



In accordance with the rules of the Ljubljana Stock Exchange, Krka, d. d., Novo mesto, Šmarješka cesta 6, 8501 Novo mesto, is hereby releasing the following

JANUARY – SEPTEMBER 2004 RESULTS

Krka, d.d., Novo mesto

In the first nine months of 2004 sales grew 17 percent to SIT 74.7 billion, compared to the same period of 2003. Sales target for the first nine months of this year was exceeded by 7 percent.

Company's prescription pharmaceuticals generated 83 percent of total sales, followed by self-medication products (10 percent), animal health products (4 percent) and cosmetic products (3 percent). With 23 percent growth sales of prescription pharmaceuticals significantly outpaced last year's growth in the same period. Sales of self-medication products grew by 3 compared with the same period of 2003. Sales of all products, except the cosmetics, have reached or exceeded nine-month plans.

Export sales in the first nine months of 2004 amounted to SIT 60.7 billion or 81 percent of total sales. The most important sales regions were West Europe and Overseas Markets (24 percent), East Europe (23 percent) and Slovenia (19 percent). Compared to the same period of 2003, the Region West Europe and Overseas Markets realized the biggest sales growth (69 percent), whereas the sales in East Europe Region grew by 17 percent. Nine-month sales targets were met in all sales regions, with the Region West Europe and Overseas Markets exceeding them by 18 percent.

The net profit for the period amounted to SIT 10.6 billion, which is a 25 percent increase compared to the same period of 2003. Given the usual lower sales dynamics in the third quarter the achieved result is in line with company's expectations.

Compared to the same period last year, the net profit margin grew from 12.9 percent to 13.7 percent, the return on equity from 12.4 percent to 14.2 percent and the return on assets from 8.5 percent to 9.6 percent.

As of 30 September 2004 company's assets amounted to SIT 149 billion, which is an increase of 3 percent compared to the beginning of the year. The increase is the result of the investments into fixed assets. The value of current assets has decreased, with inventories' down by 14 percent and receivables by 7 percent. The reduction of inventories resulted from large sales on the markets of western Europe in the first half of the year, due to two product launches.

Long-term provisions remained unchanged, whereas the structure of financial and operating liabilities, which decreased by 2 percent compared to the beginning of the year, changed substantially. The share of short-term liabilities fell from 20 to 11 percent due to major loan refinancing.

In the nine-month period the company spent SIT 11 billion on investments, mainly in Slovenia. Company's workforce increased by 116 employees from the beginning of the year to 3,644, solely due to new hirings in representative offices abroad.

	1-9/ 2004	1-9/ 2003	Index
Net sales (SIT thousands)	74,679,735	63,935,951	117
Net profit from ordinary activities (SIT thousands)	10,383,395	8,416,213	123
Net profit for the period (SIT thousands)	10,588,856	8,484,547	125
Earnings per share (SIT)*	3,985	3,193	125
Book value per share (SIT)**	29,026	26,481	110

* annualized net profit/total number of shares issued

** equity capital as of 30.9.2004/total number of shares issued

Krka Group

Group generated the sales of SIT 84 billion in the first nine-months of 2004, which is 12 percent more than the parent company's sales. This is mainly due to the sales of the subsidiary Krka Zdravilišča d.o.o. and the company in Poland, which manufactures and markets its own products. Regional structure of sales was ideally balanced, with Regions Slovenia, East Europe and West Europe and Overseas Markets each having a 21 percent share, and South-East and Central Europe each recording shares of 19 percent and 18 percent, respectively. The Group's sales grew by 23 percent in the first nine months of 2004, outpacing last year's sales in the same period by SIT 16 billion.

The net profit of the Group in the amount of SIT 11 billion is 4 percent higher than parent company's net profit, due to interim profit in subsidiaries' inventories.

The performance indicators – net profit margin at 12.8 percent, return on equity at 14.9 percent and return on assets at 9.9 percent, exceed the planned figures.

The Group's assets have increased 3 percent from the beginning of the year to SIT 151 billion. Fixed assets account for two thirds with current assets amounting to the remaining one third of total assets. The increase in Group's assets was entirely due to higher fixed assets, whereas the value of current assets, inventories as well as receivables, has decreased. With most of the Groups' financial and operating liabilities actually being those of the parent company, the Group experienced similar shifts in the structure of financial and operating liabilities.

Major investments in subsidiaries were related to the production and distribution centers in Croatia and in the Russian Federation.

At the end of this period the number of employees reached 4,750, which is an increase of 5 percent compared to the beginning of the year. Three quarters or 3,553 people were employed in Slovenia, and 1,197 or 25 percent abroad.

The results of Krka, d.d, Novo mesto and those of the Krka Group from January to September 2004 were discussed by the company's Supervisory Board at its meeting on 25 November 2004, and were assessed as good.

Management Board