



**Unaudited Interim Report  
for the Krka Group  
and the Krka Company  
for January–March 2013**

May 2013

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## INTRODUCTION

The condensed financial statements of the Krka Group and the condensed financial statements of Krka, d. d., Novo mesto (Krka Company) for the periods January–March 2013 and 2012 are unaudited, while the financial statements for the full 2012 business year present audited figures. The company has no authorised capital and has not made a conditional share capital increase.

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

Ljubljana Stock Exchange electronic information dissemination system SEOnet, in the Polish Financial Supervision Authority electronic information dissemination system (ESPI), and/or in the Delo daily newspaper. This interim report for the Krka Group and the Krka Company is available on the Krka website [www.krka.si](http://www.krka.si).

The Supervisory Board discussed the January–March 2013 Report for the Krka Group and the Krka Company at its regular meeting on 15 May 2013.

## Highlights January–March 2013

- The Krka Group sold EUR 294.4 million worth of products and services, and Krka Company product sales amounted to EUR 284.4 million.
- Group sales were up 8% compared to the same period last year and Krka Company sales were up 10%.
- The Group generated EUR 58.4 million of operating profit, an increase by 7% compared to the same period last year, while the Krka Company generated EUR 54.9 million of operating profit, up 10%.
- The Krka Group recorded EUR 51.4 million of profit for the period, an increase by 6% compared to the same period last year, while the Krka Company generated EUR 50.0 million of profit for the period, up 4%.
- The highest absolute as well as relative sales growth (up EUR 21.9 million, or 28%) was recorded in Region East Europe, which is Krka's largest sales region, contributing 34% to total sales.
- The Group generated 93%, and the Krka Company 95% of its sales revenues in markets outside Slovenia.
- As at 31 March 2013 Krka's share traded at EUR 46.37, a decrease by 7% compared to the year-end of 2012. Krka's market capitalisation amounted to EUR 1,643 million.
- The Krka Group allocated EUR 30.0 million to investments, of which the Krka Company invested EUR 15.5 million and subsidiaries EUR 14.5 million.
- At the end of March 2013 the Krka Group had 9,654 employees, a 2% increase compared to the beginning of the year.

## Krka Group and Krka Company financial highlights

	Krka Group		Krka Company	
EUR thousand	1-3/2013	1-3/2012	1-3/2013	1-3/2012
Revenues	294,427	273,546	284,427	259,030
EBIT <sup>1</sup>	58,445	54,817	54,879	50,050
EBITDA	81,160	76,839	72,693	67,048
Profit for the period	51,367	48,632	49,965	48,125
R&D costs	24,636	24,134	25,694	23,883
Investments	29,972	25,185	15,527	10,887
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
Non-current assets	935,229	926,000	875,227	863,442
Current assets	743,968	700,748	747,887	702,843
Equity	1,289,605	1,240,521	1,279,695	1,232,215
Non-current liabilities	145,527	145,362	113,139	113,310
Current liabilities	244,065	240,865	230,280	220,760
<b>RATIOS</b>	<b>1-3/2013</b>	<b>1-3/2012</b>	<b>1-3/2013</b>	<b>1-3/2012</b>
EBIT margin	19.9%	20.0%	19.3%	19.3%
EBITDA margin	27.6%	28.1%	25.6%	25.9%
Profit margin (ROS)	17.4%	17.8%	17.6%	18.6%
ROE <sup>2</sup>	16.2%	16.7%	15.9%	16.5%
ROA <sup>3</sup>	12.4%	12.5%	12.5%	12.9%
Liabilities/Equity	0.302	0.322	0.268	0.271
R&D costs/Revenues	8.4%	8.8%	9.0%	9.2%
<b>NUMBER OF EMPLOYEES</b>	<b>31 Mar 2013</b>	<b>31 Dec 2012</b>	<b>31 Mar 2013</b>	<b>31 Dec 2012</b>
As at	9,654	9,461	4,589	4,495

<b>SHARE INFORMATION</b>	<b>1-3/2013</b>	<b>1-3/2012</b>
Total number of issued shares	35,426,120	35,426,120
Earnings per share in EUR <sup>4</sup>	6.21	5.83
Closing price at end of period in EUR	46.37	50.13
Price/Earnings ratio (P/E)	7.46	8.60
Book value in EUR <sup>5</sup>	36.40	33.63
Price/Book value (P/B)	1.27	1.49
Market capitalisation in EUR thousand (end of period)	1,642,709	1,775,911

<sup>1</sup> The difference between operating income and expense

<sup>2</sup> Profit for the period, annualised/Average shareholders' equity in the period

<sup>3</sup> Profit for the period, annualised/Average total assets in the period

<sup>4</sup> Profit for the period attributable to equity holders of the parent, annualised/Average number of shares issued in the period exclusive of treasury shares

<sup>5</sup> Book value was calculated using the total number of issued shares.

## ID card of the Krka Group

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

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

**Telephone** +386 (0) 7 331 21 11

**Fax** +386 (0) 7 332 15 37

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

**Website** www.krka.si

**Core business** Production of pharmaceutical preparations

**Business clarification code** 21.200

**Year established** 1954

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

**Tax number** 82646716

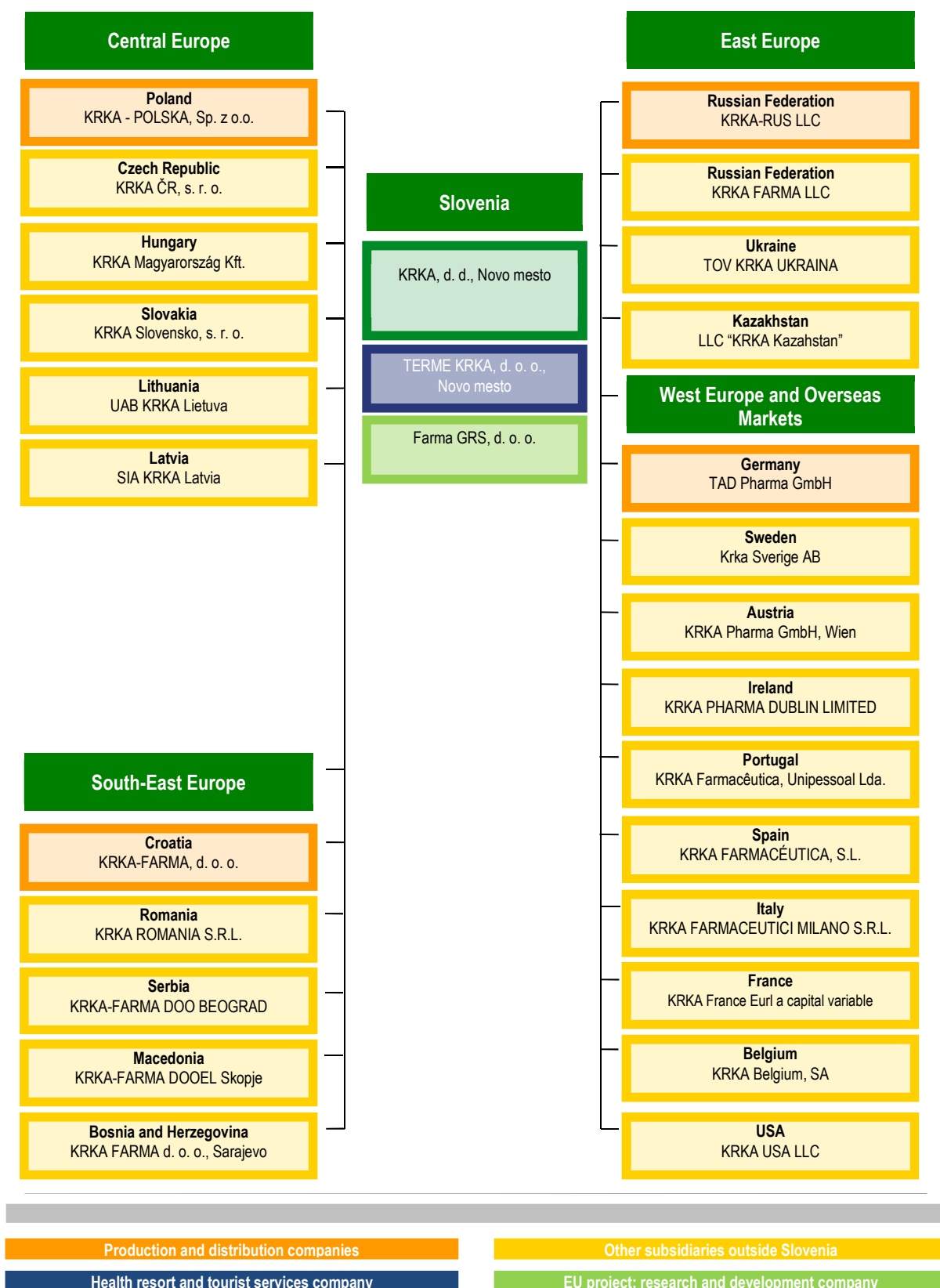
**VAT number** SI82646716

**Company ID number** 5043611

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

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

## Krka Group companies



The controlling company, Krka, d. d., Novo mesto, holds 100% ownership stakes in all of the above

subsidiaries apart from Farma GRS (99.7%) and Krka Belgium (95%).

## Krka Group business model

Krka is one of the world's leading generic pharmaceutical companies, and has 59 years of experience in the industry. It is headquartered in Slovenia.

Krka has a leading position in its domestic market and its presence is also significant in the generic pharmaceuticals markets of:

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

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

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

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

pharmaceuticals, non-prescription products and animal health products. The majority of Krka products are in solid dosage pharmaceutical forms. Our product offer is supplemented by the health resort and tourist services of the Terme Krka Group.

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

In order to increase the competitive advantage of our product portfolio and maintain a high proportion of vertically integrated products, Krka has been allocating 8 to 9% of our revenues to research and development. A large proportion of our total revenues are generated from the sales of new products, i.e. products launched on different markets over the past five years. We will continue to invest in research and development as there are over 170 new Krka products in the pipeline.

## The Krka Group development strategy

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

Performance at the Group level is monitored by the Management Board, while performance at the level of product and service groups as well as business

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

The strategy will be revised for the strategic period 2014 to 2018 by this autumn.

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

## Key strategic objectives to 2016

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

## Key strategies by 2016

- Prioritise focus on European markets and the markets of Central Asia.
- Strengthen pharmaceutical and chemical activities, especially with respect to prescription pharmaceuticals for three key therapeutic areas (pharmaceuticals for cardiovascular diseases, pharmaceuticals for alimentary and metabolic diseases, and pharmaceuticals for diseases of the central nervous system) and non-prescription products for selected therapeutic areas.
- Develop generic pharmaceuticals and prepare their marketing authorisation documentation prior to the expiry of the product patent for the original medicine.
- Strengthen competitiveness in the markets of Western Europe by establishing our own marketing companies.
- Strengthen the professional and cost synergy within the Krka Group, and maximise the competitive advantages offered by the business environments of Krka companies outside Slovenia.
- Ensure a permanent supply of incoming materials and optimise supply by continually reducing purchasing prices.
- Strengthen the internationalisation of all business functions by implementing English and Russian as the key communication tools in the Krka Group.
- Maintain the economic, social, and environmental responsibility to the surroundings in which we operate.
- Reduce the impact of financial risk and economic hazards on the operations of the Krka Group.
- Pursue the policy of moderate dividend increases.
- Operate in line with the principles of business excellence and thereby strengthen the identity and positive public image of the Krka Group.

## Business objectives of the Krka Group for 2013

- The product and service sales target is EUR 1,202 million.
- East Europe will be Krka's largest sales region and the Russian Federation will remain its most important individual market.
- Sales outside Slovenia are expected to account for 92% of total sales.
- Prescription pharmaceuticals will remain the most important product group, accounting for over 82% of total sales.
- Profit is planned at the level of the profit for 2012.
- At the end of 2013 the Group will have over 10,000 employees (up 6%), more than half outside Slovenia.
- EUR 182 million has been allocated to investments, primarily for expanding and modernising production capacity, research and development capacity, and infrastructure.

## BUSINESS REPORT

### Financial risk

#### Foreign exchange risk

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

The Group statement of financial position shows a surplus of assets over liabilities in these currencies, which we consider a long currency position. The key

accounting categories that make up a currency position are trade receivables and trade payables.

Exchange rate movements in the first quarter were favourable for the Krka Group, resulting in positive net exchange rate differences on our books.

In the first quarter of 2013 our currency positions were not hedged.

#### Interest rate risk

Krka Group's exposure to interest rate risk is low. Our existing non-current borrowings have gradually decreased to the level where market interest rate

changes no longer have a decisive impact on the Group's overall financial expense.

#### Credit risk

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

Total trade receivables at the end of the first quarter of 2013 have increased compared to the beginning of the year, which is exclusively the result of higher sales in markets with longer payment periods.

There was no extending of payment periods in our

key sales markets in the first quarter, with our customers' average payment periods and the amount of past due receivables remaining unchanged compared to previous years. Customer payment discipline is also estimated to have remained unchanged.

No trade receivables were written off in the first quarter. Approximately one half of our trade receivables have credit insurance coverage or are hedged with financial instruments. Our policy of hedging receivables has not changed in the reported period.

#### Liquidity risk

In the first quarter of 2013, the risks related to the Group's liquidity were managed by effective short-term cash flow planning. Short-term liquidity was ensured through the continual cash flow, pre-agreed current borrowings from banks, and the daily, rolling weekly, monthly and longer-term planning and

monitoring of cash inflows and outflows. We also optimised the bank balances of Krka's subsidiaries.

Liquidity risk is estimated to be low. We settled our liabilities in the reported period regularly and on time.

## Property, business interruption and liability insurance

Based on inquiries with Slovenian and foreign insurers, the Group selected the most favourable insurance offers and entered into insurance contracts for 2013. Parent insurance companies issued insurance policies in accordance with Krka's corporate insurance programme, which stipulates insurance coverage for all Group companies. With a view to protecting the Group financially and legally from potential claims for damages with respect to general civil liability, employer's liability and liability for ecological damage, Krka's subsidiaries abroad have local insurance against liability as well, which

provides for an optimum insurance of the Group.

