

**Summary of
Unaudited Interim Report
for the Krka Group and
Krka d. d., Novo mesto
January-June 2007**



Novo mesto, August 2007

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INTRODUCTION

All the financial statements of the Krka Group and Krka d. d., Novo mesto (the Krka Company) in this report have been prepared in accordance with the International Financial Reporting Standards (IFRS) following a resolution to that effect of the 11th General Meeting of 6 July 2006. In line with the resolution the Krka Company no longer prepares financial reports in accordance with Slovenian Accounting Standards.

The conversion from SIT to EUR for 2006 was carried out in accordance with Note 1 to the Introduction to the Slovenian Accounting Standards (2006) – Change in Reporting Currency, which was adopted at the 80th meeting of the Slovenian Institute of Auditors' expert council. This prescribes using the official Bank of Slovenia exchange rate on the final day of the comparable period for the conversion of all items in all financial statements from SIT to EUR. The exchange rate 1 EUR=239.6400 SIT is used for conversions for 2006 and 1 EUR=239.6285 SIT for conversions for the periods January–June 2006. Financial statements in SIT used for the reporting period of 1 January 2006 and 31 December 2006 are presented in audited form, while the statements used for the reporting period of 30 June 2006 are unaudited. The financial statements presented for the January-June 2007 period are also presented in unaudited form.

The Company does not have authorized capital and neither conditional increase in share capital.

The company regularly announces any significant changes in the data contained in its share prospectus on the Ljubljana Stock Exchange's electronic information system SEOnet and/or the Delo newspaper.

The business report for the Krka Group and Krka Company for the first half of 2007 can be reviewed at Krka's registered office at Šmarješka cesta 6, 8501 Novo mesto, every working day from 08.00 to 15.00, and is also available on the Krka website: www.krka.si.

The Supervisory Board discussed and approved the half-year business report for Krka Group and Krka Company at its meeting on 31 July 2007.

Significant achievements

- In the first six months of 2007, the Krka Group generated sales of products and services worth 392.5 million EUR, while the Krka Company sold products and services worth 344.3 million EUR.
- The Krka Group achieved 14% growth in sales, and the Krka Company achieved 13% growth, compared to the same period last year.
- In the first six months of 2007, the Krka Group generated an operating profit of 90.9 million EUR, which is 15% higher than for the same period last year, while the Krka Company generated a profit of 83.2 million EUR (10% growth compared to the same period last year).
- The net profit was 68.2 million EUR for the Krka Group (31% growth on the same period last year), and 63.5 million EUR (20% growth) for the Krka Company.
- The highest proportion of overall sales for the Krka Group and the Krka Company were recorded in its Region East Europe, while the highest growth in sales was recorded in Region West Europe and Overseas Markets.
- The proportion of sales on markets outside Slovenia was 87% for the Krka Group, and 90% for the Krka Company.

- At the end of June 2007 the price for Krka shares quoted on the Ljubljana Stock Exchange was 922.20 EUR per share.
- The Krka Group allocated 58.4 million EUR to investments, 50.2 million EUR of which was invested by the Krka Company and 8.2 million EUR by subsidiaries.
- The number of Krka Group employees increased by 7%. Most new employment was abroad. At the end of the first six months of 2007 the Krka Group had a total of 6178 employees.
- The major business objectives of the Krka Group and the Krka Company for the first half of the year have been realised.

Significant events after the accounting period

- A resolution was adopted by the 12th General Meeting of the Krka Company, held on 5 July 2007, which pursuant to the provisions of the Articles of Association of the Krka Company, introduced no par-value shares, with each nominal share of value 4,000 SIT being replaced by ten no par-value shares, and following the conversion of the company's share capital, which amounts to 59,126,194.28 EUR, divided into 35,426,120 ordinary no-par value shares that are bearer securities.
- A resolution was adopted at the same General Meeting to the effect that the company's share capital, which amounts to 14,170,448,000 SIT, shall be converted into euros in the method defined in the first paragraph of Article 693 of the Companies Act (ZGD-1), and shall amount to 59,126,194.28 EUR. The difference, amounting to 6,037.40 EUR that arises in the conversion pursuant to the provision mentioned shall be transferred to the capital reserves and the share capital share be reduced by that amount.
- At the General Meeting, shareholders set the dividend at 8.00 EUR gross per share.
- Due to his appointment as Governor of the Bank of Slovenia on 14 July 2007, Marko Kranjec, PhD, resigned from his post as Supervisory Board of the Krka Company. He tendered his resignation on 19 June 2007.

Highlights

| in thousand EUR | Krka Group | | Krka, d. d., Novo mesto | |
|---|-------------|-------------|-------------------------|-------------|
| | 1-6/2007 | 1-6/2006 | 1-6/2007 | 1-6/2006 |
| Sales revenues | 392,532 | 343,414 | 344,318 | 303,528 |
| EBIT | 90,925 | 79,174 | 83,159 | 75,531 |
| EBITDA | 118,362 | 103,322 | 104,734 | 93,813 |
| Net profit | 68,184 | 51,918 | 63,528 | 52,978 |
| R&D costs | 30,002 | 25,610 | 29,711 | 25,267 |
| Investments | 58,409 | 41,571 | 50,197 | 33,631 |
| RATIOS | | | | |
| Net profit/Sales revenues (ROS) | 17.4% | 15.1% | 18.5% | 17.5% |
| EBIT/Sales revenues | 23.2% | 23.1% | 24.2% | 24.9% |
| EBITDA/Sales revenues | 30.2% | 30.1% | 30.4% | 30.9% |
| Return on equity (ROE) ¹ – converted to annual bases | 22.5% | 20.6% | 21.1% | 21.1% |
| Return on assets (ROA) ² – converted to annual bases | 14.9% | 12.8% | 14.3% | 13.5% |
| Liabilities/equity | 0.473 | 0.566 | 0.450 | 0.525 |
| R&D costs/Sales revenues | 7.6% | 7.5% | 8.6% | 8.3% |
| | | | | |
| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | 30 Jun 2007 | 31 Dec 2006 |
| Non-current assets | 608,131 | 574,846 | 590,585 | 561,034 |
| Current assets | 338,540 | 304,282 | 330,489 | 293,252 |
| Equity | 642,484 | 570,905 | 635,165 | 569,918 |
| Non-current liabilities | 173,769 | 163,940 | 160,130 | 150,351 |
| Current liabilities | 130,418 | 144,283 | 125,779 | 134,017 |
| Number of employees (end of the period) | 6178 | 5759 | 4605 | 4272 |

| SHARE INFORMATION (Krka Group) | 1-6/2007 | 1-6/2006 |
|---|------------------|------------------|
| Total number of shares issued | 3,542,612 | 3,542,612 |
| Earnings per share in EUR ³ | 40.35 | 30.65 |
| Share price at the end of period in EUR | 992.20 | 607.79 |
| Price/earnings ratio (P/E) | 24.59 | 19.83 |
| Carrying value of share in EUR | 181.36 | 149.55 |
| Market capitalisation at the end of period in thousand EUR | 3,514,980 | 2,153,164 |

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

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

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

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

Key strategies and objectives – to 2010

- Achieving average annual growth in sales of over 10%.
- Maintaining independence and utilising opportunities in the consolidation of the pharmaceutical industry.
- Expanding the range of prescription pharmaceuticals in our key therapeutic areas: medicines for cardiovascular diseases, for diseases of the alimentary tract and metabolism, for the treatment of infections and the central nervous system, the strengthening of other groups, and the launch of new therapeutic area.
- Focusing on European and Central Asian markets and pharmaceutical-chemical operations with objective of achieving a leading position on selected key markets.
- Continued organic growth and growth on the basis of acquiring product lines, market shares or companies.
- Increasing the proportion of products that result from the vertical business model.
- Strengthening expertise and cost synergies within the Krka Group.
- Expanding own marketing and sales network and establishing own companies abroad.
- Promoting creativity and innovation, motivation, and an entrepreneurial and target-oriented approach.
- Upholding our economic, social and ecological responsibilities to the environment in which we operate.

The Krka Group's business objectives for 2007

- At the forecast growth of 12% we will generate products and service sales of 750 million EUR.
- Highest sales growth will be on the markets of East, Central and West Europe; the Russian Federation remains the most important individual market.
- The proportion of sales on markets outside Slovenia is anticipated at over 85%.
- New prescription pharmaceuticals products will be marketed in key indication groups.
- The planned net profit is 130 million EUR.
- By the end of 2007 the Group will have 6300 employees, almost 40% of them abroad.
- Investments planned at 130 million EUR will primarily be used to increase and modernise R&D and production capacity and infrastructure.

Krka Group ID

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

Registered office: Šmarješka cesta 6
8501 Novo mesto
Slovenia

Telephone: +386 7 331 21 11

Fax: +386 7 332 15 37

E-mail: info@krka.biz

Web pages: www.krka.si

Basic activity: Production of pharmaceutical preparations

Activity code: 24.420

Year established: 1954

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

VAT number: 82646716

Company ID number: 5043611

Called-up capital: 59,126,194.28 EUR

Shares: 3,542,612 ordinary registered shares at par value of 16.69 EUR per share. Krka's shares have been listed on the Ljubljana Stock Exchange in 1997 with the trading code KRKG.

The Krka Group consists of the controlling company, Krka, d. d., Novo mesto, and the following subsidiaries and associated companies:

| | Ownership share 30 Jun 2007 |
|---|--------------------------------|
| Terme Krka, d. o. o., Novo mesto | 100 % |
| KRKA-FARMA d. o. o., Zagreb, Croatia | 100 % |
| »KRKA-FARMA«, d. o. o., Novi Sad, Serbia | 100 % |
| KRKA-FARMA DOOEL, Skopje, Macedonia | 100 % |
| OOO »KRKA-RUS«, Istra, Russian Federation | 100 % |
| OOO »KRKA FARMA«, Sergiev Posad, Russian Federation | 100 % |
| KRKA-Polska, Sp. z o. o., Warsaw, Poland | 100 % |
| KRKA Magyarország Kft, Budapest, Hungary | 100 % |
| KRKA ČR, s. r. o., Prague, Czech Republic * | 100 % |
| KRKA Pharma Dublin Limited, Dublin, Ireland | 100 % |
| KRKA Sverige AB, Stockholm, Sweden | 100 % |
| KRKA Aussenhandels GmbH, Munich, Germany* | 100 % |
| KRKA FARMACÊUTICA, LDA, Estoril, Portugal | 100 % |
| KRKA USA, LLC, Delaware, USA, | 100 % |

* Companies, where no operations are carried out

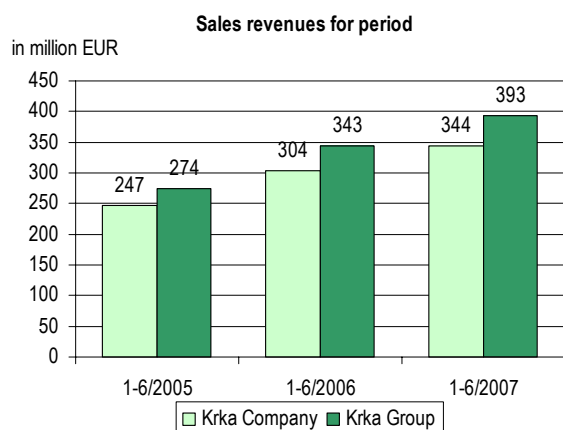
The Terme Krka subsidiary has a participating interest in Terme Krka – Strunjan, d.o.o. (51%) and Golf Grad Otočec, d.o.o. (56.37%).

In 2007 the controlling company, Krka d. d., Novo mesto established and paid the founding capital for two new companies, registered as KRKA FARMACÊUTICA, LDA, Estoril, Portugal and KRKA USA, LLC, Delaware, United States, in which it holds 100% ownership. The subsidiary HELVETIUS-S. R. L. in Trieste, Italy, in which the controlling company had had an 80% participating interest, was finally wound up.

Business operations analysis of the Krka Group and Krka Company

In the first six months of this year both the Krka Group and Krka Company have performed successfully. The positive results were due not only to increased sales revenues, but were also affected by lower growth in operating expenses compared to revenues. Most of this half-year's operating results are an improvement on the same period last year.

