

**Unaudited Interim Report
for the Krka Group
and the Krka Company
for the first half of 2009**



Novo mesto, July 2009

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INTRODUCTION

The condensed financial statements for the Krka Group and Krka, d. d., Novo mesto (hereafter: the Krka Company) for the first half of 2009, and the first half of 2008 are unaudited, while the full-year statements for 2008 contain audited figures.

The company has no authorised capital and has not made a conditional share capital increase.

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 Company and Group is also available on the Krka website: www.krka.si.

The Supervisory Board discussed and approved the business report of the Krka Company and Group for the first half of 2009 at its regular meeting on 29 July 2009.

Significant achievements in the first half of 2009

- The Krka Group achieved sales of products and services worth EUR 477.8 million, while the Krka Company's sales were worth EUR 420.8 million.
- Group sales were up 2% on the same period last year, while Company sales were up 1%.
- The Krka Group's operating profit of EUR 117.5 million was an increase of 6% on the same period last year. The Krka Company's operating profit of EUR 104.9 million represents a fall of 4% on the same period last year.
- The net profit was EUR 78.1 million for the Krka Group, around the same level as the first half of last year, and EUR 82.8 million (2% growth) for the Krka Company.
- The highest proportion of sales by Krka Group region (29%) was achieved in Region Central Europe, where the highest sales growth (up one tenth) was also achieved.
- Sales on markets outside Slovenia over the period represented 89% of the Group's sales and 91% of the Company's.
- The Krka share price as listed on the Ljubljana Stock Exchange on the final day of June 2009 was EUR 69.94, while the Krka Company's market capitalisation was EUR 2,477.7 million.
- The Krka Group allocated EUR 48.3 million to investments, EUR 44.0 million of which was invested by the Krka Company and EUR 4.3 million by subsidiaries.
- At the end of first half of 2009 the Krka Group had 7839 employees, 3% more than at the start of the year.

Events after the accounting period

- At the 14th Annual General Meeting, held on 2 July at Otočec, Krka shareholders passed a resolution on the use of the 2008 accumulated profit of EUR 151,362,990.65, which was allocated as follows: EUR 35,489,475.00 to dividends, EUR 57,936,757.83 to other profit reserves, with EUR 57,936,757.82 carried forward to next year. Payout of the dividend of EUR 1.05 gross per share will start within 60 days of the General Meeting's conclusion.
- Following the resignation of Dr Marko Kranjec after he assumed a new function in 2007, and in response to a proposal from the Supervisory Board, the shareholders passed a resolution appointing a replacement member to the board, Mojca Osolnik Videmšek. She was appointed until the end of the term-in-office of the current Supervisory Board members (21 June 2010).
- Shareholders also passed a resolution authorising the Management Board to acquire and dispose of treasury shares, up to 10% of share capital, which will provide Krka with an additional source of financing for potential takeovers.
- On 8 July 2009 the Krka Company published a notification from the European Commission stating that it will start proceedings in relation to the potentially unilateral behaviour of the companies Les Laboratoires Servier and Servier SAS, France (Servier) and the signing of contracts with the following companies: Krka, Lupin Ltd. (India), Matrix Ltd. (subsidiary of Mylan Inc., USA), Niche Ltd. (Ireland) and Teva Ltd. (Israel). The unilateral conduct and signing of contracts could prevent the entry of generic perindopril onto the markets of the EEA. The behaviour of the Servier company could represent a breach of Articles 81 and 82 of the EC Treaty and Articles 53 and 54 of the EEA Agreement, while the behaviour of Servier's contractual parties could also represent a breach of Article 81. The Commission reports that the start of proceedings does not mean that the Commission already has evidence of a breach, but only that the Commission is prioritising these proceedings. Krka published information on the Commission proceedings on 26 November 2008 and 6 January 2009.
- On 27 July 2009 the Krka Company received the decision of the Higher Court in Ljubljana. The Higher Court in Ljubljana has refused the appeal filed by Novartis AG, Basel, Switzerland and has confirmed the decision of the District Court in Ljubljana dated 18 February 2009, which refused to issue the temporary injunction, that would prohibit Krka to manufacture and market the product Valsacor, film coated tablets in all strengths, or whichever other product that may infringe patent EP 1 410 797, in Slovenia. The Higher Court decision is final. Krka published the information, that the District Court in Ljubljana refused the temporary injunction, on 24 February 2009.
- In May this year, the Krka Company informed the interested public that the European Patent Office revoked also the second of the two patents referring to the active ingredient atorvastatin. Companies Warner Lambert Company LLC and Pfizer H.C.P. Corporation, both from the USA, have filed against Krka, d. d., Novo mesto a motion for alleged infringement of both patents at the District Court in Ljubljana. After revocation of both patents the plaintiffs informed the District Court in Ljubljana about withdrawal of the action against Krka. When invited by the Court, Krka as the defendant, consented to withdrawal of the action in a statement presented to the Court. The Court has not yet made any ruling in the matter.

- The term-in-office of Jože Colarič, Janez Poljanec, Aleš Rotar and Zvezdana Bajc, current members of the Krka Management Board expires on 31 December 2009, while the worker director was appointed by the Supervisory Board on 7 November 2007 for a mandate lasting until 31 December 2012.

At a meeting in January 2009 the Supervisory Board decided to reappoint Jože Colarič as President of the Management Board and Chief Executive for a six-year term-in-office, starting 1 January 2010. At its meeting on 29 July 2009 the Supervisory Board decided that the next term-in-office for the management board of Krka, d. d., Novo mesto, would last from 1 January 2010 to 31 December 2015, and that

Aleš Rotar, Zvezdana Bajc in Vinko Zupančič would be appointed as members, in addition to the President of the Management Board and Chief Executive Jože Colarič and worker director Danica Novak Malnar. New member of Management board became Vinko Zupančič, who graduated from the Faculty of Pharmacy, Ljubljana, in 1996 and joined Krka in January 1997. At Krka he has had a number of different roles, including director of the Krka representative office in Bangalore, India. Since his return to Slovenia in mid-2005, he has managed Supply Chain in Product Supply and in December 2008 was appointed as deputy director of Product Supply.

Highlights

in EUR thousand	Krka Group		Krka Company	
	1-6/2009	1-6/2008	1-6/2009	1-6/2008
Sales revenues	477,845	469,268	420,782	416,209
EBIT	117,481	110,884	104,898	108,861
EBITDA	154,881	144,115	133,593	132,963
Net profit	78,124	78,396	82,755	81,054
R&D costs	41,803	38,559	39,261	35,390
Investments	48,341	73,265	43,953	63,068

	30 Jun 2009	31 Dec 2008	30 Jun 2009	31 Dec 2008
Non-current assets	815,824	809,074	781,769	765,873
Current assets	485,090	461,962	484,595	458,519
Equity	857,651	783,296	880,153	797,203
Non-current liabilities	257,438	257,526	222,918	222,067
Current liabilities	185,825	230,214	163,293	205,122

RATIOS	1-6/2009	1-6/2008	1-6/2009	1-6/2008
Net profit margin	16.3%	16.7%	19.7%	19.5%
EBIT margin	24.6%	23.6%	24.9%	26.2%
EBITDA margin	32.4%	30.7%	31.7%	31.9%
ROE ¹	19.0%	21.8%	19.7%	22.8%
ROA ²	12.2%	13.3%	13.3%	14.6%
Liabilities/Equity	0.517	0.619	0.439	0.558
R&D costs/Sales revenues	8.7%	8.2%	9.3%	8.5%

NUMBER OF EMPLOYEES	30 Jun 2009	30 Jun 2008	30 Jun 2009	30 Jun 2008
At the day	7839	7362	5173	5103

SHARE INFORMATIONS (Krka Group)	1-6/2009	1-6/2008
Total number of shares issued	35,426,120	35,426,120
Earnings per share in EUR ³	4.62	4.64
Share price at the end of period in EUR	69.94	89.57
Price/earnings ratio (P/E)	15.13	19.30
Book value of share in EUR ⁴	24.21	21.44
Share price/book value (P/B)	2.89	4.18
Market capitalisation in EUR thousand (at the end of period)	2,477,703	3,173,118

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 2012

- Achieving average annual growth in sales of over 10%.
- Maintaining the proportion of new products in overall sales above at least 40%.
- Strengthening the competitive advantage of the product portfolio by maintaining vertical product integration and launching selected products as the first generic on selected key markets.
- Improving performance indicators.
- Making effective use of assets and improving product cost-effectiveness.
- Increasing innovation.
- Maintaining independence.

Key strategies – to 2012

- Prioritising focus on European and central Asian markets.
- Prioritising the strengthening of pharmaceutical and chemical activities.
- Developing generic medicines and preparing market authorisation documentation at least three years before the expiry of the product patent for the original medicine.
- Strengthening competitiveness in western European markets by establishing its own marketing companies.
- Strengthening the professional and cost synergy of the Krka Group, and maximising utilisation of competitive advantages in the business environments of Krka companies abroad.
- Restructuring the purchasing market to ensure the continual reduction of purchase prices.
- Strengthening the internationalisation of all business functions.
- Reducing the impact of financial risk and economic risk on Krka Group's operations.
- Pursuing a moderate dividend increase policy.
- Continued growth of market shares through the purchase of local pharmaceutical companies or business acquisition in selected markets.
- Maintaining our economic, social and protection responsibilities for the environment in which we operate.
- Operating according to principles of business excellence.

Krka Group's business objectives for 2009

- The product and service sales target is EUR 1,062 million (12% growth).
- The planned proportion of sales on markets outside Slovenia is 89%.
- Prescription pharmaceuticals, with growth anticipated at 9%, will remain the most important product group, and are expected to represent 81% of overall sales. New prescription pharmaceutical products will be marketed in key indication groups.
- The planned net profit is EUR 161 million.
- At the end of the year the Group will have 8055 employees, almost 48% of them abroad.
- Investments worth a planned EUR 161 million will primarily be aimed at increasing and modernising R&D, production capacity and infrastructure.

ID Card of the Krka Group

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

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

Telephone: 07 331 21 11

Fax: 07 332 15 37

E-mail: info@krka.biz

Website: www.krka.si

Basic line of business: Production of pharmaceutical preparations

Activity code: 21.200

Year established: 1954

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

VAT number: 82646716

Company ID number: 5043611

Called-up capital: EUR 59,126,194.28

Shares: 35,426,120 ordinary no-par value shares. Krka's shares have been listed on the Ljubljana Stock Exchange in 1997 with the trading code KRKG.

On 30 June 2009 the Krka Group consists of the controlling company, Krka d.d. Novo mesto, and the following subsidiaries:

	Ownership share
Terme Krka, d. o. o., Novo mesto	100%
KRKA-FARMA d. o. o., Zagreb, Croatia	100%
KRKA ROMANIA S.R.L., Bucharest, Romania	100%
KRKA-FARMA DOO BEOGRAD, Belgrade, Serbia	100%
KRKA-FARMA DOOEL, Skopje, Macedonia	100%
KRKA FARMA, d. o. o., Sarajevo, Bosnia and Herzegovina	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 ČR, s. r. o., Prague, Czech Republic	100%
KRKA Magyarország Kft., Budapest, Hungary	100%
KRKA Slovensko, s.r.o., Bratislava, Slovakia	100%
TAD Pharma GmbH, Cuxhaven, Germany	100%
KRKA Sverige AB, Stockholm, Sweden	100%
ALTERNOVA Arzneimittel GmbH, Vienna, Austria	100%
KRKA Farmacêutica, Unipessoal Lda., Estoril, Portugal	100%
KRKA USA, LLC, Wilmington, USA	100%
KRKA PHARMA DUBLIN LIMITED, Dublin, Ireland	100%

In January 2009 the subsidiaries KRKA ROMANIA S. R. L. in Bucharest, Romania (registered in mid-December 2008) and KRKA FARMA, d.o.o., Sarajevo, Bosnia and Herzegovina (registered in January 2009) started operations; both are 100% owned by the Krka Company. The new company will replace the former representative office in Romania, while in Bosnia and Herzegovina the

representative office will continue to operate alongside the newly established company.

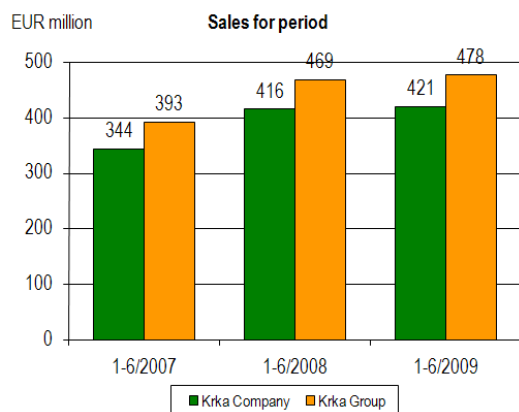
The Terme Krka-Strunjan company, which came under 100%-ownership of the Terme Krka Group in autumn 2008, was merged with Terme Krka on 1 January 2009 and now functions as one of its business units.