Based on several years' statistics of trends in car insurance premiums and loss events we adopted measures toward a further rationalisation in this area. In addition to introducing the mandatory deductible in casco/hull insurance, these measures include excluding older vehicles from casco/hull insurance and the option of discounts due to the economy of scales. Past measures in this area have already yielded positive results.

## Investor information

At the end of March 2013 Krka had a total of 66,491 shareholders, just over 2% less than at the end of 2012. The decrease in the total number of shareholders was mainly due to individual Slovenian investors.

In the first quarter of 2013 international investors slightly increased their holdings, while the holdings of individual Slovenian investors, investment companies and funds were slightly down.

### Shareholder structure (%)

	31 Mar 2013	31 Dec 2012
Individual Slovenian investors	39.5	39.8
SOD fund	15.0	15.0
KAD fund and PPS	10.2	10.2
Slovenian investment companies and funds	2.5	2.6
Other Slovenian companies	7.0	7.1
International investors	19.2	18.8
Treasury shares	6.6	6.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

At the end of March 2013 Krka held 2,353,706 treasury shares, which is 6.6% of the value of its share capital. In the first quarter of 2013 Krka

repurchased 45,967 treasury shares via the Ljubljana Stock Exchange, worth a total of EUR 2,467,166.

### The 10 largest shareholders on 31 March 2013

	Country	No. of shares	Share in equity (%)	Share of voting rights (%)
SLOVENSKA ODŠKODNINSKA DRUŽBA, D. D.	Slovenia	5,312,070	14.99	16.06
KAPITALSKA DRUŽBA, D. D.	Slovenia	3,493,030	9.86	10.56
SOCIETE GENERALE-SPLITSKA BANKA D. D.	Croatia	1,216,450	3.43	3.68
HYPO ALPE-ADRIA-BANK D. D.	Croatia	922,538	2.60	2.79
NEW WORLD FUND INC	USA	755,000	2.13	2.28
LUKA KOPER, D. D.	Slovenia	433,970	1.23	1.31
ZAVAROVALNICA TRIGLAV, D. D.	Slovenia	388,300	1.10	1.17
AMERICAN FUNDS INSURANCE SERIES	USA	353,049	1.00	1.07
UNICREDIT BANK AUSTRIA AG	Austria	336,125	0.95	1.02
UNICREDIT BANK HUNGARY ZRT	Hungary	335,433	0.95	1.01
<b>Total</b>		<b>13,545,965</b>	<b>38.24</b>	<b>40.95</b>

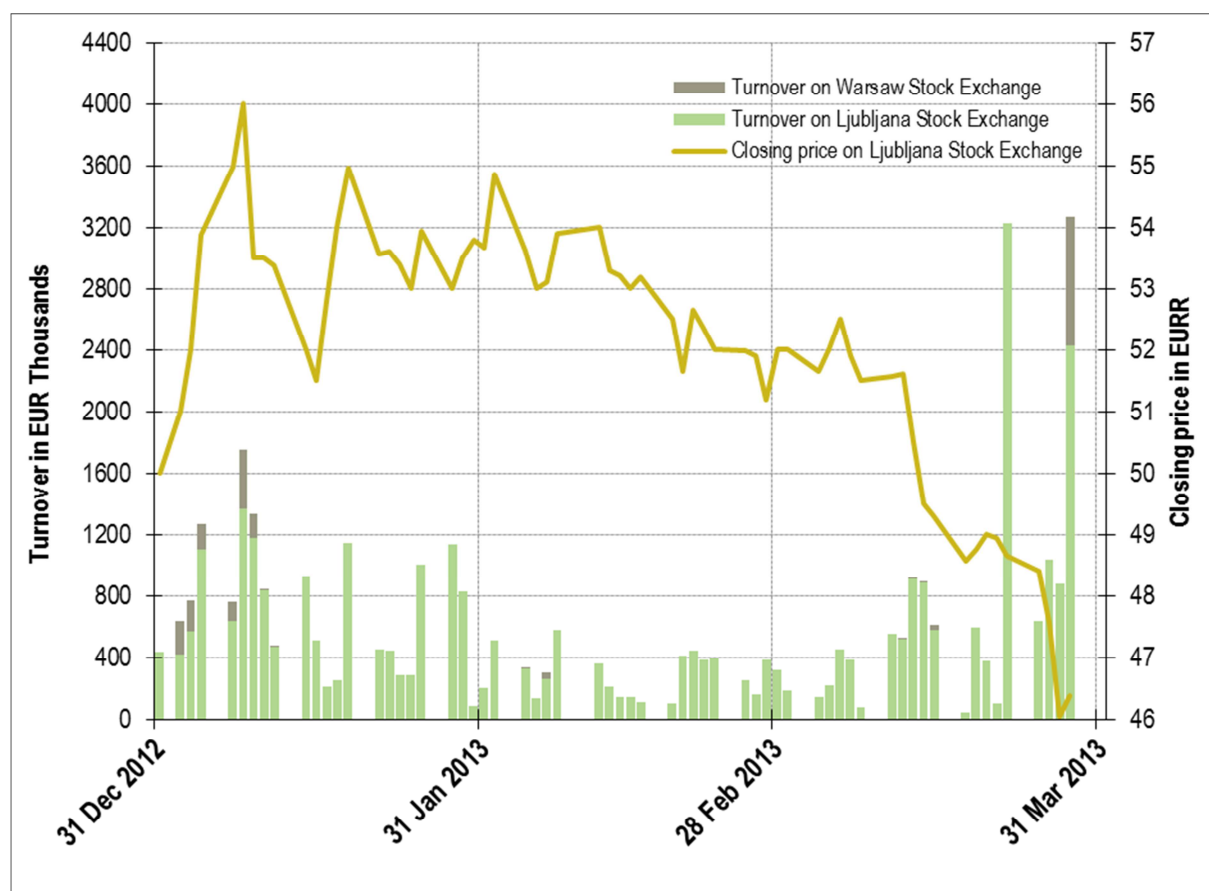
At the end of March 2013 Krka's ten largest shareholders held a total of 13,545,965 shares, which is just over 38% of all issued shares.

On 31 March 2013 members of the Krka Management and Supervisory Board held a total of 50,895 shares, which is 0.144% of all issued shares.

### Shares in equity and shares of voting rights held by members of the Krka Management and Supervisory Board on 31 March 2013

	No. of shares	Share in equity (%)	Share of voting rights (%)
<b>Management Board members</b>			
Jože Colarič	22,500	0.06351	0.06803
Aleš Rotar	12,770	0.03605	0.03861
Zvezdana Bajc	1,660	0.00469	0.00502
Vinko Zupančič	120	0.00034	0.00036
Danica Novak Malnar	0	0.00000	0.00000
<b>Total Management Board</b>	<b>37,050</b>	<b>0.10459</b>	<b>0.11203</b>
<b>Supervisory Board members</b>			
Jože Lenič	180	0.00051	0.00054
Matjaž Rakovec	400	0.00113	0.00121
Julijana Kristl	230	0.00065	0.00070
Vincenc Manček	11,543	0.03258	0.03490
Mojca Osolnik Videmšek	452	0.00128	0.00137
Tomaž Sever	500	0.00141	0.00151
Sergeja Slapničar	0	0.00000	0.00000
Franc Šašek	540	0.00152	0.00163
Mateja Vrečer	0	0.00000	0.00000
<b>Total Supervisory Board</b>	<b>13,845</b>	<b>0.03908</b>	<b>0.04186</b>

## Share trading January–March 2013



Krka's share price decreased by 7% in the first quarter of 2013, and stood at EUR 46.37 at the end of March. In the same period, the Slovenian blue-chip index SBI TOP also dropped 7%. Krka's market capitalisation as at 31 March 2013 amounted to EUR 1.6 billion.

In the first quarter of 2013 deals in Krka's share contributed an average of EUR 0.6 million of daily trading volume, making Krka the most traded share

on the Ljubljana Stock Exchange.

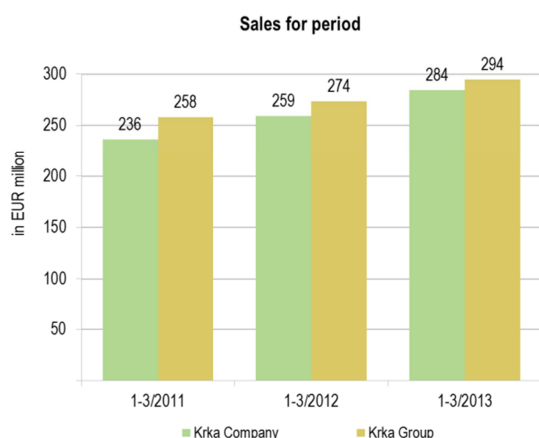
Since April 2012 Krka has also been listed on the Warsaw Stock Exchange. During the initial months of the listing trading in Warsaw was scarce but in September, October and December it stepped up considerably. This trend was continued in first days of January 2013 and after that the trading volume decreased. Towards the end of March the trading volume was increasing again.

## Business operations analysis

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

the commentary relates primarily to the Group.

## Revenues



Compared to the first quarter last year sales revenues increased by 8% at the Group level and by one tenth for the Krka Company. The Krka Company sold EUR 284.4 million worth of prescription pharmaceuticals, non-prescription products and animal health products, while the Group generated EUR 294.4 million of sales

revenues from these products plus the health resort and tourist services.

The sales of prescription pharmaceuticals increased by 5% compared to the same period last year, representing 82% of total Krka Group sales revenues. The Group generated 93% of its sales revenues in markets outside Slovenia.

Taking into account other operating and financial income, the Group generated a total of EUR 298.2 million of revenues, and the Krka Company EUR 287.8 million.

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

## Expenses

Total Group expenses incurred in the first quarter of 2013 amounted to EUR 237.5 million, up 6% compared to the same period last year.

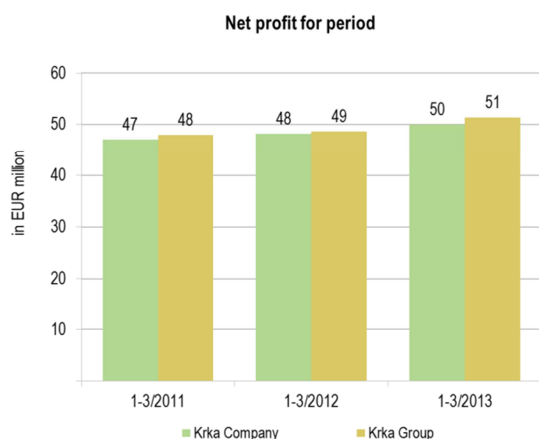
The Group incurred EUR 237.3 million of operating expenses, of which the cost of sales amounted to EUR 116.5 million, distribution expenses amounted to EUR 76.5 million, R&D costs amounted to EUR 24.7 million, and administrative expenses amounted to EUR 19.6 million.

The cost of sales increased by 9% compared to the

same period last year, on the costs to sales ratio of 39.6%. Distribution expenses increased by 10% compared to the same period last year, on the costs to sales ratio of 26.0%.

Group R&D costs increased by 2%, on the costs to sales ratio of 8.4%. The Group does not capitalise R&D costs, therefore they are recognised as expenses for the period in full. Administrative expenses increased by 8% compared to the same period last year, on a costs to sales ratio of 6.7%.

## Operating result



The Group recorded EUR 54.4 million of operating profit, up 7% compared to the same period last year. Profit before tax amounted to EUR 60.7 million, 1% more than in the same period last year.

Income tax totalled EUR 9.3 million and the effective tax rate was 15.4%.

The Group reported EUR 51.4 million of profit for the period, up 6% compared to the same period last year, while the Krka Company generated EUR 50.0 million of profit for the period, up 4%.

## Assets

Krka Group assets were worth EUR 1,679.2 million at the end of March 2013, an increase by 3% compared to the end of 2012.

Non-current assets represent 55.7% of total assets, the proportion down 1.2 of a percentage point from the beginning of the year. The largest item under non-current assets, which totalled EUR 935.2 million, was property, plant and equipment on EUR 780.4 million. Property, plant and equipment represented 46.5% of the Group's total assets, their

value having increased by 1% from the beginning of the year. Intangible assets amounted to EUR 117.6 million.

Current assets increased by 6% in the first quarter of 2013, to EUR 744.0 million. Inventories were up 5% to EUR 264.0 million, while receivables increased by 6% to EUR 440.0 million (of which trade receivables amounted to EUR 391.0 million, 5% more than at the beginning of the year).

## Equity and liabilities

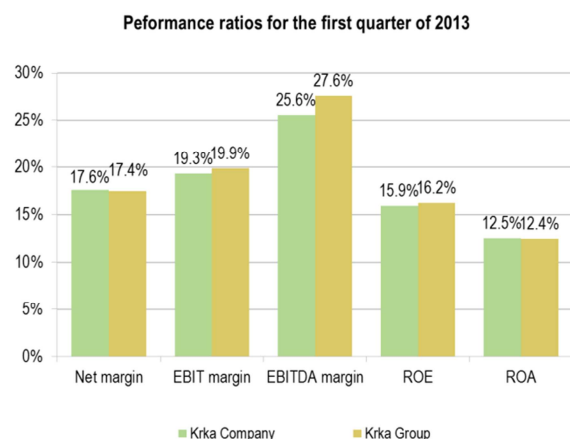
The Group's equity increased by 4% compared to the end of 2012 and represents 76.8% of total equity and liabilities.

Amounting to EUR 145.5 million, non-current liabilities represent 8.7% of the Group's total assets. Provisions, which amounted to EUR 104.7 million at the end of the period, are at the same level as at the year-end of 2012. The value of non-current borrowings did also not change in the reported period.

Current liabilities increased by 1% compared to the end of 2012 and totalled EUR 244.1 million, which is 14.5% of the Group's total assets. Among current liabilities, trade payables amounted to EUR 111.6 million, up 6% compared to the end of 2012, with current borrowings down 38% to EUR 8.3 million. The combined value of non-current and current borrowings decreased by 19% compared to the year-end of 2012.

