

PRESS RELEASE

## Krka business results in 2007

**Novo mesto, 24 January 2008 – The Management Board of Krka today held a press conference to present the non-audited business results of the Krka public limited company (the Krka Company) for the year 2007, which were also discussed by the Supervisory Board’s meeting held yesterday. The President of the Management Board Jože Colarič said that the public limited company generated sales of products and services worth EUR 686.2 million, which is a 17% increase over 2006. On the basis of non-audited financial statements, the Krka Company’s net profit reached the level of EUR 126.5 million, growing 12% over the previous year. The Krka Group sales also grew by 17% and amount to EUR 782.0 million, while the Group’s net profit will not substantially differ from the estimate given at the press conference held in November (EUR 135 million). The non-audited financial statements of the Krka Company and of the Krka Group will be published at the end of February.**

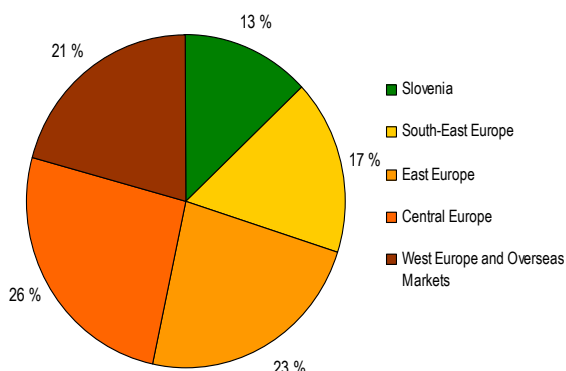
## Krka Group sales by regions

Out of overall sales of EUR 782.0 million in 2007, the Krka Group sold products and services, on the markets outside Slovenia, worth EUR 680.3 million, which represents 87% of the Group’s sales.

The highest sales growth was achieved in regions West Europe and Overseas Markets, Central Europe and South-East Europe.

In **Slovenia**, which is also a key market, the Krka Group sold products worth EUR 101.7 million, which is by 3% below the same period last year.

Prescription pharmaceuticals represent the largest proportion of generated sales, and their price reduction resulting from the implementation of the new rules on price formation, has mostly contributed to the reduction of total sales in the region.



In the **region South-East Europe** EUR 132.9 million products were sold, which is an increase of 20%. The largest market in the region is still Croatia with the sales of EUR 44.9 million, thus recording a growth of EUR 4.9 million or 12%. Romania with generated sales of EUR 37.7 million is the second most important market in the region. In absolute figures the sales in this country rose by EUR 8.0 million or by 27%. A high sales growth in Serbia and Bulgaria results from launching new prescription pharmaceuticals on the markets. The sales grew on all markets within the region.

In the markets of the **region East Europe** the sales of products were EUR 182.9 million, which is an increase of 1%. The Russian Federation is still the most important market in the region with recorded sales of products amounting to EUR 122.0 million. The sales in the Russian Federation are 6% below the level achieved in 2006; however expressed in USD, this represents a 7% increase. In Ukraine, which represents the second largest market, the sales grew by EUR 5.2 million (17% growth) and amounted to EUR 36.6 million. All other markets within the region East Europe, including Belarus, Kazakhstan, Uzbekistan, Moldova, Azerbaijan, Armenia, Georgia and other Central Asian countries, recorded a sales growth, with the highest, i.e. 75%, recorded in Uzbekistan.

In the countries belonging to the **region Central Europe**, net sales revenues of EUR 202.4 million were generated, which is a 19% increase over 2006. In Poland representing the largest market in the region with a 47% share in the