Revenues



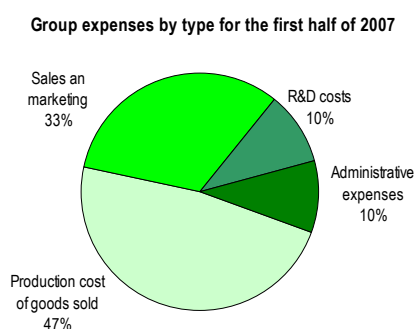
The **net sales revenues** of the Krka Group increased by 14% while the Krka Company recorded an increase of 13%. The Krka Company generated 344.3 million EUR in net sales revenues from the sale of prescription pharmaceuticals, self-medication products and cosmetic and animal health products, while the Krka Group generated

392.5 million EUR from sales of these products plus sales of health resort and tourist services. The major contribution to Krka Group sales revenue (at 82%) came from the sale of prescription pharmaceuticals, while the highest growth by product group (of 22%) was achieved for self-medication products. Most of the net sales revenues was generated from the sale of products, services and goods outside Slovenia. A more detailed analysis of the sales results achieved by individual market and product group is given in the section Marketing and Sales.

Together with other operating and financial revenues, the Company generated total revenues of 350.8 million EUR, while the Krka Group generated 403.2 million EUR, which represents growth of 12% and 14% respectively, compared to the same period last year.

Expenses

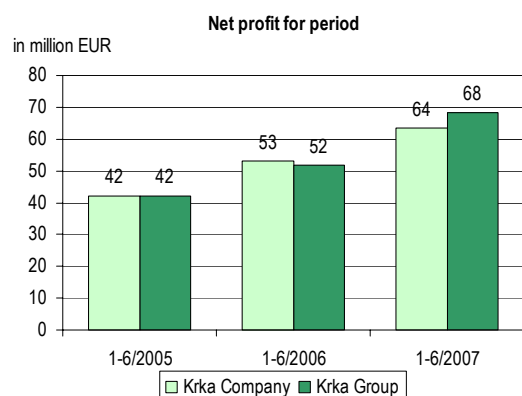
The Krka Group's expenses of 311.4 million EUR were 12% higher than for the same period last year. The growth in expenses was 2.2 percentage points less than sales growth.



The Krka Group records operating expenses in the amount of 302.9 million EUR of which 144.8 million EUR related to the production cost of goods sold, 98.7 million EUR to marketing and sales, 30.0 million EUR to R&D costs and 29.4 million EUR to administrative expenses.

Compared to the same period last year, the production costs of goods sold increased for the Krka Group by 16%, which is 1.7 percentage points more than the growth in sales. The expansion of the marketing network on all Krka's major markets led to growth in marketing and sales costs by 13%. The Group's administrative expenses increased by 4% and R&D costs by 17% and are accounted in full as expenses, since they are not capitalised.

Operating results



The Krka Group's operating profit of 90.9 million EUR was 15% higher than for the same period last year, while the pre-tax profit increased by 20% to 91.7 million EUR. Corporate income tax totaled 23.5 million EUR, of which 24.9 million EUR was levied tax and 1.4 million EUR deferred tax. The effective tax rate for the Group was 25.7%.

The Krka Group's net profit was 68.2 million EUR, an increase of 31%, while the Krka Company recorded a net profit of 63.5 million EUR, an increase of 20% in comparison to the previous half year.

Assets

The Krka Group's assets were worth 946.7 million EUR on 30 June 2007, an increase of 8% from the start of the year. The ratio of current to non-current assets remained almost unchanged compared to the start of the year. The non-current assets presented almost two thirds of all assets.

Property, plant and equipment was by far the major item under non-current assets, representing 539.3 million EUR of the total value of 608.1 million EUR. Compared to the start of the year their value

increased by 6%, representing 57% of all assets.

Current assets increased by 11% to 338.5 million EUR. Trade and other receivables increased in the first half of this year by 19% and were worth 183.0 million EUR, while the inventories increased by 5% to 121.3 million EUR. Financial investments fell by 9% (primarily shares available-for-sale) and at the end of June 2007 were worth 22.0 million EUR.

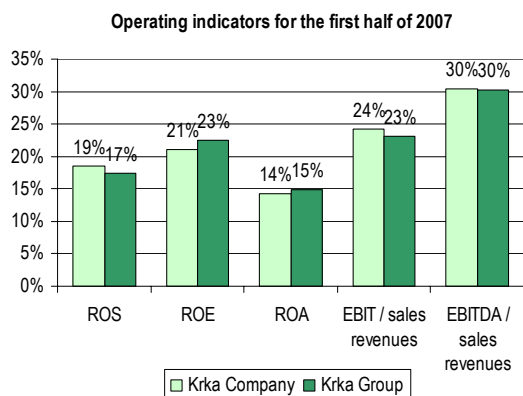
Equity and liabilities

The Group's equity increased by 13% and now represents 68% of total equity and liabilities. The main factor in the growth was the net profit of the Krka Group in the first half of the year.

Long-term provisions increased by 8%, while long-term loans remained unchanged from the end of 2006.

Current liabilities were down 10% compared to the start of the year to 130.4 million EUR, which is 14% of total equity and liabilities. Among current liabilities, loans were down by 53%. Operating liabilities were worth 69.4 million EUR, an increase of 14%, while other current liabilities increased by 11%, and were worth 30.7 million EUR at the end of June 2007.

Performance ratios



The operating indicators for the Krka Group are in compliance with strategic guidelines and objectives and had mostly improved compared to the same period last year. The Krka Group's net profit margin was 17.4% (Krka Company: 18.5%), ROE 22.5% (Krka Company: 21.1%), ROA 14.9% (Krka Company: 14.3%), EBIT margin 23.2% (Krka Company: 24.2%) and EBITDA margin 30.2 % (Krka Company: 30.4%).

BUSINESS REPORT

Marketing and sales

In the first half of 2007 the Krka Group and Company both exceeded the sales figures for the same period last year. The Krka Group's sales of 392.5 million EUR represented 14% growth compared to the same period last year, while the

Krka Company sales of 344.3 million EUR represented 13% growth. The comments on sales by region and product group provided below all refer to sales by the Krka Group.

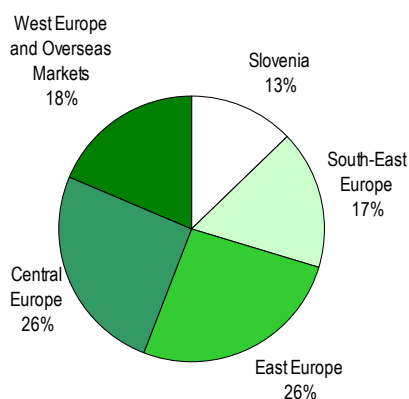
Sales by region

The highest sales by region were recorded in Region East Europe, where sales reached 102.4 million EUR, representing 26% of overall group sales. It is followed in sales volume by Region Central Europe with 101.0 million EUR or a 26% share. The highest rate of growth (40%) was

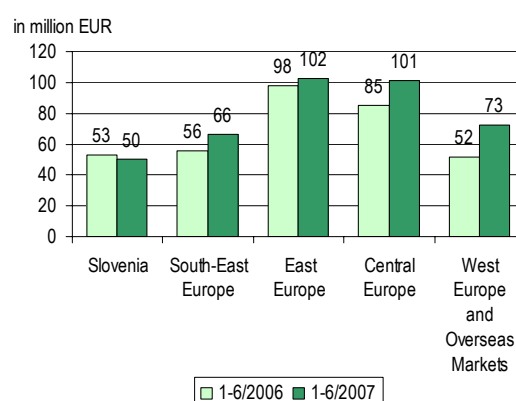
achieved in this period in Region West Europe and Overseas Markets, which is the third ranking region overall by sales volume. Region South-East Europe and Slovenia also represent a significant proportion of sales.

| In thousand EUR | Krka Group | | | Krka Company | | |
|----------------------------------|----------------|----------------|------------|----------------|----------------|------------|
| | 1-6/2007 | 1-6/2006 | Ind. | 1-6/2007 | 1-6/2006 | Ind. |
| Slovenia | 50,283 | 52,944 | 95 | 34,892 | 39,444 | 88 |
| South-East Europe | 66,229 | 55,887 | 119 | 60,213 | 48,755 | 124 |
| East Europe | 102,419 | 97,910 | 105 | 97,196 | 96,483 | 101 |
| Central Europe | 100,961 | 84,961 | 119 | 84,690 | 67,162 | 126 |
| West Europe and Overseas Markets | 72,640 | 51,713 | 140 | 67,327 | 51,684 | 130 |
| Total | 392,532 | 343,415 | 114 | 344,318 | 303,528 | 113 |

Krka Group sales by region for the first half of 2007



Krka Group sales by region for the first half of the year



Slovenia

In Slovenia the half-year sales reached 50.3 million EUR, 30.0 million EUR from prescription pharmaceuticals, 2.8 million EUR from self-medication products, 1.3 million EUR from animal health products, 1.0 million EUR from cosmetics and 14.7 million EUR from health resort and tourist services. There was no significant change in the structure of sales broken down by product group compared to the first quarter of 2007.

Krka remains the leading prescription pharmaceuticals company in Slovenia. Krka has also managed to retain its leading position on the

Slovenian market in the therapeutic groups of statins, ACE inhibitors, proton pump inhibitors, sartans, and throat antiseptics, and is continuing to increase its market share of the medicines for the central nervous system.

The following products remain market leaders in the half-year sales figures: Ultop[®], Vasilip[®], Atoris[®] and Enap[®].

Sales of health tourism services were up by 13% on the same period last year.

South-East Europe

Krka generated sales worth 66.2 million EUR in the countries of South-East Europe, which is 19% higher than for the same period last year.

The highest sales growth compared to the same period last year was achieved in Serbia (82% higher) and in Romania (39%) – with sales of 6.5 million EUR and 19.4 million EUR generated on the two markets respectively. The relatively high growth of sales in these countries is largely due to increased activity and the expansion of marketing and sales networks in the field, as well as the continuing favourable economic trends in South-East Europe. Romania and Bulgaria's entry to the EU has had a positive impact on Krka's results, while other countries in the region are increasingly integrating their commercial legislation with EU law.

Another significant market in South-East Europe is **Croatia**, one of Krka's key market, which represents one third of sales in the region. With a market share of over 6%, Krka is the third-ranking prescription pharmaceuticals company in Croatia. The most notable products in terms of sales growth for the first six months of 2007 were Atoris[®], Laaven[®], Lanzul[®], Ciprinol[®], Fromilid[®] and Asentra[®].

The increase in specialist staff for the self-medication product and cosmetics range has strengthened the promotional and sales activities in the field for the Bilobil[®], Septolete[®] and Herbion[®] products, and – among the cosmetics – Fitoval[®] and products from the Vitaskin[®] Pharma line.

Production of Zyllt[®], Laaven[®] and Tenox[®] is also underway in the Croatian subsidiary. Zyllt[®] produced in Croatia is also sold in other countries of eastern and south-eastern Europe.

Growth was also recorded for animal health products, primarily due to redirecting sales of our products from smaller breeders to larger agricultural concerns.

A market share of over 3% was reached in the first half of 2007 in **Romania**, the second-most important market in the region. The most important products in terms of sales growth were Vasilip[®], Fromilid[®], Ultop[®] and the newly-launched Rawel[®]. Established products such as Enap[®], Ciprinol[®] and Tramadol[®] retained their high market shares.

Among the self-medication products, sales growth of over 30% has been achieved for Bilobil[®] compared to the same period last year. Bilobil[®] is not only the best-selling Krka product on the market, but also one of the best selling brands on the Romanian market overall. Changes to the official list of medicines (financed by the state health insurance system) to include new, direct competitors will present a challenge to Bilobil[®] sales.

Sales growth also continued in **Bulgaria**, with sales of 4.4 million EUR generated. The largest contribution to overall sales and their growth came from seasonal preparations, especially Fromilid[®] and Macropen[®], and sales of Lorista[®], Rawel[®], Atoris[®], Vasilip[®] and Holetar[®] and from the launch of Tenox[®]. The growth in sales of Solvolan[®],

Septolete® and Pikovit® has increased Krka's presence on the Bulgarian self-medication market.

In **Serbia**, where Krka was able to double sales of prescription pharmaceuticals compared to the same period last year, growth in sales of Vasilip®, Zyllt®, Atoris®, Fromilid®, Ampriol®, Lorista® and Asentra® was particularly pronounced. The positive sales results were largely due to intensive marketing work in the field, and having preparations placed on the official Serbian health insurance fund list.

Sales of self-medication products were also higher for the first half of 2007 than the first half of 2006. Somewhat more moderate growth was recorded for animal health products, which is largely due to

East Europe

In Region East Europe, the Krka Group achieved sales of 102.4 million EUR in the first half of 2007, exceeding last year's sales for the same period by 5%. Sales in the Russian Federation were at around the same level as last half year, while growth was particularly high on all other markets in the region. Sales of self-medication products were significantly higher than for the same period last year (up by 28%).