Other current liabilities amounted to EUR 120.4 million, up 1% compared to the end of last year.

## Performance ratios



The Krka Group profit margin for the first quarter of 2013 was 17.4% (Krka Company 17.6%), the EBIT margin 19.9% (19.3%) and the EBITDA margin 27.6% (25.6%). ROE at the Group level was 16.2% (Company 15.9%), with ROA at 12.4% (12.5%).

## Marketing and sales

In the first three months of 2013 the sales of both the Krka Group and the Krka Company exceeded the sales figures recorded in the same period last

year. Group sales were EUR 294.4 million and Krka Company sales EUR 284.4 million.

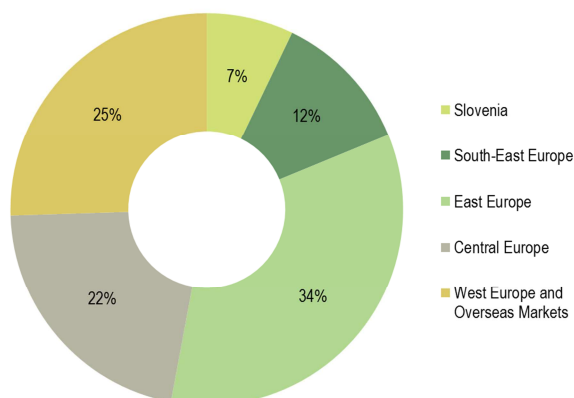
## Sales by Region

Krka's sales were the highest in Region East Europe, where they amounted to EUR 100.5 million, which is 34% of total Group sales. Region West Europe and Overseas Markets reported the second best result, sales there amounting to EUR 75.1 million and representing one quarter of total sales. The third largest area in terms of sales was Region

Central Europe, where Krka sold EUR 63.5 million worth of products, which is 22% of total sales. Sales in Region South-East Europe amounted to EUR 34.2 million, which is 12% of total Group sales, while in Slovenia sales totalled EUR 21.1 million, 7% of total Krka Group sales.

EUR thousand	Krka Group			Krka Company		
	1-3/2013	1-3/2012	Index	1-3/2013	1-3/2012	Index
Slovenia	21,086	22,916	92	14,981	15,503	97
South-East Europe	34,240	35,343	97	39,960	37,030	108
East Europe	100,518	78,632	128	97,685	77,013	127
Central Europe	63,524	66,031	96	65,152	70,208	93
West Europe and Overseas Markets	75,059	70,624	106	66,649	59,276	112
<b>Total</b>	<b>294,427</b>	<b>273,546</b>	<b>108</b>	<b>284,427</b>	<b>259,030</b>	<b>110</b>

## Krka Group sales by Region, January–March 2013



### Slovenia

Product and service sales in the domestic market amounted to EUR 21.1 million in the first quarter of 2013. The most, EUR 11.7 million, came from the sales of prescription pharmaceuticals, followed by non-prescription products, which contributed EUR 2.1 million, and animal health products, the sales of which generated EUR 0.6 million. Terme Krka Group sales in the period were EUR 6.5 million, while other sales amounted to EUR 0.2 million.

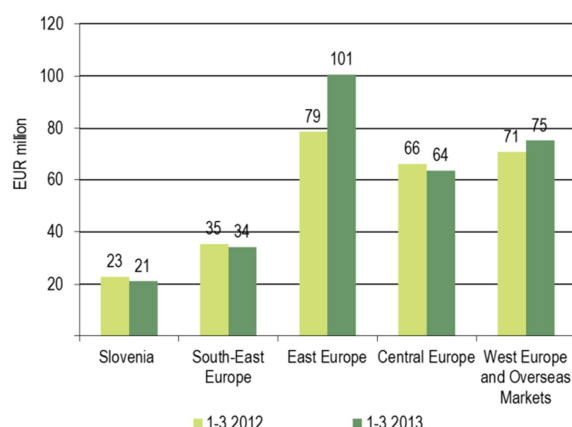
With a market share of 12% in the first quarter, we consolidated our position as the leading producer of pharmaceuticals in the domestic market despite pressures to reduce prices.

We continue to focus on the sales of products treating cardiovascular diseases, especially antihypertensives and statins. We are strengthening brand recognition for Prenessa (perindopril), Prenewel (perindopril and indapamide), Amlessa (amlodipine) and Sorvasta (rosuvastatin). The latter is marketed in as many as six strengths. In the area of analgesics, we have strengthened brand

### South-East Europe

Sales in the markets of South-Eastern Europe in the first three months of 2013 totalled EUR 34.2 million, slightly down compared to the same period last year. Sales growth was recorded in the markets of Romania, Bosnia and Herzegovina and Bulgaria.

## Krka Group sales by Region, January–March 2012 and 2013



recognition for Doreta (paracetamol and tramadol), especially for the new 75 mg/650 mg fixed-dose combination.

In March we introduced the new product Gliklada (gliclazide) 30 mg and 60 mg to the market, a new medicinal product with which we have entered the area of diabetes treatment also in Slovenia. For non-prescription products, we added Naklofen gel (diclofenac) and B-complex in a larger pack to our portfolio.

Our best-selling prescription pharmaceuticals were Prenessa (perindopril), Atoris (atorvastatin), Sorvasta (rosuvastatin) and Ultop (omeprazole). The leaders among products available without prescription were Daleron (paracetamol), Panatus (butamirate) and Septotele, with Nalgessin S (naproxen) remaining the leading brand of non-prescription analgesics. As to veterinary products, the newly launched Kvestigin (amoxicillin) became the second best-selling product and a recognizable brand.

**Romania** remains the leading market in the Region. Total sales there amounted to EUR 11.9 million, up 7% compared to the same period last year, mainly driven by the sales of prescription pharmaceuticals, the most important product group in terms of sales, which was up 15%. Our best-selling

pharmaceuticals are Roswera (rosuvastatin), Atoris (atorvastatin), Prenessa/Co-Prenessa (perindopril and its fixed-dose combination with indapamide), Enap (enalapril) and Tolura (telmisartan). The largest contributors to sales growth were products launched in the last three years, while sales also increased for products that have been present in the market for several years.

As for non-prescription products, sales were successful for the Herbion ivy syrup, and we launched Naldorex (naproxen) at the beginning of the year. Veterinary product sales were up due to increased sales to large farms and due to sales growth in the group of products for companion animals.

Sales in the key market **Croatia** amounted to EUR 7.9 million in the first three months, a slight decrease compared to the same period last year. Nevertheless, Krka remains the leading foreign producer of generic pharmaceuticals in the Croatian market. We have also preserved the largest market shares in the statin therapeutic groups and in the selected groups of antimicrobial substances (macrolides, quinolones), while also recording important market shares and growth in the sartan group, proton pump inhibitor group and ACE inhibitor group.

Our most important products in terms of sales are Atoris (atorvastatin), Helex (alprazolam), Valsacor (valsartan), Panatus (butamirate), Ampril (ramipril), Perineva (perindopril), Nolpaza (pantoprazole), Enap (enalapril), Emanera (esomeprazole) and Lorista (losartan). In February we launched Rolpryna SR and Herbion ivy syrup.

In the market of **Bosnia and Herzegovina** sales were up 4% to EUR 4.8 million, mainly due to the sales of prescription pharmaceuticals. The most important prescription products in terms of sales were Enap (enalapril), Lorista (losartan), Zyllt (clopidogrel), Oспен (phenoxymethylpenicillin), Atoris (atorvastatin) and Lexaurin (bromazepam). The highest sales growth rates continue to be recorded for the new products Roswera (rosuvastatin), Valsacor (valsartan), Nolpaza (pantoprazole) and Emanera (esomeprazole). The best-selling non-prescription products were Septotele, B-complex, Bilobil (ginkgo biloba) and

Fitoval.

In the **Macedonian market**, where Krka remains the leading producer of generic pharmaceuticals, sales in the three months totalled EUR 2.7 million, slightly less than in the same period last year. The most important products in terms of sales were prescription pharmaceuticals, especially Enap (enalapril), Tanyz (tamsulosin), Helex (alprazolam), Atoris (atorvastatin), Roswera (rosuvastatin) and Lorista (losartan). Among non-prescription products, the best sales results were recorded for Herbion, Daleron (paracetamol), Bilobil (ginkgo biloba), Septotele and B-complex.

Sales in the **Serbian market** amounted to EUR 2.4 million in the first quarter, slightly down compared to the same period last year. In the coming periods we intend to increase sales mainly with extensive promotional and sales activities, focusing on pharmaceuticals on the reimbursement list. In order to further strengthen our status as a domestic producer, which facilitates our products being included and remaining on the reimbursement list, we started working with a new cooperation partner.

Sales in **Bulgaria** amounted to EUR 2.1 million, up 6% compared to the first quarter last year. The most important product group is prescription pharmaceuticals, among which the best-sellers were Lorista with fixed-dose combinations (losartan and its fixed-dose combination with hydrochlorothiazide), Valsacor with fixed-dose combinations (valsartan and its fixed-dose combination with hydrochlorothiazide), Enap with fixed-dose combinations (enalapril and its fixed-dose combination with hydrochlorothiazide), Atoris (atorvastatin) and Rawel (indapamide). Among new products, Ampril (ramipril) and Amlessa (perindopril and indapamide) stand out.

Sales in **Kosovo** totalled EUR 1.4 million, remaining on a similar level as in the first quarter last year. The most important contribution to sales came from prescription pharmaceuticals. Krka remains the leading supplier of medicines in this market. In **Albania** sales were substantially down and amounted to EUR 0.9 million at the end of the first quarter, attributable to the legally imposed reduction of the prices of pharmaceuticals. Sales in **Montenegro** amounted to EUR 0.2 million.

## East Europe

Product sales in Region East Europe, which

comprises several Eastern European and Central

Asian markets, amounted to EUR 100.5 million in the first quarter, up 28% compared to the same period last year. Sales growth was recorded in most markets of the Region, including the largest, Russian market.

In the key market the **Russian Federation** sales increased by 30% in the first quarter, to EUR 70.3 million. The main sales drivers were prescription pharmaceuticals, followed by non-prescription products and animal health products.

Our best-selling products are Lorista (losartan), Enap (enalapril), Zyllt (clopidogrel), Herbion, Pikovit, Atoris (atorvastatin), Orsoten (orlistat), Perineva (perindopril), Panzynom and Nolicin (norfloxacin), while new products are becoming increasingly important as well. The highest sales growth was recorded for Lorista (losartan), Zyllt (clopidogrel), Herbion, Pikovit and Valsacor (valsartan), while sales results were also good for Roxera (rosuvastatin), which had been launched in the first half-year of 2012.

Krka continues to preserve the position as one of the leading suppliers of ACE inhibitors, statins, sartans, multivitamin products for children and cough syrups, proton pump inhibitors and weight loss products. Sales growth was also noticeable for products treating diseases of the central nervous system.

Sales in **Ukraine** were up 12% to EUR 13.6 million, attributable to intensified promotion activities and local market growth. The leading products in terms of sales were prescription pharmaceuticals, which include all our best selling products: Enap (enalapril), Atoris (atorvastatin), Fromilid (clarithromycin) and Naklofen (diclofenac). In the group of non-prescription products the sales leaders were the Herbion plantain and cowslip syrups, while the best-selling veterinary products were Enroxil (enrofloxacin) and Floron (florfenicol).

In **Kazakhstan**, where product sales were up 43% from last year, to EUR 4.2 million, the trend of increasing sales and increasing our market shares continues. Both were mainly driven by prescription pharmaceuticals, of which the most important ones were Lorista (losartan), Enap (enalapril), Herbion, Prenessa (perindopril) and Zyllt (clopidogrel). Later this year we plan to launch products of the Nalgesin (naproxen) and SeptoAqua brands.

Sales in **Uzbekistan** amounted to EUR 3.8 million, an increase by 43% compared to the same period last year. The majority came from the successful sales of prescription pharmaceuticals, especially Enap (enalapril) and Lorista (losartan), while the leading non-prescription products in terms of sales were Pikovit, Septotele and Duovit. We successfully introduced the medicine Niperten (bisoprolol) to the market. Due to the specifics in payment transactions in this market, we continue to devote special attention to shortening payment periods and decreasing receivables.

First quarter sales in **Belarus** amounted to EUR 2.6 million, an increase by 63% compared to last year. The most important products in terms of sales value were Lorista (losartan), Septotele and Fromilid (clarithromycin), while in terms of product groups the highest sales growth was recorded for non-prescription products, their sales having doubled compared to the same period last year. As for veterinary products, we have started developing our own promotional network.

Product sales in the **Moldovan market** were up 9% to EUR 1.4 million. The majority came from prescription pharmaceuticals, especially Ampril (ramipril), Kaptopril (captopril), Fromilid (clarithromycin) and Enap (enalapril).

The 29% sales growth in **Mongolia**, where we generated EUR 1.2 million, was chiefly driven by the 43% increase in the sales of non-prescription products. Leaders in terms of sales were Enap (enalapril), Pikovit, Duovit and Fromilid (clarithromycin).

Sales in **Kyrgyzstan** were up 48%, and the most important products in the period were Pikovit and Septotele. Sales in **Georgia** increased by 8%, mainly driven by the increased sales of non-prescription products. We also started marketing our animal health products there. On account of the lower sales of prescription pharmaceuticals, sales in **Azerbaijan** were down 8%, while in **Turkmenistan**, where we registered a representative office, sales increased by a tenth. Sales in **Armenia** increased by 19% compared to the same period last year, with our most important products being Enap (enalapril), Kaptopril (captopril) and Atoris (atorvastatin). In **Tajikistan** sales increased by 33%, mainly driven by the 71% sales growth for non-prescription products.

## Central Europe

Sales in the markets of Central Europe amounted to EUR 63.5 million at the end of the first quarter, down 4% compared to the same period last year. Sales growth was nonetheless recorded in most markets of the Region, with the only exceptions being the key markets Czech Republic and Hungary.

