



PRESS RELEASE

Business results for the Krka Group and Company for the first nine months of 2008

Novo mesto, 13.11.08 — The Management Board of the Krka public limited company today held a press conference to present the business results of the Krka Group and the Krka Company for the first nine months of 2008, which were also discussed by the Supervisory Board at its meeting yesterday. Jože Colarič, Krka's Chief Executive and President of the Management Board, assessed the operations of both the Group and the Company as good. Over the first nine months of the year, the Krka Group sold products and services worth EUR 687.9 million (21% growth compared to the comparable period last year) and generated a net profit of EUR 111.2 million (13% growth), while the Krka Company achieved sales worth EUR 604.9 million (22% growth) and a net profit of EUR 117.6 million (30% growth).

Despite the global financial and economic crisis, Krka's operations remain stable, and the main business objectives of the Group and Company have been realised in line with the strategy and annual plan. The volume of customer orders has not fallen. Krka's leadership expects the crisis and consequent reduction in funds available for medicines will actually lead to an increase in demand for the generic pharmaceuticals that Krka produces and sells. Given the conditions on most Krka markets, customer solvency is subject to particular scrutiny. Krka's financial standing is sound, and net borrowing is relatively low, despite the continual increase in operations.

The plans for 2009 are also promising. The Krka Group plans anticipate that sales will grow by 11% to a total of over EUR 1 062 million in the coming year. Anticipated sales in 2009 are EUR 110 million higher than estimated sales for 2008. The planned net profit for the Group in 2009 of EUR 161 million will be somewhat higher than that planned for this year, while the anticipated level of investment, also EUR 161 million, will remain at this year's level. The number of employees is also set to rise in 2009 in both Slovenia and abroad, with an overall increase of 6% planned. In response to the difficult business climate the Management Board will monitor and check the implementation of Krka's planned business objectives more frequently during 2009.

Sales

In first nine months of 2008 the Krka Company generated a net profit of EUR 117.0 million, which is EUR 117.0 million or 21% more than for the same period last year. The Group generated over 89% of its sales on markets outside Slovenia.

Krka Company sales totalled EUR 604.9 million and were EUR 107.8 million or 22% higher than the figures for the equivalent period last year.

Krka Group sales by region

The highest sales in a single Krka region, EUR 188.2 million, were achieved in Region Central Europe, and were one quarter higher than for the same period last year. The region also represents the highest proportion (27%) in overall Krka Group sales of any region. It is followed by Region East Europe with sales worth EUR 164.9 million or 24% of overall sales. Growth in the region was 23%. In Region East Europe is also the largest individual market of the Krka Group - the Russian Federation, where product sales reached EUR 110.7 million, 22% up on the same period last year.

The highest absolute and relative growth compared to the equivalent period last year – EUR 46.0 million and 41% respectively – were recorded in Region Western Europe and Overseas Market. With sales worth EUR 158.2 million – 23% of overall Group sales – this is now Krka's third largest region by sales. Sales in South-East Europe matched those of last year, and were worth EUR 99.0 million, or 14% of the overall total. Sales on the Slovenian market were worth EUR 77.6 million an increase of 3% on the same period last year, and 11% of the Krka's overall sales for the period.

Krka Group sales by product and service group

Krka Group sales of prescription pharmaceuticals were worth EUR 567.9 million, exceeding last year's three-quarter figures by EUR 105.9 million or 23%. The highest growth in prescription pharmaceutical sales on the larger markets were achieved in Germany (up 139%), Ukraine (48%), Poland (32%), the Russian Federation (20%), Hungary (20%) and the Czech Republic (19%). The leading prescription pharmaceuticals by sales are Enap®, Atoris®, Lanzul®, Zalasta®, Vasilip®, Lorista®, Tenox®, Coryol®, Fromilid® and Prenessa®, with Zalasta® and Prenessa® achieving the highest growth.

Self-medication product sales grew by 15% and were worth a total of EUR 68.2 million. This product group grew by 13% in Slovenia, by 22% on the markets of Region East Europe, and 9% on the markets of Region Central Europe.

Cosmetics products grew by EUR 7.8 million or 6%, and animal health products by 4% or EUR 18.5 million. Sales of health and tourism services were worth EUR 24.6 million, a 5% increase on the figure for the same period last year.

Business results

The Krka Group and Company both achieved an increase in profits in the first nine months of the year. The Krka Group's operating profit was EUR 151.8 million, or 12% up on the same period last year, while the Group's net profit for the period was EUR 111.2 million, an increase of EUR 13.2 million or 13% on the same period last year. The Krka Company generated a net profit of EUR 117.6 million, which is EUR 27.5 million or 30% up on the same period last year. Krka Company and Krka Group expenses include EUR 4.0 million of newly formed provisions, EUR 3.0 million of which was for lawsuits underway regarding alleged patent violations relating to the patent protection of atorvastatin, and provisions of EUR 1.0 million for a lawsuit regarding intellectual property.