BUSINESS REPORT

Business operations analysis of the Krka Group and Krka Company

The analysis includes data for the Krka Company and Krka Group, while the commentary relates primarily to the Krka Group.

Revenues



The sale revenues of the Krka Group increased by 2% compared to the same period last year, while the Krka Company recorded an increase of 1%. The Krka Company generated sales revenues of EUR 420.8 million from the sale of prescription pharmaceuticals, self-medication products, cosmetics and animal health products, while the Krka Group generated EUR 477.8 million from sales

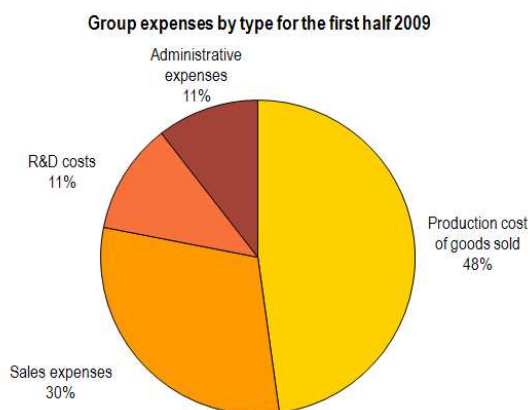
of these products plus sales of health and tourist services.

The Krka Group generated over 84% of its sales revenues from prescription pharmaceutical sales, which returned sales growth of 4% as a product group. Revenues from the sale of products, services and goods on markets outside Slovenia represented 89% of sales revenues.

Together with other financial revenues and financial expenses, the Group generated total revenues of EUR 483.6 million, and the Krka Company EUR 434.1 million.

A more detailed analysis of the sales results achieved by individual market and product groups is provided within this report in the Marketing and Sales section.

Expenses



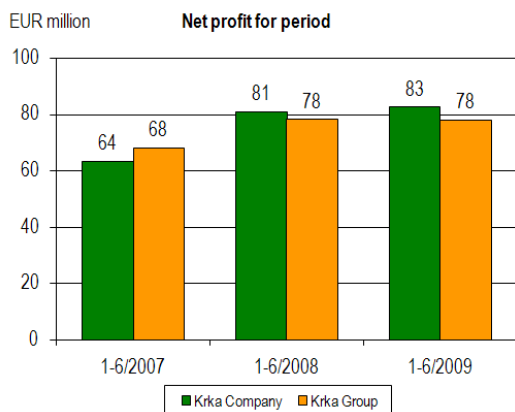
The Krka Group's total expenses for the first half of 2009 totalled EUR 380.9 million, 3% higher than for the same period last year.

The Krka Group recorded operating expenses of EUR 365.9 million, EUR 174.9 million of which were related to production costs of goods sold, EUR 110.7 million to sales and marketing costs, EUR 41.8 million to R&D costs and EUR 38.5 million to administrative expenses.

The Group's production costs of goods sold increased by 4% compared to the first half of last year, and their ratio to sales revenues was 36.6%. Sales and marketing costs came to 23.2% of sales.

Administrative expenses increased by 8% and their ratio to sales revenues was 8.7%. Since they are not capitalised by the Group, overall R&D costs are recognised as expenses for the period. Administrative expenses increased by 1% compared to the first half of last year, and their ratio to sales revenues was 8.0%.

Operating results



The Krka Group's operating profit of EUR 117.5 million was an increase of 6% on the

Assets

The Krka Group's assets at the end of June totalled EUR 1,300.9 million, up by 2% from the end of 2008. The ratio of non-current assets to total assets was 62.7%, a reduction one percentage point compared to the start of the year.

The most significant item under non-current assets, which overall were worth EUR 815.8 million, is property, plant and equipment, which at EUR 645.3 million represent half of all Group assets. The equity of the Group increased by 2%

Equity and liabilities

The Group's equity increased by 9% compared to the end of 2008, and now represents 65.9% of total equity and liabilities. The main factor in the increase was the Group's profits over the period.

Long-term provisions, which were worth EUR 150.3 million at the end of June 2009, remained at the same level as the end of 2008, as did long-term loans (worth EUR 83.7 million).

same period last year. The pre-tax profit, at EUR 102.7 million, was at the same level as last year's first six-month figure. Corporate income tax totalled EUR 24.6 million, of which EUR 24.4 million was levied tax and EUR 0.2 million deferred tax. The Group's effective tax rate was 23.9%.

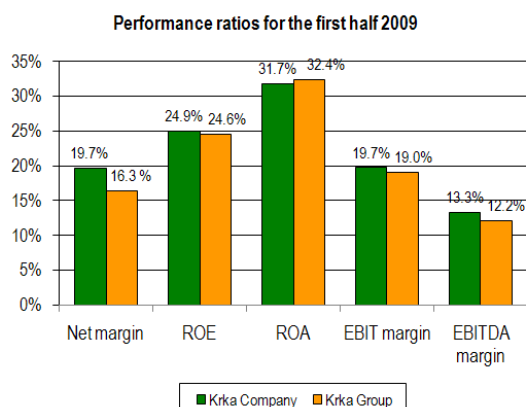
The Krka Group's net profit was EUR 78.1 million, which was about the same level as last year's first-half figures, while the net profit of the Krka Company totalled EUR 82.8 million, up 2% on the same period last year.

compared to the end of 2008.

During the first half of 2009, current assets increased by 5% compared to the start of the year, rising to EUR 485.1 million. Inventories decreased by 11% over the period, totalling EUR 189.1 million, while trade and other receivables increased by 18% to EUR 283.2 million. Current financial investments fell by a tenth and were worth EUR 0.7 million at the end of the period.

Current liabilities fell by 19% compared to the end of 2008, down to EUR 185.8 million, or 14.3% of total Group assets. In the current liability structure, operating liabilities fell by 12% to EUR 61.9 million, while short-term loans were down 29% to EUR 70.6 million. Other current liabilities were worth EUR 48.9 million, an decrease of 1% compared to the end of last year.

Performance ratios



The Krka Group's net profit margin was 16.3% (Krka Company: 19.7%), the EBIT margin was 24.6% (Krka Company: 24.9%), and the EBITDA margin 32.4% (Krka Company: 31.7%). The Krka Group's ROE was 19.0% (Krka Company: 19.7%), and the ROA was 12.2% (Krka Company: 13.3%).

Marketing and sales

The Krka Group's sales revenues in the first half of this year, totalling EUR 477.8 million, exceeded last year's figures by EUR 8.6 million or 2%. Sales by

the Krka Company were worth EUR 420.8 million, growth of 1%.

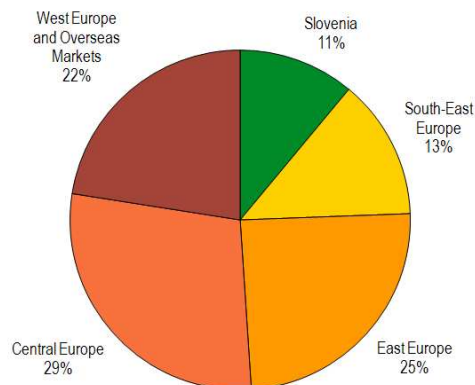
Sales by region

The leading Krka region by sales, with 29% of total Group sales, is Region Central Europe, where product sales in the first six months were worth EUR 136.3 million, growth of 10% on the same period last year. The second-ranking region by sales, which totalled EUR 117.3 million, was Region East Europe with a 25% share. It is followed by Region Western Europe and Overseas Markets,

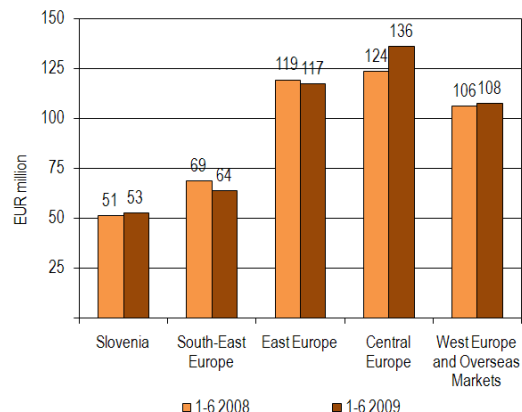
where sales were worth EUR 107.6 million, 22% of overall Group sales. Krka sales on the markets of Region South-East Europe were worth EUR 63.9 million, representing 13% of Group sales, while sales on the Slovenian market were up by 3% to EUR 52.7 million, representing 11% of total Krka Group sales.

in EUR thousand	Krka Group			Krka Company		
	1-6/2009	1-6/2008	Ind.	1-6/2009	1-6/2008	Ind.
Slovenia	52,709	51,201	103	37,022	35,640	104
South-East Europe	63,913	68,707	93	61,420	65,792	93
East Europe	117,299	119,415	98	97,819	116,191	84
Central Europe	136,329	123,641	110	134,929	114,218	118
West Europe and Overseas Markets	107,595	106,304	101	89,592	84,368	106
Total	477,845	469,268	102	420,782	416,209	101

Krka Group sales by region for the first half of 2009



Krka Group first-half sales by region for 2008 and 2009



Slovenia

Sales on the domestic market in the first half of the year totalled EUR 52.7 million, an increase of 3% on the same period last year. An increase in sales was achieved for prescription pharmaceuticals, despite significant pressure to lower prices within the pharmaceutical pricing system. Sales were worth EUR 30.5 million over the period. Krka remains the leading prescription pharmaceutical producer in Slovenia, with a 13% market share. Sales of self-medication and animal health products were worth EUR 3.1 million and EUR 1.3 million respectively,

remaining at last year's levels. Sales of cosmetics products were down to around EUR 1 million. Sales of health and tourism products over the first six months of 2009 grew 7% to EUR 16.2 million.

Krka remains the market leader for sales in Slovenia of statins, ACE inhibitors, proton pump inhibitors and sartans. The best-selling products are Atoris®, Ultop®, Prenessa®, Lorista®, Enap®, Vasilip® and Nolpaza®.

South-East Europe

In the first half of 2009 sales on the markets of south-east Europe were worth EUR 63.9 million, a 7% fall compared to the same period last year. Sales were down on the markets of Bulgaria, Croatia, Montenegro, Romania and Serbia, while sales grew on other markets.

Nolpaza® and Lorista® H, which were launched in 2008. Kventiax® and Alventa® were launched in the second quarter of the year.

Croatia remains one of the largest markets in the region, and a key Krka market. Sales reached EUR 20.7 million, which is 13% more than for the same period last year, and represented almost one third of total Krka Group sales in the region. The fall in sales is largely due to lower prices for products on the new pharmaceutical list, which came into force in March.

The Jastrebarsko production plant again acquired a positive assessment from EU health authorities in the field of good manufacturing practice (GMP). This led to the granting of an EU GMP certificate for all phases of the production process for the following three years.

Krka is the third-ranking generic producer, immediately behind two domestic producers. Krka's leading products on the market are Atoris®, Zyllt®, Ciprinol®, Vasilip® and Enap® plus Ampril®,

Romania is the second most important Krka market in the region. Product sales over the period were worth EUR 15.3 million, with sales of prescription pharmaceuticals representing the majority of sales (EUR 10.1 million), followed by sales self-medication products, worth EUR 4.6 million, with the remainder represented by animal health products. The overall 6% reduction in sales was primarily due to the reduction in the fall in prices for

pharmaceutical on the market, a slowdown of sales in March, and a change in the prescription system in April.

The best-selling products in Romania were Bilobil[®], Enap[®], Ciprinol[®], Nolicin[®] and Tadol[®], while the highest growth was achieved for Tenox[®], Lanzul[®], Ampril[®], Floron[®] and Triovit[®]. Particularly worthy of mention is Oprymea[®], one of the most successful of new products.

There was a significant fall in sales on the **Serbian** market in the first half of the year, with sales of EUR 3.8 million. The main reason for the fall was the continuation of the fall in prices, and the removal of specific products from the approved list. The best-selling products over the first half-year were Zyllt[®], Vasilip[®] and Lorista[®]. Mention must also be made of the launch of a new product to treat the central nervous system, Alventa[®], as well sales of Fitoval[®] in new packaging.

Sales on the **Bulgarian** market were worth EUR 5.4 million, which is a slight fall on the same period last year. The cause was the introduction of new rules by the Bulgarian Ministry of Health for setting medicine prices, which also led to a quantitative reduction in sales demand. The majority of sales on the Bulgarian market was from prescription pharmaceuticals, which represent 97% of sales. Lorista[®] is one of the top products, representing one quarter of total sales on the market. The other best-selling products were Enap[®], Rawel[®], Atoris[®] and Vasilip[®]. This was joined by Torendo[®] Q-tab and Monkasta[®], which were launched this year. It should be emphasised that most Krka products from the prescription pharmaceutical group were included on the latest approved list in June.

