



## **Business operations in first half of 2008**

In the first half of 2008 the Krka Group sold products and services worth EUR 469.3 million, which is EUR 76.7 million or 20% higher than for the first half of 2007. Group sales on markets outside Slovenia were worth EUR 418.1 million, representing 89% of overall Group sales. Sales on markets outside Slovenia were up by EUR 75.8 million or 22% compared to the first half of last year. Sales of Krka Company were EUR 416.2 million or 21% up on the same period last year.

Krka's largest sales region was its Region Central Europe where it achieved sales of EUR 123.6 million, 26% of overall Group sales. Sales in the region were up by EUR 22.7 million or 22% compared to the same period last year. The second largest region by sales was Region East Europe where it achieved sales of EUR 119.4 million, 25% of overall Group sales. Sales were EUR 17.0 million or 17% up on the same period last year. The highest absolute and relative sales growth – up EUR 33.7 million or 46% – was achieved in the Region Western Europe and Overseas Markets, in which Krka's total product sales were worth EUR 106.3 million. Region South-East Europe represents 15% of overall Group sales. Compared to the first half of 2007, sales increased by EUR 2.5 million or 4% and totalled EUR 68.7 million. Sales in Slovenia were worth EUR 51.2 million, 2% higher than for the same period in 2007, and represented just under 11% of Group sales.

In the first half of 2008, the Krka Group allocated EUR 76 million to investment. In the third phase of the Notol project, an extension that will be used for small-batch production of solid pharmaceutical forms will be built. Current investments involve enlargement of capacities for the production of pellets, the construction of a repair and technical centre, and also the preparations undertaken for the building of a new capsule-production plant, completion of the production plant in Šentjernej and implementation of several other projects in Slovenia and abroad.

At the end of June Krka signed a recapitalisation contracts to become the minority owner of two private chemical-pharmaceutical companies in China with a 7.5% share in each company. Krka decided to upgrade its relationship to an ownership basis in line with its development plans in order to meet long-term needs for supply of high quality, key chemicals and intermediates for the production of active pharmaceutical ingredients and pharmaceutical products in Slovenia.

At the end of June, the Krka Group had 7,362 employees, which is 585 or 9% more than at the start of the year, In the controlling company were 3319 people employed, in the representative offices and companies abroad 3368 and in the Terme Krka Group were 675 employed. 46% of the employees in Krka Group were employed outside Slovenia. Fifty-seven per cent of Krka Group employees have at least a university education.

The Krka share price fell by 27% in the first half of 2008, and stood at EUR 89.57 at the end of June. The reasons for the fall in share value are mainly linked to the crisis on international financial markets, which has also affected the Slovenian capital market, as seen in the value of Slovenian Stock Exchange index (SBI 20), which fell significantly in the first half of 2008 by 31%. Krka is well aware that good results alone are not sufficient for growth in demand for Krka shares, so it is working to strengthen demand and therefore share liquidity and value with regular participation in road shows (promotional meetings abroad for institutional investors, primarily investment fund managers) and other presentations to potential buyers of Krka shares abroad.

Semi-annual report for Krka Company and Krka Group will be published on SEOnet information system on 30 July 2008.