Krka generated product sales in the **Russian Federation** worth 69.8 million EUR, which is 95% of the value of sales achieved in the same period last year on the same market. Prescription pharmaceuticals are the highest selling product group with sales worth 52.8 million EUR. The best results in terms of sales growth were achieved for self-medication products and animal health products. Sales in the first half of the year were somewhat down on the same period last year, due to a certain part of pharmaceutical programme being removed from Russia's DLO programme (supplementary medicine supply to specific social groups), where a deficit in the social-medical fund has led to a reduction in the prescription of medicines.

Krka is successfully developing production at its subsidiary – Krka Rus – where five products are now produced and over 20 licensed products are packaged. Zyllt® (clopidogrel) was successfully introduced to the Russian market in first half of this year, and almost reached its sales target for the whole year within the first six months. Additional staff have strengthened Krka's presence in the field,

restructuring within the sector involving the privatisation of agricultural concerns and farms.

Krka assesses that the moderate sales growth achieved in Bosnia and Herzegovina for the first half of the year was largely due to increasing marketing and commercial activities in the field, and the slight increase in the population's purchasing power. The growth in sales was achieved despite a doctors' strike lasting almost two months in the Federation of Bosnia and Herzegovina.

Moderate sales growth was also achieved in other countries in Region South-East Europe in the first half of the year, particularly in Albania, Kosovo and Macedonia.

and a number of organisational changes have been made that will strengthen Krka's position on the Russian market.

Sales on the **Ukraine** market are as planned, and in the first half of 2007 grew by 29% to 18.2 million EUR compared to the same period last year. Krka's active marketing policy for pharmacies and institutional purchasers (public tenders from hospitals), the growth in the number of specialist staff, and the new, dual organisation for their work have made a significant contribution to consolidating Krka's position as a leading medicines supplier in Ukraine. According to Farmexpert date for the first quarter of 2007, Krka is ranked fifth on the market with a 2.6% market share.

Sales in **Belarus** increased by almost 10% compared to the same period last year. Growth was held back by the active and very fierce competition from domestic producers, which enjoy prioritised treatment from state institutions on the Belarusian medicines market. The animal health product market is similarly regulated, as medicines produced within the country cannot be imported. This means Krka can only sell three of the fifteen products it has actually registered in the country.

In the first half of 2007 sales in **Kazakhstan** increased by 40% compared to the same period last year, reaching 4.0 million EUR, with sales of prescription pharmaceuticals 78% higher, while animal health products were only slightly up on the 2006 half-year results. Distributors assess that the market has grown by 25% over the same period.

The significant sales growth was achieved through sales of the prescription pharmaceuticals Vasilip[®], Fromilid[®], Hiconcil[®] and Macropen[®], and the successful launch of Atoris[®] and Tenox[®]. Septotele[®] and Kalcinova[®] performed well among the self-medication products.

Krka's above-average sales growth is also based on successful indirect cooperation in tenders issued by hospitals and regional health institutions for the supply of medicines, and closer cooperation with pharmacy chains owned by our direct purchasers.

The high growth in sales of Krka products in **Uzbekistan** continued reaching 104% compared to last year's half-year figures, reaching a value of 2.7 million EUR. Sales of prescription pharmaceuticals grew by 164% over the period, mainly due to the strengthening of marketing activities, with almost twice the number of specialist staff compared to last year. As in many previous years, we can expect a slowdown in the conversion of local currency into foreign currency in the second half of the year that will lead to a reduction in sales.

The combination of marketing activities in the field and commercial initiatives aimed at pharmacies in

Central Europe

Krka generated sales worth 101 million EUR on markets in its Region Central Europe in the first half of 2007, which is 19% higher than for the same period last year. Sales of prescription pharmaceuticals, which represent 92% of overall sales in the region, grew by 20%, while sales of self-medication products grew by 14%. Sales of animal health products decreased by 2% compared to the same period last year.

In **Poland**, the largest individual market in the region with 47% of all sales, and one of Krka's key markets, Krka achieved sales of 47.5 million EUR, which is around the same level as the first half of last year. Zalasta[®], Atoris[®], Lanzul[®] in Lorista[®] remain among the most important prescription pharmaceuticals. Sales of self-medication products grew by 5% compared to the same period last year. This is mainly due to the very successful sales of products under the umbrella brand Septotele[®], which achieved 37% growth compared to January-June 2006. Sales of animal health remained at the same level as last year.

Moldova was reflected in 20% sales growth compared to the same period last year.

At the end of 2006, the reorganised approach to sales and marketing in **Georgia** paid off with 27% growth in sales, compared to the same period last year. A temporary slowdown in renewing and acquiring new market authorisations at the end of 2006 was dealt with, which means Krka can now launch new products on the market.

Krka's position on the **Azerbaijani** and **Armenian** markets improved further, with growth of over 40% backed by increases in the size of marketing departments. Krka is one of the top five suppliers on the Armenian medical market, and Enap[®] H remains the leading product for high blood pressure.

The markets of **Mongolia**, **Tajikistan**, **Kyrgyzstan** and **Turkmenistan** do not represent significant market potential due to the low consumption of medicines (these markets are only worth around 40 million EUR each per year), but nevertheless sales growth of over 90% was achieved in comparison to the same period last year.

In the **Czech Republic**, Krka recorded sales worth 20.1 million EUR, representing a pleasing 33% growth on sales in the first six months of last year. The best-selling products remain Atoris[®], Lorista[®], Enap[®], Ampri[®] and Asentra[®]. The most significant self-medication product was Septotele[®], which with an excellent 78% growth, represented almost half of all sales in this product group.

The Group recorded its highest growth by country for the first half of 2007 in **Hungary**, Krka's third most important market in the region. Sales were worth 16.9 million EUR, which is 80% higher than for the first half of 2006. The most important products were Atoris[®], Tenox[®], Prenessa[®] and Lanzul[®]. Results for self-medication products and animal health products were somewhat less successful, with the figures down on the same period last year.

In **Slovakia** Krka's sales in the first half of 2007 reached 7.6 million EUR, which is 62% more than for the same period in 2006. The market share also grew, from 1.6% in first half of 2006 to 2.0% this

year. The best-selling products were Atoris[®], Fromilid[®], Enap[®], Prenessa[®], Lorista[®] and Septolete[®].

Sales in **Lithuania** were worth 5.7 million EUR, which is 12% higher than for the first six months of 2006. The most important products remain Enap[®], followed by Lorista[®], and Kaptopril[®]. Triovit[®] remains the leading self-medication product. Septolete[®] is worthy of specific mention, given the 115% increase in sales, which made a significant contribution to the 7% growth in overall sales of self-medication products.

In **Latvia** sales were worth 2.3 million EUR, which is 10% more than for the first six months of 2006. As

West Europe and Overseas Markets

In Region West Europe and Overseas Market product sales for the first half of 2007 reached 72.6 million EUR, a 40% increase on the same period last year.

Prescription pharmaceuticals represent 96% of sales in this Krka region, which is achieved via partners, and over the last year, increasingly via own-brand products as well. Around 90% of sales in this Krka region were achieved in the countries of western Europe, which Krka considers as key markets. The sales results for this region in the first six months of 2007 were largely generated by lansoprazole, enalapril, carvedilol, simvastatin and amlodipin, and on some markets Krka is the leading generic supply for some of these medicines. The consequences of price pressures are minimised by the launch of new products, which will mainly take place in the second half of the year.

The most important markets for sales remain Germany and the United Kingdom, which together represented almost 40% of total sales in the region for January to June 2007. Sales in Mediterranean countries increased significantly, particularly in France and Italy, and closely followed by Spain and Portugal. At the start of the year a new subsidiary was opened in Portugal – Krka Farmacêutica, LDA

in Lithuania, Enap[®] remains the best-selling Krka product despite its proportion in total sales falling, followed by Atoris[®] and Fromilid[®]. Sales of self-medication products were also successful with 19% growth in sales compared to the same period last year.

Sales in **Estonia** in the first six months of 2007 reached 0.8 million EUR, 4% down on the same period in 2006. The leading product remains Fromilid[®], followed by Enap[®] and Tramadol[®]. Given the overall rate of growth, the performance of Fromilid[®] is worthy of comment, up by 76% on the same period last year. Septolete[®] remains the best-selling self-medication product.

– and the market authorisations for the first five pharmaceuticals have already been acquired, with sales set to start in the third quarter. Krka Farmacêutica's product range will be expanded with another seven new products in the final quarter of 2007.

In the first six months of 2007, Krka has significantly increased sales in the Nordic states of EU, primarily due to Krka-branded products successfully breaking onto the markets via the subsidiary Krka Sverige AB. Since the start of 2005 Krka has successfully been increasing the sale of Krka-branded pharmaceutical products in the Nordic states of EU, which today represent over 10% of sales, realised in the region.

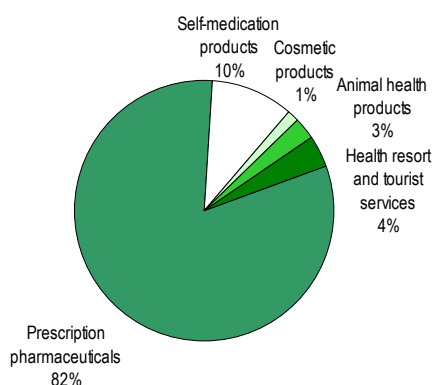
Successful sales of prescription pharmaceuticals on overseas markets were achieved in Iran and Hong Kong, where continued growth is also anticipated in future.

Sales of animal health products in the region are in line with plans, and represent 5% of total sales in the region. A 10%-orally administered enrofloxacin solution was launched in the first quarter on European Union markets.

Sales by product and service group

| In thousand EUR | Krka Group | | | Krka Company | | |
|------------------------------------|----------------|----------------|------------|----------------|----------------|------------|
| | 1-6/2007 | 1-6/2006 | Ind. | 1-6/2006 | 1-6/2007 | Ind. |
| Human health products | 365,907 | 318,247 | 115 | 332,691 | 291,493 | 114 |
| - Prescription pharmaceuticals | 320,523 | 280,104 | 114 | 288,612 | 253,739 | 114 |
| - Self-medication products | 40,196 | 32,926 | 122 | 38,920 | 32,671 | 119 |
| - Cosmetic products | 5,188 | 5,216 | 99 | 5,159 | 5,083 | 101 |
| Animal health products | 11,495 | 11,814 | 97 | 11,141 | 11,676 | 95 |
| Health resort and tourist services | 14,734 | 13,008 | 113 | | | |
| Other | 396 | 346 | 114 | 486 | 359 | 135 |
| Skupaj | 392,532 | 343,415 | 114 | 344,318 | 303,528 | 113 |

Structure of Krka Group sales by product and service group for the first half of 2007



Prescription pharmaceuticals

The Krka Group generated sales of prescription pharmaceuticals worth 320.5 million EUR, which is 14% higher than for the same period last year.

On Krka's larger markets, the highest growth in prescription pharmaceutical sales was achieved in West Europe (40%), Hungary (92%), Romania (42%), the Czech Republic (33%) and Ukraine (37%). The smaller markets worth mentioning because of high growth in prescription pharmaceutical sales are Serbia (129%), Kazakhstan (78%), Uzbekistan (165%), Slovakia (62%) and the Arabian Peninsula (156%).

There was no major change in the list of best-selling prescription pharmaceuticals compared to the first half of 2006, though there were some changes in order. For many years the leading prescription pharmaceutical has been Enap®, followed by

Lanzul®, Vasilip®, Atoris®, Fromilid®, Lorista®, Tenox®, Coryol®, Nolicin® and Ciprinol®.

New products are the key generator of continued growth in the generics industry, an industry axiom that Krka is very much aware of. Zyllt® and Prenessa® are two new products (both launched first in 2005) achieving significant sales results, together already exceeding 10 million EUR in the first six months of 2007. Both are among the top-20 selling prescription pharmaceuticals, and their high growth provides grounds for optimism in the years to come. Other new products include Mirzaten®, Rawel®, Ampri® (launched in 2004) and Tanyz® (2006), which have all taken their place in the top-30 prescription pharmaceuticals.

In June 2007 Krka started marketing two products with completely new active ingredients: the anti-

asthmatic Monkasta[®] (montelukast) and the anti-ulcer product Nolpaza[®] (pantoprazole).