East Europe

Krka generated sales worth EUR 117.3 million on the markets in its Region East Europe over the first six months of 2009, which is 2% down on the same period last year. The highest share in sales by product group is prescription pharmaceuticals, with 78%. They grew by 7%. In second place by sales, with a 17% share, were self-medication products, followed by animal health products with a 4% share of total sales.

The Russian Federation is one of Krka's key markets, and with sales of EUR 86.6 million in the

In **Bosnia and Herzegovina** sales in the first half were worth EUR 7.4 million, meaning growth of 7%. The most significant products are prescription pharmaceuticals, representing 79% of total sales on this market. It is followed by sales of self-medication products with a 12% share, cosmetics with an 8% share and animal health products with 1%. The best selling products in the prescription pharmaceutical group were Enap[®], Coryol[®], Naklofen[®], Oспен[®], Atoris[®], Zyllt[®] and Lorista[®]. The main self-medication products were Septotele[®] and CalciumvitaC[®], which contributed most to the 8% growth in sales for this product group. The most important products in the cosmetics group were Tricia[®] and Fitoval[®].

On the **Macedonian** market Krka achieved product sales worth EUR 5.1 million over the period, an increase of 9% on the same period last year. The volume of sales achieved makes Krka the leading foreign generic pharmaceutical producer. The best selling product in this product group is Enap[®], Lanzul[®], Cordipin[®], Oспен[®] and Atoris[®], while mention should also be made of the new product Cezera[®] (levocetirizine). The major self-medication products are Daleron[®], B-Complex[®], Herbion[®], Bilobil[®], Septotele[®] and Pikovit[®], with the leading animal health products being Floron[®] and Enroxil[®].

On most other markets in the region Krka achieved high sales growth in the first half of 2009, the highest being 36% in **Albania**, while it was over 15% in **Kosovo**. The sales growth is due largely to the strengthened promotional and commercial activities in the field. There was a fall in sales on the smallest market in the region, **Montenegro**, due to a delay in the issue of the national medicine tender.

first half of the year is Krka's largest individual market. The value of sales was 10% up on the same period last year. Successful sales of prescription pharmaceuticals, which grew by 19%, contributed to the positive result reaching a value of EUR 68.9 million, while growth of 48% in animal health products, up to EUR 3.0 million, must also be mentioned. A fall in sales was recorded in the self-medication product group, due to a fall in demand and price changes, with the total down to EUR 13.8 million, or down one fifth on the same period last year.

Krka's best-selling product is still Enap[®], followed by Vasilip[®], Nolicin[®], Herbion[®], Zyllt[®], Macropen[®], Atoris[®], Herbion[®], Ultop[®], Fromilid[®], Cordipin[®] and Panzynom[®]. High growth in sales was also achieved by: Lorista[®], Zyllt[®], Herbion[®], Tenox[®], Rawel[®], and Atoris[®]. The product range is being continually updated – in the first quarter, a number of new products to treat high blood pressure were launched: Lorista[®] H and Lorista[®] HD and Amprilan[®] H and Amprilan[®] HL. The latest products on the market of the Russian Federation are Spazmonet[®] and Orsoten[®], which were launched in the second quarter of this year.

Coverage in the field was improved over the period and the marketing network strengthened by reorganising work in the field. Krka Rus performed well, with its own production contributing almost 30% of all Krka Group products sold in the Russian Federation.

In April 2009 Krka was named as the best foreign producer in the Russian Federation.

Operations in **Ukraine** in the first half of 2009 were affected by a fall in the population's purchasing power, which in countries without compulsory medical insurance means a fall in the market's value, and hence a fall in sales, particular for self-medication products. Although in the first half year Krka had to reorganise its work in the field and reset prices, it still achieved sales of EUR 13.6 million and succeeded in increasing its market share and its position among the leading foreign pharmaceutical producers. The best selling products over the period were Enap[®], Naklofen[®] and Ciprinol[®].

In **Kazakhstan** Krka sold products worth EUR 4.3 million, 22% higher than for the same period last year. The leading product group by sales was prescription pharmaceuticals with 65%, followed by self-medication and animal health products. The best-selling products were Enap[®], Duovit[®], Vasilip[®], Pikovit[®] and Macropen[®]. The first half of 2009 was marked by high growth in sales via government tenders and a devaluation of the national currency of over 20% in early February.

In **Uzbekistan** Krka achieved sales of EUR 3.1 million. The best-selling product group, with 58% of overall sales, was prescription pharmaceuticals, followed by self-medication

products and cosmetics. The best-selling products were Pikovit[®], Enap[®] and Duovit[®]. Operations in the first half of 2009 were constrained by restrictions on converting the national currency into US dollars imposed by commercial banks.

In **Belarus** we achieved sales worth EUR 3.0 million. The leading product group, with 74% of sales, was prescription pharmaceuticals, followed by self-medication products and cosmetics (24%), and animal health products (2%). The best-selling products were Enap[®], Macropen[®], Septolete[®], Fromilid[®], Pikovit[®] and Diflazon[®]. The value of the national currency fell by almost 30% over the first quarter of the year, which had a negative impact on sales of Krka products for the rest of the first six months.

Operations in **Moldova** were stable, except on the non-prescription pharmaceutical markets, where there was a fall due to reduce purchasing power. The fall in self-medication product sales was more than made up for by sales of prescription pharmaceuticals, for which there was a 32% growth compared to the same period last year. Sales in the first half of 2009 were up by 18% on the same period last year. The best selling products over the period were Enap[®], Kaptopril[®] and Duovit[®].

Over the first six months of 2009, Krka achieved sales growth of 30% in **Mongolia**, where a Krka representative office has been operating since January. Prescription pharmaceutical sales are notable, achieving sales growth of 47%, while the financial and economical crisis had a negative impact on sales of self-medication products, which remained at the same level as last year. Apple, lemon and cherry flavours of Septolete[®] were introduced to the market.

The highest growth in sales compared the first half of last year on other markets in the region, which generated revenues of EUR 4.2 million, was achieved in **Turkmenistan** (73%), **Tajikistan** (54%) and **Kyrgyzstan** (31%). Sales in **Azerbaijan** increased by 22%. In **Armenia**, which has had a Krka representative office since the beginning of the year, we achieved growth of 10%, while sales in Georgia remained at the same level as last year. Sales growth on all the markets was mainly achieved through increased marketing and promotional activities in the field.

Central Europe

The Krka Group generated sales worth EUR 136.3 million in the markets of Central Europe in the first half of 2009, which is about one tenth more than for the same period last year. Sales of prescription pharmaceuticals, which represent 94% of overall sales in the region, grew by 11%, while sales of self-medication products grew by 10%. Animal health product sales fell by one third.

Poland is a key Krka market, and the largest in this Krka region. Despite a 6% fall in sales compared to the same period last year, product sales were worth EUR 55.5 million. The highest share in sales by product group was prescription pharmaceuticals, with 93%. This is followed by self-medication products with a 5% share, and animal health products with a 2%. The most significant prescription pharmaceuticals, together representing half of sales on this market, were Atoris[®], Zalasta[®] (produced in Poland), Lorista[®], Nolpaza[®], Vasilip[®], Lanzul[®] and Valsacor[®]. Positive sales results were achieved with Nolpaza[®], sales of which grew by 29% to make it the fourth best selling Krka product, while Valsacor[®] sales increased by 383% to reach 7th place. Sales of self-medication products increased by 19%, largely due to Septolete[®], which increased by 46%. Animal health product sales were down by 45%, due to falling sales of Floron[®].

Sales in the **Czech Republic** were worth EUR 31.5 million, with growth of 36%. The best-selling products remain Atoris[®], Lorista[®], Ampril[®], Prenessa[®], Asentra[®], Lexaurin[®], Lanzul[®] and Enap[®]. Of these, the highest growth, at 189%, was achieved by Lexaurin[®], while sales of Asentra[®] and Lanzul[®] increased by 45% and 43% respectively. The major contribution to the 29% improvement in sales of self-medication products came from the Septolete[®] and Nalgesin[®] products, with growth of 20% and 44% respectively.

Krka recorded sales growth of 14% in **Hungary**,

West Europe and Overseas Markets

In Region West Europe and Overseas Market product sales for the first half of 2009 were worth EUR 107.6 million, a 1% increase on the same period last year. Prescription pharmaceuticals represent the largest proportion of overall sales (96%). The remainder was made up by sales of animal health products and, to a lesser extent, self-medication products.

which is Krka's third most important market in the region with sales of EUR 23.6 million. The most important products were Atoris[®], Prenessa[®], Nolpaza[®], Lanzul[®] and Lorista[®], which together represented 60% of total sales. The highest sales growth was achieved by Lorista[®] (74%), Nolpaza[®] (29%) and Lanzul[®] (25%). Bilobil[®] remains the only self-medication product, and sales were down 6% compared to the first half of 2008.

In **Slovakia** Krka achieved sales of EUR 13.6 million, growth of 28%. The best-selling products remain Atoris[®], Prenessa[®], Fromilid[®], Lorista[®] and Alventa[®]. Of particular note were Prenessa[®] and Lorista[®], which with growth of 88% and 53% became the second and fourth best-sellers respectively. Septolete[®] (growth of 17%) remained the best-selling product among the self-medication products, sales of which grew by 24% overall.

Krka generated sales worth EUR 7.9 million in the **Lithuania**, which is 23% higher than for the same period last year. The best selling products are Lorista[®], Valsacor[®], Prenessa[®] and Zalasta[®]. The highest growth of all was achieved by Valsacor[®] and Prenessa[®], while sales of the recently launched Monkasta[®] were also successful. Sales of self-medication products were 24% down on the same period last year.

Sales in **Latvia** grew by 4% to EUR 2.8 million. The most important products remain Atoris[®], Enap[®], Prenessa[®] and Zalasta[®]. Sales of self-medication products were somewhat down, mainly due to a drop in sales of Septolete[®] and Daleron[®].

In **Estonia** Krka achieved 40% growth in product sales, reaching a total of EUR 1.3 million. The most important products remain Fromilid[®], followed by Enap[®] and Atoris[®]. Sales of self-medication products were also successful and up by 5%, largely due to sales of Septolete[®].

Over 95% of sales in this Krka region were achieved in **western European countries**, which Krka considers as key markets. The most important individual markets were Germany, with a 24% share of sales in the region, the UK with 23%, Italy with 13% and France and the Nordic states with 12% shares each. The best sellers remain lansoprazole, enalapril and combinations of enalapril with

hydrochlorothiazide, pantoprazole, gliclazide SR, carvedilol and venlafaxine SR, which place Krka among the leading generic suppliers on some markets.

The fall in sales of olanzapine in Germany over the first six months was made up by newly launched generic products in the western European (EU15) states. In addition to generic pantoprazole and perindopril Krka was the first generic producer to successfully launch a clopidogrel in the UK. The volume of animal health product sales increased in the EU15 states, with growth on other markets in the sales region expected in the second half of the year. New products already represent three-quarters of overall animal health product sales.

Krka successfully increased sales of its own branded products via its subsidiaries in western Europe. The best sales are achieved via the TAD

Pharma subsidiary in Germany, while sales are also increasing in the Nordic states, Portugal and – towards the end of last year – Austria.

Most sales on overseas markets are generated from Krka's own brand products. These are mainly prescription pharmaceuticals. The most important markets in **Africa** remains South Africa and Ghana, while encouraging growth has also been achieved in Sudan this year. Iran remains the most important market in the **Middle East**. The most important market in **Asia** remains Malaysia, though rapid growth has also been achieved in Vietnam. In Hong Kong, Krka expects to acquire market registration for a large number of new products, which will form a sound basis for further sales growth. The product sales portfolio is being expanded in most overseas markets, while the possibilities of entry to new markets are also being explored.