The Krka Group's net profit margin was 16.2% (Krka Company: 19.4%), the EBIT margin was 22.1% (Krka Company: 25.7%), and the EBITDA margin 29.5 % (Krka Company: 31.9%). The Krka Group's ROE was 20.6% (Krka Company: 22.0%), and the ROA was 12.4% (Krka Company: 13.9%).

Research and development

The achievements of Krka Group's research and development sector over the first nine months of 2008 include the acquisition of first market authorisations for 11 new products in 25 pharmaceutical forms. Over the period 374 market authorisations were also acquired for various products across a number of different markets.

Krka expanded its anti-psychotic range within the central nervous system therapeutic group by concluding the

market authorisation procedure in all central and eastern European countries for Zypsilan® with the API ziprasidone, which is used to treat psychosis and schizophrenia, particularly in younger patients. Market authorisations were achieved on a number of European markets for the Lertazin® product in a tablet form containing the API levocetirizine. This product is for adults and children over the age of 6 and treats acute and chronic allergic reactions, such as hay-fever and skin reactions. Market authorisations were also successfully acquired for Monkasta® in 4mg and 5mg chewable tablet form in a number of western and central Europe countries, which is used for the prevention and treatment of asthma.

The Pikovit® brand of vitamins and minerals for children was expanded with the Pikovit® complex with the taste and chewable form adapted for child consumption. The first notification procedure was also concluded in Slovenia for the products Pikovit® IQ syrup and Pikovit® Balance syrup which are also designed for children.

In the animal health product sector Krka acquired a permit-for-use for the coccidiostatic Kokcisan® 120 as a granulate mix. A decentralised market authorisation procedure for the anti-microbial medicine Giraxa® in the form of a powder for preparation as an oral solution was successfully concluded for the markets of Slovenia, the Czech Republic, Poland, Romania, Lithuania and Latvia. The market authorisation procedure was also concluded on 14 markets in western, central and eastern Europe for Enroxil® Max in injection solution form.

Investment

Over the first nine months of 2008 the Krka Group allocated EUR 108.2 million to investment, of which EUR 85.9 million (79% of total Krka Group value) was within the controlling company, and EUR 22.3 million in subsidiaries. Krka is currently implementing over 30 projects at home and abroad relating primarily to final product and raw material production and the construction of tourist, laboratory and other infrastructure. The intense investment activity over the period was concluded with the opening of new chemical development laboratories at the start of October 2008.

The largest investment projects now underway in the Krka Company are the expansion of the Notol plant's production capacity, increasing pellet production capacity, adding additional production lines to the Sinteza 4 plant, building a service-technical centre at Krka's Ločna site, and the reconstruction of the Bršljin plant.

The Terme Krka Group is concluding work on the new 116-bed hotel at Dolenjske Toplice and the nine new holes on the Otočec golf course. Both investments have been co-financed by the European Regional Development Fund. The TAD Pharma subsidiary is carrying out the modernisation and optimisation of production facilities and expanding warehouse capacity, while production capacity has also been extended with a new granulation line at Krka Farma in Jastrebarsko, Croatia, where new organic solvent warehouse and nitrogen ineration facility has also been built. Krka Polska is replacing its existing packaging line with a new higher capacity version.

Employees

The Krka Group's ambitious sales plans for 2008 have required increased recruitment, particularly of marketing and sales staff in its companies and representative offices abroad and in research and development staff at home in Slovenia. The number of employees in Slovenia increased by 164 in the first three-quarters of the year, and by 534 in the subsidiaries and representative offices.

Forty-six per cent of the Krka Group's employees are now employed outside Slovenia, and 57% of employees have at least a higher professional education.

At present 107 Krka employees are involved in specialist, master's and doctoral studies, while a total of 405 employees are involved in part-time studies alongside their work. In the first three-quarters of 2008, 124 staff concluded their studies. At present there are 93 young people on Krka scholarships, largely in the field of pharmacy.

Investor information

At the end of September 2008 Krka had 73,465 shareholders, which is 19% higher than at the end of 2007.

Over the first nine months of 2008 the share price fell by 40%, standing at EUR 74.40 at the end of September. The reasons for the fall in share value are linked to the crisis on international financial markets, which has also affected the Slovenian capital market. The value of the Slovenian Stock Exchange Index (SBI 20) also fell significantly during the same period, and is down 46%.

The average daily trading in company shares on the Ljubljana Stock Exchange in the first nine months of 2008 was EUR 1.6 million, and Krka's market capitalisation on 30 September 2008 was EUR 2.6 billion.

Events after 30 September 2008

On 8 October 2008, the subsidiary, Terme Krka, signed a contract with the Slovenia Association of War Veterans' Organisations purchasing its 49% stake in the company Terme Krka – Strunjan to become its 100% owner. The purchase price was EUR 8 million.

On 6 November 2008 Krka, d. d., Novo mesto signed a contract purchasing the company Alternova Arzneimittel GmbH, Vienna, Austria, from the company Paranova Group for EUR 1,3 million in cash. Krka become its 100% owner.