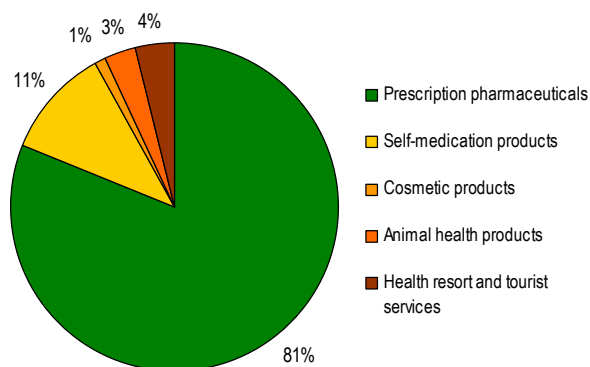
region's sales, being also one of the Company's key markets, the sales of products generated EUR 95.7 million, which is also due to successful business performance of the Company's subsidiary Krka Polska. The sales on the Polish market were at the level of sales in 2006. In the Czech Republic the sales went up by EUR 7.5 million, at a 25% annual sales growth rate, thus amounting to EUR 38.0 million. On most of other markets within the region, high sales and market share growth was also recorded, particularly in Hungary with a record-breaking 77% growth, and Slovakia with a 51% growth.

The sales to the **region West Europe and Overseas Markets** at the level of EUR 162.1 million grew by 61% over the sales in 2006. Western Europe (EU 15 countries) is included among Krka's key markets, while the sales of generic prescription medicaments on this market represent the majority of sales in this region. Compared to the year 2006, the sales grew by EUR 52.3 million (60% growth) and amounted to EUR 139.4 million. The most important markets in the region are Germany, Great Britain, Scandinavian countries and Italy.

## Sales by product groups

**Prescription medicaments** are still the most important Krka's product group. Their sales have increased by EUR 95.9 million (18% growth) and reached EUR 631.8 million. The leading medicaments are those for the treatment of cardiovascular diseases, while in comparison with the year 2006, the largest growth was recorded in the segment of medicines for the treatment of the central nervous system disease (by 1.5 percentage points).

The sales of **self-medication products** were EUR 83.6 million or EUR 12.7 million higher than in 2006 (18% growth). The sales of **cosmetic products** grew by EUR 0.6 million or by 6% and amounted to EUR 10.1 million. The sales of **animal health products** increased by EUR 1.8 million (8% growth) to EUR 24.6 million. The sales of **health resort and tourist services** of the company Terme Krka were EUR 30.8 million representing a sales growth of EUR 2.9 million or 10%.



A great number of modern products that Krka started selling and marketing in the last five years, importantly contribute to the sales volume and its growth. The products launched in this period, like Zalasta® (olanzapine), Prenessa® (perindopril), Zyllt® (clopidogrel) and Mirzaten® (mirtazapine) already rank among Krka's leading products. In 2007 the company started selling some products from key therapeutic groups containing new active pharmaceutical ingredients and supplementing the existing products with new concentrations, packaging and pharmaceutical dosage forms.

## Estimated non-audited business results for the Krka Company

The estimated non-audited operating profit of the Krka Company is by EUR 20.7 million or 14% over the last year's results and amounts to EUR 167.7 million. The tax before profit grew by EUR 16.6 million (11% growth), thus reaching EUR 163.9 million. The net profit at the level of EUR 126.5 million grew by EUR 13.5 million over the last year (12% growth).

In 2007 the company formed additional EUR 14 million of provisions for lawsuits. The total balance of provisions for lawsuits at the end of 2007 was EUR 88 million.

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## Research and development

In Krka's R&D area the year 2007 was marked by numerous new marketing authorisations gained through new approaches and marketing authorisation procedures. As the first generic company in EU Krka led last year and

successfully concluded the most demanding marketing authorisation procedure, the so-called centralised marketing authorisation procedure. Krka is the first generic company to gain a marketing authorisation valid throughout the EU. For its medicinal product Zalasta® (olanzapine) in standard and orodispersible tablets, the company gained, through a single procedure, a marketing authorisation for all 27 EU countries. It thus set new guidelines and standards in generic industry. In addition, the company concluded 7 decentralised marketing authorisation procedures and expanded the conduct of the CADREAC authorisation procedures (Collaboration Agreement between Drug Regulatory Authorities in EU Associated Countries), which enable quick gaining of marketing authorisations in new markets.