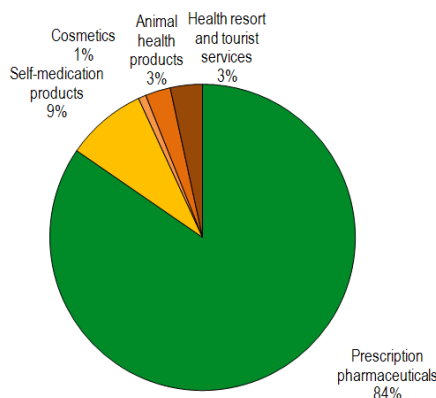
Sales by product and service group

The most important products in the Krka portfolio for the first half of 2009, with a 94% share of sales worth EUR 448.2 million, were human health products. Sales of animal health products over the

same period represented 2.7% of Krka Group sales. Sales of health and tourism services grew by 7%, reaching EUR 16.2 million, or 3% of the Krka Group's overall sales.

in EUR thousand	Krka Company			Krka Group		
	1-6/2009	1-6/2008	Ind.	1-6/2009	1-6/2008	Ind.
Human health products	448,235	440,849	102	448,235	440,849	101
- prescription pharmaceuticals	403,633	386,973	104	403,633	386,973	104
- self-medication products	40,709	48,372	84	40,709	48,372	80
- cosmetics	3,893	5,504	71	3,893	5,504	66
Animal health products	12,742	12,810	99	12,742	12,810	102
Health resort and tourist services	16,244	15,228	107	16,244	15,228	
Other	624	381	164	624	381	229
Total	477,845	469,268	102	477,845	469,268	101

Krka Group sales by product and service group for the first half of 2009



Prescription pharmaceuticals

The Krka Group sold prescription pharmaceuticals worth EUR 403.6 million over the first half of the year, which is 4% up on the same period in 2008. Sales on traditional markets, which include Slovenia and the markets of central, south-east and eastern Europe came to EUR 300.2 million, which is 5% up on the same period last year. Sales increased most in Region Central Europe (up 11%) and in Region East Europe (7%), while in Region South-East Europe they were down by 7%, due mainly to falling sales in Croatia and Serbia. A fall in sales compared to the same period last year was also recorded in Ukraine, due to the unfavourable economic conditions on that market.

The highest growth in prescription pharmaceutical sales on the larger markets compared to the equivalent period in 2008 were achieved in the UK (up 93%), the Czech Republic (36%), the Russian Federation (19%), and Hungary (15%). On the mid-sized markets, growth should be mentioned in France (up 119%), Italy (36%), the Nordic states (42%), Slovakia (30%), and Lithuania (27%). Worthy of mention on the smaller markets was the growth achieved in Estonia (up 42%) and Albania (40%).

The leading prescription pharmaceuticals by sales are Enap®, Atoris®, Lanzul®, Zyllt®, Lorista®, Vasilip®, Nolpaza®, Prenessa®, Fromilid® and Nolicin®. The highest sales growth was achieved by Nolpaza® (192%), Zyllt® (181%), Alventa® (114%), Prenessa® (30%) and Lorista® (27%). This again confirms that the key generators of continued sales growth are new products, since almost all the fastest growing products have been launched in the past five years.

In the first half of 2009 Krka launched several new products that will make a significant contribution to growth in coming years. The latest products in the Krka product range include the modern anti-depressant Elicea® (escitalopram), which has been launched in Slovenia and the Czech Republic. Other new products this year include Oprymea® (pramipexole) to treat Parkinson's disease, Krka's first product in this product group, and Zypsilan® (ziprasidone), a medicine to treat schizophrenia and bipolar disorders. Both products are available on most central European markets. Another interesting product is Orsoten® (orlistat), which reduces excess body weight, and was launched in the Russian Federation this spring. All launches were backed by active promotional support carried out by Krka's own marketing network.

Tens of existing products were launched onto new markets, the most important of which was the launch of pantoprazole in Germany and clopidogrel in the UK.

A major achievement of the first half-year was gaining approval from the European Medicines Agency (EMA) for two new Krka and highly promising products, Zyllt® (clopidogrel) and Vizarsin® (sildenafil), which involves the acquisition of market authorisations in all 27 EU member states, and launching the products in the second half of the year.

Positive results were achieved by the broad marketing network and considerable marketing activities, which are being continually adapted to the changing conditions on the market. Most marketing

activities were aimed at promoting products in key therapeutic groups, and that focus will continue throughout the year. These are primarily medicines to treat high blood pressure, to plasma lipids, anti-ulcer pharmaceuticals, and pharmaceuticals to treat conditions of the central nervous system. Some of the most important marketing activities this year include three major international symposiums organised within the European Congress of Psychiatry in Lisbon, the international gastroenterological congress in Dubrovnik and an international psychiatric congress in Ohrid. The three Krka satellite symposiums were attended by a total of 500 guests from 15 countries.

Self-medication products

The Krka Group posted self-medication product sales of EUR 40.7 million, a fall of 16% on the same period last year. The lower sales are largely due to the state of the economy in countries that are key to sales of Krka self-medication products.

Despite the unfavourable market conditions, Krka has managed to maintain last year's level of sales or even increase sales on numerous markets. Sales increased most in Region Central Europe (10%), where particular success was achieved in Poland (19%), the Czech Republic (29%) and Slovakia (24%). In Region South-East Europe sales increased most in Albania (up 24%) and Kosovo (14%), while in Region East Europe the highest

Cosmetic products

The Krka Group achieved cosmetic product sales worth EUR 3.9 million, a fall of 29% on the same period last year. The lower sales of cosmetics was closely linked to global economic conditions.

Among the largest markets, sales in Slovenia were down 11% compared to the same period last year,

Animal health products

Sales of animal health products in the first half of 2009 were worth EUR 12.7 million, 1% lower than for the same period last year.

The highest growth compared to the first half of last year (35%) was achieved in Region East Europe, while sales in Slovenia were up by 3%. The same level of sales as the first half of last year was

In 2009 Krka celebrated 20 years of its own proton pump inhibitors, including Ultop® (omeprazole), Lanzul® (lansoprazole) and Nolpaza® (pantoprazole). Over the past two decades Krka had become one of the leading European producers of such medicines, and to date over 30 million people in 48 countries have been treated by these Krka products. The anniversary was celebrated with a wide range of professional lectures around Slovenia, and in autumn a major international symposium is being prepared, which will include doctors from 20 countries.

growth was in Kazakhstan (17%) and the other central Asian “-stan states” (over 30%). The same level of sales as the first half of last year was maintained in Slovenia and Romania.

The crisis on the market has had the biggest impact on results in the Russian Federation, where sales were down one fifth compared to the first half of last year, and in Ukraine where only 24% of the 2008 half-year sales figure was achieved.

The best-selling products were Bilobil®, Septolete®, Pikovit®, Duovit® and Herbion®. The ten best-selling products represent 83% of all sales.

in Croatia they were down 2%, in Bosnia-Herzegovina down 14%, and in the Russian Federation they were down 29%.

The best-selling products include Fitoval® and Vitaskin®.

achieved in Region South-East Europe, while in Regions Central Europe and Western Europe the sales achieved were down on the figures for the first half of last year. The highest growth on the larger markets was achieved in the Russian Federation (48%), while high growth was also recorded in Germany and France.

The leading brands were still Enroxil®, Floron®, Kokcisan® and Ecocid® S. The highest growth among the five best-selling products (which represent over 70% of total sales) was recorded for Egocin® (28% growth), Ecocid® S (17%) and Enroxil® (5%). Good sales were also achieved by

Giraxa®, which was launched last year.

Marketing activity focused on the leading brands. The Enroxil® brand was strengthened with the addition of the Enroxil® Max product, broadening the product range of this leading Krka brand.

Health and tourism services

The Terme Krka Group generated revenues of EUR 16.2 million in the first half of the year from health and tourism services, achieving growth of 7% compared to the same period last year. The spas of Terme Dolenjske Toplice, Terme Šmarješke Toplice and Talaso Strunjan each represent a similar proportion of revenues, each at around 29%. The highest growth (13%) was achieved by the Dolenjske Toplice and Strunjan business units.

Revenues from catering were worth EUR 4.4 million, which is 3% below the figures for the first half of last year, while total revenues from swimming pools, sport activities and wellness services reached EUR 1.8 million, again 3% down on the same period last year. Revenues from healthcare services were worth EUR 4.3 million, representing over one quarter of the Group's total revenues.

Despite the overall downturn in the tourist sector, overnight stays generated EUR 5.5 million, an 8% increase, primarily due to increased capacity in the new Balnea hotel at Dolenjske Toplice and good hotel occupancy rates in Strunjan. Occupancy at business units offering spa facilities ranged from 62% at Dolenjske Toplice to 83% at Strunjan.

In June the expanded golf course at Otočec was officially opened; it is now a full 18-hole course. The course has won the 'best course in Slovenia' title for two years in a row and represents a major attraction that will satisfy the most demanding visitors to the Dolenjska region, and a further competitive advantage for all Terme Krka business units.

Research and development

The research and development sector gained market authorisations for 7 new pharmaceuticals in 14 forms during the first half of 2009. We also acquired 269 new market authorisations for a wide range of products across a number of different markets in 671 pharmaceutical forms.

pharmaceuticals of its type, and is an important anti-coagulant that reduces clotting and hence the occurrence of strokes and heart attacks.

Over the period Krka successfully concluded further centralised procedures (CP) with the European Medicine Agency (EMA), which provides market authorisation for all 27 EU states. The most important achievement has been the successfully completed procedures and acquisition of approval for two pharmaceuticals using the active pharmaceutical ingredient (API) clopidogrel. Market authorisation was acquired for a pharmaceutical with the API clopidogrel hydrogen sulphate (Zyllt®) and one based on clopidogrel hydrochloride as an alternate salt. Nine market authorisations were acquired via a centralised procedure, which will enable the product to be marketed on all EU markets. Clopidogrel is one of the best-selling

An EMA CP was also used to acquire market authorisation in the EU for Nimvastid®, which contains the API rivastigmine. The product is for treatment of Alzheimer's disease. It was registered in 2 pharmaceutical forms: capsules and orodispersible tablets (ODT). The latter is a unique form for the pharmaceutical, with Krka the only company to have developed this ingredient as an ODT. The new pharmaceutical form represents a successful achievement in pharmaceutical development, offering the market an alternative to capsules with a user-friendly ODT form of rivastigmine.

Another EMA CP providing EU-wide market authorisation was also successfully concluded for Vizarsin®. This is a generic version of tablets with

the API sildenafil, which has an effect on erectile dysfunction and is intended to treat impotence.

A number of other European decentralised procedures (DCP) and national market authorisation procedures have been carried out, adding new pharmaceuticals to the Krka portfolio. Market authorisation was gained for the Doreta® product in tablet form, which contains the APIs paracetamol and tramadol, and is intended to ease the symptoms of moderate to serious pain. The market permit was acquired in nine EU states and Croatia. Krka's Doreta® is the first generic product in this niche fixed combination.

Ezoleta® is the name of a newly registered pharmaceutical containing the API ezetimibe, which reduces blood fat levels by preventing the absorption of cholesterol. The first market authorisation was acquired in Slovenia, followed by other EU countries.

A first market authorisation in Croatia and the Czech Republic was also acquired during the first six months of this year for the product Co-cazaprol®, with the APIs cilazapril and hydrochlorothiazide. The product is used to treat high blood pressure in patients for whom monotherapy is insufficient.

In the first half of the year, various market authorisation procedures were concluded in western European states for 3 pharmaceuticals in 9 new forms and strengths to expand the sartan portfolio; the market authorisation procedure has been concluded in most EU states for the valsartan/hydrochlorothiazide combination, and authorisations expanded for losartan and the losartan/hydrochlorothiazide combination.

New products were added to the range of self-medication and food supplement products. We successfully concluded the notification procedure for the new Pikovit® IQ syrup and Pikovit® Balance syrup in 8 countries, expanding the Pikovit range in the food supplement sector. A notification was acquired for Duovit® Elegance in 4 states and the

first nutritional product notifications acquired for the Duovit® Charm, Duovital for men, Duovital memo, and Duovital osteo Belarus. These products in the Duovital line represent a move into the food supplement sector, which will be expanded with new products. Panzynom® 10,000 capsules were registered in the Russian Federation and Moldova, Trioovit® kardio in Ukraine and Bilobil® 120 capsules in Hungary and Romania. The Bilobil® 120 capsule has broadened the existing product range with a higher dose version that makes administration easier for users. The registration procedure was concluded in the Russian Federation for Herbion® Hypericum coated tablets. The product is a herbal medicine containing a dry extract of St. John's wort which is used to mitigate symptoms of mild depression.

In the field of animal health products, the first half of the year was marked by the expansion of the product range with products containing enrofloxacin, colistin sulphate and florfenicol on the markets of the EU and Region East Europe. A market authorisation for Enroxil® Max in injection solution form to treat respiratory infections was obtained in Ukraine and in Croatia, where the product was registered for wider use, i.e. for pigs as well as cattle. Market authorisation was also acquired in Ukraine for Giraxa®, a powder for oral solution preparation to treat bacterial infections in farm animals. In the Russian Federation we acquired a market authorisation for Floron®, injection solution form to treat infections in cattle, and in Croatia Solvimin® Se was registered, a vitamin and mineral powder for all types of farm animal.

In the cosmetics field, research work on the Sun Mix® product line was concluded. In line with new legislative recommendations we developed six new sun protection products in the Sun Mix line, successfully concluded efficacy tests, and acquired a market permit in Slovenia, meeting the latest criteria for the quality, safety and efficacy of skin protection products.

Investments

In the first half of 2009 investment spending in the Krka Group totalled EUR 48.3 million. Over 20 investment projects are underway, in various phases of implementation. Some are now approaching completion, while new projects to

modernise or construct new production capacity, R&D laboratories and infrastructure to ensure uninterrupted production are already in the conceptual and planning stages.