The existing range of products was supplemented with new combinations and new pharmaceutical forms: a product to prevent increased blood pressure was introduced which combined the APIs perindopril and indapamide under the brand name Prenewel[®] (which will be called Co-Prenessa[®] on other markets). Other completely new forms include an oral dispersible tablet form for Mirzaten[®].

The following products were introduced during the first half of 2007 on individual markets:

- Slovenia: Monkasta[®], Nolpaza[®], Prenewel[®]
- Croatia: Coryol[®], Fromilid[®]uno, Lorista[®]
- Bosnia-Herzegovina: Lorista[®], Zyllt[®]
- Macedonia: Ampril[®]
- Romania: Lanzul[®], Lorista[®]
- Bulgaria: Asentra[®]
- Albania: Atoris[®]
- Russian Federation: Amprilan[®], Kamiren[®]XL
- Ukraine: Amprilan[®]
- Kazakhstan: Atoris[®], Tenox[®]
- Moldova: Tenox[®]
- Czech Republic: Finpros[®], Rorendo[®] Oro tab[®]
- Slovakia: Ampril[®]HD, Finpros[®], Tenox[®]
- Hungary: Co-Prenessa[®], Mirzaten[®] ODT, Olwexya[®]
- Poland: Kamiren[®]XL, Torendo[®] Q Tab[®]
- Lithuania: Lorista[®]H.

This adds up to over 30 launches on 16 of Krka's traditional markets, which were all given active promotional support via Krka's own marketing activities and its marketing network. Fast-track preparations are already underway to launch new products in the second half of 2007 and the start of 2008.

Self-medication products

Sales of self-medication products were worth 40.2 million EUR and exceeded sales for the first six months of 2006 by 22%. Sales grew in comparison to the figures for the first half of 2006 in every sales region: by 6% in Slovenia, by 22% in South-East Europe, by 28% in East Europe and by 14% in Central Europe.

The highest growth on the larger markets was achieved in the Russian Federation, where sales of

Most marketing activities were aimed at promoting products in key therapeutic groups. These are primarily pharmaceutical products to reduce high blood pressure (Enap[®], Ampril[®], Prenessa[®], Lorista[®], Valsacor[®], Tenox[®] and Coryol[®]), pharmaceuticals to reduce plasma lipids (Atoris[®] and Vasilip[®]), anti-ulcer pharmaceuticals (Ultop[®], Lanzul[®]), medicines to treat the central nervous system (Asentra[®], Alventa[®], Mirzaten[®], Torendo[®], Zalasta[®] and Yasnal[®]), medicines to treat benign prostatic hyperplasia (Kamiren[®]XL, Tanyz[®], and Finpros[®]), and anti-microbials (Fromilid[®]).

Major events in the first half of 2007 include a number of large-scale international symposiums to mark the anniversaries of several key prescription pharmaceuticals. In April an international symposium was organised in Warsaw with around 300 participants from eight countries dedicated to the tenth anniversary of the anti-ulcer pharmaceutical Lanzul[®]. In May Krka organised its largest and most important event to date, which was to market the tenth anniversary of Krka's medicines to reduce plasma lipids (Holetar[®], Vasilip[®], and Atoris[®]) and the fifth anniversary of Atoris[®], with 400 participants in attendance from 19 countries. The symposium included a large exhibition illustrating the decade of developmental, marketing and sales results of Krka's statins. Noted international experts appeared at both symposiums, presenting the results of their own clinical research into these products.

Training, managing and monitoring the work of more than 2000 employees working in marketing networks abroad is a vital factor in prescription pharmaceuticals sales, because it is their everyday work that contributes most to increasing demand for Krka products.

14.3 million EUR were generated and 37% growth. Growth of 37% was also achieved in Romania where sales were worth 4.8 million EUR. Two smaller markets in Central Europe are worthy of mention for high growth over the long term, 43% in the Czech Republic and 65% in Slovakia.

This year the top-selling products were again Bilobil[®] (33% growth), Pikovit[®] (12%), Septolete[®] (52%), Duovit[®] (22%) and Herbion[®] (47%). These

are also key products for this product group. The top-ten best-selling self-medication products represent 87% of overall self-medication product sales.

Promotional activities backed by appropriate investment were targeted at priority products (Pikovit®, Duovit®, Septolete®, Herbion® and Bilobil®) and the most promising potential markets (Russian

Cosmetic products

Sales of cosmetic products were worth 5.2 million EUR, maintaining the same level as the first half of 2006.

In April this year Krka launched the new Vitaskin® Pharma line, which is intended for pharmacy sales only. All activities were directed towards this

Animal health products

Sales of animal health products in the first half of 2007 were 3% less than sales for the comparable period in 2006. The fall in sales was due to poorer sales in Region West Europe and Overseas Markets, and in parts of Region Central Europe. Sales in other regions matched or exceeded sales for the first half year of 2006.

Sales in Region West Europe and Overseas Market are being redirected from raw materials towards finished products with higher added value, with sales in northern European Union states up 67% on the same period last year.

Sales in Region South-East Europe increased by 5%. Sales in Romania (up 13%) were the largest factor in this regional growth, sales in Croatia stayed at the same level as last year (the main reason lies in the reduction of the pig population, due to outbreaks of swine fever). Sales doubled in Bosnia and Herzegovina.

The highest sales growth in Region Central Europe was recorded in Lithuania and Slovakia (40%). There was a notable increase in the sales of injection solutions, which is a consequence of increased marketing work in this segment. The new Krka disinfectant Ecocid® S was successfully launched in Poland.

Solid sales growth was maintained in Region East

Federation, Ukraine, Slovenia and Romania), with sufficient growth also being achieved on other markets (such as Poland, the Czech Republic, Croatia and other markets).

Krka has not yet launched any new brands this year, but new products have been added to existing product lines (new flavours of Septolete®, Duovit® memo).

international project, which had not yet produced tangible results in the first six months of 2007.

Positive sales growth was achieved in Region South-East Europe (4% growth) and Region East Europe (6% growth).

Europe (9%). After high growth last year in the Russian Federation, Krka recorded 20% growth again, while the economics issues in Ukraine were directly in lower sales growth this year (4%).

The best selling brand is still Enroxil®, which achieved 34% growth in sales, closely followed by Floron®. Sales of Kokcisan® also grew up 17% primarily due to sales in the Russian Federation, where its share of the coccidiostatics market again increased by over 50%. Dehinel® plus is going through a phase of intense growth (68%), while sales of Calfoset® were somewhat lower. There was a noticeable fall in the sale of the licensed product Virkon® S, following the launch of Krka's own brand Ecocid® S.

The leading product in veterinary care for pigs is Floron®. Veterinary protection for pigs is becoming more important due to the growth in animal stocks in some key markets and in Romania. There is great potential in Russian Federation in particular, where Krka plans to follow the launch of the Floron® premix with the launch of injection solutions and oral solutions in October. The market authorisations were already acquired in May.

The growth of poultry production in the Russian Federation and Krka's increased presence on the markets of western Europe have a significant impact on sales of Krka products for poultry healthcare.

Health resort and tourist services

In the first half of 2007 sales of health resort and tourist services reached 14.7 million EUR, growth of 13% compared to the first half of last year. The highest sales growth of 16% was achieved by the Šmarješke Toplice business unit, largely due to high growth in sales revenues from wellness services.

Over the first six months of 2007 a total of 166,391 overnight stays were realised, which is 3% more than for the same period last year, and average occupancy of all accommodation capacity was 67%.

The proportion of foreign guests grew from 30% to 32%.

The emphasis in the Terme Krka spa group is on developing and marketing services and programmes offering higher added value. A high level of medical rehabilitation services is being maintained on the one hand, while new services in the fields of preventive medicine and wellness treatments are being developed.

Research and development

Research and development at Krka was marked by the successful management and conclusion of new market authorisation procedures in the first half of 2007. Several DCPs (Decentralised Procedures) to acquire market authorisation for the European Union were concluded, authorising a number of products for all major EU markets. Over the period, 187 market authorisations were acquired for products in 449 pharmaceutical forms on a variety of markets. The first market authorisation was achieved for eight new products in 23 pharmaceutical forms.

The market authorisation of a product with the active ingredient venlafaxine in the form of 37.5 mg, 75 mg and 150 mg modified-release capsules represented a significant addition to the Krka range of products in the field of treatments for the central nervous system. The product range was also expanded by acquiring market authorisations for pharmaceutical products with the API quetiapine, an anti-psychotic used to treat schizophrenia and bipolar disorder in the form of 25 mg, 100 mg, 150 mg, 200mg and 300 mg film-coated tablets. A new product was added to Krka's cardiovascular range when market authorisation was acquired in Slovenia for a product with the active ingredient valsartan in the form of 40 mg, 80 mg and 160 mg film-coated tablets. New market authorisations for tablets containing perindopril in combination with indapamide have continued with the successful introduction of new medicines on individual markets. The range of medicines to treat gastrointestinal and metabolic diseases was expanded to include an anti-ulcer pharmaceutical product containing the active ingredient pantoprazole in the form of 20 mg and 40 mg gastro-resistant tablet. The range of pharmaceutical products to treat and prevent asthma has been expanded with new products in the form of 10 mg film-coated tablets, and 4 mg and 5 mg chewable tablets with the active ingredient montelukast. By using the centralized procedure (CP) we obtained a positive opinion in July for being granted the marketing authorisation for olanzapine to be sold on the EU markets

New market authorisations for self-medication products and dietary supplements were acquired in Slovenia for the product Duovit® Energija in the form of coated tablets used as a **tonic for reduced physical and mental productivity**. Market authorisations were acquired for lemon flavour

Septolete®, green-apple flavour Septolete®, and wild-cherry flavour Septolete® on the major markets of Croatia, the Russian Federation and Poland, which is making a major contribution to maintaining the competitive advantage of Krka's brands.

The range of animal health products was supplemented with the first market authorisation for Solvimin® Selen, which is intended to prevent and treat metabolic diseases in farm animals lacking vitamins or selenium. Important market authorisations were acquired for Ecocid®, the latest addition to Krka's biocide range on the markets of Russian Federation, Ukraine, Hungary, Germany and Lithuania. Market authorisations were also acquired for products containing the active ingredient florfenicol and enrofloxacin on a number of western European markets.

Krka devotes special attention to research and development and achieving patent protection for the results of its work in key fields. In the first half of 2007 Krka submitted patent applications for 12 inventions on the basis of prioritised applications from 2006, and submitted six international patent applications.

The company markets products under its own trademarked brands, which further enhances the added value of Krka products. In the first half of 2007 Krka registered 40 brands in Slovenia and submitted 30 applications for international registration.

The success achieved after many years of work developing new technologies for formulations in the form of oral dispersible tablets is demonstrated by the wide range of authorisations acquired for such products, their continued production and successful marketing. The product Torendo® Q-Tab® in the form of 0.5 mg, 1 mg and 2 mg oral dispersible tablets has a major competitive advantage because of its formulation that allows patients to take the medicine without the need for a liquid. In addition to Mirzaten® Q-Tab® in 15 mg, 30 mg and 45 mg oral dispersible tablets, Krka's range of products also includes Zalasta® in 5 mg, 7.5 mg, 10 mg, 15 mg and 20 mg oral dispersible tablets with the active ingredient olanzapine.

Moving to cosmetics, a trading licence was successfully achieved for Vitaskin® Pharma

products. This led the way for the market entry of the new lines, Vitaskin® Pharma Age Formula and a product for sensitive skin prone to flushes, Vitaskin® Pharma Reactive Skin. At the same time development work continued on the Vitaskin®

Pharma Age Formula dietary supplements for skin firmness and flexibility in capsule form, which offer an integrated package of care for mature skin in tandem with the cosmetic products.

Investments

In the first six months of 2007, the Krka Group allocated 58.4 million EUR to investment, with 50.2 million EUR invested by the controlling company, and 8.2 million EUR by subsidiaries. In line with investment schedules, investments already underway were the main focus of investments, representing two-thirds of all funds allocated over the period, while preparatory, project-based work started for new investments.

Information is given below for some of the projects on which the most intensive work took place in the first half of 2007.

The Sinteza 4 Plant

In May 2007 Krka acquired a permit-for-use for its new Sinteza 4 plant for the production of pharmaceutical ingredients, which was officially opened in June. Planning and construction of the plant goes back to 2002 and the overall investment was worth over 80 million EUR. This modern plant will help Krka achieve total process management from development to raw materials and final products that offers quality, effectiveness, and safety of the highest global level. The plant will produce ingredients for the medicinal products that will comprise Krka's most promising sales programme over the next five to ten years, supplying production plants in Slovenia and in subsidiaries abroad.