**Poland** remains the leading market in the Region. Sales there were up 19% to EUR 30.5 million, mainly driven by prescription pharmaceuticals, especially Atoris (atorvastatin), Lorista (losartan), Valsacor (valsartan), Roswera (rosuvastatin), Nolpaza (pantoprazole), Fromilid (clarithromycin) and Prenessa (perindopril). A significant contribution also came from products launched on the market in the last three years, of which the most important is Karbis (candesartan), while good results were also recorded for Doreta (paracetamol and tramadol) and Emanera (esomeprazole). The leading non-prescription products in terms of sales remain Septotele and Bilobil (ginkgo biloba), while in the group of animal health products the best-sellers are Fypryst (fipronil) and Floron (florfenicol).

Due to changes in the country's health care system and the related reduction in prices, sales in the key market the **Czech Republic** were lower than in the same period last year, amounting to EUR 12.0 million. The majority came from prescription pharmaceuticals, of which the most important products were Atoris (atorvastatin), Lorista (losartan), Fromilid (clarithromycin), Lexaurin (bromazepam), Prenessa (perindopril), Nolpaza (pantoprazole), Amprilan (ramipril) and Valsacor (valsartan). In the group of products available

without prescription, Septotele and Nalgesin (naproxen) were the ones that contributed the most to the overall sales result.

Sales in the **Slovak market** amounted to EUR 7.0 million in the three months, up 3% compared to last year. The majority of our best-selling products in the reported period were prescription pharmaceuticals, of which the leaders were Prenessa (perindopril), Atoris (atorvastatin), Valsacor (valsartan), Fromilid (clarithromycin) and Nolpaza (pantoprazole). The leading non-prescription products were Septotele and Nalgesin (naproxen).

Sales in the key market **Hungary** remain impacted by the reform of the country's health care system, which has caused changes to the reimbursement of medicines and the formation of their prices. This was the main reason for the decrease in sales, which amounted to EUR 5.7 million. The largest contributors to sales were prescription pharmaceuticals, especially Prenessa (perindopril), Atoris (atorvastatin), Roxera (rosuvastatin), Fromilid (clarithromycin), Azibiot (azithromycin) and Zyllt (clopidogrel).

As to the three Baltic markets, the highest sales growth, of 14%, was recorded in **Estonia**. In **Latvia** sales were up 10%, while in Lithuania sales increased by a more moderate rate. The majority of sales in all three markets were generated in prescription pharmaceuticals, the most important of which were Fromilid (clarithromycin) and Enap (enalapril) in Estonia, Enap (enalapril) and Prenessa (perindopril) in Latvia, and Valsacor (valsartan) and Prenessa (perindopril) in Lithuania.

## West Europe and Overseas Markets

Sales in Region West Europe and Overseas Markets amounted to EUR 75.1 million in the first quarter. The 6% sales increase compared to the same period last year was largely driven by product launches via our own network and by stronger sales in new, especially overseas markets. In Western Europe we market medicines under our own brand via as many as eight Krka subsidiaries.

In our most important product group, prescription pharmaceuticals, sales increased mainly for the products marketed under our own brand, while sales via partner companies were slightly down

compared to last year. The main drivers of sales growth in the Region were esomeprazole, clopidogrel, pantoprazole, perindopril with fixed-dose combinations, candesartan with fixed-dose combinations, lansoprazole, ropinirole SR and gliclazide SR. The first quarter of 2013 witnessed individual Krka subsidiaries successfully launch montelukast, ziprasidone and memantine.

The Krka subsidiary that recorded the highest increase in sales value was **Krka Sverige**, while the newly founded Krka Farmacéutica in Spain, where we successfully competed at a public tender in

Andalusia, also made an important contribution. The Portugal-based Krka Farmacêutica recorded high sales value growth and increased market shares for the majority of our products, becoming the fastest growing pharmaceutical company in Portugal, both in relative and absolute terms.

The most sales in the Region were generated in the markets of Western Europe, where the leader remains **Germany**, followed by **France**, the **Nordic countries**, the **UK**, **Spain**, **Italy** and the **Benelux**. Krka remains the leading generic producer of esomeprazole, clopidogrel, galantamine SR, gliclazide SR and ropinirole SR, and one of the leading generic producers of olanzapine, pantoprazole, perindopril and donepezil.

Sales in the overseas markets more than doubled compared to the same period last year, with the crucial contribution being the continued sales growth in the markets of the **Arabian Peninsula and Iran**. We plan to expand our sales portfolio with new launches and by entering additional markets, and therefore expect sales growth in these markets to continue.

The sales of animal health products in the first three months matched the successful sales in the same period last year, with the best-selling products being enrofloxacin and fipronil. In March we successfully launched the fipronil spray and flubendazole.

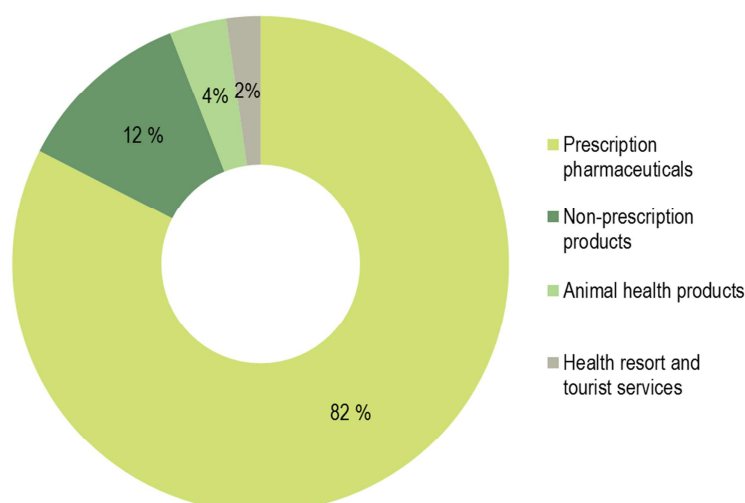
## Krka Group and Krka Company sales by product and service group

The Group generated 94% of overall sales during the period January–March 2013 in human health products, making this Krka's most important group of products. The most sales, 82%, was generated in prescription pharmaceuticals, followed by non-prescription products on 12% of total Group sales, and animal health products, which represent 4%.

Health resort and tourist services contributed an additional 2% to the overall Krka Group sales. Compared to the same period last year sales increased the most for non-prescription products, while the sales of prescription pharmaceuticals were also on the rise. The sales of animal health products remained on the same level as last year.

EUR thousand	Krka Group			Krka Company		
	1–3/2013	1–3/2012	Index	1–3/2013	1–3/2012	Index
Human health products	276,760	254,618	109	272,489	247,883	110
– Prescription pharmaceuticals	242,811	230,616	105	243,874	226,501	108
– Non-prescription products	33,949	24,002	141	28,615	21,382	134
Animal health products	10,937	11,042	99	11,312	10,674	106
Health resort and tourist services	6,546	7,647	86			
Other	184	239	77	626	473	132
<b>Total</b>	<b>294,427</b>	<b>273,546</b>	<b>108</b>	<b>284,427</b>	<b>259,030</b>	<b>110</b>

## Krka Group sales by product and service group, January–March 2013



### Prescription pharmaceuticals

The Krka Group sold EUR 242.8 million worth of prescription pharmaceuticals, 5% more than in the same period last year.

Sales increased the most in Region East Europe (up 22%) and they also increased in Region West Europe and Overseas Markets (up 6%). In Region South-East Europe sales remained at last year's level, while in Regions Central Europe and Slovenia they were down.

With respect to large markets, the highest sales growth rates for prescription pharmaceuticals were recorded in the Russian Federation (up 28%) and Poland (up 17%).

As to mid-size markets, high sales growths were recorded in the Arabian Peninsula, where sales more than doubled, in Kazakhstan (up 63%), France (up 60%), Spain (up 27%), Italy (up 23%), the Nordic countries (up 21%), the Benelux (up 17%) and Romania (up 15%).

Among smaller markets for Krka's prescription pharmaceuticals, the highest sales growths were recorded in Uzbekistan (up 55%), Belarus (up 50%), Kyrgyzstan (up 44%), Mongolia (up 21%), Estonia (up 14%), and Tajikistan and Armenia (up 10% in both).

The top ten leading prescription pharmaceuticals in terms of sales are Lorista/Lavestra (losartan), Atoris (atorvastatin), Enap (enalapril), Zyllt (clopidogrel),

Prenessa/Perineva (perindopril), Nolpaza (pantoprazole), Emozul/Emanera (esomeprazole), Valsacor (valsartan), Roswera/Roxera (rosuvastatin) and Fromilid (clarithromycin).

The highest sales growth rates in absolute terms compared to the same period last year were recorded for the leading products Lorista/Lavestra (losartan), Roswera/Roxera (rosuvastatin), Zyllt (clopidogrel) and Fromilid (clarithromycin), and for Karbis/Candecor (candesartan), Vasilip (simvastatin), Rolpryna SR/Ralnea SR (ropinirole), Memando (memantine) and Alventa/Olwexya (venlafaxine) from the group of other important products.

We launched several existing products on new markets in the first three months of 2013:

- Karbis/Candecor (candesartan) and Karbicombi (candesartan with hydrochlorothiazide) in Hungary,
- Valsacor (valsartan) in Spain, and Valsacor (valsartan) and Valsacombi/Co-Valsacor in Kosovo,
- Ifirmasta (irbesartan) in France,
- Co-Olimestra (olmesartan with hydrochlorothiazide) in Latvia,
- Amlesa/Dalnessa/Dalneva (amlodipine and perindopril) in Macedonia,
- Ampril/Amprilan (ramipril) in Bulgaria,
- Niperten (bisoprolol) in Uzbekistan and Kyrgyzstan,

- Glyclada/Gliclada (gliclazide) in Slovenia,
- Emanera/Emozul (esomeprazole) in Kazakhstan and Albania,
- Zalbex/Gelbra (rabeprazole) in Lithuania and the Czech Republic,
- Elicea/Ecytara (escitalopram) in Kosovo,
- Zypsila/Zipsilan (ziprasidone) in Germany and the Nordic countries,
- Rolpryna SR/Ralnea SR (ropinirole) in Croatia,
- Dasselta/Esradin (desloratadine) in Poland and Italy,
- Nalgesin/Analgesin/Naldorex (naproxen) in Poland and Romania,
- Tadol (tramadol) in Tajikistan,
- Monkasta (montelukast) in Germany, France,

Spain and Italy, and

- Etadron/Escepran (exemestane) in Poland.

With these launches we have primarily supplemented the range of our products in key therapeutic areas, consolidated our position in the area of analgesics, and entered the area of oncology medications.

Having consolidated our marketing and sales network in the markets of Western Europe, we have maintained one of the strongest marketing networks in existing markets and are expanding it further, especially in the Russian Federation.

## Non-prescription products

Non-prescription product sales amounted to EUR 33.9 million, an increase by 41% compared to the same period last year.

Sales increased the most in Region East Europe (up 61%), while they were also up in Slovenia, Region Central Europe and Region West Europe and Overseas Markets, where they increased by 30% or more.

Sales growth was recorded in the majority of markets, with substantial increases in sales reported

for large markets, including Ukraine where sales tripled, Poland (up 65%), the Russian Federation (up 44%), Uzbekistan (up 32%) and Slovenia (up 30%).

Due to the increased incidence of the flu and common cold, the sales of seasonal products like Herbion, Pikovit, Septotele, Duovit and Daleron have risen in most markets, while growing sales were also recorded for the leading non-prescription products Bilobil and Panzynom.

## Animal health products

In the first three months of 2013 Krka sold EUR 10.9 million worth of animal health products, sales remaining at the same level as in the first quarter of 2012.

In Region Central Europe sales increased (up 9%), while in Region South-East Europe and Region West Europe and Overseas Markets they remained at the levels recorded last year.

As to large markets, the highest sales growths were

recorded in Romania (up 37%), Poland (up 15%) and France (up 13%).

Sales increased by more than 30% for Fypryst (fipronil), which has come very close to Floron (florfenicol) in terms of sales results, while the leading product remains Enroxil (enrofloxacin). Immediately behind these top three best-selling products are Quiflox/Marfloxin (marbofloxacin), launched last year, and Toltarox/Tolzesya (toltrazuril), launched the year before last.

## Health resort and tourist services

In the first quarter of 2013 the Terme Krka Group generated EUR 6.5 million of sales, a decrease by 14% compared to the same period in 2012. The 6% increase in overnight stays by foreign guests

provided but a slight offset for the more than 16% decrease in overnight stays by domestic self-funding guests.

The number of domestic patients in health spa therapy was slightly down, while the number of domestic guests coming for preventive health recreation and the number of individual guests decreased by 19%. As to foreign guests, a 9% increase was recorded for Italian guests, a 36% increase for German guests and a 5% increase for Dutch guests.

## Research and development

In the first quarter of 2013 we received first marketing authorisations for **four new products in seven different forms** and one notification for a

In the "Top wellness centre 2013" contest, our Vitarium Spa&Clinique of the Šmarješke Toplice resort was again declared the best small relaxation centre, and our Balnea Wellness Center of the Dolenjske Toplice resort was declared the second best in the competition of large relaxation centres.

## Prescription pharmaceuticals

In the first quarter of 2013 we expanded marketing opportunities for prescription pharmaceuticals in all regions by acquiring marketing authorisations under EU procedures (mutual recognition procedure – MRP, decentralised procedure – DCP, centralised procedure – CP) and under national procedures.

In the area of treating cardiovascular diseases, we supplemented the established Krka medicine Atoris (atorvastatin) with the new product **Amaloris (fixed-dose combination of atorvastatin and amlodipine)**, for which we obtained a first marketing authorisation. Amaloris film-coated tablets contain 10 mg of each of the two active substances, and due to the fixed-dose combination of substances from different indication areas the medicine allows for the holistic treatment of patients with cardiovascular conditions, and efficiently reduces cardiovascular risks.