Below are a number of the most important projects.

Solid dosage pharmaceutical production plant

Krka's largest investment project at the moment is the construction of the production plant for solid pharmaceutical forms, which has been planned to ensure that the majority of capacity is dedicated to production of tablets and coated tablets, with some capacity for capsules.

Work was underway in spring 2009 to acquire the building permit, while construction work started in June. The value of the investments is assessed at EUR 93.0 million.

Reconstruction of the Bršljin plant

The Bršljin investment will increase production capacity and optimise material throughput. The construction of a separate biocide production facility with related infrastructure took place in 2008, while work now is focused on building a modern new

syrup production plant. The investment figure in the first half of the year was EUR 7.8 million. Production is planned to start in 2010 in the reconstructed plant.

Sinteza 4 – Line 5

The technological equipment has been installed in Sinteza 4 and installation works on Line 5 have been finished. In March we acquired a SIQ certificate, enabling test production to go ahead. The additional line was needed to produce

increasing quantities of new APIs. This has enabled the production of new strategic products. The investment in the first half of the year was worth EUR 3.2 million, with the total value of the investment assessed at EUR 11.3 million.

Pelete 9, 10

Production will be increased at the Specifika plant to ensure conditions are in place for the timely launch of capsules to market. The reconstruction includes the preparation and equipping of the plant, installing a line for pellet coating and/or producing granulates.

Production start-up for the new line is planned for this year. The investment in the first half of the year was worth nearly EUR 5 million, with the total value of the investment assessed at EUR 8.7 million.

Other projects by the controlling company

The construction of a packaging line at the production plant in Ljutomer increased pastille production capacity, while the construction of a business facility in Gotna vas has expanded warehouse capacity in Novo mesto. A bottle neck has been eliminated at the injection production plant, and ampoule filling, checking and packaging capacity increased. The second extraction line at Sinteza 2B plant introduced new technology for the

production of oils for hydrogenation.

Investments in information technology were intended to update infrastructure. In terms of software, work in the first half of the year related to upgrading the SAP system and activating the first phase of the key strategic IdM project – user management, which will take place in phases up until 2012.

Subsidiaries

The need to increase production capacity in Poland means the existing small packaging line will be replaced with a new system offering greater capacity. The line started-up in February 2009 and is operating at full strength. Preparations are in the final phase for the strategically important investment project to build additional capacity in the Russian Federation. Plans are in preparation to acquire the building permit.

The Otočec golf course, which comes under the Terme Krka Group, has been expanded with an additional nine holes. The course has won two consecutive titles of best golf course in Slovenia. One quarter of funds for the investment project was co-funded by the European Regional Development Fund.

Employees

Employees are the key to good business results, so Krka has long been committed to investing in the development of colleagues and ensuring good mutual relations and wellbeing within the workplace and outside. In 2009 Krka has mainly been recruiting in the fields of marketing and sales in its subsidiaries and representative offices abroad, and in research and development in Slovenia. The

number of employees in Slovenia increased by 79 during the first half of the year – including 33 with university education – and by 158 in subsidiaries and representative offices abroad. Over 47% of all Krka Group employees are now employed outside Slovenia, and almost 52% of employees in the Krka Group have at least a university degree.

Education structure of Krka Group employees

Educational level	30 Jun 2009		31 Dec 2008	
	Headcount	Share (in %)	Headcount	Share (in %)
PhD	82	1.0	76	1.0
MSc	189	2.4	178	2.3
University education	3777	48.2	3604	47.4
Higher professional education	611	7.8	596	7.8
Vocational college education	237	3.0	225	3.0
Secondary school education	1527	19.5	1503	19.8
Other	1416	18.1	1420	18.7
Total	7839	100.0	7602	100.0
- in Slovenia	4138	52.8	4059	53.4
- abroad	3701	47.2	3543	46.6

Scholarships are one method of attracting new employees. At present there are 112 Krka scholarships, largely in the fields of pharmacy and chemistry, though scholarships are also available to outstanding students in other fields of interest to Krka. During the 2008/09 academic year, 37 scholarships were awarded to new students.

Krka continually invests in new knowledge and training for employees. Our employees are also studying at home and abroad in the fields of specialist knowledge, quality, leadership, personal development, foreign languages and information science. Krka organises most training in-house.

Krka takes care of the personal and professional development of its staff, and systematically plans the development of key and promising staff. Their development is supported by Krka's own International Management School, which involves directors and managers from Krka companies and representative offices abroad and from Krka's organisational units in Slovenia. Promising employees selected for career development are

included in demanding projects, and are offered specialised training and studies in specific areas of expertise, as well as participating in the specialist and project team programme, which has been developed within the Krka Group. Krka organises training, themed conferences and other international events to ensure the exchange of best practice and the development of an international corporate culture.

Krka employees show great interest in acquiring new knowledge and gaining higher qualifications. At present 90 Krka employees are involved in specialist, master's and doctoral studies, while a total of 426 employees are involved in part-time studies alongside their work. In the first half of this year, 39 employees completed study programmes. The Krka Group's testing and recognition of knowledge takes place via a certification system that prioritises employees' practical knowledge relating to their work in the production of raw materials, final products and logistics. Since 2002, 385 certificates have been awarded according to this system, 23 of which this year., while another 90

are still studying for tests on work in the production of active ingredients and final products.

Since 2008 the new SAP HR information system has been in use for companies and representative offices abroad, with the next phase of system development being in the training field.

To ensure Krka employees enjoy an overall quality of life and work, we offer a range of activities that contribute to employee satisfaction, help the company attract high quality employees and, ensure good corporate performance.

A range of material and cash bonuses and awards offer additional staff motivation, and Krka also pays

particular attention to its best and longest serving employees. At the Krka Awards Day in June, 315 employees received long-service awards, while manager and employee of the year awards and innovation awards were also presented. In the first half of 2009, 228 employees put forward 314 useful proposals. Krka also organised a joint social and sports event for all its employees.

At the Forum of Excellence and Craftsmanship held in May at Otočec, Krka received the 2008 employer of the year award for the Dolenjska and Bela krajina region.

Investor information

The first half of 2009 saw the Krka share price rally, and the number of shareholders exceeded 80,000. At the end of June 2009 Krka had 80,811 shareholders, which is 5% more than at the end of 2008. In the first half of the year, the numbers increased largely due to an increase in individual

investors and international investors, with both groups their ownership share. Over the period the ownership share of Slovenian investment companies and funds, and other Slovenian companies, fell.

Ownership structure (%)

	30 Jun 2009	31 Dec 2008
Individual Slovenian investors	44.3	43.8
Slovenian investment companies & funds	8.1	9.2
SOD Fund	15.0	15.0
KAD & PPS Funds	10.2	10.2
Other Slovenian companies	8.9	9.3
International investors	8.9	7.9
Treasury shares	4.6	4.6
Total	100.0	100.0

In the first half of 2009 the company did not repurchase any treasury shares. On 30 June 2009 Krka held 1,626,620 treasury shares, representing 4.6% of nominal capital. At the 14th Annual General Meeting, held on 2 July 2009, shareholders passed

a resolution authorising the management board to acquire treasury shares, up to 10% of share capital. The authorisation to acquire and dispose of treasury shares will provide Krka with an additional source of financing for potential takeovers.

Ten largest shareholders in Krka on 30 June 2009

	Country	Number of shares	Proportion in equity in %	Proportion in voting rights in %
SLOVENSKA ODŠKODNINSKA DRUŽBA, D.D.	Slovenia	5,312,070	14.99	15.72
KAPITALSKA DRUŽBA, D.D.	Slovenia	3,493,030	9.86	10.33
NEW WORLD FUND INC	USA	891,237	2.52	2.64
NFD 1 DELNIŠKI INVESTICIJSKI SKLAD D.D.	Slovenia	729,651	2.06	2.16
LUKA KOPER, D.D.	Slovenia	433,970	1.23	1.28
UNICREDIT BANK AUSTRIA AG	Austria	388,521	1.10	1.15
ZAVAROVALNICA TRIGLAV, D.D.	Slovenia	388,300	1.10	1.15
DELNIŠKI VZAJEMNI SKLAD TRIGLAV STEBER I	Slovenia	375,585	1.06	1.11
MARIFARM D.O.O.	Slovenia	225,000	0.64	0.67
BANKA CELJE D.D.	Slovenia	218,655	0.62	0.65
Total		12,456,019	35.16	36.85

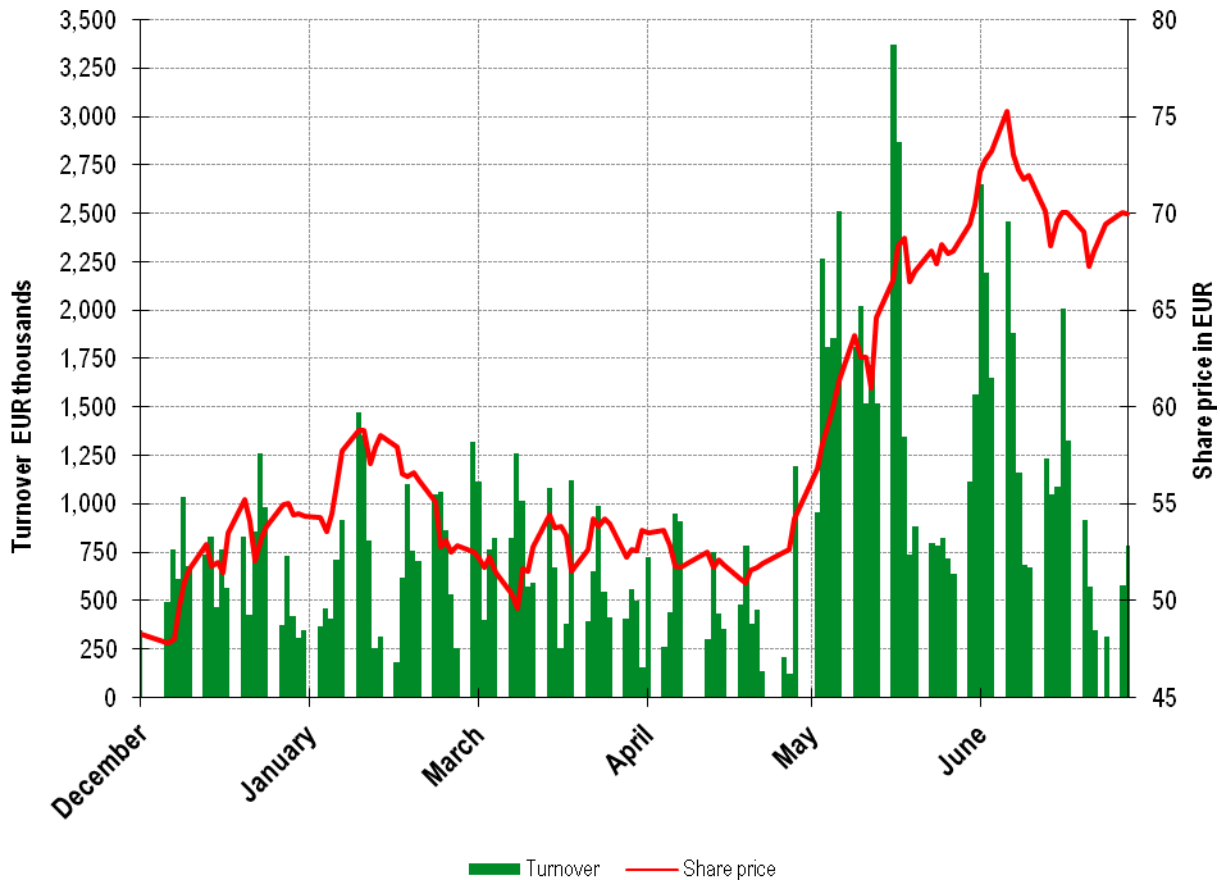
At the end of June, the ten largest Krka shareholders together held 12,456,019 shares, representing 35.16% of all shares issued.

Shares in Equity and Voting Rights of Krka Management Board and Supervisory Board Members as at 30.06.2009

	Število delnic	Delež v kapitalu	Delež v glasovalnih pravicah v %
Člani uprave			
Jože Colarič	22,500	0.0635	0.0666
Janez Poljanec	22,060	0.0623	0.0653
Aleš Rotar	12,770	0.0360	0.0378
Zvezdana Bajc	1,660	0.0047	0.0049
Danica Novak-Malnar	0	0.0000	0.0000
Člani uprave skupaj	58,990	0.1665	0.1745
Člani nadzornega sveta			
Gregor Gomišček	320	0.0009	0.0009
Mateja Božič	0	0.0000	0.0000
Anton Rous	0	0.0000	0.0000
Draško Veselinovič	60	0.0002	0.0002
Alojz Zupancič	3,490	0.0099	0.0103
Mateja Vrečer	0	0.0000	0.0000
Tomaž Sever	500	0.0014	0.0015
Franc Šašek	540	0.0015	0.0016
Člani nadzornega sveta skupaj	4,910	0.0139	0.0145

On 30 June 2009 members of the Management Board and Supervisory Board together held 63,900 company shares or 0.18% of all issued shares.