Notol Phase III

The plant for solid dosage pharmaceutical forms will be upgraded by construction of a facility for low volume production runs. Preparatory works are underway, and the third phase of the new facility should be completed this year.

Central weighing facility and raw material storage facility

In February Krka concluded the modernisation of

the existing raw material storage facilities, and is at present focusing on building a warehouse extension, which should be ready for use at the beginning of 2008.

At the beginning of 2007 work was completed in the central weighing facility, and the electrical and machinery installations implemented concluded. Assembly of the weighing systems started in March. The weighing systems should come online very soon, along with acquisition of a permit for test operations.

Finished product storage facility

Installation work in the facility has been finished. Start-up and the commissioning of systems and technological equipment is taking place at present, and documentation being prepared for the technical inspection which should take place at the end of 2007.

Pelete IV

All trades works have been completed, and all the main technological equipment installed. This investment will increase pellet production capacity, and the permit-for-use is expected in autumn.

New ampoule plant

Work on the facility has finished, the technological equipment installed, and commissioning is underway. The technical inspection has been passed, and all validations and the start-up of test production is anticipated by the end of this year.

The Krka Rus subsidiary

Production capacity is currently being expanded in the existing plant (equipment installed and started up, packaging lines in test phase), while work to expand laboratories is also underway.

Employees

The Krka Group's 2007 sales plans require accelerated recruitment, especially in the fields of marketing and sales in its subsidiaries and representative offices abroad, and in research and development. In 2007 Krka planned an increase in the number of employees of 562, 76% of which outside Slovenia.

In Slovenia (in the controlling company and the Terme Krka Group) a total of 149 new staff were employed in the first half of 2007. Over the same

period employment terminated for 43 people, meaning a net increase in staff numbers of 106 over the first half of the year. Thirty-five of the new employees held at least university level degrees. A total of 662 new staff were employed in representative offices and companies abroad, while employment terminated for 349 people, meaning a net increase of 313 staff members, largely with university education. Now, 54% of employees in the Krka Group have at least a higher professional education.

Education structure of Krka Group employees

| Educational level | 30 Jun 2007 | | 31 Dec 2006 | |
|-------------------------------|-------------|--------------|-------------|--------------|
| | Headcount | Share (in %) | Headcount | Share (in %) |
| PhD | 62 | 1,0 | 63 | 1,1 |
| MSc | 163 | 2,6 | 162 | 2,8 |
| University education | 2704 | 43,8 | 2408 | 41,8 |
| Higher professional education | 376 | 6,1 | 324 | 5,6 |
| Vocational college education | 229 | 3,7 | 222 | 3,9 |
| Secondary school education | 1189 | 19,2 | 1138 | 19,8 |
| Total | 1455 | 23,6 | 1442 | 25,0 |
| Total | 6178 | 100,0 | 5759 | 100,0 |
| - in Slovenia | 3752 | 60,7 | 3646 | 63,3 |
| - abroad | 2426 | 39,3 | 2113 | 36,7 |

Technical and technological modernisations, and the continual development of new products requires careful, ongoing investment in new knowledge and staff training. This is one of the main reasons that 130 employees are pursuing specialist, master's and doctoral studies, with a further 380 employees involved in part-time studies alongside their work. Our employees are also studying at home and abroad in the fields of specialist knowledge, management, personal development, foreign languages and information science. Most education organised by Krka's own training centre. Krka also provides 58 scholarships, mainly to students at the pharmacy and chemistry faculties.

Krka promotes the personal and professional development of its employees. Additional staff motivation comes from a number of material and cash bonuses and awards for active cooperation in the realisation of internal training and education. The testing and recognition of knowledge continues via a certification system that prioritises employees' practical knowledge related to work in the

production of raw materials, final products and logistics. So far 244 certificates have been awarded to employees within this system, and 131 employees are currently in the process of training to acquire new vocational qualifications at the national level.

Krka is upgrading its staff information system, which will provide integrated functioning for the human resource sector throughout the Krka Group. Development planning for key and promising staff includes giving such staff complex tasks and educating and training them in management and professional fields. The development of key and promising management employees takes place in Krka's own international management school, which involves directors and managers from Krka companies and representative offices abroad and from the Krka's organisational units in Slovenia. This also contributes to strengthening the international culture of the Krka Group.

Measurements of organisational culture took place among staff in May and the results were presented to organisational units. The results indicated a high level of employee satisfaction and employee loyalty to the company. The scores for every element of organisational culture and employee satisfaction improved compared to the 2004 tests.

Krka takes care of its employees' health through a wide range of activities providing higher quality of

work and quality of life for employees, which indirectly contributes to successful operating results. In June the traditional Krka award ceremony was held to recognise employees and managers, employees celebrating long-service anniversaries, people responsible for useful proposals, and a sports and social event was held for all Krka employees.

Shareholders and share trading

At the end of June 2007 Krka had almost 55500 shareholders, which is 1.7% more than at the end of 2006. The total number of shareholders increased primarily through an increase in Slovenian individual investors and international investors; the ownership

share of international investors increased by over 1.2 percentage points to 9.2%. In the first half of 2007 the ownership shares of investment companies and funds and other domestic legal entities decreased.

Ownership structure (in %)

| | 30 Jun 2007 | 31 Dec 2006 |
|--------------------------------|--------------|--------------|
| Individual Slovenian investors | 41.0 | 41.0 |
| Investments funds & companies | 10.2 | 11.0 |
| SOD Fund | 15.0 | 15.0 |
| Other Slovenian companies | 9.8 | 10.2 |
| KAD & PPS Funds | 10.2 | 10.2 |
| Treasury shares | 4.6 | 4.6 |
| International investors | 9.2 | 8.0 |
| Total | 100.0 | 100.0 |

On 30 June 2007, Krka held 162,662 treasury shares, which represented 4.6% of the share capital. In the first half of 2007 the company did not

repurchase any treasury shares. The ten largest shareholders together held 1,311,553 shares, representing 37.0% of all shares issued.

Ten largest holders of Krka shares

| | Country | Number of shares | Proportion in equity (in %) | Proportion in voting rights (in %) |
|--|----------|------------------|-----------------------------|------------------------------------|
| SLOVENSKA ODŠKODNINSKA DRUŽBA, D.D. | Slovenia | 531,207 | 14.99 | 15.72 |
| KAPITALSKA DRUŽBA, D.D. | Slovenia | 349,303 | 9.86 | 10.33 |
| NFD 1 DELNIŠKI INVESTICIJSKI SKLAD D.D. | Slovenia | 96,946 | 2.74 | 2.87 |
| NEW WORLD FUND INC | USA | 91,400 | 2.58 | 2.70 |
| BANK AUSTRIA CREDITANSTALT AG | Austria | 52,323 | 1.48 | 1.55 |
| LUKA KOPER, D.D. | Slovenia | 44,709 | 1.26 | 1.32 |
| DELNIŠKI VZAJEMNI SKLAD TRIGLAV STEBER I | Slovenia | 41,400 | 1.17 | 1.22 |
| ZAVAROVALNICA TRIGLAV, D.D. | Slovenia | 38,830 | 1.10 | 1.15 |
| RAIFFEISEN ZENTRALBANK OESTERREICH AG | Austria | 35,435 | 1.00 | 1.05 |
| MARIBORSKE LEKARNE MARIBOR | Slovenia | 30,000 | 0.85 | 0.89 |
| Total | | 1,311,553 | 37.02 | 38.80 |

As at 30 June 2007, members of the Management Board and Supervisory Board together held 6517 company shares or 0.18% of total shares issued.

1277 shares or 0.0360% of shares issued (0.0378%) and Zvezdana Bajc – 110 shares or 0.0031% of total shares issued (0.0033%).

Members of the Management Board held the following number of shares (proportion of voting rights given in brackets): Jože Colarič – 2100 shares or 0.0593% of total shares issued (0.0621%), Janez Poljanec – 2206 shares or 0.062% of total shares (0.0653%), Aleš Rotar –

Members of the Supervisory Board held the following number of shares (proportion of voting rights given in brackets): Gregor Gomišček – 12 shares or 0.0003% of shares issued (0.0004%), Draško Veselinovič – 1 share or 0.00003% of shares issued (0.00003%), Marko Kranjec – 101

shares or 0.0029% of shares issued (0.0030%), Alojz Zupančič – 449 shares or 0.0127% of shares issued (0.0133%), Sonja Kermc – 211 shares or

0.0060% of shares issued (0.0062%), and Tomaž Sever – 50 shares or 0.0014% shares (0.0015%).

Trading in Krka shares in the first half of 2007

The Krka share price increased in January in particular, reaching a value of 917 EUR at the end of the month. A correction to the share price took place in February, which remained steady at the start of March. From April onwards the share price

grew and at the end of June reached a high of 992 EUR. The average daily turnover in Krka shares on the Ljubljana Stock Exchange during the first half of 2007 was 2.2 million EUR, and Krka's market capitalisation on 30 June 2007 was 3.5 billion EUR.

Corporate risk management

Exchange rate risk

The main exchange rate risk for the Krka Group arises from the volatility of the US dollar exchange rate, which is something that Krka actively manages. Movements in other key foreign currencies (Polish zloty, Russian rouble, Croatian kuna and Macedonian denar) are regularly monitored but not actively managed.

The value of the US dollar fell by 2.5% against the euro over the first half of 2007.

Most of the open position was hedged in the past by derivatives, which generated positive financial effects in the first half of 2007, and largely neutralised the negative impact of the US dollar's fall against the euro.

In the first half of 2007, Krka continued to hedge against the risks arising from the volatility of the US dollar exchange rate. The hedging instruments that matured during this period were replaced with new ones.

Interest rate risk

No action was taken in the field of interest rate risk management in the first half of 2007.

Since the interest rate risk arising from both key interest rate risk (the 6-month Libor for the US dollar and 6-month Euribor for the euro) had been dealt with in previous years, the growth in the interest

rates did not have an impact on the cost of Krka's borrowing.

In the first six months of 2007, Krka did not take out any new long-term loans, so the interest rate risk did not increase.

Credit Risk

The credit control process involves obtaining credit ratings for customers to which the Krka Group makes annual product sales of 100,000 EUR or more, and regular, dynamic monitoring of customer payment discipline. The credit control process currently covers 470 customers of the controlling company and subsidiaries.

In the first half of 2007, the credit control process was also successfully implemented in the subsidiary Krka Sverige AB.

The calculation of credit ratings and credit limits for Krka customers carried out in March and April indicated that minimal changes for the controlling company and subsidiaries. Krka's opinion is that the quality of its customers is unchanged in terms of credit risk.

There was no increase in due receivables from customers over the first six months of 2007. The age structure of receivables and average repayment terms did not increase significant.

Liquidity Risk

The Krka Group's liquidity and related risk was managed over the first six months of 2007 by means of effective short-term and long-term cash flow planning. We fulfil our short-term liquidity needs using daily monitoring of cash inflows and outflows, using weekly, monthly, and longer-term cash flow plans on a rolling basis, in conjunction with agreed short-term credit lines and a portfolio of short-term

liquid securities and short-term deposits. The cash balance in the accounts of all subsidiary companies is monitored daily in order to ensure the rapid transfer of surpluses to the controlling company's account. Occasional disparities in cash flow are mainly balanced by using short-term revolving credits.

Short-term borrowing was low at the end of the first half of 2007. Krka assesses its liquidity risk as low, as the cash flows generated on an ongoing basis

are sufficient to settle all due liabilities, and to service debts and other financial liabilities.

Property, business interruption and liability insurance

In the first half of 2007 Krka Group managed its insurance and claim procedures in line with standardised requirements and internal insurance standards in Slovenia and in companies and representative offices abroad. Insurance is a risk management measure that provides compensation for damage to property and loss of earnings due to business interruption, and protects the company in case of third party claims for damages.

In mid-May the company received a insurance inspection from a reinsurance company, intended to determine the maximum probable damage to property and to check the factors affecting the risk of business interruption. The preliminary assessment was favourable, which means that insurance premiums will not be increased because of the increased concentration of assets.

Machinery breakdown insurance for production equipment, transport devices, installations and other machinery was cancelled from 1 January 2007. The action was taken on the basis of a risk assessment of exposure to damage and breakdown, and an analysis of past loss events. Cancelling this insurance is expected to bring significant savings.