As to our products used to lower blood pressure, we obtained approvals in all European countries for the new product **Tolucombi (fixed-dose combination of telmisartan and hydrochlorothiazide)** in the form of bilayer tablets, indicated in patients whose blood pressure is not adequately controlled on one product alone.

By having obtained the marketing authorisation for Tolucombi, we successfully completed the development of our first product in the form of bilayer tablets, additionally confirming our mastery of the new technology in production. Bilayer tableting enables additional options of incorporating several active substances into one tablet, even with

new biocidal veterinary product. We obtained 169 new marketing authorisations for 50 products in different markets.

substances that are not well compatible on account of their physical and chemical properties and mutual interactions. The bilayer form also allows for different releases of one or more active substances incorporated into various layers. With Tolucombi, the bilayer tablet form enabled us to reach adequate stability and thus quality of the product faster.

In the area of oncology medications, the marketing authorisations granted last year for capecitabine, letrozole and exemestane have been joined by approvals for two new products. One of them is **Meaxin (imatinib)** film-coated tablets, which was approved in EU markets and Croatia, and the other is **Tolnexa (docetaxel)**, a concentrate for solution for infusion. Meaxin is used to treat chronic myeloid leukaemia, and Tolnexa is used either separately or in combination therapy to treat breast cancer, locally advanced or non-small cell metastatic lung cancer, metastatic prostate cancer, metastatic stomach cancer, and locally advanced head and neck cancer. We have also entered the area of oncology medications in the Russian Federation, where we were granted the marketing authorisation for our new product **Neopax (imatinib)** in the form of hard gelatin capsules.

An important achievement is the approval obtained in Russia for the new product Dalneva (fixed-dose combination of perindopril and amlodipine). Dalneva contains two active substances that supplement each other to enable a safer and more effective lowering of high blood pressure. It is also an excellent choice for cardiac patients, because it reduces the risk of cardiovascular complications. In

Ukraine, Turkmenistan, Kazakhstan and Kyrgyzstan we obtained new marketing authorisations for Roxera (rosuvastatin), while in Uzbekistan and Ukraine we also received approvals to market our

ACE inhibitors Zonixem (lisinopril), and Zonixem H and Zonixem HD (fixed-dose combination of lisinopril and hydrochlorothiazide).

## Non-prescription products

In the first quarter of 2013 we completed the marketing authorisation procedures for **Septotele plus honey/lime** and **Septotele plus menthol lozenges** in Austria, and thus expanded the products' marketing authorisations to the markets of Western Europe.

We also expanded national marketing authorisations for the **Herbion Iceland moss syrup** to the additional markets of Hungary and Macedonia.

## Animal health products

In the first quarter of 2013 we obtained in Slovenia the first notification for our new veterinary hygiene biocidal product **Ecocid Advanced** in the form of water-soluble powder. It is an all-purpose highly active disinfectant intended for the disinfection of surfaces and equipment in veterinary health and contemporary animal breeding. The release of peracetic acid decontaminates from viruses,

bacteria and their spores, yeasts and moulds.

We successfully completed the DCP for our toltrazuril oral suspension, expanding its applicability to bovine animals. The product is used to prevent coccidiosis and the related diarrhoea in neonatal calves.

## Investments

In the first three months of 2013 the Krka Group allocated EUR 30.0 million to investments, of which the controlling company invested EUR 15.5 million and subsidiaries EUR 14.5 million. Investments are primarily increasing and modernising our production capacity and research and development infrastructure.

In implementing investment projects we take into account environmental standards, as the used equipment corresponds to best available technology (BAT) in the areas of environmental protection and energy efficiency, while at the same time ensuring safety and efficacy of operations.

In June 2012 construction works started at Krka's central location at Ločna in Novo mesto, Slovenia for Notol 2, a production plant for solid dosage pharmaceuticals. This is the largest investment in Krka's history. The estimated investment value of the 55,000 m<sup>2</sup> plant is EUR 200 million, and its target capacity is 4.5 billion finished products per year. Notol 2 has been designed to incorporate a vertical flow of materials and a high level of

automation. The construction of the building, incorporation of technological and other equipment, qualification, and equipment and system start-ups will last to the second half of 2015. The gradual fitting of the building with technological equipment is planned to start at the end of 2013.

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

Farma GRS in fact includes two investment projects. In the Production centre for the final processing of active ingredients test production had

started in September 2012, and the plant is now operating at full capacity. In the first five months of production we dried and packaged 8,500 kg of APIs and intermediates. The building of the Chemicals development centre is currently undergoing finishing works, technological and laboratory equipment start-ups, and system and equipment validations. The facility underwent the technical inspection in April 2013, and after the operating permit is obtained and a quality inspection carried out the plant's handover is expected in summer 2013.

In the summer of 2012 we started constructing the Sinteza 1 plant in Krško, Slovenia, which will increase our API and intermediates production capacity. The investment, worth an estimated EUR 85 million, will provide for the highest possible level of production flexibility, and will facilitate a transfer to large scale production of complex APIs and intermediates in the shortest possible time. The plant will enable production in a controlled environment, consistent with the European Community Regulation on chemicals and their safe use (REACH). Construction is going according to plans, with the construction of the production facility and the outbuilding having been completed in March 2013. Manufacturing equipment will be fitted in the second half of 2013, while testing and equipment and system start-ups will follow in 2014. Production will start by the end of 2014.

The Sterile product production plant will gradually increase ampoule production to 130 million ampoules per year. By the end of 2012 we had fitted the new ampoule facility with the main technological equipment: two injection filling lines, two injection solution preparation lines and one ampoule packaging line. Process qualifications and gradual transfers of technologies from existing lines will continue until autumn 2013, when production is planned to start on the new equipment. The estimated value of the entire investment is EUR 22 million.

## Employees

At the end of March 2013 the Krka Group had 9,654 employees, an increase by 193, or 2%, from the beginning of the year.

The number of employees in subsidiaries and

Cogeneration, i.e. the simultaneous generation of useful heat and electricity, increases the recovery of energy conversion and enables an efficient use of primary energy. At the central location in Ločna, we are setting up a natural-gas-powered gas engine cogeneration system. The project will increase the economic efficiency of our generation of electricity and utilisation of heat energy. The investment, worth an estimated EUR 1.7 million, will be completed this year.

One of the most important ongoing investments in the Krka Group is Krka Rus 2, the construction of a new plant and expansion of our logistics centre in the Russian Federation. The plant, with the target production capacity of 1.8 billion tablets and capsules per year, and a total surface area of 36,000 m<sup>2</sup>, is consolidating Krka's status as a domestic pharmaceuticals producer in this country. The automated high-bay warehouse will connect to the existing warehouse, and the new production facility to the new high-bay warehouse.

Construction is going according to plans, with the logistics centre including the high-bay warehouse completed, and the manufacturing facility undergoing finishing works. Technological equipment has been fitted, while system and equipment qualifications are ongoing. The investment is worth an estimated EUR 135 million and will be finished in this year.

In April the subsidiary Terme Krka put the Otočec Adventure Park to use. The Adventure Park is diversifying our tourist offer, increasing the area's tourist appeal, and providing an innovative form of recreation to families and the youth who wish to spend their free time by being active outdoors. The project is being partly co-funded by the European Agricultural Fund for Rural Development (EAFRD) under Axis 4: LEADER.

representative offices abroad has exceeded the number of employees in Slovenia for the first time in Krka's history. Among all Krka Group employees 52% have a university level education or higher.

## Educational structure

	31 Mar 2013		31 Dec 2012		Index
	No. of employees	Share (%)	No. of employees	Share (%)	
Doctorate	106	1.1	106	1.1	100
Master of science	295	3.1	281	3.0	105
University education	4,633	48.0	4,522	47.8	102
Higher professional education	1,095	11.3	1,072	11.3	102
Vocational college education	267	2.8	263	2.8	102
Secondary school education	1,882	19.5	1,864	19.7	101
Other	1,376	14.2	1,353	14.3	102
<b>Total</b>	<b>9,654</b>	<b>100.0</b>	<b>9,461</b>	<b>100.0</b>	<b>102</b>

We ensure a continuous inflow of new employees by offering study grants to students. There were 97 students on Krka study grants in 2012 and in the first quarter of 2013 we granted five new scholarships.

Krka employees undergo additional training both in Slovenia and abroad related to various professional areas of expertise, quality, management, personal growth, foreign languages and informatics. Training sessions are adjusted to our employees' needs, the technological process, market situation and the Group's development requirements, which is why we organise the majority of staff trainings ourselves.

Employees show a keen interest in gaining new knowledge and attaining higher academic degrees. Currently there are 52 enrolled into postgraduate studies, towards obtaining a specialisation, master's degree or doctoral degree, and 178 are enrolled into part time graduate studies. Nine employees completed their studies in the first quarter of 2013.

Krka is the only certificate-awarding body in Slovenia with the power to examine and approve candidates taking the National Vocational Qualification (NVQ) exams in the area of pharmaceuticals. By examining and approving candidates under the NVQ system between 2002 and the beginning of April 2013, we awarded 826 NVQ certificates to Krka employees and 142 to participants from other organisations in the pharmaceutical industry, a total of 968 certificates for four vocational qualifications. Currently there are 218 Krka employees in the process towards obtaining two national vocational qualifications: Pharmaceutical Process Operator and API Production Operator.

In 2013 our employees can again enjoy a wide range of activities we offer in order to provide them with a wholesome quality of work and life, Krka's mission of Living a Healthy Life being applied to our employees too.

For six years now Krka has participated in the Zlata nit (Golden Thread) media research project and employer-of-the-year campaign, organised by the Slovenian media company Dnevnik. We have regularly been elected a finalist among large companies, and this year we again stood on the winners' podium.

In Krka we also exhibit social corporate responsibility and responsibility to the environment in which we operate. This April we therefore again organised a week of charity and volunteering, during which Krka's employees collected almost two tonnes of clothes, toys, shoes, books, food and other necessities for adults and children, and more than 500 kilograms of canned and bagged pet food for abandoned animals. Over 220 employees donated almost 100 litres of blood, and Krka employees in Novo mesto, Ljubljana and Ljutomer helped as volunteers in the Red Cross and Karitas charities, in retirement homes, in occupational activity centres and in the Janez Levec Special Education Institute. In cooperation with the Slovenian youth association Zveza prijateljev mladine we organised a social and educational event at Krka's central location for almost 1,000 children from all over Slovenia. First they toured a section of our production process, and later they took part in a sports programme organised together with the Olympic Committee of Slovenia and athletes from clubs and associations bearing the Krka name.

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

## Statement of consolidated financial position of the Krka Group

EUR thousand	31 Mar 2013	31 Dec 2012	Index
<b>Assets</b>			
Property, plant and equipment	780,436	772,291	101
Intangible assets	117,635	118,507	99
Deferred tax assets	25,489	24,512	104
Non-current loans	5,652	5,387	105
Non-current investments	5,813	5,100	114
Other non-current assets	204	203	100
<b>Total non-current assets</b>	<b>935,229</b>	<b>926,000</b>	<b>101</b>
Inventories	263,996	250,751	105
Trade and other receivables	440,006	415,233	106
Current loans	20,950	11,091	189
Current investments	708	679	104
Cash and cash equivalents	18,308	22,994	80
<b>Total current assets</b>	<b>743,968</b>	<b>700,748</b>	<b>106</b>
<b>Total assets</b>	<b>1,679,197</b>	<b>1,626,748</b>	<b>103</b>
<b>Equity</b>			
Share capital	59,126	59,126	100
Treasury shares	-58,300	-55,656	105
Reserves	195,071	192,069	102
Retained earnings	1,092,282	1,043,544	105
<b>Equity holders of the parent</b>	<b>1,288,179</b>	<b>1,239,083</b>	<b>104</b>
Non-controlling interest	1,426	1,438	99
<b>Total equity</b>	<b>1,289,605</b>	<b>1,240,521</b>	<b>104</b>
<b>Liabilities</b>			
Non-current borrowings	12,900	12,900	100
Provisions	104,706	104,746	100
Deferred revenue	12,939	12,424	104
Deferred tax liabilities	14,982	15,292	98
<b>Total non-current liabilities</b>	<b>145,527</b>	<b>145,362</b>	<b>100</b>
Trade payables	111,573	105,415	106
Current borrowings	8,278	13,355	62
Income tax liabilities	3,848	2,497	154
Other current liabilities	120,366	119,598	101
<b>Total current liabilities</b>	<b>244,065</b>	<b>240,865</b>	<b>101</b>
<b>Total liabilities</b>	<b>389,592</b>	<b>386,227</b>	<b>101</b>
<b>Total equity and liabilities</b>	<b>1,679,197</b>	<b>1,626,748</b>	<b>103</b>

## Consolidated income statement of the Krka Group

EUR thousand	1–3/2013	1–3/2012	Index
Revenues	294,427	273,546	108
Cost of sales	–116,490	–107,202	109
<b>Gross profit</b>	<b>181,937</b>	<b>166,344</b>	<b>109</b>
Other income	1,284	521	246
Distribution expenses	–76,526	–69,669	110
R&D costs	–24,636	–24,134	102
Administrative expenses	–19,614	–18,245	108
<b>Operating profit</b>	<b>58,445</b>	<b>54,817</b>	<b>107</b>
Financial income	2,523	10,582	24
Financial expenses	–280	–5,548	5
<b>Net financial income</b>	<b>2,243</b>	<b>5,034</b>	<b>45</b>
<b>Profit before tax</b>	<b>60,688</b>	<b>59,851</b>	<b>101</b>
Income tax expense	–9,321	–11,219	83
<b>Profit for the period</b>	<b>51,367</b>	<b>48,632</b>	<b>106</b>
<b>Attributable to:</b>			
– equity holders of the parent	51,379	48,641	106
– non-controlling interest	–12	–9	133
<b>Basic earnings per share (in EUR)*</b>	<b>1.55</b>	<b>1.46</b>	<b>106</b>
<b>Diluted earnings per share (in EUR)**</b>	<b>1.55</b>	<b>1.46</b>	<b>106</b>

\* Profit for the period/Average number of shares issued in the period exclusive of treasury shares.