Trading in Krka shares in the first half of 2009



The Krka share price rallied significantly during the first half of 2009, up 45% from the start of the year to EUR 69.94 at the end of June. The lowest share price over the period was EUR 47.78, which occurred at the start of January. The highest value over the period, EUR 75.25, was reached on 8

June. The Slovenian Stock Exchange Index (SBI 20) grew 15% over the same period.

Krka's market capitalisation as at 30 June 2009 was EUR 2,477.7 million, while the average daily trading in Krka shares over the first half of 2009 was EUR 898 thousand.

Corporate risk management

Foreign exchange risk

The Krka Group's main foreign exchange risk lies in the variability of the US dollar exchange rate, as well as the Polish zloty, Croatian kuna, Russian rouble, Serbian dinar, Hungarian forint and Romanian lei.

In the first half of 2009, part of the open position in US dollars was hedged by forward contracts at the end of 2008. The forward contracts were not renewed on maturity, since the long position in US dollars fell this year.

Foreign exchange risk relating to other currencies was not hedged in the first half of 2009, since there were no instruments available on financial markets that would effectively hedge such a risk. In fact there were even appreciation pressures on some individual currencies, so it was assessed that the right of negative financial effects from transactions in the relevant currencies had fallen in the first half of 2009.

Interest rate risk

At the end of the first half of 2009, Krka had three long-term loans linked to the 6-month Euribor for the euro, which represent a major risk in the event of interest rate increases.

Krka did not increase its long-term borrowing during the first half of 2009. The total long-term borrowing

fell during the period due to steady ongoing debt repayment.

In the first half of 2009 the existing interest rate risk was not hedged. No new hedging was taken out due to the decline in the reference interest rates and comparable fixed interest rate.

Credit risk

The credit control process involves obtaining credit ratings for customers to which the Krka Group makes annual product sales of EUR 100,000 or over, and regular, dynamic monitoring of customer payment discipline. Over 400 of the Group's customers are included in the credit control system.

Changes in key credit control indicators, such as maturity structure, value of trade receivables and the average repayment term differed across the

market. An increase in credit risk was seen on some markets, mainly south-eastern and eastern Europe. Despite this, the good geographical dispersion of sales and hence also of credit risk, means the indicators mentioned above did not deteriorate significantly at the Group level, and remain within favourable range of value.

Receivables write-offs had no material impact on our financial position in the first half of 2009.

Liquidity risk

Risks relating to the Krka Group's solvency were controlled over the first half of the year by means of effective short-term cash flow planning. Liquidity needs are fulfilled by means of regular cash flow from business transactions, pre-arranged short-term credit lines at banks and daily, weekly, monthly and longer-term planning and monitoring of cash inflows and outflows on a rolling basis. The cash balance was optimised in the accounts of all subsidiaries.

Despite the current state of financial markets, liquidity risk is assessed as low. In general, banks have tightened financing conditions, reduced short-term loan maturity, raised interest margins, and added new clauses to standard contracts giving them greater flexibility, but Krka's low level of borrowing, sound cashflow, and successful operations still allow it to agree favourable loan terms with banks. Short-term borrowing fell slightly in the first half of 2009.

Insurance

Over the period from January to June 2009 Krka added these new subsidiaries abroad to its international insurance programme: Alternova AT, Krka Magyarorszag, Krka Farma Beograd, Krka Romania, Krka Slovensko and Krko ČR. The inclusion of these companies in the international insurance programme transfers insurance procedures to the controlling company. Insurance is centralised, and the companies acquire internally standardised procedures for taking out insurance and filing claims.

exposure to insured risks, to define the maximum probable damage, and to review realisation of recommendations made on the last visit. The inspections found considerable progress in preventive and organisational and technical measures to reduce risk and the consequences of actual risks. The inspection teams were also satisfied with the implementation of recommendations from previous visits (most were realised) and the inclusion of risk management in the project planning phase.

The industrial complex at Ločna underwent insurance inspections by Munich Re and Swiss Re, together with representatives from the Triglav insurance company and the reinsurance company, Triglav Re. The aim of the visit was to review

In the first half of 2009 Krka incurred 70 loss events, led in number by motor vehicle damage, followed by damage to goods during transit and storage, and damage to equipment and inventories due to the entry of precipitation.

CONDENSED FINANCIAL STATEMENTS OF THE KRKA GROUP WITH NOTES

Statement of financial position of the Krka Group

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Assets			
Property, plant and equipment	645,300	635,250	102
Intangible assets	126,871	128,980	98
Deferred tax assets	32,498	34,273	95
Long-term loans	4,217	3,892	108
Investments	6,590	6,343	104
Other non-current assets	348	336	104
Total non-current assets	815,824	809,074	101
Inventories	189,114	211,347	89
Trade and other receivables	283,159	240,875	118
Short-term loans	1,099	1,393	79
Current investments, including derivatives	670	743	90
Cash and cash equivalents	11,048	7,604	145
Total current assets	485,090	461,962	105
Total assets	1,300,914	1,271,036	102
Equity			
Share capital	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	142,814	146,454	98
Retained earnings	673,452	595,382	113
Equity holders of the parent	855,903	781,473	110
Minority interest	1,748	1,823	96
Total equity	857,651	783,296	109
Liabilities			
Long-term borrowings	83,737	83,734	100
Provisions	150,277	149,663	100
Government grants and grants by the European Union	6,070	5,353	113
Deferred tax liabilities	17,354	18,776	92
Total non-current liabilities	257,438	257,526	100
Trade payables	61,902	69,996	88
Short-term borrowings	70,601	100,111	71
Income tax liabilities	4,454	10,533	42
Other current liabilities	48,868	49,574	99
Total current liabilities	185,825	230,214	81
Total liabilities	443,263	487,740	91
Total equity and liabilities	1,300,914	1,271,036	102

Income statement of the Krka Group

in EUR thousand	1-6/2009	1-6/2008	Ind. 09/08
Revenues	477,845	469,268	102
Production cost of goods sold	-174,909	-167,577	104
Gross profit	302,936	301,691	100
Other operating income	5,487	2,410	228
Distribution expenses	-110,677	-115,935	95
R&D costs	-41,803	-38,559	108
Administrative expenses	-38,462	-38,723	99
Result from operating activities	117,481	110,884	106
Financial income	258	1,780	14
Financial expenses	-15,052	-10,271	147
Net financial expenses / income	-14,794	-8,491	174
Profit before tax	102,687	102,393	100
Income tax expense	-24,563	-23,997	102
Profit for the period	78,124	78,396	100
Attributable to:			
– equity holders of the parent	78,941	78,290	101
– minority interest	-17	106	-16
Basic earnings per share (in EUR)*	2.31	2.32	100
Diluted earnings per share (in EUR)**	2.31	2.32	100

* Net profit of majority shareholders / average number of shares issued, excluding own shares.

** All shares issued by the controlling are ordinary shares, hence the diluted earnings per share ratio was equal to the basic earnings per share.

Statement of comprehensive income of the Krka Group

in EUR thousand	1-6/2009	1-6/2008	Ind. 09/08
Net profit for the period	78,124	78,396	100
Other comprehensive income for the period:			
Changes in fair value of financial assets available for sale	247	-3,698	
Deferred tax effect - change in fair value of financial assets available for sale	-52	806	
Deferred tax effect and tax effect of transition to IFRS	0	-274	
Translation reserve	-3,835	3,661	
Total other comprehensive income for the period	-3,640	495	
Total comprehensive income for the period	74,484	78,891	94
Attributable to:			
- Equity holders of the parent	75,301	78,785	
- Minority interest	-17	106	

Statement of changes in equity of the Krka Group

in EUR thousand	Called capital	Own shares	Reserves					Retained earnings			Equity holders of the parent	Minority interest	Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserves	Other revenue reserves	Net profit for the period	Net profit carried forward			
Balance at 1 Jan 2008	59,126	-19,489	120,992	14,990	14,183	6,825	103	356,945	87,052	30,150	670,877	10,036	680,913
Comprehensive income for the period	0	0	0	0	0	-2,892	3,661	0	78,290	-274	78,785	106	78,891
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	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	0	0	-87,052	87,052	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	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	-113	-113
Balance at 30 Jun 2008	59,126	-19,489	120,992	14,990	14,183	3,933	3,764	356,945	78,290	116,928	749,662	10,029	759,691
Balance at 1 Jan 2009	59,126	-19,489	120,992	14,990	17,184	2,620	-9,332	450,417	102,955	42,010	781,473	1,823	783,296
Changes in profits for previous periods	0	0	0	0	0	0	0	0	0	-71	-71	0	-71
Comprehensive income for the period	0	0	0	0	0	195	-3,835	0	78,141	0	74,501	-17	74,484
Purchase of minority interest	0	0	0	0	0	0	0	0	0	0	0	-58	-58
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	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	0	0	-102,955	102,955	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	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance at 30 Jun 2009	59,126	-19,489	120,992	14,990	17,184	2,815	-13,167	450,417	78,141	144,894	855,903	1,748	857,651

Cash flow statement of the Krka Group

in EUR thousand	1–6/2009	1–6/2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	78,124	78,396
Adjustments for:	68,359	63,341
– amortisation /depreciation	37,400	33,231
– foreign exchange gain	-6,062	-110
– foreign exchange loss	8,073	1,585
– investment income	-448	-1,978
– investment expense	1,833	2,417
– interest expense and other financial expense	3,130	4,199
– income tax	24,563	23,997
– other	-130	0
Operating profit before changes in net operating current assets and provisions	146,483	141,737
Change in trade receivables	-43,339	-53,826
Change in inventories	22,233	-25,463
Change in operating debts (liabilities)	-12,842	11,425
Change in provisions	614	4,963
Change in grants received from the government and the European Union	718	-101
Change in other current liabilities	-687	2,838
Income taxes paid	-30,340	-22,442
Cash generated from operations	82,840	59,131
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	125	209
Dividends received	0	1
Proceeds from sale of property, plant and equipment and intangible assets	253	189
Purchase of intangible assets	-3,680	-3,723
Purchase of property, plant and equipment	-42,278	-68,468
Given long-term loans	-483	-446
Proceeds from repayment of long-term loans	482	426
Acquisition of non-current investments	-12	-75
Proceeds from sale of non-current investments	0	78
Acquisition of current investments	-260	-3,719
Proceeds from sale of current investments and repayment of short-term loans	170	3,544
Payments in connection with derivative financial instruments	-1,035	-277
Proceeds from derivative financial instruments	0	1,605
Net cash used in investing activities	-46,718	-70,656
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-4,777	-2,361
Repayment of long-term borrowings	-14,033	-7,993
Repayment of short-term borrowings	-159,397	-119,948
Proceeds from of short-term borrowings	145,570	136,269
Dividends paid	-18	-135
Net cash used in financing activities	-32,655	5,832
Net increase in cash and cash equivalents	3,467	-5,693
Cash and cash equivalents at beginning of period	7,604	15,784
Effect of exchange rate fluctuations on cash held	-23	-73
Net cash and cash equivalents at end of period	11,048	10,018

Geographical segments of the Krka Group

in EUR thousand	European Union		South-East Europe		Eastern Europe		Other markets		Eliminations		Unallocated		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenues to non-Group companies	310,592	292,528	43,155	46,860	117,299	119,415	6,799	10,465	0	0	0	0	477,845	469,268
Revenues to Group companies	40,435	49,266	26,755	30,572	40,929	44,377	0	0	-108,119	-124,215	0	0	0	0
Total revenues	351,027	341,794	69,910	77,432	158,228	163,792	6,799	10,465	-108,119	-124,215	0	0	477,845	469,268
Segment's results from operations	83,783	77,150	11,922	13,879	14,850	20,089	1,439	1,361	0	0	0	0	111,994	112,479
Other operating income											5,487	2,410	5,487	2,410
Unallocated costs											0	-4,005	0	-4,005
Operating profit													117,481	110,884
Net financial income/expenses											-14,794	-8,491	-14,794	-8,491
Income tax expense											-24,563	-23,997	-24,563	-23,997
Profit for the period													78,124	78,396
Capital expenditure	48,124	66,163	94	2,514	215	967	0	0	0	0	0	0	48,433	69,645
Depreciation of property, plant and equipment	18,095	15,541	1,652	2,179	4,784	5,030	169	219	0	0	6,911	5,989	31,611	28,958
Amortisation of intangible assets	3,748	3,150	1,250	331	752	737	39	55	0	0	0	0	5,789	4,273
	30 Jun 2009	31 Dec 2008	30 Jun 2009	31 Dec 2008	30 Jun 2009	31 Dec 2008	30 Jun 2009	31 Dec 2008	30 Jun 2009	31 Dec 2008	30 Jun 2009	31 Dec 2008	30 Jun 2009	31 Dec 2008
Total assets	828,939	790,405	93,884	105,526	197,298	187,962	8,502	10,599	0	0	172,291	176,544	1,300,914	1,271,036
Total liabilities	303,686	313,282	37,736	43,180	96,534	123,108	5,307	8,170	0	0	0	0	443,263	487,740

Notes to the consolidated financial statements

Sales revenues

EUR 477,845 thousand

Sales revenues comprise revenues from the sale of products, services and goods on the domestic market worth EUR 52,709 thousand (11.0% of the Group's net sales revenues) and on foreign markets

worth EUR 425,136 thousand (89.0% of net sales revenues). The growth in sales revenues was 2% up on the figures from the same period last year.