The Group has liability insurance for material and non-material accidental damage to third parties that could be caused by the Group's activities, property, or placing products on the market. This covers general civil liability, employer's liability, liability for ecological impairment, and manufacturer's liability for products and clinical trials. The coverage limits are higher than last year, but the insurance premiums are lower.

In addition to existing insurance, Krka has issued rules on insurance for construction and installation work in current investment works and maintenance, which requires the contractors to take out insurance in line with Krka's demands. This form of insurance covers personal and property liability, damages to nearby facilities and dangers during construction, installation and maintenance.

Over the first six months of 2007, there were 55 loss events at the Group level (compared to 57 last year and an anticipated 68), which were primarily motor vehicle damage, followed by damage to goods during transit and storage.

FINANCIAL STATEMENTS OF THE KRKA GROUP WITH NOTES

Consolidated balance sheet

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|--------------------------------------|----------------|----------------|---------------|
| Assets | | | |
| Property, plant and equipment | 539,301 | 506,820 | 106 |
| Intangible assets | 22,180 | 23,608 | 94 |
| Investments in associates | 0 | 2,024 | 0 |
| Long-term loans | 3,963 | 3,564 | 111 |
| Other investments | 10,392 | 6,737 | 154 |
| Deferred tax assets | 31,960 | 31,840 | 100 |
| Other non-current assets | 335 | 253 | 132 |
| Non-current assets | 608,131 | 574,846 | 106 |
| Inventories | 121,312 | 115,926 | 105 |
| Trade and other receivables | 182,968 | 153,890 | 119 |
| Current investments | 21,991 | 24,067 | 91 |
| Cash and cash equivalents | 12,269 | 10,399 | 118 |
| Current assets | 338,540 | 304,282 | 111 |
| Total assets | 946,671 | 879,128 | 108 |
| | | | |
| Equity | | | |
| Share capital | 59,132 | 59,132 | 100 |
| Own shares | -19,489 | -19,489 | 100 |
| Reserves | 147,660 | 147,660 | 100 |
| Retained earnings | 438,847 | 372,061 | 118 |
| Fair value reserves | 6,386 | 3,480 | 184 |
| Translation reserve | 164 | 154 | 106 |
| Equity holders of the parent | 632,700 | 562,998 | 112 |
| Minority interest | 9,783 | 7,907 | 124 |
| Total equity | 642,483 | 570,905 | 113 |
| Liabilities | | | |
| Borrowings | 34,476 | 34,584 | 100 |
| Provisions | 132,586 | 122,554 | 108 |
| Grants received | 2,673 | 2,777 | 96 |
| Deferred tax liabilities | 4,035 | 4,025 | 100 |
| Total non-current liabilities | 173,770 | 163,940 | 106 |
| Trade payables | 69,437 | 60,889 | 114 |
| Borrowings | 22,950 | 48,769 | 47 |
| Income tax liabilities | 7,299 | 7,020 | 104 |
| Other liabilities | 30,732 | 27,605 | 111 |
| Total current liabilities | 130,418 | 144,283 | 90 |
| Total liabilities | 304,188 | 308,223 | 99 |
| Total equity and liabilities | 946,671 | 879,128 | 108 |

Consolidated income statement

| in thousand EUR | 1-6/2007 | 1-6/2006 | Ind. 07/06 |
|-------------------------------------|----------------|----------------|---------------|
| Sales revenues | 392,532 | 343,414 | 114 |
| Production cost of goods sold | 144,835 | 124,889 | 116 |
| Gross operating yield | 247,697 | 218,525 | 113 |
| Sales and marketing | 98,720 | 87,230 | 113 |
| R&D costs | 30,002 | 25,610 | 117 |
| Administrative expenses | 29,390 | 28,269 | 104 |
| Other operating income | 1,340 | 1,758 | 76 |
| Operating profit | 90,925 | 79,174 | 115 |
| Financial income | 9,286 | 8,775 | 106 |
| Financial expenses | 8,498 | 11,703 | 73 |
| Net financial result | 788 | -2,928 | -27 |
| Profit before tax | 91,713 | 76,246 | 120 |
| Income tax expense | 23,529 | 24,328 | 97 |
| Profit for the period | 68,184 | 51,918 | 131 |
| Equity holders of the parent | 67,975 | 51,802 | 131 |
| Minority interest | 209 | 116 | 180 |
| Earnings per share (in EUR)* | 20.17 | 15.36 | 131 |

* Net profit of the majority owner / average number of shares issued excluding treasury shares

Consolidated statement of changes in equity

| in thousand EUR | Called capital | Own shares | Reserves | | | Retained earnings | | | Fair value reserves | Minority interest | Total equity |
|--|----------------|----------------|----------------|----------------|--------------------|-------------------|---------------------------|----------------------------|---------------------|-------------------|----------------|
| | | | Share premium | Legal reserves | Statutory reserves | Profit reserves | Net profit for the period | Net profit carried forward | | | |
| Balance at 01 Jan 2006 | 59,135 | -19,490 | 120,992 | 14,991 | 9,598 | 225,264 | 65,888 | -6,830 | 2,363 | 7,568 | 479,479 |
| Entry of net profit for the period | 0 | 0 | 0 | 0 | 0 | 0 | 51,802 | 0 | 0 | 116 | 51,918 |
| 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 the Supervisory Board of the Krka Company | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer of previous period's net profit to retained earnings | 0 | 0 | 0 | 0 | 0 | 0 | -65,888 | 65,888 | 0 | 0 | 0 |
| Transfer to other revenue reserves under the resolution of the Annual Meeting | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -65 | -65 |
| Recognised income and expenses | 0 | 0 | 0 | 0 | 0 | -2,205 | 0 | 0 | 663 | 0 | -1,542 |
| Balance at 30 Jun 2006 | 59,135 | -19,490 | 120,992 | 14,991 | 9,598 | 223,059 | 51,802 | 59,058 | 3,026 | 7,619 | 529,790 |
| Balance at 01 Jan 2007 | 59,132 | -19,489 | 120,986 | 14,990 | 11,684 | 275,796 | 89,565 | 6,698 | 3,634 | 7,910 | 570,906 |
| Entry of net profit for the period | 0 | 0 | 0 | 0 | 0 | 0 | 67,975 | 0 | 0 | 209 | 68,184 |
| Entry of minority interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,664 | 1,664 |
| 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 the Supervisory Board of the Krka Company | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer of previous period's net profit to retained earnings | 0 | 0 | 0 | 0 | 0 | 0 | -89,565 | 89,565 | 0 | 0 | 0 |
| Transfer to other revenue reserves under the resolution of the Annual Meeting | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Recognised income and expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -1,187 | 2,916 | 0 | 1,729 |
| Balance at 30 Jun 2007 | 59,132 | -19,489 | 120,986 | 14,990 | 11,684 | 275,796 | 67,975 | 95,076 | 6,550 | 9,783 | 642,483 |

Consolidated cash flow statement

| in thousand EUR | 1–6/2007 | 1–6/2006 |
|--|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit for the period | 68,184 | 51,918 |
| Adjustments for: | 50,070 | 50,389 |
| – amortisation / depreciation | 27,437 | 24,148 |
| – foreign exchange gain | -1,684 | -2,546 |
| – foreign exchange loss | 1,468 | 6,107 |
| – investment income | -4,827 | -5,445 |
| – investment expenses | 2,304 | 2,183 |
| – financial expenses | 1,842 | 1,615 |
| – income taxes and other taxes not included in operating expenses | 23,529 | 24,327 |
| Operating profit before changes in net operating current assets | 118,253 | 102,307 |
| Change in trade receivables | -29,440 | -10,677 |
| Change in inventories | -5,386 | 329 |
| Change in operating liabilities | 13,125 | 7,106 |
| Change in other current liabilities and provisions | 13,066 | 17,314 |
| Income taxes paid | -25,305 | -45,657 |
| Cash generated from operations | 84,313 | 70,722 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 223 | 344 |
| Proceeds from sale of current investments | 338 | 223 |
| Dividends received | 91 | 74 |
| Proceeds from property, plant and equipment | 338 | 752 |
| Purchase of intangible assets | -1,411 | -2,139 |
| Purchase of property, plant and equipment | -58,180 | -50,448 |
| Payments in connection with long-term loans | -463 | -2,155 |
| Payments in connection with non-current assets | -76 | -326 |
| Acquisition of current investments | 3,071 | -8,202 |
| Acquisition of derivative financial instruments | 1,378 | 43 |
| Net cash used in investing activities | -54,690 | -61,834 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments from an increase in current financial liabilities | -25,530 | -3,483 |
| Interest paid | -2,100 | -1,653 |
| Payment of non-current financial liabilities | 24 | -1,176 |
| Dividends paid | -12 | -93 |
| Net cash used in financing activities | -27,617 | -6,404 |
| Net increase in cash and cash equivalents | 2,006 | 2,484 |
| Cash and cash equivalents at beginning of period | 10,399 | 12,635 |
| Effect of exchange rate fluctuations on cash held | -135 | -229 |
| NET CASH AND CASH EQUIVALENTS AT END OF PERIOD | 12,269 | 14,890 |

Notes to the consolidated financial statements

Costs in terms of type

302,947 thousand EUR

| in thousand EUR | 1-6/2007 | 1-6/2006 | Ind. 07/06 |
|-------------------------------------|----------------|----------------|---------------|
| Cost of goods and materials | 115,542 | 91,009 | 127 |
| Cost of services | 65,679 | 55,114 | 119 |
| Employee benefits cost | 84,072 | 77,747 | 108 |
| Depreciation | 27,437 | 24,148 | 114 |
| Provisions formed | 10,875 | 16,693 | 65 |
| Other operating expenses | 8,220 | 7,784 | 106 |
| Total costs in terms of type | 311,825 | 272,494 | 114 |
| Changes in the value of inventories | 8,878 | 6,496 | 137 |
| Total | 302,947 | 265,998 | 114 |

Employee benefits cost

84,072 thousand EUR

| in thousand EUR | 1-6/2007 | 1-6/2006 | Ind. 07/06 |
|---|---------------|---------------|---------------|
| Gross wages and salaries and continued pay | 66,232 | 60,392 | 110 |
| Social security contributions and payroll tax | 12,741 | 11,866 | 107 |
| Other employee benefits cost | 5,098 | 5,489 | 93 |
| Total | 84,072 | 77,747 | 108 |

Other operating expenses

8,220 thousand EUR

| in thousand EUR | 1-6/2007 | 1-6/2006 | Ind. 07/06 |
|---------------------------------------|--------------|--------------|---------------|
| Grants, assistance | 1,317 | 1,128 | 117 |
| Environmental levies | 683 | 846 | 81 |
| Membership fee, taxes, other duties | 1,940 | 1,372 | 141 |
| Loss in the sale of fixed assets | 732 | 402 | 182 |
| Impairments and inventory write-offs | 1,428 | 1,663 | 86 |
| Impairments and receivable write-offs | 891 | 1,265 | 70 |
| Other costs | 1,229 | 1,108 | 111 |
| Total | 8,220 | 7,784 | 106 |

Financial income and financial expenses

| in thousand EUR | 1-6/2007 | 1-6/2006 | Ind. 07/06 |
|--|--------------|---------------|---------------|
| Exchange differences | 3,731 | 4,078 | 91 |
| Interest income | 222 | 346 | 64 |
| Change in fair value of investments (through profit or loss) | 2,229 | 238 | 937 |
| Other income | 3,105 | 4,113 | 75 |
| Total financial income | 9,286 | 8,775 | 106 |
| Exchange differences | 5,252 | 8,774 | 60 |
| Interest paid | 1,466 | 1,598 | 92 |
| Impairments due to revaluation of investments at fair value | 703 | 890 | 79 |
| Other expenses | 1,078 | 441 | 244 |
| Total financial expenses | 8,498 | 11,703 | 73 |
| Net financial result | 788 | -2,928 | |

Income tax expense

23,529 thousand EUR

The corporate income tax levied amounts to 24,924 thousand EUR, which is 27.2% of profit before tax. Taking into account the deferred tax of

1.395 thousand EUR, income tax expense in the income statement totals 23,529 thousand EUR, and the effective tax rate is 25.7%.

