	-1,419	-4,095
Proceeds from repayment of long-term loans	2,226	3,448
Acquisition of non-current investments	-11	-24
Proceeds from sale of non-current investments	20	14
Payments in connection with current investments and loans	257	-2,331
Proceeds in connection with derivative financial instruments	5	0
Net cash used in investing activities	-20,229	-13,676
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-1,674	-2,088
Repayment of long-term borrowings	-17,836	-14,537
Acquisition of short-term borrowings	11,080	1,032
Dividends paid	-38	-10
Repurchase of own shares	-6,462	0
Net cash used in financing activities	-14,930	-15,603
Net increase/decrease in cash and cash equivalents	2,559	-3,060
Cash and cash equivalents at beginning of period	1,547	7,487
Effect of exchange rate fluctuations on cash held	-154	-29
Net cash and cash equivalents at end of period	3,952	4,398

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

in EUR thousand	European Union		South-East Europe		Eastern Europe		Other markets		Total	
	1-3/2011	1-3/2010	1-3/2011	1-3/2010	1-3/2011	1-3/2010	1-3/2011	1-3/2010	1-3/2011	1-3/2010
Revenues	149,447	145,630	23,427	21,948	58,456	60,271	4,804	3,576	236,134	231,425
Revenues from reversal of provisions and other operating income	2,216	2,906	0	0	0	0	0	0	2,216	2,906
Operating profit	44,823	42,683	7,520	6,087	4,613	3,466	213	165	57,169	52,401
Interest income	414	442	0	0	75	49	0	0	488	491
Interest expense	913	895	0	0	0	0	0	0	913	895
Net financial income/expenses	1,015	5,945	159	896	397	2,460	33	146	1,603	9,447
Income tax expense	-9,360	-10,028	-1,546	-1,430	-948	-814	100	-39	-11,754	-12,311
Profit for the period	36,477	38,600	6,133	5,553	4,062	5,112	346	272	47,018	49,537
Capital expenditure	20,453	13,227	0	0	0	0	0	0	20,453	13,227
Depreciation of property, plant and equipment	1,080	10,262	65	631	257	2,163	10	86	1,412	13,142
Amortisation of intangible assets	8,537	901	1,338	135	3,339	373	274	22	13,488	1,431
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
Total assets	1,114,012	1,101,437	69,415	73,163	268,544	258,786	10,996	12,925	1,462,967	1,446,311
Total liabilities	230,543	237,223	36,139	37,031	90,177	105,395	7,411	8,508	364,270	388,157

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

Sales revenues

EUR 236,134 thousand

Sales revenues include revenues from the sale of products, services and goods on the domestic market worth EUR 16,126 thousand (6.8% of net sales revenues) and revenues from sales on foreign

markets worth EUR 220,008 thousand (93.2% of net sales revenues). The sales revenues were 2% higher than the result of the same period last year.

Production cost of goods sold

EUR 91,612 thousand

The Group's production costs of goods sold increased by 1% compared to the same period last year.

Their ratio to sales revenues was 38.8%.

Distribution expenses

EUR 55,128 thousand

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

Distribution expenses increased by 1% compared to the same period last year, and their ratio to sales was 23.3%.

R&D costs

EUR 21,478 thousand

The Company does not capitalise R&D costs, and they are fully disclosed in the current income statement. R&D costs were 1 % higher than for the

comparable period last year, and their ratio to sales revenues was 9.1%.

Administrative expenses

EUR 12,963 thousand

Administrative expenses decreased by 9% compared to the same period last year, and their ratio to sales revenues was 5.5%.