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

## Consolidated statement of comprehensive income of the Krka Group

EUR thousand	1–3/2013	1–3/2012	Index
<b>Profit for the period</b>	<b>51,367</b>	<b>48,632</b>	<b>106</b>
<b>Other comprehensive income for the period</b>			
Changes in profits of previous periods	3	0	
Change in fair value of available-for-sale financial assets	163	273	60
Deferred tax effect – change in fair value of available-for-sale financial assets	–4	–55	7
Translation reserve	199	5,644	4
<b>Total other comprehensive income for the period</b>	<b>361</b>	<b>5,862</b>	<b>6</b>
<b>Total comprehensive income for the period</b>	<b>51,728</b>	<b>54,494</b>	<b>95</b>
<b>Attributable to:</b>			
– equity holders of the parent	51,740	54,503	95
– non-controlling interest	–12	–9	133

## Consolidated statement of changes in equity of the Krka Group

EUR thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity of the parent	Non-controlling interest	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other revenue reserves	Profit for the period	Retained earnings			
Balance at 1 Jan 2013	59,126	-55,656	55,656	101,503	14,990	30,000	1,667	-11,747	846,998	121,843	74,703	1,239,083	1,438	1,240,521
Profit for the period	0	0	0	0	0	0	0	0	0	51,379	0	51,379	-12	51,367
Other comprehensive income for the period														
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	163	0	0	0	0	163	0	163
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	-4	0	0	0	0	-4	0	-4
Changes in profits of previous periods	0	0	0	0	0	0	0	0	0	0	3	3	0	3
Translation reserve	0	0	0	0	0	0	0	199	0	0	0	199	0	199
Total other comprehensive income for the period	0	0	0	0	0	0	159	199	0	0	3	361	0	361
Total comprehensive income for the period	0	0	0	0	0	0	159	199	0	51,379	3	51,740	-12	51,728
Transactions with owners, recognised directly in equity														
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and Supervisory Board	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	-121,843	121,843	0	0	0
Transfer to other revenue reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	2,644	0	0	0	0	0	0	-2,644	0	0	0	0
Repurchase of treasury shares	0	-2,644	0	0	0	0	0	0	0	0	0	-2,644	0	-2,644
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisitions of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners, recognised directly in equity	0	-2,644	2,644	0	0	0	0	0	0	-124,487	121,843	-2,644	0	-2,644
Balance at 31 Mar 2013	59,126	-58,300	58,300	101,503	14,990	30,000	1,826	-11,548	846,998	48,735	196,549	1,288,179	1,426	1,289,605

EUR thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity of the parent	Non-controlling interest	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other revenue reserves	Profit for the period	Retained earnings			
Balance at 1 Jan 2012	59,126	-42,584	42,584	101,503	14,990	30,000	1,542	-16,210	760,611	124,150	62,528	1,138,240	1,514	1,139,754
Profit for the period	0	0	0	0	0	0	0	0	0	48,641	0	48,641	-9	48,632
Other comprehensive income for the period														
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	273	0	0	0	0	273	0	273
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	-55	0	0	0	0	-55	0	-55
Translation reserve	0	0	0	0	0	0	0	5,644	0	0	0	5,644	0	5,644
Total other comprehensive income for the period	0	0	0	0	0	0	218	5,644	0	0	0	5,862	0	5,862
Total comprehensive income for the period	0	0	0	0	0	0	218	5,644	0	48,641	0	54,503	-9	54,494
Transactions with owners, recognised directly in equity														
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and Supervisory Board	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	-124,150	124,150	0	0	0
Transfer to other revenue reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	2,868	0	0	0	0	0	0	-2,868	0	0	0	0
Repurchase of treasury shares	0	-2,868	0	0	0	0	0	0	0	0	0	-2,868	0	-2,868
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisitions of non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners, recognised directly in equity	0	-2,868	2,868	0	0	0	0	0	0	-127,018	124,150	-2,868	0	-2,868
Balance at 31 Mar 2012	59,126	-45,452	45,452	101,503	14,990	30,000	1,760	-10,566	760,611	45,773	186,678	1,189,875	1,505	1,191,380

## Consolidated statement of cash flows of the Krka Group

EUR thousand	1-3/2013	1-3/2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	51,367	48,632
Adjustments for:	30,938	40,133
– amortisation/depreciation	22,715	22,022
– foreign exchange differences	–1,318	1,404
– investment income	–407	–309
– investment expense	357	5,226
– interest expense and other financial expense	267	571
– income tax	9,321	11,219
– other	3	0
<b>Operating profit before changes in net operating current assets</b>	<b>82,305</b>	<b>88,765</b>
Change in trade receivables	–23,868	–15,583
Change in inventories	–13,795	–2,323
Change in trade payables	6,158	–1,115
Change in provisions	–40	7
Change in deferred revenue	515	–184
Change in other current liabilities	786	3,628
Income taxes paid	–9,796	–13,196
<b>Net cash from operating activities</b>	<b>42,265</b>	<b>59,999</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	184	99
Dividends received	4	1
Proceeds from sale of property, plant and equipment	170	130
Purchase of intangible assets	–1,017	–500
Purchase of property, plant and equipment	–28,587	–24,699
Non-current loans	–300	–409
Proceeds from repayment of non-current loans	621	301
Acquisition of non-current investments	–16	–64
Proceeds from sale of non-current investments	16	25
Payments in connection with current investments and loans	–9,980	–34
Payments in connection with derivative financial instruments	0	–4,973
Proceeds from derivative financial instruments	0	103
<b>Net cash used in investing activities</b>	<b>–38,905</b>	<b>–30,020</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	–644	–1,296
Repayment of non-current borrowings	–6,300	–14,200
Repayment of current borrowings	1,599	1,362
Dividends paid	–19	–20
Repurchase of treasury shares	–2,644	–2,868
<b>Net cash used in financing activities</b>	<b>–8,008</b>	<b>–17,022</b>
<b>Net increase in cash and cash equivalents</b>	<b>–4,648</b>	<b>12,957</b>
Cash and cash equivalents at beginning of period	22,994	20,187
Effect of exchange rate fluctuations on cash held	–38	174
<b>Net cash and cash equivalents at end of period</b>	<b>18,308</b>	<b>33,318</b>

## Segment reporting of the Krka Group

	European Union		South-East Europe		East Europe		Other		Elimination		Total	
EUR thousand	1-3/2013	1-3/2012	1-3/2013	1-3/2012	1-3/2013	1-3/2012	1-3/2013	1-3/2012	1-3/2013	1-3/2012	1-3/2013	1-3/2012
<b>Revenues to non-Group companies</b>	<b>160,118</b>	<b>166,221</b>	<b>20,228</b>	<b>22,207</b>	<b>100,518</b>	<b>78,632</b>	<b>13,563</b>	<b>6,486</b>	<b>0</b>	<b>0</b>	<b>294,427</b>	<b>273,546</b>
<b>Revenues to Group companies</b>	<b>25,933</b>	<b>16,175</b>	<b>18,949</b>	<b>16,792</b>	<b>61,352</b>	<b>42,537</b>	<b>0</b>	<b>0</b>	<b>-106,234</b>	<b>-75,504</b>	<b>0</b>	<b>0</b>
Revenues from reversal of long-term provisions and other operating income	1,011	362	64	40	209	119	0	0	0	0	1,284	521
Operating expenses	-130,060	-129,129	-12,446	-16,480	-86,852	-68,415	-7,908	-5,226	0	0	-237,266	-219,250
Operating expenses to Group companies	-51,862	-47,049	-26,905	-21,854	-111,810	-82,282	-2	-2	190,579	151,187	0	0
<b>Operating profit</b>	<b>31,069</b>	<b>37,454</b>	<b>7,846</b>	<b>5,767</b>	<b>13,875</b>	<b>10,336</b>	<b>5,655</b>	<b>1,260</b>	<b>0</b>	<b>0</b>	<b>58,445</b>	<b>54,817</b>
Interest revenue	223	88	1	2	28	7	0	0	0	0	253	97
Interest revenue to Group companies	295	257	0	0	248	31	0	0	-544	-288	0	0
Interest expenses	-224	-542	0	-2	0	0	0	0	0	0	-224	-544
Interest expenses to Group companies	-305	-122	0	0	0	-16	0	0	305	138	0	0
<b>Net financial expenses/income</b>	<b>-334</b>	<b>113</b>	<b>-12</b>	<b>-557</b>	<b>2,836</b>	<b>5,315</b>	<b>-247</b>	<b>163</b>	<b>0</b>	<b>0</b>	<b>2,243</b>	<b>5,034</b>
Income tax expense	-5,221	-7,292	-1,123	-1,473	-2,354	-2,304	-623	-150	0	0	-9,321	-11,219
<b>Profit for the period</b>	<b>25,514</b>	<b>30,275</b>	<b>6,711</b>	<b>3,737</b>	<b>14,357</b>	<b>13,347</b>	<b>4,785</b>	<b>1,273</b>	<b>0</b>	<b>0</b>	<b>51,367</b>	<b>48,632</b>
Investments	17,729	16,991	247	1,937	10,562	5,254	0	0	0	0	28,538	24,182
Depreciation of property, plant and equipment	14,078	14,746	1,517	1,120	5,102	3,838	119	120	0	0	20,816	19,824
Amortisation of intangible assets	1,124	1,587	156	137	549	442	70	32	0	0	1,899	2,198
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
	<b>31 Mar 2013</b>	<b>31 Dec 2012</b>	<b>31 Mar 2013</b>	<b>31 Dec 2012</b>	<b>31 Mar 2013</b>	<b>31 Dec 2012</b>	<b>31 Mar 2013</b>	<b>31 Dec 2012</b>	<b>31 Mar 2013</b>	<b>31 Dec 2012</b>	<b>31 Mar 2013</b>	<b>31 Dec 2012</b>
<b>Total assets</b>	<b>1,166,448</b>	<b>1,164,129</b>	<b>108,050</b>	<b>101,436</b>	<b>391,744</b>	<b>350,559</b>	<b>12,955</b>	<b>10,624</b>	<b>0</b>	<b>0</b>	<b>1,679,197</b>	<b>1,626,748</b>
<b>Total liabilities</b>	<b>263,367</b>	<b>274,144</b>	<b>19,691</b>	<b>20,203</b>	<b>83,829</b>	<b>76,507</b>	<b>22,705</b>	<b>15,373</b>	<b>0</b>	<b>0</b>	<b>389,592</b>	<b>386,227</b>

## Notes to the consolidated financial statements of the Krka Group

### Costs by nature

EUR 237,266 thousand

EUR thousand	1-3/2013	1-3/2012	Index
Cost of goods and material	88,936	80,094	111
Cost of services	59,721	51,293	116
Employee benefits cost	74,748	69,993	107
Depreciation and amortisation expense	22,715	22,022	103
Inventory write-off and allowances	1,743	1,259	138
Receivables impairments and write-offs	520	214	243
Other operating expenses	6,736	7,105	95
<b>Total costs</b>	<b>255,119</b>	<b>231,980</b>	<b>110</b>
Change in value of inventories	-17,853	-12,730	140
<b>Total</b>	<b>237,266</b>	<b>219,250</b>	<b>108</b>

### Employee benefits cost

EUR 74,748 thousand

EUR thousand	1-3/2013	1-3/2012	Index
Gross wages and salaries, and continued pay	59,261	55,400	107
Social security contributions	4,510	4,166	108
Pension insurance contributions	8,043	7,500	107
Payroll tax	228	254	90
Retirement benefits and anniversary bonuses	590	609	97
Other employee benefits cost	2,116	2,064	103
<b>Total employee benefits cost</b>	<b>74,748</b>	<b>69,993</b>	<b>107</b>

### Other expenses

EUR 6,736 thousand

EUR thousand	1-3/2013	1-3/2012	Index
Grants and assistance for humanitarian and other purposes	313	698	45
Environmental levies	794	713	111
Other taxes and levies	4,197	4,085	103
Loss on sale of property, plant and equipment and intangible assets	344	253	136
Other operating expenses	1,088	1,356	80
<b>Total other expenses</b>	<b>6,736</b>	<b>7,105</b>	<b>95</b>

Other taxes and levies include taxes (claw-back and similar) that have recently been imposed in several markets of Krka's operations.

## Financial income and expenses

EUR thousand	1-3/2013	1-3/2012	Index
Net foreign exchange gain	2,224	10,342	22
Interest income	252	97	260
Change in fair value of investments through profit or loss	43	39	110
Income from derivative financial instruments	0	103	0
– income	0	103	0
Income from dividends and other interests in profit	4	1	400
<b>Total financial income</b>	<b>2,523</b>	<b>10,582</b>	<b>24</b>
Interest expense	–224	–544	41
Change in fair value of investments through profit or loss	–13	–1	1300
Expense for derivative financial instruments	0	–4,973	0
– expense	0	–4,973	0
Other expenses	–43	–30	143
<b>Total financial expenses</b>	<b>–280</b>	<b>–5,548</b>	<b>5</b>
<b>Net financial income</b>	<b>2,243</b>	<b>5,034</b>	<b>45</b>

## Income tax expense

EUR 9,321 thousand

Current income tax amounts to EUR 10,242 thousand, which is 16.9% of pre-tax profit. Together with the deferred tax of EUR –921 thousand, the total income tax expense in the income statement

amounts to EUR 9,321 thousand. The effective tax rate is 15.4%, which is 3.4 of a percentage point less than in the same period last year.

## Property, plant and equipment

EUR 780,436 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Property	31,137	31,083	100
Plant	312,702	318,078	98
Equipment	295,530	293,397	101
Property, plant and equipment under construction	141,067	129,733	109
<b>Total property, plant and equipment</b>	<b>780,436</b>	<b>772,291</b>	<b>101</b>

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

major investments are described in the chapter Investments in the Business Report.