Property, plant and equipment

539,301 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|------------------------|----------------|----------------|---------------|
| Property | 23,537 | 22,641 | 104 |
| Plant | 251,000 | 251,022 | 100 |
| Equipment | 182,007 | 171,532 | 106 |
| PPE under construction | 82,757 | 61,625 | 134 |
| Total | 539,301 | 506,820 | 106 |

The value of property, plant and equipment represented 57% of the total assets of the Group and recorded an increase of 6% compared to the start of the year. The reason for increase is growth of the value of PPE under construction because of new investments in the Group. The largest investments in the first half of the year by value were the completing the construction of the new Sinteza 4 plant for the production of pharmaceutical

ingredients and a new plant for the production of pellets (Pelete IV), 3th phase of construction of the Notol, a new ampoule plant and the central weighing room and the raw materials warehouse, all in the controlling company. The production capacities in existent plant in the subsidiary company Krka Rus are being extended and the activities for extension of laboratories are also being performed.

Intangible assets

22,180 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|--------------------------------------|---------------|---------------|---------------|
| R&D cost | 2,211 | 2,847 | 78 |
| Long-term property rights | 15,238 | 16,704 | 91 |
| Intangible assets under construction | 4,731 | 4,057 | 117 |
| Total | 22,180 | 23,608 | 94 |

In the first half of 2007, the value of intangible assets decreased by 6%. Property rights from computer software represented 69% of all intangible

assets. Intangible assets under construction mainly include registration documentation for new pharmaceuticals.

Other non-current investments

10,392 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|--------------------------------|---------------|--------------|---------------|
| Instruments available-for-sale | 10,132 | 6,477 | 156 |
| Other non-current investments | 260 | 260 | 100 |
| Total | 10,392 | 6,737 | 154 |

Inventories

121,312 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|------------------|----------------|----------------|---------------|
| Material | 40,806 | 36,642 | 111 |
| Work in progress | 35,977 | 30,415 | 118 |
| Products | 27,264 | 46,723 | 58 |
| Merchandise | 16,326 | 1,877 | 870 |
| Advances | 939 | 269 | 349 |
| Total | 121,312 | 115,926 | 105 |

In the first half of 2007, the value of inventories increased by 5% because of higher expected sales in the second half of the year.

In the inventories structure, 34% of inventories are materials, 30% work in progress and 35% finished products and merchandise.

Receivables

182,968 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|-------------------|----------------|----------------|---------------|
| Trade receivables | 166,427 | 140,563 | 118 |
| Other receivables | 16,541 | 13,328 | 124 |
| Total | 182,968 | 153,890 | 119 |

Receivables increased by 19% compared to year-end 2006. The reason for this increase over the period is higher sales.

Current investments

21,991 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|--------------------------------------|---------------|---------------|---------------|
| Instruments held for trading | 11,931 | 11,890 | 100 |
| Interest bearing current investments | 2,934 | 3,774 | 78 |
| Other current investments | 6,327 | 7,308 | 87 |
| Short-term loans granted | 799 | 1,095 | 73 |
| Total | 21,991 | 24,067 | 91 |

Cash and cash equivalents

12,269 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|-----------------|---------------|---------------|---------------|
| Cash in hand | 216 | 77 | 281 |
| Bank balances | 11,504 | 9,735 | 118 |
| Other | 549 | 587 | 94 |
| Total | 12,269 | 10,399 | 118 |

Equity

642,483 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|-------------------------------------|----------------|----------------|---------------|
| Share capital | 59,132 | 59,132 | 100 |
| Own shares | -19,489 | -19,489 | 100 |
| Reserves | 147,660 | 147,660 | 100 |
| – share premium | 120,986 | 120,986 | 100 |
| – legal reserves | 14,990 | 14,990 | 100 |
| – statutory reserves | 11,684 | 11,684 | 100 |
| Retained earnings | 438,847 | 372,061 | 118 |
| Fair value reserves | 6,386 | 3,480 | 184 |
| Translation reserve | 164 | 154 | 106 |
| Equity holders of the parent | 632,700 | 562,998 | 112 |
| Minority interest | 9,783 | 7,907 | 124 |
| Total equity | 642,483 | 570,905 | 113 |

The equity of the Group increased by 13% compared to the end of 2006. The increase is mainly attributable to the Group's profit for the first

half of 2007 of 68,184 thousand EUR and income and expenses recognised directly in equity of 1,729 thousand EUR.

Borrowings

57,426 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|----------------------------------|---------------|---------------|---------------|
| Long-term borrowings | 34,476 | 34,584 | 100 |
| – borrowings from domestic banks | 34,476 | 34,584 | 100 |
| Short-term borrowings | 22,397 | 47,960 | 47 |
| – borrowings from domestic banks | 7,241 | 24,838 | 29 |
| – borrowings from foreign banks | 5,878 | 11,756 | 50 |
| – borrowings from other entities | 9,278 | 11,366 | 82 |
| Interest payable | 553 | 809 | 68 |
| Total | 57,426 | 83,353 | 69 |

Provisions

132,586 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|--|----------------|----------------|---------------|
| Provisions for termination pay and anniversary bonuses | 45,850 | 45,775 | 100 |
| Other provisions | 86,736 | 76,779 | 113 |
| – provisions for lawsuits | 86,281 | 76,255 | 113 |
| – provisions for ecological restoration | 247 | 360 | 69 |
| – other provisions | 208 | 164 | 127 |
| Total | 132,586 | 122,554 | 108 |

The major item of the total provisions involves provisions for the lawsuits which are increased by 13% on account of forming new provisions in the

amount of 10,000 thousand EUR for pending legal actions resulting from alleged patent infringements related to the patent protection of atorvastatin.

Grants received

2,673 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|---|--------------|--------------|---------------|
| Grants for the subsidiary Krka-Rus | 5 | 10 | 52 |
| Grants for the plant BETA in Šentjernej | 280 | 302 | 93 |
| Assets for the health resorts Dolenjske and Šmarješke Toplice | 2,258 | 2,329 | 97 |
| Grants by the European Regional Development Fund | 25 | 26 | 96 |
| Free receipt of fixed assets | 105 | 111 | 95 |
| Total | 2,673 | 2,777 | 96 |

Trade payables

69,437 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|--------------------------------|---------------|---------------|---------------|
| Payables to domestic suppliers | 34,911 | 35,704 | 98 |
| Payables to foreign suppliers | 34,258 | 24,719 | 139 |
| Payables from advances | 268 | 466 | 58 |
| Total | 69,437 | 60,889 | 114 |

Other current liabilities

30,732 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|---|---------------|---------------|---------------|
| Accrued contractual discounts on products sold to other customers | 7,815 | 7,416 | 105 |
| Payables to employees – gross wages, other charges | 17,249 | 17,240 | 100 |
| Other | 5,668 | 2,949 | 192 |
| Total | 30,732 | 27,605 | 111 |

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

Balance sheet

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|--------------------------------------|----------------|----------------|---------------|
| Assets | | | |
| Property, plant and equipment | 404,379 | 377,442 | 107 |
| Intangible assets | 21,116 | 22,400 | 94 |
| Investments in subsidiaries | 121,153 | 121,513 | 100 |
| Long-term loans | 5,805 | 5,324 | 109 |
| Other investments | 10,184 | 6,529 | 156 |
| Deferred tax assets | 27,688 | 27,648 | 100 |
| Other non-current assets | 260 | 178 | 147 |
| Non-current assets | 590,585 | 561,034 | 105 |
| Inventories | 108,478 | 99,480 | 109 |
| Trade and other receivables | 186,928 | 157,484 | 119 |
| Current investments | 30,815 | 31,790 | 97 |
| Cash and cash equivalents | 4,268 | 4,498 | 95 |
| Current assets | 330,489 | 293,252 | 113 |
| Total assets | 921,074 | 854,286 | 108 |
| | | | |
| Equity | | | |
| Share capital | 59,132 | 59,132 | 100 |
| Own shares | -19,489 | -19,489 | 100 |
| Reserves | 147,660 | 147,660 | 100 |
| Retained earnings | 441,475 | 379,135 | 116 |
| Fair value reserves | 6,386 | 3,480 | 184 |
| Total equity | 635,164 | 569,918 | 111 |
| Liabilities | | | |
| Borrowings | 29,031 | 29,143 | 100 |
| Provisions | 126,795 | 116,806 | 109 |
| Grants received | 415 | 448 | 93 |
| Deferred tax liabilities | 3,889 | 3,954 | 98 |
| Total non-current liabilities | 160,130 | 150,351 | 107 |
| Trade payables | 74,023 | 56,304 | 131 |
| Borrowings | 22,186 | 47,105 | 47 |
| Income tax liabilities | 3,802 | 6,698 | 57 |
| Provisions and other liabilities | 25,769 | 23,910 | 108 |
| Total current liabilities | 125,780 | 134,017 | 94 |
| Total liabilities | 285,910 | 284,368 | 101 |
| Total equity and liabilities | 921,074 | 854,286 | 108 |

Income statement

| in thousand EUR | 1–6/2007 | 1–6/2006 | Ind. 07/06 |
|-------------------------------|----------------|----------------|---------------|
| Sales revenues | 344,318 | 303,528 | 113 |
| Production cost of goods sold | 126,597 | 111,244 | 114 |
| Gross operating yield | 217,721 | 192,284 | 113 |
| Sales and marketing | 81,685 | 71,300 | 115 |
| R&D costs | 29,722 | 25,267 | 118 |
| Administrative expenses | 23,665 | 21,349 | 111 |
| Other operating income | 510 | 1,163 | 44 |
| Operating profit | 83,159 | 75,531 | 110 |
| Financial income | 5,985 | 9,888 | 61 |
| Financial expenses | 6,228 | 10,041 | 62 |
| Net financial result | -243 | -153 | 159 |
| Profit before tax | 82,916 | 75,378 | 110 |
| Income tax expense | 19,388 | 22,400 | 87 |
| Profit for the period | 63,528 | 52,978 | 120 |
| Earnings per share (in EUR) | 18.8 | 15.7 | 120 |

* Net profit of the majority owner / average number of shares issued excluding treasury shares

Statement of changes in equity

| in thousand EUR | Called capital | Own shares | Reserves | | | Retained earnings | | | Fair value reserves | Total |
|--|----------------|----------------|----------------|----------------|--------------------|-------------------|---------------------------|----------------------------|---------------------|----------------|
| | | | Share premium | Legal reserves | Statutory reserves | Profit reserves | Net profit for the period | Net profit carried forward | | |
| Balance at 01 Jan 2006 | 59,135 | -19,490 | 120,992 | 14,991 | 9,598 | 225,265 | 59,596 | 5,191 | 2,344 | 477,622 |
| Entry of net profit for the period | 0 | 0 | 0 | 0 | 0 | 0 | 52,978 | 0 | 0 | 52,978 |
| Formation of statutory reserves | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Formation of other revenue reserves under the resolution of the Management and the Supervisory Board | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer of previous period's net profit to retained earnings | 0 | 0 | 0 | 0 | 0 | 0 | -59,596 | 59,596 | 0 | 0 |
| Transfer to other revenue reserves under the resolution of the Annual Meeting | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Recognised income and expenses | 0 | 0 | 0 | 0 | 0 | -2,205 | 0 | 0 | 878 | -1,327 |
| Balance at 30 Jun 2006 | 59,135 | -19,490 | 120,992 | 14,991 | 9,598 | 223,060 | 52,978 | 64,787 | 3,222 | 529,273 |
| Balance at 01 Jan 2007 | 59,132 | -19,489 | 120,986 | 14,990 | 11,684 | 275,796 | 90,911 | 12,428 | 3,480 | 569,918 |
| Entry of net profit for the period | 0 | 0 | 0 | 0 | 0 | 0 | 63,528 | 0 | 0 | 63,528 |
| Formation of statutory reserves | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Formation of other revenue reserves under the resolution of the Management and the Supervisory Board | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer of previous period's net profit to retained earnings | 0 | 0 | 0 | 0 | 0 | 0 | -90,911 | 90,911 | 0 | 0 |
| Transfer to other revenue reserves under the resolution of the Annual Meeting | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Recognised income and expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -1,188 | 2,906 | 1,718 |
| Balance at 30 Jun 2007 | 59,132 | -19,489 | 120,986 | 14,990 | 11,684 | 275,796 | 63,528 | 102,151 | 6,386 | 635,164 |