Production cost of goods sold

EUR 174,909 thousand

The Group's production costs of goods sold increased by 4 % compared to the same period last year, and their ratio to sales revenues was 36.3%.

Sales and marketing

EUR 110,677 thousand

Sales and marketing expenses comprise the costs of the Slovenian and foreign marketing sales networks. They fell by 5% compared to the same

period last year, and their ratio to sales revenues was 23.2%.

R&D costs

EUR 41,803 thousand

The Company does not capitalise R&D costs, so they are fully disclosed in the current income statement.

R&D costs were 8% higher than for the same period last year, and their ratio to sales revenues was 8.7%.

Administrative expenses

EUR 38,462 thousand

Administrative expenses decreased by 1% compared to the same period last year, and their ratio to sales revenues was 8.0%.

Costs by type

EUR 365,851 thousand

in thousand EUR	1-6/2009	1-6/2008	Ind. 09/08
Cost of goods and materials	103,010	121,288	85
Cost of services	89,220	91,369	98
Employee benefits cost	111,096	110,709	100
Depreciation/amortisation	37,400	33,231	113
Provisions formed	0	3,000	0
Other operating expenses	12,310	17,974	68
Total costs in terms of type	353,036	377,571	94
Changes in the value of inventories	12,815	-16,777	-76
Total	365,851	360,794	101

Employee benefit cost
EUR 111,096 thousand

in EUR thousand	1-6/2009	1-6/2008	Ind. 09/08
Gross wages and salaries and continued pay	86,893	87,181	100
Social security contributions and payroll tax	15,528	15,027	103
Other employee benefits cost	6,748	6,017	112
Retirement benefits and anniversary bonuses	1,927	2,484	78
Total employee benefits cost	111,096	110,709	100

Other operating expenses
EUR 12,310 thousand

in EUR thousand	1-6/2009	1-6/2008	Ind. 09/08
Grants and assistance for humanitarian and other purposes	1,756	966	182
Environmental levies	759	1,060	72
Other levies	2,569	3,084	83
Loss in the sale of property, plant and equipment and intangible assets	594	1,000	59
Write-offs and allowances for inventories	3,579	5,033	71
Other costs	3,053	6,831	45
Total other operating expenses	12,310	17,974	68

Finance income and financial expenses

in EUR thousand	1-6/2009	1-6/2008	Ind. 09/08
Interest income	128	163	79
Change in fair value of investments through profit or loss	91	0	
Income from derivative financial instruments, thereof:	0	1,615	0
– inflows	0	1,605	0
– changes in fair value	0	10	0
Dividend income	0	2	0
Other income	10	0	
Reversal of impairment	29	0	
Total financial income	258	1,780	14
Exchange differences	-10,089	-2,078	486
Interest expense	-2,999	-3,991	75
Change in fair value of investments through profit or loss	-15	-366	4
Expenses from derivative financial instruments, thereof:	-1,225	-1,188	103
– outflows	-1,035	-278	372
– changes in fair value	-190	-910	21
Other expenses	-131	-242	54
Write-offs and allowances for receivables	-593	-2,406	25
Total financial expenses	-15,052	-10,271	147
Net financial income/expenses	-14,794	-8,491	174

Income tax expenses

EUR 24,563 thousand

The corporate income tax levied was EUR 24,409 thousand, which is 23.8% of the pre-tax profit. Taking into account the deferred tax of EUR 154 thousand, the income tax expense in the

income statement totals EUR 24,563 thousand. The effective tax rate was higher than for the same period last year, rising from 23.4% to 23.9 %.

Property, plant and equipment

EUR 645,300 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Property	29,068	29,097	100
Plant	300,654	297,214	101
Equipment	269,001	262,430	103
Property, plant and equipment under construction	46,577	46,509	100
Total property, plant and equipment	645,300	635,250	102

Property, plant and equipment represented half of the Group's total assets. Krka's major investments

are described in the chapter "Investments" in the business report.

Intangible assets

EUR 126,871 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Goodwill	42,644	42,644	100
Trademark and customer list	42,028	42,403	99
Proprietary rights	38,112	38,390	99
Intangible assets in progress	4,087	5,543	74
Total intangible assets	126,871	128,980	98

The value of intangible assets had decreased by 2% since the start of 2009.

Long-term industrial property rights and intangible assets in acquisition constitute market authorisation documentation for new drugs and software.

Loans

EUR 5,316 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Long-term loans	4,217	3,892	108
Short-term loans	902	1,144	79
Short-term interest receivable	197	249	79
Total loans	5,316	5,285	101

Financial investments
EUR 7,260 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Non-current investments	6,590	6,343	104
- financial assets available for sale	6,590	6,343	104
Current investments, including derivatives	670	743	90
- instruments held for trading	182	128	142
- derivatives	0	190	0
- other current investments	488	425	115
Total investments	7,260	7,086	102

The financial assets available-for-sale include shares and stakes worth EUR 887 thousand in Slovenia, and EUR 4,661 thousand in shares and stakes held abroad.

Other current financial investments comprise assets

under the management of the controlling company in the amount of EUR 245 thousand, and Slovenian mutual fund units in the amount of EUR 203 thousand, and investments by the subsidiary Krka Farma Zagreb worth EUR 40 thousand.

Inventories
EUR 189,114 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Material	54,903	64,934	85
Work in progress	55,106	55,250	100
Products	62,244	73,182	85
Merchandise	16,861	17,981	94
Total inventories	189,114	211,347	89

Trade and other receivables
EUR 283,159 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Short-term trade receivables	263,760	218,448	121
Other short-term receivables	19,399	22,427	86
Total receivables	283,159	240,875	118

Cash and cash equivalents
EUR 11,048 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Cash in hand	157	70	224
Bank balances	10,891	7,534	145
Total cash and cash equivalents	11,048	7,604	145

Equity
EUR 857,651 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Share capital	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	142,814	146,454	98
– share premium	120,992	120,992	100
– legal reserves	14,990	14,990	100
– statutory reserves	17,184	17,184	100
– fair value reserve	2,815	2,620	107
– translation reserves	-13,167	-9,332	141
Retained earnings	673,452	595,382	113
Equity holders of the parent	855,903	781,473	110
Minority interest	1,748	1,823	96
Total equity	857,651	783,296	109

Borrowings
EUR 154,338 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Long-term borrowings	83,737	83,734	100
– borrowings from domestic banks	83,306	83,306	100
– borrowings from foreign banks	431	428	101
Short-term borrowings	70,601	100,111	71
– current portion of long term borrowings	14,776	29,542	50
– borrowings from domestic banks	42,000	57,000	74
– borrowings from foreign banks	11,868	10,007	119
– borrowings from other entities	414	372	111
– interest payable	1,543	3,190	48
Total borrowings	154,338	183,845	84

Provisions
EUR 150,208 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Provisions for retirement benefits and anniversary bonuses	49,983	49,182	102
Other provisions	100,294	100,481	100
– provisions for lawsuits	95,610	95,747	100
– other provisions	4,684	4,734	99
Total provisions	150,277	149,663	100

Government grants and EU grants

EUR 6,070 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Government grants	5,439	4714	115
Grants by the European Regional Development Fund	32	34	94
Free receipt of property, plant and equipment	599	605	99
Total grants received	6,070	5,353	113

Trade payables

EUR 61,902 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Payables to domestic suppliers	33,126	37,863	87
Payables to foreign suppliers	28,317	31,739	89
Payables from advances	459	394	116
Total trade payables	61,902	69,996	88

Other current liabilities

EUR 48,868 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Accrued contractual discounts on products sold to other customers	18,086	18,517	98
Payables to employees – gross wages, other charges	18,674	18,555	101
Other	12,108	12,502	97
Total other current liabilities	48,868	49,574	99

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

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

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Assets			
Property, plant and equipment	485,525	472,875	103
Intangible assets	27,994	28,137	99
Investments in subsidiaries	226,468	225,054	101
Deferred tax assets	28,710	28,732	100
Long-term loans	6,371	4,633	138
Non-current investments	6,381	6,134	104
Other non-current assets	320	308	104
Total non-current assets	781,769	765,873	102
Inventories	147,707	169,939	87
Trade and other receivables	298,752	255,711	117
Short-term loans	34,213	31,832	107
Current investments, including derivatives	630	743	85
Cash and cash equivalents	3,293	294	1.120
Total current assets	484,595	458,519	106
Total assets	1,266,364	1,224,392	103
Equity			
Share capital	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	155,981	155,786	100
Retained earnings	684,535	601,780	114
Total equity	880,153	797,203	110
Liabilities			
Long-term borrowings	81,209	81,209	100
Provisions	140,138	139,309	101
Government grants and grants by the European Union	823	853	96
Deferred tax liabilities	748	696	107
Total non-current liabilities	222,918	222,067	100
Trade payables	68,914	73,237	94
Short-term borrowings	57,988	88,752	65
Income tax liabilities	3,570	9,105	39
Other current liabilities	32,821	34,028	96
Total current liabilities	163,293	205,122	80
Total liabilities	386,211	427,189	90
Total equity and liabilities	1,266,364	1,224,392	103

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

in EUR thousand	1-6/2009	1-6/2008	Ind. 09/08
Revenues	420,782	416,209	101
Production cost of goods sold	-156,037	-145,149	108
Gross profit	264,745	271,060	98
Other operating income	3,057	580	527
Distribution expenses	-96,709	-99,912	97
R&D costs	-39,261	-35,390	111
Administrative expenses	-26,934	-27,477	98
Result from operating activities	104,898	108,861	96
Financial income	10,237	3,122	328
Financial expenses	-10,105	-8,602	117
Net financial expenses	132	-5,480	-2
Profit before tax	105,030	103,381	102
Income tax expense	-22,275	-22,327	100
Profit for the period	82,755	81,054	102
Basic earnings per share (in EUR)*	2.45	2.40	102
Diluted earnings per share (in EUR)**	2.45	2.40	102

* Net profit of majority shareholders / average number of shares issued, excluding own shares.

** All shares issued by the controlling are ordinary shares, hence the diluted earnings per share ratio was equal to the basic earnings per share.

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

In EUR thousand	1-6/2009	1-6/2008	Ind. 09/08
Net profit for the period	82,755	81,054	102
Other comprehensive income for the period:			
Changes in fair value of financial assets available for sale	247	-3,698	
Deferred tax effect - change in fair value of financial assets available for sale	-52	806	
Deferred tax effect and tax effect of transition to IFRS	0	-274	
Total other comprehensive income for the period	195	-3,166	
Total comprehensive income for the period	82,950	77,888	106

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

in thousand EUR	Called capital	Own shares	Reserves				Retained earnings			Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserve	Other revenue reserves	Net profit for the period	Net profit carried forward	
Balance at 1 Jan 2008	59,126	-19,489	120,992	14,990	14,184	6,824	356,945	81,021	37,417	672,010
Comprehensive income for the period	0	0	0	0	0	-2,892	0	81,054	-274	77,888
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	0	-81,021	81,021	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
Balance at 30 Jun 2008	59,126	-19,489	120,992	14,990	14,184	3,932	356,945	81,054	118,164	749,898
Balance at 1 Jan 2009	59,126	-19,489	120,992	14,990	17,184	2,620	450,417	108,130	43,233	797,203
Comprehensive income for the period	0	0	0	0	0	195	0	82,755	0	82,950
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	0	-108,130	108,130	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
Balance at 30 Jun 2009	59,126	-19,489	120,992	14,990	17,184	2,815	450,417	82,755	151,363	880,153