## Intangible assets

EUR 117,635 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Goodwill	42,644	42,644	100
Trademark	42,191	42,403	100
Concessions, patents, licences and similar rights	27,267	28,627	95
Intangible assets under construction	5,533	4,833	114
<b>Total intangible assets</b>	<b>117,635</b>	<b>118,507</b>	<b>99</b>

## Loans

EUR 26,602 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
<b>Non-current loans</b>	<b>5,652</b>	<b>5,387</b>	<b>105</b>
– loans to others	5,652	5,387	105
<b>Current loans</b>	<b>20,950</b>	<b>11,091</b>	<b>189</b>
– portion of non-current loans maturing next year	636	984	65
– loans to others	20,211	10,069	201
– current interest receivable	103	38	271
<b>Total loans</b>	<b>26,602</b>	<b>16,478</b>	<b>161</b>

Non-current loans represent 21% of total loans.

loans.

Non-current loans to others include loans that the Group extends in accordance with its internal acts to its employees and that are primarily housing

Current loans to others include EUR 20,000 of bank deposits with maturities longer than 30 days.

## Investments

EUR 6,521 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
<b>Non-current investments</b>	<b>5,813</b>	<b>5,100</b>	<b>114</b>
– available-for-sale financial assets	5,196	5,100	102
– other non-current investments	617	0	
<b>Current investments including derivative financial instruments</b>	<b>708</b>	<b>679</b>	<b>104</b>
– shares and interests held for trading	90	103	87
– other current investments	618	576	107
<b>Total investments</b>	<b>6,521</b>	<b>5,779</b>	<b>113</b>

Available-for-sale financial assets include EUR 842 thousand of investments in shares and interests in companies in Slovenia, and EUR 4,354 thousand of investments in shares and interests in companies abroad.

Other current investments refer to EUR 325 thousand worth of shares in Slovenian mutual funds, and to EUR 293 thousand worth of assets under management.

## Inventories

EUR 263,996 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Material	93,576	98,118	95
Work in progress	64,530	54,081	119
Products	98,986	92,711	107
Merchandise	4,904	4,638	106
Inventory advances	2,000	1,203	166
<b>Total inventories</b>	<b>263,996</b>	<b>250,751</b>	<b>105</b>

## Trade and other receivables

EUR 440,006 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Current trade receivables	390,962	372,305	105
Other current receivables	49,044	42,928	114
<b>Total receivables</b>	<b>440,006</b>	<b>415,233</b>	<b>106</b>

## Cash and cash equivalents

EUR 18,308 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Cash in hand	35	108	32
Bank balances	18,273	22,886	80
<b>Total cash and cash equivalents</b>	<b>18,308</b>	<b>22,994</b>	<b>80</b>

## Equity

EUR 1,289,605 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Share capital	59,126	59,126	100
Treasury shares	-58,300	-55,656	105
Reserves	195,071	192,069	102
– reserves for treasury shares	58,300	55,656	105
– share premium	101,503	101,503	100
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserve	1,826	1,667	110
– translation reserves	-11,548	-11,747	98
Retained earnings	1,092,282	1,043,544	105
<b>Total equity of the parent</b>	<b>1,288,179</b>	<b>1,239,083</b>	<b>104</b>
Non-controlling interest	1,426	1,438	99
<b>Total equity</b>	<b>1,289,605</b>	<b>1,240,521</b>	<b>104</b>

## Borrowings

EUR 21,178 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
<b>Non-current borrowings</b>	<b>12,900</b>	<b>12,900</b>	<b>100</b>
– borrowings from domestic banks	12,900	12,900	100
<b>Current borrowings</b>	<b>8,278</b>	<b>13,355</b>	<b>62</b>
– portion of non-current borrowings maturing next year	6,300	12,600	50
– borrowings from foreign banks	1,548	0	
– borrowings from other entities	348	375	93
– current interest payable	82	380	22
<b>Total borrowings</b>	<b>21,178</b>	<b>26,255</b>	<b>81</b>

## Provisions

EUR 104,706 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Provisions for retirement benefits and anniversary bonuses	49,892	49,928	100
Other provisions	54,814	54,818	100
– provisions for lawsuits	49,099	49,100	100
– other provisions	5,715	5,718	100
<b>Total provisions</b>	<b>104,706</b>	<b>104,746</b>	<b>100</b>

## Deferred revenue

EUR 12,939 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Grants received for the Beta production plant in Šentjernej	26	37	70
Grants received for the Dolenjske and Šmarješke Toplice health resorts and Golf Grad Otočec	4,611	4,675	99
Grants by the European Regional Development Fund	16	17	94
Grants by a European Fund – Development of New Technologies (FBD project)	706	731	97
Grants by a European Fund – Development Centres of the Slovene Economy	6,996	6,377	110
Properties, plant and equipment received for free	562	565	99
Emission coupons	22	22	100
<b>Total deferred revenue</b>	<b>12,939</b>	<b>12,424</b>	<b>104</b>

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

Development Potentials«; 1. Priority axis: Competitiveness and research excellence; 1.1. Priority objective: Improving competitiveness and research excellence.

## Trade payables

EUR 111,573 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Payables to domestic suppliers	38,074	37,074	103
Payables to foreign suppliers	68,206	62,978	108
Payables from advances	5,293	5,363	99
<b>Total trade payables</b>	<b>111,573</b>	<b>105,415</b>	<b>106</b>

## Other current liabilities

EUR 120,366 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Accrued contractual discounts on products sold to other customers	70,656	70,895	100
Payables to employees – gross wages, other receipts and charges	32,315	32,505	99
Other	17,395	16,198	107
<b>Total other current liabilities</b>	<b>120,366</b>	<b>119,598</b>	<b>101</b>

## Contingent liabilities

EUR 17,363 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Guarantees issued	16,743	16,779	100
Other	620	620	100
<b>Total contingent liabilities</b>	<b>17,363</b>	<b>17,399</b>	<b>100</b>

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

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

EUR thousand	31 Mar 2013	31 Dec 2012	Index
<b>Assets</b>			
Property, plant and equipment	517,160	519,219	100
Intangible assets	29,074	29,908	97
Investments in subsidiaries	273,669	259,455	105
Deferred tax assets	15,996	16,987	94
Non-current loans	33,578	32,837	102
Non-current investments	5,604	4,891	115
Other non-current assets	146	145	101
<b>Total non-current assets</b>	<b>875,227</b>	<b>863,442</b>	<b>101</b>
Inventories	191,781	190,555	101
Trade and other receivables	467,016	432,935	108
Current loans	78,485	65,305	120
Current investments	708	679	104
Cash and cash equivalents	9,897	13,369	74
<b>Total current assets</b>	<b>747,887</b>	<b>702,843</b>	<b>106</b>
<b>Total assets</b>	<b>1,623,114</b>	<b>1,566,285</b>	<b>104</b>
<b>Equity</b>			
Share capital	59,126	59,126	100
Treasury shares	-58,300	-55,656	105
Reserves	206,619	203,816	101
Retained earnings	1,072,250	1,024,929	105
<b>Total equity</b>	<b>1,279,695</b>	<b>1,232,215</b>	<b>104</b>
<b>Liabilities</b>			
Non-current borrowings	13,700	13,700	100
Provisions	96,491	96,491	100
Deferred revenue	2,578	2,752	94
Deferred tax liabilities	370	367	101
<b>Total non-current liabilities</b>	<b>113,139</b>	<b>113,310</b>	<b>100</b>
Trade payables	133,765	118,496	113
Current borrowings	54,882	58,917	93
Other current liabilities	41,633	43,347	96
<b>Total current liabilities</b>	<b>230,280</b>	<b>220,760</b>	<b>104</b>
<b>Total liabilities</b>	<b>343,419</b>	<b>334,070</b>	<b>103</b>
<b>Total equity and liabilities</b>	<b>1,623,114</b>	<b>1,566,285</b>	<b>104</b>

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

EUR thousand	1–3/2013	1–3/2012	Index
Revenues	284,427	259,030	110
Cost of sales	–114,127	–99,305	115
<b>Gross profit</b>	<b>170,300</b>	<b>159,725</b>	<b>107</b>
Other income	529	362	146
Distribution expenses	–75,188	–71,844	105
R&D costs	–25,694	–23,883	108
Administrative expenses	–15,068	–14,310	105
<b>Operating profit</b>	<b>54,879</b>	<b>50,050</b>	<b>110</b>
Financial income	2,794	11,703	24
Financial expenses	–570	–5,660	10
<b>Net financial income</b>	<b>2,224</b>	<b>6,043</b>	<b>37</b>
<b>Profit before tax</b>	<b>57,103</b>	<b>56,093</b>	<b>102</b>
Income tax expense	–7,138	–7,968	90
<b>Profit for the period</b>	<b>49,965</b>	<b>48,125</b>	<b>104</b>
<b>Basic earnings per share (in EUR)*</b>	<b>1.51</b>	<b>1.44</b>	<b>105</b>
<b>Diluted earnings per share (in EUR)**</b>	<b>1.51</b>	<b>1.44</b>	<b>105</b>

\* Profit for the period/Average number of shares issued in the period exclusive of treasury shares

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

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

EUR thousand	1–3/2013	1–3/2012	Index
<b>Profit for the period</b>	<b>49,965</b>	<b>48,125</b>	<b>104</b>
<b>Other comprehensive income for the period</b>			
Change in fair value of available-for-sale financial assets	163	273	60
Deferred tax effect – change in fair value of available-for-sale financial assets	–4	–55	7
<b>Total other comprehensive income for the period</b>	<b>159</b>	<b>218</b>	<b>73</b>
<b>Total comprehensive income for the period</b>	<b>50,124</b>	<b>48,343</b>	<b>104</b>

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

	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Profit for the period	Retained earnings	
EUR thousand											
<b>Balance at 1 Jan 2013</b>	<b>59,126</b>	<b>-55,656</b>	<b>55,656</b>	<b>101,503</b>	<b>14,990</b>	<b>30,000</b>	<b>1,667</b>	<b>846,998</b>	<b>116,543</b>	<b>61,388</b>	<b>1,232,215</b>
<b>Profit for the period</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>49,965</b>	<b>0</b>	<b>49,965</b>
<b>Other comprehensive income for the period</b>											
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	163	0	0	0	163
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	-4	0	0	0	-4
<b>Total other comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>159</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>159</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>159</b>	<b>0</b>	<b>49,965</b>	<b>0</b>	<b>50,124</b>
<b>Transactions with owners, recognised directly in equity</b>											<b>0</b>
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and Supervisory Board	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	-116,543	116,543	0
Transfer to other revenue reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	2,644	0	0	0	0	0	-2,644	0	0
Repurchase of treasury shares	0	-2,644	0	0	0	0	0	0	0	0	-2,644
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>-2,644</b>	<b>2,644</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-119,187</b>	<b>116,543</b>	<b>-2,644</b>
<b>Balance at 31 Mar 2013</b>	<b>59,126</b>	<b>-58,300</b>	<b>58,300</b>	<b>101,503</b>	<b>14,990</b>	<b>30,000</b>	<b>1,826</b>	<b>846,998</b>	<b>47,321</b>	<b>177,931</b>	<b>1,279,695</b>

EUR thousand	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Profit for the period	Retained earnings	
Balance at 1 Jan 2012	59,126	-42,584	42,584	101,503	14,990	30,000	1,542	760,611	111,741	60,972	1,140,485
Profit for the period	0	0	0	0	0	0	0	0	48,125	0	48,125
Other comprehensive income for the period											
Change in fair value of available-for-sale financial assets	0	0	0	0	0	0	273	0	0	0	273
Deferred tax effect – change in fair value of available-for-sale financial assets	0	0	0	0	0	0	-55	0	0	0	-55
Total other comprehensive income for the period	0	0	0	0	0	0	218	0	0	0	218
Total comprehensive income for the period	0	0	0	0	0	0	218	0	48,125	0	48,343
Transactions with owners, recognised directly in equity			0								
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and Supervisory Board	0	0	0	0	0	0	0	0	0	0	0
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	-111,741	111,741	0
Transfer to other revenue reserves under the resolution of the Annual General Meeting	0	0	0	0	0	0	0	0	0	0	0
Formation of reserves for treasury shares	0	0	2,868		0	0	0	0	-2,868	0	0
Repurchase of treasury shares	0	-2,868	0	0	0	0	0	0	0	0	-2,868
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners, recognised directly in equity	0	-2,868	2,868	0	0	0	0	0	-114,609	111,741	-2,868
Balance at 31 Mar 2012	59,126	-45,452	45,452	101,503	14,990	30,000	1,760	760,611	45,257	172,713	1,185,960

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

EUR thousand	1–3/2013	1–3/2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	49,965	48,125
Adjustments for:	24,660	29,643
– amortisation/depreciation	17,814	16,998
– foreign exchange differences	–332	–540
– investment income	–809	–560
– investment expense	293	5,092
– interest expense and other financial expense	556	685
– income tax	7,138	7,968
<b>Operating profit before changes in net operating current assets</b>	<b>74,625</b>	<b>77,768</b>
Change in receivables	–33,871	–22,384
Change in inventories	–1,778	–2,915
Change in trade payables	15,269	3,749
Change in deferred revenue	–174	–175
Change in other current liabilities	–1,696	–415
Income taxes paid	–7,364	–9,472
<b>Net cash from operating activities</b>	<b>45,011</b>	<b>46,156</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	588	419
Dividends received	4	1
Proportionate profit of subsidiaries	1,008	0
Proceeds from sale of property, plant and equipment	169	554
Purchase of intangible assets	–736	–384
Purchase of property, plant and equipment	–14,623	–11,046
Acquisition of subsidiaries and a share of minority interest	–14,214	–23,409
Non-current loans	–423	–939
Proceeds from repayment of non-current loans	220	635
Acquisition of non-current investments	–12	–64
Proceeds from sale of non-current investments	11	25
Payments in connection with current investments and loans	–13,231	–1,181
Payments in connection with derivative financial instruments	0	–4,973
Proceeds from derivative financial instruments	0	103
<b>Net cash used in investing activities</b>	<b>–41,239</b>	<b>–40,259</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	–858	–1,409
Repayment of non-current borrowings	–6,300	–14,200
Repayment/Acquisition of current borrowings	2,567	16,628
Dividends paid	–19	–20
Repurchase of treasury shares	–2,644	–2,868
<b>Net cash used in financing activities</b>	<b>–7,254</b>	<b>–1,869</b>
<b>Net increase in cash and cash equivalents</b>	<b>–3,482</b>	<b>4,028</b>
Cash and cash equivalents at beginning of period	13,369	15,023
Effect of exchange rate fluctuations on cash held	10	183
<b>Net cash and cash equivalents at end of period</b>	<b>9,897</b>	<b>19,234</b>