Costs by nature

EUR 181,181 thousand

in EUR thousand	1-3/2011	1-3/2010	Ind. 11/10
Cost of goods and material	73,822	70,526	105
Cost of services	58,592	59,030	99
Employee benefits cost	39,895	38,880	103
Amortisation / Depreciation	14,900	14,573	102
Other operating expenses	4,396	3,761	117
Total costs	191,605	186,770	103
Change in the value of inventories	-10,424	-4,840	215
Total	181,181	181,930	100

Employee benefit cost

EUR 39,895 thousand

in EUR thousand	1-3/2011	1-3/2010	Ind. 11/10
Gross wages and salaries and continued pay	32,002	30,997	103
Social security contributions and payroll tax	5,818	4,970	117
Retirement benefits and anniversary bonuses	1,025	1,775	58
Other employee benefits cost	1,050	1,138	92
Total employee benefits cost	39,895	38,880	103

Other operating expenses

EUR 4,396 thousand

in EUR thousand	1-3/2011	1-3/2010	Ind. 11/10
Grants and assistance for humanitarian and other purposes	322	492	65
Environmental levies	360	479	75
Other taxes and levies	900	485	186
Loss in the sale of property, plant and equipment and intangible assets	174	1,050	17
Write-offs and allowances for inventories	1,803	671	269
Other costs	837	584	143
Total other operating expenses	4,396	3,761	117

Finance income and financial costs

in EUR thousand	1-3/2011	1-3/2010	Ind. 11/10
Exchange differences	2,149	9,855	22
Interest income	488	491	99
Change in fair value of investments through profit or loss	2	33	6
Income from derivative financial instruments, thereof:	5	0	
– inflows	5	0	
Reversal of impairment	6	0	
Total financial income	2,650	10,379	26
Interest expense	–913	–895	102
Change in fair value of investments through profit or loss	–8	–12	67
Other expenses	–19	–25	76
Impairment and write-off of receivables	–107	0	
Total financial expenses	–1,047	–932	112
Net financial income/expenses	1,603	9,447	17

Income tax expenses

EUR 11,754 thousand

The corporate income tax levied amounts to EUR 11,776 thousand, which is 20.0% of the pre-tax profit. Taking into account the deferred tax of *minus* EUR 22 thousand, the income tax expense in

the income statement totals EUR 11,754 thousand. The effective tax rate is 20.0%, which is 0.1 percentage points less than for the same period last year.

Property, plant and equipment

EUR 521,914 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Property	17,283	17,283	100
Plant	198,730	201,335	99
Equipment	218,817	223,746	98
PPE under construction	87,084	71,319	122
Total property, plant and equipment	521,914	513,683	102

The value of property, plant and equipment represented just under 36% of the company's total

assets. Krka's major investments are described in the chapter "Investments" in the business report.

Intangible assets

EUR 29,318 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Concessions, patents, licences, trademarks and similar rights	24,764	25,375	98
Intangible assets under construction	4,554	4,377	104
Total intangible assets	29,318	29,752	99

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

Loans

EUR 60,874 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Long-term loans:	13,483	12,206	110
– long-term loans to subsidiaries	9,487	8,210	116
– long-term loans to other entities	3,996	3,996	100
Short-term loans:	47,391	49,686	95
– the short-term portion of a long-term loan that will mature within a year	1,957	3,998	49
– short-term loans to subsidiaries	45,051	45,302	99
– short-term loans to other entities	165	160	103
– short-term interest receivables	218	226	96
Total loans	60,874	61,892	98

Long-term loans represent 22% of all loans granted.

Long-term loans to others includes loans granted by

the company to employees, in line with internal acts, primarily to purchase or improve housing.

Investments

EUR 5,659 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Non-current investments	5,013	5,029	100
– financial assets available for sale	5,013	5,029	100
Current investments, including derivatives	646	653	99
– instruments held for trading	89	93	96
– other current investments	557	560	99
Total investments	5,659	5,682	100

The financial assets available-for-sale include shares and stakes were worth EUR 657 thousand in Slovenia, while EUR 4,356 thousand in shares and stakes held abroad.

Other current financial investments comprise Slovenian mutual fund units worth EUR 284 thousand and assets under management worth EUR 273 thousand.