As a result of the above achievements, Krka gained the first marketing authorisation for 10 new products in 22 pharmaceutical forms and strengths. The final result of skilful management of the most demanding regulatory procedures in 2007 are 424 marketing authorisations for 1325 pharmaceutical forms. A year before, the company was granted 390 marketing authorisations in several markets for its products.

The goal of Krka's developmental and research activities is now as before the development of innovative generic medicines, i.e. generic medicines with added value that ensures its products advantages of key importance for several years after launch.

Special focus was placed on the development of advanced delivery systems for active substances in the product line of solid dosage forms. Glyclada® (gliclaside), available as prolonged-release tablets, is the first Krka's medicine for the treatment of diabetes and was approved at the end of the year in the majority of the EU countries. By gaining marketing authorisation for its Zalasta® (olanzapine) tablets, also in all EU countries, Krka strengthened its line of products for the treatment of diseases of the central nervous system. It also succeeded in gaining marketing authorisations in most of the EU countries for its medicine Kventiax® (quetiapine) film-coated tablets, and for Helex® SR (alprazolam) prolonged-release tablets in the Czech Republic. For its medicine Yasnal® (donepezil) film-coated tablets, the company concluded the marketing authorisation procedure in several Western European countries. The medicine Alventa® (venlafaxine) prolonged-release capsules was approved in most of the European countries. Nolpaza® (pantoprazole) in gastroresistant tablets is Krka's newest medicine from the group of proton pump inhibitors. In the Czech Republic, Krka broadened to its range of medicines for the treatment of high blood pressure by gaining approval for Cazaprol® (cilazapril) film-coated tablets. In the Russian Federation, the established brand product Lorista® (losartan) in film-coated tablets was approved, and a process is in progress aimed at an extension of the marketing authorisation for the fixed-dose combination of perindopril and indapamide.

New marketing approvals in the area of self-medication products include approvals for Spazmonet® and Spazmonet® forte (drotaverine) for the alleviation of digestion problems. Krka's line of food supplements was enriched by the products Duovit® Vision and Duovit® Energija.

In the area of animal health, Krka enriched its well-established line of products containing enrofloxacin in the past year with a new product – Enroxil® Max available as 10% solution for injection. The year 2007 was marked by successfully concluded marketing authorisation procedures for the product Ecocid® in the Russian Federation, Ukraine, and in some Western and Central European countries.

In the area of cosmetic products, the whole year was witnessing intensive activities linked to the company's new strategic brand Vitaskin® Pharma. The company's developmental work was focused on Vitaskin® Pharma Pure Expert products intended for greasy and unclean skin. The company's line of products Sun Mix® was enriched with 4 new additions developed to meet the new regulatory requirements for sun protection products.

The year 2007 was also a year of investments into new laboratory and pilot premises intended for the research and development of synthesis procedures for new active substances and for isolation and physical methods used in pharmaceutical technology.

Krka protected its results in the area of research and development by patent applications. In 2007, the company submitted patent applications for 21 inventions and, based on the last year priority submissions, 15 international patent applications. Krka markets its products under its own brands, which is an important feature increasing the added value of its products. In 2007, Krka registered 57 brands in Slovenia and 2 abroad, and submitted applications for 46 international registrations.

## Investments

In 2007 the Krka Group allocated to investments EUR 113.0 million, with the major part of EUR 92.8 million representing investments in Krka Company. The Group is carrying out over thirty projects, mainly

intended for the production of finished products and raw materials, and the modernisation of infrastructure to offer quality support to the business functions of the entire Group. Most of these projects are implemented in Slovenia, Croatia, the Russian Federation and Poland.

In June 2007, the facility for the production of active pharmaceutical ingredients – Sinteza 4, was officially opened. The investment together with the liquid raw materials warehouse is worth over 80 million euros, and it helps Krka to continue its vertical integration model, which involves managing the entire process from research to raw materials and the finished products that in quality, efficacy and safety reach the world's top level.