Cash flow statement

| in thousand EUR | 1–6/2007 | 1–6/2006 |
|---|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit for the period | 63,528 | 52,978 |
| Adjustments for: | 39,950 | 39,917 |
| – amortisation /depreciation | 21,575 | 18,282 |
| – foreign exchange gain | -414 | -1,756 |
| – foreign exchange loss | 721 | 5,329 |
| – investment income | -4,904 | -7,189 |
| – investment expenses | 2,269 | 1,429 |
| – financial expenses | 1,315 | 1,421 |
| – income taxes and other taxes not included in operating expenses | 19,388 | 22,401 |
| Operating profit before changes in net operating current assets and provisions | 103,478 | 92,895 |
| Change in trade receivables | -29,616 | -8,413 |
| Change in inventories | -8,998 | 6,188 |
| Change in operating liabilities | 21,223 | 3,675 |
| Change in other current liabilities and provisions | 11,827 | 19,436 |
| Income taxes paid | -24,336 | -43,736 |
| Cash generated from operations | 73,578 | 70,045 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 356 | 402 |
| Proceeds from sale of current investments | 338 | 223 |
| Dividends received | 91 | 74 |
| Profits from subsidiaries | 0 | 2,027 |
| Proceeds from property, plant and equipment | 338 | 411 |
| Proceeds from sale of subsidiary | 56 | 0 |
| Purchase of intangible assets | -1,396 | -1,373 |
| Purchase of property, plant and equipment | -50,100 | -42,226 |
| Payments related to subsidiaries – capital increase and loss coverage | 167 | -6,501 |
| Payments in connection with long-term loans | -546 | -294 |
| Payments in connection with non-current assets | -26 | -150 |
| Acquisition of current investments | 2,017 | -13,076 |
| Acquisition of derivative financial instruments | 1,293 | 43 |
| Net cash used in investing activities | -47,412 | -60,440 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from an increase in current financial liabilities | -16 | -1,676 |
| Interest paid | -1,486 | -1,459 |
| Payment of non-current financial liabilities | -24,748 | -1,192 |
| Dividends paid | -12 | -27 |
| Net cash used in financing activities | -26,262 | -4,354 |
| Net increase in cash and cash equivalents | -95 | 5,251 |
| Cash and cash equivalents at beginning of period | 4,498 | 3,165 |
| Effect of exchange rate fluctuations on cash held | -135 | -232 |
| NET CASH AND CASH EQUIVALENTS AT END OF PERIOD | 4,268 | 8,184 |

Notes to the financial statements of the Krka Company

Costs in terms of type

261,669 thousand EUR

| in thousand EUR | 1-6/2007 | 1-6/2006 | Ind. 07/06 |
|-------------------------------------|----------------|----------------|---------------|
| Cost of goods and materials | 97,657 | 83,881 | 116 |
| Cost of services | 63,668 | 41,665 | 153 |
| Employee benefits cost | 67,614 | 64,560 | 105 |
| Depreciation | 21,575 | 18,282 | 118 |
| Provisions formed | 10,805 | 16,693 | 65 |
| Other operating expenses | 6,387 | 5,708 | 112 |
| Total costs in terms of type | 267,706 | 230,789 | 116 |
| Changes in the value of inventories | 6,037 | 1,630 | 370 |
| Total | 261,669 | 229,159 | 114 |

Employee benefit cost

67,614 thousand EUR

| in thousand EUR | 1-6/2007 | 1-6/2006 | Ind. 07/06 |
|---|---------------|---------------|---------------|
| Gross wages and salaries and continued pay | 53,625 | 50,243 | 107 |
| Social security contributions and payroll tax | 9,675 | 9,567 | 101 |
| Other employee benefits cost | 4,314 | 4,750 | 91 |
| Total | 67,614 | 64,560 | 105 |

Other operating expenses

6,387 thousand EUR

| in thousand EUR | 1-6/2007 | 1-6/2006 | Ind. 07/06 |
|---------------------------------------|--------------|--------------|---------------|
| Grants, assistance | 1,161 | 989 | 117 |
| Environmental levies | 626 | 709 | 88 |
| Membership fee, taxes, other duties | 1,228 | 911 | 135 |
| Loss in the sale of fixed assets | 610 | 110 | 555 |
| Impairments and inventory write-offs | 1,351 | 1,467 | 92 |
| Impairments and receivable write-offs | 260 | 571 | 46 |
| Other costs | 1,151 | 952 | 121 |
| Total | 6,387 | 5,708 | 112 |

Financial income and expenses

| in thousand EUR | 1-6/2007 | 1-6/2006 | Ind. 07/06 |
|---|--------------|---------------|---------------|
| Exchange differences | 1,420 | 3,110 | 46 |
| Interest income | 383 | 403 | 95 |
| Change in fair value of investments (through profit or loss) | 2,229 | 239 | 933 |
| Other income | 1,953 | 6,136 | 32 |
| Total financial income | 5,985 | 9,888 | 61 |
| Exchange differences | 3,422 | 7,191 | 48 |
| Interest paid | 1,302 | 1,404 | 93 |
| Impairments due to remeasurement of investments at fair value | 703 | 890 | 79 |
| Other expenses | 801 | 556 | 144 |
| Total financial expenses | 6,228 | 10,041 | 62 |
| Net financial result | -243 | -153 | 159 |

Income tax expense

19,388 thousand EUR

The corporate income tax levied amounts to 20,711 thousand EUR, which is 25.0% of profit before tax. Taking into account the deferred tax of

1,323 thousand EUR, income tax expense in the income statement totals 19,388 thousand EUR, and the effective tax rate is 23.4%.

Property, plant and equipment

404,379 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|------------------------|----------------|----------------|---------------|
| Property | 13,102 | 13,153 | 100 |
| Plant | 165,758 | 168,783 | 98 |
| Equipment | 148,445 | 141,430 | 105 |
| PPE under construction | 77,074 | 54,076 | 143 |
| Total | 404,379 | 377,442 | 107 |

The value of property, plant and equipment represented 44% of the total assets of the Company and recorded an increase of 7% compared to the start of the year. The reason for increase is growth of the value of PPE under construction because of new investments in the Company. The largest

investments by value were the 3th phase of Notal, completing the construction of the new Sinteza 4 plant for the production of pharmaceutical ingredients, a new plant for the production of pellets (Pelete IV), a new ampoule plant and the central weighing room and raw material warehouse.

Intangible assets

21,116 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|--------------------------------------|---------------|---------------|---------------|
| R&D cost | 2,016 | 2,617 | 77 |
| Long-term property rights | 14,374 | 15,730 | 91 |
| Intangible assets under construction | 4,726 | 4,053 | 117 |
| Total | 21,116 | 22,400 | 94 |

Compared to the balance at the end of 2006, the value of intangible assets decreased by 6%. Property rights from computer software represented

68% of all intangible assets. Intangible assets under construction mainly include registration documentation for new pharmaceuticals.

Long-term loans

5,805 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|-----------------------------------|--------------|--------------|---------------|
| Long-term loans to subsidiaries | 1,981 | 1,898 | 104 |
| Long-term loans to other entities | 3,824 | 3,426 | 112 |
| Total | 5,805 | 5,324 | 109 |

Other non-current investments

10,184 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|-------------------------------------|---------------|--------------|---------------|
| Financial assets available-for-sale | 9,923 | 6,269 | 158 |
| Other non-current investments | 261 | 260 | 100 |
| Total | 10,184 | 6,529 | 156 |

Other non-current investments include items of historical and cultural value.

Inventories

108,478 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|------------------|----------------|---------------|---------------|
| Material | 35,906 | 31,465 | 114 |
| Work in progress | 31,957 | 25,444 | 126 |
| Products | 39,408 | 40,754 | 97 |
| Merchandise | 1,181 | 1,804 | 65 |
| Advances | 26 | 13 | 203 |
| Total | 108,478 | 99,480 | 109 |

Inventories increased in value by 9% compared to the start of the year, mainly due to higher expected sales in the second half of the year.

In the inventories structure, 33% of inventories are materials, 29% work in progress and 38% finished products and merchandise.

Receivables

186,928 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|--|----------------|----------------|---------------|
| Short-term receivables due from subsidiaries | 91,054 | 84,278 | 108 |
| Trade receivables | 85,508 | 64,882 | 132 |
| Receivables due from other entities | 10,366 | 8,324 | 125 |
| Total | 186,928 | 157,484 | 119 |

Receivables increased by 9% compared to year-end 2006. The reason for this increase over the period is higher sales.

Current investments

30,815 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|--|---------------|---------------|---------------|
| Current investments | 21,188 | 22,617 | 94 |
| – instruments held for trading | 11,931 | 11,890 | 100 |
| – Interest-bearing current investments | 2,934 | 3,424 | 86 |
| – other current investments | 6,323 | 7,303 | 87 |
| Short-term loans | 9,627 | 9,173 | 105 |
| – short-term loans to subsidiaries | 9,010 | 8,148 | 111 |
| – short-term loans to other entities | 617 | 1,025 | 60 |
| Total | 30,815 | 31,790 | 97 |

Marketable shares, issued by Slovenian companies decreased in the amount of 999 thousand EUR and shares, issued by foreign companies decreased in the amount of 419 thousand EUR. Due to the new short-term loan to the subsidiary Krka Rus the value

of short-term loan to this subsidiary increased in the amount of 722 thousand EUR, while the short-term loan to the subsidiary Terme Krka increased in the amount of 112 thousand EUR.

Cash and cash equivalents

4,268 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|-----------------|--------------|--------------|---------------|
| Cash in hand | 147 | 70 | 210 |
| Bank balances | 4,121 | 4,428 | 93 |
| Total | 4,268 | 4,498 | 95 |

Equity

635,164 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|----------------------|----------------|----------------|---------------|
| Share capital | 59,132 | 59,132 | 100 |
| Own shares | -19,489 | -19,489 | 100 |
| Reserves | 147,660 | 147,660 | 100 |
| – share premium | 120,986 | 120,986 | 100 |
| – legal reserves | 14,990 | 14,990 | 100 |
| – statutory reserves | 11,684 | 11,684 | 100 |
| Retained earnings | 441,475 | 379,135 | 116 |
| Fair value reserves | 6,386 | 3,480 | 184 |
| Total | 635,164 | 569,918 | 111 |

The equity of the Company in first half of 2007 increased by 11%. The increase is mainly attributable to the profit for the first half of 2007 in the amount of 63,528 thousand EUR and income

and expenses recognised directly in equity in the amount of 2,906 thousand EUR.

Borrowings

51,217 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|----------------------------------|---------------|---------------|---------------|
| Long-term borrowings | 29,031 | 29,143 | 100 |
| – borrowings from domestic banks | 29,031 | 29,143 | 100 |
| Short-term borrowings | 21,656 | 46,404 | 47 |
| – borrowings from domestic banks | 6,500 | 23,380 | 28 |
| – borrowings from foreign banks | 5,878 | 11,756 | 50 |
| – borrowings from other entities | 9,278 | 11,268 | 82 |
| Interest payable | 530 | 701 | 76 |
| Total | 51,217 | 76,248 | 67 |

Provisions

126,795 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|--|----------------|----------------|---------------|
| Provisions for termination pay and anniversary bonuses | 42,044 | 41,969 | 100 |
| Other provisions | 84,751 | 74,837 | 113 |
| – provisions for lawsuits | 84,505 | 74,506 | 113 |
| – provisions for ecological restoration | 246 | 331 | 74 |
| Total | 126,795 | 116,806 | 109 |

The major item of the total provisions involves provisions for the lawsuits which increased by 13% on account of forming new provisions in the amount

of 10,000 thousand EUR for pending legal actions resulting from alleged patent infringements related to the patent protection of atorvastatin.

Grant received

415 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|--|-------------|-------------|---------------|
| Grants for the subsidiary Krka-Rus | 5 | 9 | 53 |
| Grants for the plant BETA in Šentjernej | 280 | 302 | 93 |
| Grants by the European Regional Development Fund | 25 | 26 | 95 |
| Free receipt of fixed assets | 105 | 111 | 95 |
| Total | 415 | 448 | 93 |

Trade payables

74,023 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|--------------------------------|---------------|---------------|---------------|
| Payables to subsidiaries | 8,834 | 1,677 | 527 |
| Payables to domestic suppliers | 32,042 | 32,657 | 98 |
| Payables to foreign suppliers | 32,879 | 21,641 | 152 |
| Payables from advances | 268 | 329 | 81 |
| Total | 74,023 | 56,304 | 131 |

Other current liabilities

25,769 thousand EUR

| in thousand EUR | 30 Jun 2007 | 31 Dec 2006 | Ind. 07/06 |
|---|---------------|---------------|---------------|
| Accrued contractual discounts on products sold to subsidiaries | 558 | 528 | 106 |
| Accrued contractual discounts on products sold to other customers | 7,416 | 7,416 | 100 |
| Payables to employees – gross wages, other charges | 15,524 | 15,305 | 101 |
| Other | 2,271 | 661 | 344 |
| Total | 25,769 | 23,910 | 108 |