Inventories

EUR 166,141 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Material	63,206	70,254	90
Work in progress	45,750	42,790	107
Products	52,948	46,731	113
Merchandise	4,237	4,199	101
Total inventories	166,141	163,974	101

Trade and other receivables

EUR 429,536 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Short-term receivables due from subsidiaries	248,502	238,952	104
Trade receivables	168,660	166,472	101
Receivables due from other entities	12,194	17,618	69
Total trade and other receivables	429,356	423,042	101

Cash and cash equivalents

EUR 3,952 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Cash in hand	15	8	188
Bank balances	3,937	1,539	256
Total cash and cash equivalents	3,952	1,547	255

Equity

EUR 1,098,697 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Share capital	59,126	59,126	100
Own shares	-28,211	-21,749	130
Reserves	173,642	167,193	104
– share premium	129,714	123,252	105
– legal reserves	14,990	14,990	100
– statutory reserves	27,184	27,184	100
– fair value reserve	1,754	1,767	99
Retained earnings	894,140	853,584	105
Total equity	1,098,697	1,058,154	104

Borrowings

EUR 116,490 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Long-term borrowings	66,800	66,800	100
– borrowings from domestic banks	66,800	66,800	100
Short-term borrowings	49,690	57,189	87
– short-term portion of long-term borrowings	19,200	37,036	52
– borrowings from Group companies	5,002	143	3498
– borrowings from domestic banks	24,700	18,500	134
– borrowings from other entities	338	317	107
– interest payable	450	1,193	38
Total borrowings	116,490	123,989	94

Provisions

EUR 102,253 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Provisions for retirement benefits and anniversary bonuses	53,253	52,632	101
Other provisions	49,000	49,000	100
– provisions for lawsuits	49,000	49,000	100
Total provisions	102,253	101,632	101

Provisions for lawsuits comprise 48% of all provisions. These increased compared to the start of the year, largely due to the formation of new

provisions retirement severance pay and loyalty bonuses.

Deferred revenue

EUR 2,750 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Grants received for the Beta plant in Šentjernej	114	125	91
Grants by the European Regional Development Fund	25	26	96
Grants by the European Fund – development of new technologies (FBD project)	926	926	100
Property, plant and equipment received free-of-charge	587	591	99
Emission coupons	22	22	100
Other deferred revenue	1,076	978	110
Total deferred revenue	2,750	2,668	103

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

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

Trade payables

EUR 89,547 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Payables to subsidiaries	20,213	28,643	71
Payables to domestic suppliers	35,942	40,188	89
Payables to foreign suppliers	33,063	40,540	82
Payables from advances	329	182	181
Total trade payables	89,547	109,553	82

Other current liabilities

EUR 40,280 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Accrued contractual discounts on products sold to other customers	17,138	13,138	130
Payables to employees – gross wages, other charges	22,278	23,777	94
Other	864	4,323	20
Total other current liabilities	40,280	41,238	98

Contingent liabilities

EUR 6,315 thousand

in EUR thousand	31 Mar 2011	31 Dec 2010	Ind. 11/10
Guarantees issued	5,695	5,591	102
Other	620	620	100
Total contingent liabilities	6,315	6,211	102

MANAGEMENT BOARD DECLARATION OF RESPONSIBILITY

The Management Board of the company Krka, d. d., Novo mesto hereby states that the consolidated financial statements of the Krka Company and the consolidated financial statements of the Krka Group for the period ending on 31 March 2011 were prepared in a manner that provides a true and fair picture of the financial standing and operating results of the Krka Company and Group. The condensed statements for the period January-March 2011 were prepared using the same accounting principles as used to prepare the annual financial statements of the Krka Company and Group for 2010.

The condensed year-on-year statements for the period ending 31 March 2011 were prepared in accordance with IAS 34 – Interim Financial Reporting, and must be read in conjunction with the annual financial statements prepared for the business year ending on 31 December 2010.

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

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

Novo mesto, 11 May 2011



Jože Colarič
President of the Management Board and Chief Executive



Dr Aleš Rotar
Member of the Management Board



Zvezdana Bajc
Member of the Management Board



Vinko Zupančič
Member of the Management Board



Danica Novak Malnar
Member of the Management Board – Worker Director