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

	European Union		South-East Europe		East Europe		Other		Total	
EUR thousand	1-3/2013	1-3/2012	1-3/2013	1-3/2012	1-3/2013	1-3/2012	1-3/2013	1-3/2012	1-3/2013	1-3/2012
<b>Revenues</b>	<b>148,100</b>	<b>152,460</b>	<b>25,948</b>	<b>23,893</b>	<b>97,685</b>	<b>77,013</b>	<b>12,694</b>	<b>5,664</b>	<b>284,427</b>	<b>259,030</b>
Revenues from reversal of provisions and other income	431	263	20	20	78	79	0	0	529	362
Operating expenses	-121,797	-116,874	-18,904	-17,124	-81,467	-70,618	-7,908	-4,726	-230,077	-209,342
<b>Operating profit</b>	<b>26,734</b>	<b>35,849</b>	<b>7,064</b>	<b>6,789</b>	<b>16,296</b>	<b>6,474</b>	<b>4,786</b>	<b>938</b>	<b>54,879</b>	<b>50,050</b>
Interest income	505	333	0	0	248	31	0	0	753	364
Interest expenses	-523	-658	0	0	0	-16	0	0	-523	-674
<b>Net financial expenses/income</b>	<b>-563</b>	<b>564</b>	<b>0</b>	<b>-33</b>	<b>3,034</b>	<b>5,350</b>	<b>-247</b>	<b>162</b>	<b>2,224</b>	<b>6,043</b>
Income tax expense	-3,477	-5,706	-919	-1,239	-2,119	-874	-623	-149	-7,138	-7,968
<b>Profit for the period</b>	<b>22,694</b>	<b>30,707</b>	<b>6,144</b>	<b>5,517</b>	<b>17,211</b>	<b>10,950</b>	<b>3,916</b>	<b>951</b>	<b>49,965</b>	<b>48,125</b>
Investments	14,784	10,278	0	0	0	0	0	0	14,784	10,278
Depreciation of property, plant and equipment	11,180	12,169	971	619	3,974	2,640	119	120	16,244	15,548
Amortisation of intangible assets	818	853	143	134	539	431	70	32	1,570	1,450
	<b>31 Mar 2013</b>	<b>31 Dec 2012</b>	<b>31 Mar 2013</b>	<b>31 Dec 2012</b>	<b>31 Mar 2013</b>	<b>31 Dec 2012</b>	<b>31 Mar 2013</b>	<b>31 Dec 2012</b>	<b>31 Mar 2013</b>	<b>31 Dec 2012</b>
<b>Total assets</b>	<b>1,112,267</b>	<b>1,116,425</b>	<b>97,892</b>	<b>90,417</b>	<b>400,002</b>	<b>348,820</b>	<b>12,953</b>	<b>10,623</b>	<b>1,623,114</b>	<b>1,566,285</b>
<b>Total liabilities</b>	<b>224,274</b>	<b>237,212</b>	<b>20,791</b>	<b>20,264</b>	<b>75,649</b>	<b>61,221</b>	<b>22,705</b>	<b>15,373</b>	<b>343,419</b>	<b>334,070</b>

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

### Costs by nature

EUR 230,077 thousand

EUR thousand	1-3/2013	1-3/2012	Index
Cost of goods and material	89,088	75,564	118
Cost of services	81,971	77,581	106
Employee benefits cost	44,697	42,511	105
Depreciation and amortisation expense	17,814	16,998	105
Inventory write-off and allowances	1,256	1,039	121
Receivables impairments and write-offs	368	27	1,363
Other operating expenses	4,602	4,338	106
<b>Total costs</b>	<b>239,796</b>	<b>218,058</b>	<b>110</b>
Change in the value of inventories	-9,719	-8,716	112
<b>Total</b>	<b>230,077</b>	<b>209,342</b>	<b>110</b>

### Employee benefits cost

EUR 44,697 thousand

EUR thousand	1-3/2013	1-3/2012	Index
Gross wages and salaries, and continued pay	36,544	34,559	106
Social security contributions	2,357	2,294	103
Pension insurance contributions	4,186	4,010	104
Retirement benefits and anniversary bonuses	485	534	91
Other employee benefits cost	1,125	1,114	101
<b>Total employee benefits cost</b>	<b>44,697</b>	<b>42,511</b>	<b>105</b>

### Other expenses

EUR 4,602 thousand

EUR thousand	1-3/2013	1-3/2012	Index
Grants and assistance for humanitarian and other purposes	182	375	49
Environmental levies	621	610	102
Other taxes and levies	2,878	2,555	113
Loss on the sale of property, plant and equipment and intangible assets and write-offs	279	118	236
Other operating expenses	642	680	94
<b>Total other expenses</b>	<b>4,602</b>	<b>4,338</b>	<b>106</b>

Other taxes and levies include taxes (claw-back and similar) that have recently been imposed in several markets of Krka's operations.

## Financial income and expenses

EUR thousand	1-3/2013	1-3/2012	Index
Net foreign exchange gain	1,994	11,196	18
Interest income	753	364	207
Change in fair value of investments through profit or loss	43	39	110
Income from derivative financial instruments	0	103	0
– income	0	103	0
Income from dividends and other interests in profit	4	1	400
<b>Total financial income</b>	<b>2,794</b>	<b>11,703</b>	<b>24</b>
Interest expense	–523	–674	78
Change in fair value of investments through profit or loss	–14	–1	1,400
Expense for derivative financial instruments	0	–4,973	0
– expense	0	–4,973	0
Other expenses	–33	–12	275
<b>Total financial expenses</b>	<b>–570</b>	<b>–5,660</b>	<b>10</b>
<b>Net financial income</b>	<b>2,224</b>	<b>6,043</b>	<b>37</b>

### Income tax expense

EUR 7,138 thousand

Current income tax amounts to EUR 6,147 thousand, which is 10.7% of pre-tax profit. Together with the deferred tax of EUR 991 thousand, the total income tax expense in the income statement

amounts to EUR 7,138 thousand. The effective tax rate is 12.5%, which is 1.7 of a percentage point less than in the same period last year.

### Property, plant and equipment

EUR 517,160 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Property	19,080	19,020	100
Plant	215,139	218,714	98
Equipment	238,492	235,022	101
Property, plant and equipment under construction	44,449	46,463	96
<b>Total property, plant and equipment</b>	<b>517,160</b>	<b>519,219</b>	<b>100</b>

The value of property, plant and equipment represents 32% of the Company's total assets.

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

## Intangible assets

EUR 29,074 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Concessions, patents, licences and similar rights	24,167	25,671	94
Intangible assets under construction	4,907	4,237	116
<b>Total intangible assets</b>	<b>29,074</b>	<b>29,908</b>	<b>97</b>

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

## Loans

EUR 112,063 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
<b>Non-current loans</b>	<b>33,578</b>	<b>32,837</b>	<b>102</b>
– loans to subsidiaries	28,232	27,744	102
– loans to others	5,346	5,093	105
<b>Current loans</b>	<b>78,485</b>	<b>65,305</b>	<b>120</b>
– portion of non-current loans maturing next year	1,090	1,307	83
– loans to subsidiaries	56,749	53,550	106
– loans to others	20,076	10,043	200
– current interest receivable	570	405	141
<b>Total loans</b>	<b>112,063</b>	<b>98,142</b>	<b>114</b>

Non-current loans represent 30% of total loans.

loans.

Non-current loans to others include loans that the Company extends in accordance with its internal acts to its employees and that are primarily housing

Current loans to others include EUR 20,000 of bank deposits with maturities longer than 30 days.

## Investments

EUR 6,312 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
<b>Non-current investments</b>	<b>5,604</b>	<b>4,891</b>	<b>115</b>
– available-for-sale financial assets	4,987	4,891	102
– other non-current investments	617	0	
<b>Current investments including derivative financial instruments</b>	<b>708</b>	<b>679</b>	<b>104</b>
– shares and interests held for trading	90	103	87
– other current investments	618	576	107
<b>Total investments</b>	<b>6,312</b>	<b>5,570</b>	<b>113</b>

Available-for-sale financial assets include EUR 634 thousand of investments in shares and interests in companies in Slovenia, and EUR 4,353 thousand of investments in shares and interests in companies abroad.

Other current investments refer to EUR 325 thousand worth of shares in Slovenian mutual funds, and to EUR 293 thousand worth of assets under management.

## Inventories

EUR 191,781 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Material	79,479	88,138	90
Work in progress	50,660	45,085	112
Products	53,788	50,650	106
Merchandise	7,603	6,399	119
Inventory advances	251	283	89
<b>Total inventories</b>	<b>191,781</b>	<b>190,555</b>	<b>101</b>

## Trade and other receivables

EUR 467,016 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Current receivables due from subsidiaries	261,565	226,858	115
Current receivables due from customers other than Group companies	182,504	185,998	98
Current receivables relating to dividends of subsidiaries	0	1,008	
Other current receivables	22,947	19,071	120
<b>Total receivables</b>	<b>467,016</b>	<b>432,935</b>	<b>108</b>

## Cash and cash equivalents

EUR 9,897 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Cash in hand	5	7	71
Bank balances	9,892	13,362	74
<b>Total cash and cash equivalents</b>	<b>9,897</b>	<b>13,369</b>	<b>74</b>

## Equity

EUR 1,279,695 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Share capital	59,126	59,126	100
Treasury shares	-58,300	-55,656	105
Reserves	206,619	203,816	101
– share premium	101,503	101,503	100
– reserves for treasury shares	58,300	55,656	105
– legal reserves	14,990	14,990	100
– statutory reserves	30,000	30,000	100
– fair value reserve	1,826	1,667	110
Retained earnings	1,072,250	1,024,929	105
<b>Total equity</b>	<b>1,279,695</b>	<b>1,232,215</b>	<b>104</b>

## Borrowings

EUR 68,582 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
<b>Non-current borrowings</b>	<b>13,700</b>	<b>13,700</b>	<b>100</b>
– borrowings from subsidiaries	800	800	100
– borrowings from domestic banks	12,900	12,900	100
<b>Current borrowings</b>	<b>54,882</b>	<b>58,917</b>	<b>93</b>
– portion of non-current borrowings maturing next year	6,300	12,600	50
– borrowings from subsidiaries	48,057	45,463	106
– borrowings from other entities	348	375	93
– current interest payable	177	479	37
<b>Total borrowings</b>	<b>68,582</b>	<b>72,617</b>	<b>94</b>

## Provisions

EUR 96,491 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Provisions for retirement benefits and anniversary bonuses	47,491	47,491	100
Provisions for lawsuits	49,000	49,000	100
<b>Total provisions</b>	<b>96,491</b>	<b>96,491</b>	<b>100</b>

## Deferred revenue

EUR 2,578 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Grants received for the Beta production plant in Šentjernej	26	37	70
Grants by the European Regional Development Fund	16	17	94
Grants by a European Fund – Development of New Technologies (FBD project)	706	731	97
Properties, plant and equipment received for free	563	565	100
Emission coupons	22	22	100
Other deferred revenue	1,245	1,380	90
<b>Total deferred revenue</b>	<b>2,578</b>	<b>2,752</b>	<b>94</b>

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

Development Potentials«; 1. Priority axis: Competitiveness and research excellence; 1.1. Priority objective: Improving competitiveness and research excellence.

## Trade payables

EUR 133,765 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Payables to subsidiaries	50,174	41,571	121
Payables to domestic suppliers	34,014	32,479	105
Payables to foreign suppliers	47,804	42,710	112
Payables from advances	1,773	1,736	102
<b>Total trade payables</b>	<b>133,765</b>	<b>118,496</b>	<b>113</b>

## Other current liabilities

EUR 41,633 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Accrued contractual discounts on products sold to other customers	12,373	12,373	100
Payables relating to unpaid equity of subsidiaries	258	258	100
Payables to employees – gross wages, other receipts and charges	24,544	25,612	96
Other	4,458	5,104	87
<b>Total other current liabilities</b>	<b>41,633</b>	<b>43,347</b>	<b>96</b>

## Contingent liabilities

EUR 19,731 thousand

EUR thousand	31 Mar 2013	31 Dec 2012	Index
Guarantees issued	19,111	19,273	99
Other	620	620	100
<b>Total contingent liabilities</b>	<b>19,731</b>	<b>19,893</b>	<b>99</b>

## MANAGEMENT BOARD STATEMENT OF RESPONSIBILITIES

The Management Board of Krka, d. d., Novo mesto hereby states that the condensed financial statements of the Krka Company and the condensed consolidated financial statements of the Krka Group for the three months ended 31 March 2013 were drawn up so as to provide a true and fair view of the financial standing and operating results of the Krka Company and the Krka Group. The condensed statements for the period January–March 2013 were drawn up using the same accounting principles as for the annual financial statements of the Krka Company and Group for 2012.

The condensed interim financial statements for the three months ended 31 March 2013 were drawn up

Novo mesto, 6 May 2013

pursuant to IAS 34 – Interim Financial Reporting, and must be read in conjunction with the annual financial statements drawn up for the business year ended 31 December 2012.

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

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



Jože Colarič

President of the Management Board and Chief Executive



Dr Aleš Rotar

Member of the Management Board



Zvezdana Bajc

Member of the Management Board



Dr Vinko Zupančič

Member of the Management Board



Danica Novak Malnar

Worker Director – Member of the Management Board