In the end of the year a new injection production plant was opened. The investment worth EUR 15.5 million has thus increased the capacity for injection manufacturing by 30%. Krka plans to set up two additional lines in this facility and the three new filling lines together will enable the annual production of 80 to 100 million injections. The third phase of the Notol project will include extension of the packaging department and installation of new packaging lines, while investments into new dispensing rooms, granulation and tableting machines will enable production of additional amount of bulk products and meet the higher capacity of the new packaging lines. The project is carried out according to the plan in terms of deadlines and will most probably be concluded in 2008. Last year, the construction works for the facility Pelete IV were finished and the conclusion of all works is expected in the first half of this year. The construction of new central dispensing rooms and intermediate storage rooms along with a complete reconstruction of the raw material warehouse were also concluded.

In the company Krka-Rus in the Russian Federation the production capacities have been increased by the purchase of a new packaging line, a coating pan and a capsule-filling machine, while they also upgraded their laboratory capacities. IN Krka Polska, Krka's largest production and distribution centre outside Slovenia they completed reconstruction of the control labs. The subsidiary Krka Farma Zagreb purchased new technological equipment for the granulation line where qualification and start of operation are expected to be concluded end of May this year.

In 2007, the Terme Krka Company concluded the renovation of the Castle Otočec, construction of the extension of the healthcare facility in Strunjan and started with the investment project in the hotel Kristal in Dolenjske Toplice.

## Employees

The Krka Group had, at the end of last year, 6777 employees; 3859 in Slovenia and 2918 abroad. The Krka Company had 4891 employees, of which 3213 were in Slovenia and 1678 in representative offices abroad. Compared with the year 2006, the Krka Group had 1018 more employees (18% increase) and the Krka Company had 619 more employees (14% increase).

The number of employees abroad comprising as much as 37% of all employees in the Krka Group, has increased by 805 employees, which is by 29%. The Krka Company in Slovenia employed 197 persons (7% growth), while this number in the Terme Krka Group is 16 employees or 3%. In Slovenia they mainly employed new associates in R&D, marketing and sales, while in other countries the major part of new employees was in marketing and sales.

The share of employees with university education in the Krka Group went up and it now represents 46%.

## Shares and shareholders

In 2007 Krka's share price rose by 57% (from 79 to 124 EUR). The Slovenian SBI 20 index achieved record levels and went up by 74% in the same period. Krka's share price growth went markedly beyond the growth of the most important world indexes primarily the pharmaceutical industry index Standard & Poor's and FTSE index which includes shares of pharmaceutical and biotechnology companies.

Krka's share was the most profitable security on Ljubljana Stock Exchange, which may also be attributed to the share-split. The annual value of Krka's share trading in 2007 amounted to EUR 509 million and compared to the year 2006, it rose by 24%. The average daily trading volume with Krka's share amounted to EUR 2.1 million.

At the end of the year the market capitalisation of the Krka Company was EUR 4.4 billion, which represented 16% of the entire stock exchange capitalisation.

On 3 September 2007, Krka, as the first shareholder company in Slovenia, carried out a 1:10 share-split, meaning a split of an existent share into ten new shares. The intention of the split was to increase liquidity and accessibility of

shares for a broader circle of investors. In one year the total number of Krka's shareholders increased by 13% or 7030 persons. At the end of 2007 Krka had 61 585 shareholders, while at the end of 2006 this number was 54 555.

### **Plans of the Krka Group in 2008**

In 2008 the Krka Group plans revenues from sales in the amount of EUR 950 million, a net profit of EUR 160 million and expenses for investments of EUR 160 million. The plans include construction of a new plant for the production of capsules, new capacities for pellet production, increase of production and packaging capacities in the production plant in Šentjernej, building of a new plant for the production of biocides, an additional line in Sinteza IV, a new building of the Research and Control Centre, and a hotel extension in Dolenjske Toplice health resort. New employments are planned in Slovenia and abroad and the Krka Group will presumably by the end of 2008 have 7700 employees.