Cash flow statement of Krka, d. d., Novo mesto

in EUR thousand	1-6/2009	1-6/2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	82,755	81,054
Adjustments for:	44,476	47,912
– amortisation/depreciation	28,695	24,102
– foreign exchange gain	-1,825	-2,611
– foreign exchange loss	1,233	1,037
– investment income	-10,438	-3,287
– investment expense	1,704	2,492
– interest expense and other financial expense	2,832	3,851
– income tax	22,275	22,328
Operating profit before changes in net operating current assets and provisions	127,231	128,966
Change in trade receivables	-41,635	-55,537
Change in inventories	22,233	-21,168
Change in operating debts (liabilities)	-5,098	20,748
Change in provisions	829	4,900
Change in grants received from the government and the European Union	-30	-30
Change in other current liabilities	-1,189	1,009
Income taxes paid	-27,789	-19,189
Cash generated from operations	74,552	59,699
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,152	1,387
Dividends received	0	1
Profit of subsidiaries	9,047	682
Proceeds from sale of property, plant and equipment and intangible assets	2,474	2,691
Purchase of intangible assets	-2,703	-3,308
Purchase of property, plant and equipment	-41,239	-55,855
Acquisition of subsidiaries and minority interest net of cash	-1,414	-5,851
Long-term loans	-2,650	-593
Proceeds from repayment of long-term loans	1,345	2,162
Acquisition of non-current investments	-12	-75
Proceeds from sale of non-current investments	0	78
Acquisition of current investments and loans	-10,152	-12,573
Proceeds from sale of current investments and repayment of short-term loans	7,270	12,909
Payments in connection with derivative financial instruments	-1,035	-277
Proceeds from derivative financial instruments	0	1,605
Net cash used in investing activities	-37,917	-57,017
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-4,470	-2,371
Repayment of long-term borrowings	-14,036	-7,862
Repayment of short-term borrowings	-158,800	-129,044
Acquisition of short-term borrowings	143,710	138,216
Dividends paid	-18	-36
Net cash used in financing activities	-33,614	-1,097
Net increase in cash and cash equivalents	3,021	1,585
Cash and cash equivalents at beginning of period	294	2,340
Effect of exchange rate fluctuations on cash held	-22	-72
Net cash and cash equivalents at end of period	3,293	3,853

Geographical segments of Krka, d. d., Novo mesto

in EUR thousand	European Union		South-East Europe		Eastern Europe		Other markets		Unallocated		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Total revenues	276,517	246,726	40,662	43,945	97,819	116,191	5,784	9,347	0	0	420,782	416,209
Segment's results from operations	85,482	74,864	11,316	15,571	4,619	21,609	424	237	0	0	101,841	112,281
Other operating income									3,057	580	3,057	580
Unallocated costs									0	-4,000	0	-4,000
Operating profit											104,898	108,861
Net financial income/expenses									132	-5,480	132	-5,480
Income tax expense									-22,275	-22,327	-22,275	-22,327
Profit for the period											82,755	81,054
Capital expenditure	43,942	59,163	0	0	0	0	0	0	0	0	43,942	59,163
Depreciation of property, plant and equipment	13,514	11,059	1,452	1,308	3,804	3,094	169	219	6,911	5,989	25,850	21,669
Amortisation of intangible assets	1,870	1,442	275	257	661	679	39	55	0	0	2,845	2,433
	30 Jun 2009	31 Dec 2008	30 Jun 2009	31 Dec 2008	30 Jun 2009	31 Dec 2008	30 Jun 2009	31 Dec 2008	30 Jun 2009	31 Dec 2008	30 Jun 2009	31 Dec 2008
Total assets	665,775	619,078	72,283	83,474	188,724	185,674	8,495	10,593	331,087	325,573	1,266,364	1,224,392
Total liabilities	253,799	260,972	37,321	41,553	89,782	116,492	5,309	8,172	0	0	386,211	427,189

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

Sales revenues

EUR 420,782 thousand

Sales revenues include revenues from the sale of products, services and goods on the domestic market worth EUR 37,022 thousand (8.8% of net sales revenues) and revenues from sales on foreign

markets worth EUR 383,760 thousand (91.2% of net sales revenues). Sales revenues were 1% higher than for the first half of last year.

Production cost of goods sold

EUR 156,037 thousand

The Group's production costs of goods sold increased by 8% compared to the same period last year.

Their ratio to sales revenues was 37.1%.

Sales and marketing

EUR 96,709 thousand

Sales and marketing expenses comprise the costs of the Slovenian and foreign marketing sales networks. Sales and marketing expenses

decreased by 3% compared to the same period last year, and their ratio to sales revenues was 23.0%.

R&D costs

EUR 39,261 thousand

R&D costs and fully disclosed in the current income statement, because the Company does not capitalise them. R&D costs were 11% higher than

for the comparable period last year, and their ratio to sales revenues was 9.3%.

Administrative expenses

EUR 26,934 thousand

Administrative expenses decreased by 2% compared to the same period last year, and their ratio to sales revenues was 6.4%.

Costs by type

EUR 318,941 thousand

in EUR thousand	1-6/2009	1-6/2008	Ind. 09/08
Cost of goods and materials	103,590	115,056	90
Cost of services	91,792	90,335	102
Employee benefits cost	80,390	82,367	98
Depreciation/amortisation	28,695	24,102	119
Provisions formed	0	3,000	0
Other operating expenses	8,111	9,790	83
Total costs in terms of type	312,578	324,650	96
Changes in the value of inventories	6,363	-16,722	-38
Total	318,941	307,928	104

Employee benefit cost
EUR 80,390 thousand

in EUR thousand	1-6/2009	1-6/2008	Ind. 09/08
Gross wages and salaries and continued pay	63,298	64,746	98
Social security contributions and payroll tax	9,919	10,684	93
Other employee benefits cost	5,272	4,704	112
Retirement benefits and anniversary bonuses	1,901	2,233	85
Total employee benefits cost	80,390	82,367	98

Other operating expenses
EUR 8,111 thousand

in EUR thousand	1-6/2009	1-6/2008	Ind. 09/08
Grants and assistance for humanitarian and other purposes	1,320	816	162
Environmental levies	701	963	73
Other levies	1,049	1,608	65
Loss in the sale of property, plant and equipment and intangible assets	465	937	50
Write-offs and allowances for inventories	2,740	3,027	91
Other costs	1,836	2,439	75
Total other operating expenses	8,111	9,790	83

Finance income and financial expenses

in EUR thousand	1-6/2009	1-6/2008	Ind. 09/08
Interest income	1,099	823	134
Change in fair value of investments through profit or loss	91	0	
Income from derivative financial instruments, thereof:	0	1,615	0
– inflows	0	1,605	0
– changes in fair value	0	10	0
Prihodki iz dividend in drugih deležev v dobičku	0	684	0
Dividend income	9,047	0	
Total financial income	10,237	3,122	328
Exchange differences	-5,948	-2,531	235
Interest expense	-2,801	-3,759	75
Change in fair value of investments through profit or loss	-15	-366	4
Expenses from derivative financial instruments, thereof:	-1,225	-1,187	103
– outflows	-1,035	-277	374
– changes in fair value	-190	-910	21
Other financial expenses	-31	-93	33
Write-offs and allowances for receivables	-85	-666	13
Total financial expenses	-10,105	-8,602	117
Net financial income/expenses	132	-5,480	-2

Income tax expenses
EUR 22,275 thousand

The corporate income tax levied amounts to EUR 22,253 thousand, which is 21.2% of the pre-tax profit. Taking into account the deferred tax of EUR 22 thousand, the income tax expense in the

income statement totals EUR 22,275 thousand. The effective tax rate was 21.2 % a reduction of 0.4 percentage points on the rate for the same period last year.

Property, plant and equipment
EUR 485,525 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Property	17,108	17,108	100
Plant	197,860	193,405	102
Equipment	226,015	220,872	102
Property, plant and equipment under construction	44,542	41,490	107
Total property, plant and equipment	485,525	472,875	103

The value of property, plant and equipment represented over 38% of the company's total

assets. Krka's major investments are described in the chapter "Investments" in the business report.

Intangible assets
EUR 27,994 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Proprietary rights	24,153	25,019	97
Intangible assets in progress	3,841	3,118	123
Total intangible assets	27,994	28,137	99

Intangible assets include software and market authorisation documentation for new drugs.

Loans
EUR 40,584 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Long-term loans:	6,371	4,633	138
– long-term loans to subsidiaries	2,364	1,069	221
– long-term loans to other entities	4,007	3,564	112
Short-term loans:	34,213	31,832	107
– short-term loans to subsidiaries	33,477	30,581	109
– short-term loans to other entities	539	1,002	54
– short-term interest receivable	197	249	79
Total loans	40,584	36,465	111

Long-term loans granted represent 16% of all loans granted.

Long-term loans to others includes loans granted by the company to employees, in line with internal acts, primarily to purchase or improve housing.

Financial investments
EUR 7,011 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Non-current investments	6,381	6,134	104
- financial assets available for sale	6,381	6,134	104
Current investments, including derivatives	630	743	85
- instruments held for trading	182	128	142
- derivatives	0	190	0
- other current investments	448	425	105
Total investments	7,011	6,877	102

The financial assets available-for-sale include shares and stakes worth EUR 771 thousand in Slovenia, and EUR 5,610 thousand in shares and stakes held abroad.

Other current financial investments comprise Slovenian mutual fund units worth EUR 203 thousand and assets under management worth EUR 245 thousand.

Inventories
EUR 147,707 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Material	43,374	57,476	75
Work in progress	50,966	49,867	102
Products	47,984	56,731	85
Merchandise	5,383	5,865	92
Total inventories	147,707	169,939	87

Trade and other receivables
EUR 298,752 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Short-term receivables due from subsidiaries	149,148	128,650	116
Trade receivables	138,473	112,821	123
Receivables due from other entities	11,131	14,240	99
Total trade and other receivables	298,752	255,711	117

Cash and cash equivalents
EUR 3,293 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Cash in hand	50	10	500
Bank balances	3,243	284	1.142
Total cash and cash equivalents	3,293	294	1.120

Equity
EUR 880,153 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Share premium	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	155,981	155,786	100
– share premium	120,992	120,992	100
– legal reserves	14,990	14,990	100
– statutory reserves	17,184	17,184	100
– fair value reserve	2,815	2,620	107
Retained earnings	684,535	601,780	114
Total equity	880,153	797,203	110

Borrowings
EUR 139,197 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Long-term borrowings	81,209	81,209	100
– borrowings from domestic banks	81,209	81,209	100
Short-term borrowings	57,988	88,752	65
– current portion of long-term borrowings	14,036	28,073	50
– borrowings from Group companies	0	131	0
– borrowings from domestic banks	42,000	57,000	74
– borrowings from other entities	414	372	111
– interest payable	1,538	3,176	48
Total borrowings	139,197	169,961	82

Provisions
EUR 140,138 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Provisions for retirement benefits and anniversary bonuses	45,967	45,120	102
Other provisions	94,011	94,011	100
– provisions for lawsuits	93,989	93,989	100
– other provisions	22	22	100
Long-term deferred revenue	160	178	90
Total provisions	140,138	139,309	101

Provisions for lawsuits comprise two-thirds of all provisions. Provisions increased compared to the start of 2009, largely due to the formation of new

provisions for retirement severance pay and loyalty bonuses.

Government grants and EU grants

EUR 823 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Government grants	192	214	90
Grants by the European Regional Development Fund	32	34	94
Property, plant and equipment received free-of-charge	599	605	99
Total grants received	823	853	96

Trade payables

EUR 68,914 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Payables to subsidiaries	16,071	14,074	114
Payables to domestic suppliers	29,861	33,066	90
Payables to foreign suppliers	22,771	25,970	88
Payables from advances	211	127	166
Total trade payables	68,914	73,237	94

Other current liabilities

EUR 32,821 thousand

in EUR thousand	30 Jun 2009	31 Dec 2008	Ind. 09/08
Accrued contractual discounts on products sold to other customers	14,897	14,897	100
Payables to employees – gross wages, other charges	15,839	16,783	94
Other	2,085	2,348	89
Total current liabilities	32,821	34,028	96

COMPLIANCE STATEMENT

The Management Board of Krka, d. d., Novo mesto acknowledges that the condensed financial statements of the Krka Company and the condensed consolidated financial statements of the Krka Group for the period ended 30 June 2009 are prepared so as to provide a true and fair view of the financial position and the results of operations of the Company and the Krka Group. When preparing condensed interim statements the same accounting policies were applied as when preparing the Company's and the Group's annual financial statements for 2008.

Condensed interim statements for the period ended 30 June 2009 were prepared in accordance with IAS 34, Interim financial reporting, and they should be read in relation to the annual accounting statements prepared for the financial year ended 31 December 2008.

The Management Board is responsible for taking the measures required to maintain the Company's and the Group's value and to prevent and detect fraud and other forms of misconduct.

The Management Board also acknowledges that the transactions between related entities in the Krka Group were implemented on the basis of sale and purchase contracts, applying the market prices for products and services.

Novo mesto, 29 July 2009



Jože Colarič,
President of the Management Board



Janez Poljanec,
Member of the Management Board



dr. Aleš Rotar
Member of the Management Board



Zvezdana Bajc
Member of the Management Board



Danica Novak Malnar
Worker Director – Member of the Management Board