

**Unaudited Interim Report
for the Krka Group and
the Krka Company
January – March 2008**



Novo mesto, May 2008

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INTRODUCTION

The statements for the period January-March 2007 and January-March 2008 are unaudited, while the full-year statements for 2007 have 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 Krka Group and Krka Company for January to March 2008 can be reviewed at Krka's registered office at Šmarješka cesta 6, 8501 Novo mesto, every working day from 08.00 to 15.00, and is also available on the Krka website: www.krka.si.

The Supervisory Board discussed and approved the January-March 2008 business report for the Krka Company and Group at its regular meeting on 14 May 2008.

Significant achievements

- Over the period January-March 2008 the Krka Group generated sales of products and services worth EUR 244.4 million, while the Krka Company generated sales worth EUR 210.1 million.
- The Krka Group achieved 20% growth in sales, and the Krka Company achieved 15% growth, compared to the same period last year.
- The Krka Group generated an operating profit of EUR 62.7 million, which is 23% higher than for the same period last year, while the Krka Company generated an operating profit of EUR 57.7 million or 27% higher than for the same period last year.
- The net profit was EUR 44.0 million for the Krka Group (16% growth on the same period last year), and EUR 41.4 million (20% growth) for the Krka Company.
- The highest proportion of sales for the Krka Group was achieved in Region Central Europe (27%), while the highest sales growth was achieved in Region West Europe and Overseas Markets (50%).
- The proportion of sales in markets outside Slovenia was 90% for the Krka Group, and 92% for the Krka Company.
- The share price listed on the Ljubljana Stock Exchange reached EUR 94.76 at the end of the March 2008.
- The Krka Group allocated EUR 33.0 million to investments, EUR 29.9 million of which was invested by the Krka Company and EUR 3.1 million by subsidiaries.
- The Krka Group had 7216 employees on the final day of the period. This was an increase of 6.5% compared to the start of the year.
- The major business objectives of the Krka Company and the Krka Group have been realised.

Events after the accounting period

- In the commercial dispute between the plaintiff Dr Janez Suša and the defendant Krka, d. d., Novo mesto (Krka) the Ljubljana District Court judged that Krka was required to provide damages with interest due to the termination of a licensing agreement of the plaintiff with a third party for the commercial use of a patent protecting an invention, i.e. an inductive radial-discharge funnel-shaped nozzle. Krka was required to pay the plaintiff EUR 942,032 with appertaining interest to the plaintiff for damages. The court judged that Krka was required to also pay annual instalments for future damages in the amount of EUR 153,388, with the final instalment on 1 August 2016. Krka will submit an appeal against the judgment within the deadline and has formed appropriate provisions.

Krka Group financial highlights

in EUR thousand	Krka Group		Krka Company	
	1-3/2008	1-3/2007	1-3/2008	1-3/2007
Sales revenues	244.384	204.213	210.123	182.874
EBIT	62.744	50.986	57.736	45.359
EBITDA	78.829	64.360	69.208	55.721
Net profit	44.041	38.108	41.418	34.482
R&D costs	19.443	14.316	17.082	14.180
Investments	32.994	30.531	29.927	27.987
	31 Mar 2008	31 Dec 2007	31 Mar 2008	31 Dec 2007
Non-current assets	765,240	749,707	732,028	712,263
Current assets	405,136	371,711	369,059	344,995
Equity	725,174	680,913	712,443	672,010
Non-current liabilities	256,977	253,773	222,792	219,426
Current liabilities	188,225	186,732	165,852	165,822
RATIOS	1-3/2008	1-3/2007	1-3/2008	1-3/2007
Net profit margin	18.0%	18.7%	19.7%	18.9%
EBIT margin	25.7%	25.0%	27.5%	24.8%
EBITDA margin	32.3%	31.5%	32.9%	30.5%
ROE ¹	25.1%	25.8%	23.9%	23.5%
ROA ²	15.4%	17.0%	15.4%	15.9%
Liabilities/Equity	0.614	0.647	0.546	0.573
R&D costs/Sales revenues	8.0%	7.0%	8.1%	7.8%
NUMBER OF EMPLOYEES	31 Mar 2008	31 Mar 2007	31 Mar 2008	31 Mar 2007
At the day	7216	6089	5005	4509
SHARE INFORMATIONS (Krka Group)	1-3/2008	1-3/2007		
Total number of shares issued	35,426,120	35,426,120		
Earnings per share in EUR ³	5.21	4.51		
Share price at the end of period in EUR	94.76	83.42		
Price/earnings ratio (P/E)	18.19	18.50		
Book value of share in EUR ⁴	20.47	17.26		
Share price/book value (P/B)	4.63	4.83		
Market capitalisation in EUR thousand (at the end of period)	3,356,979	2,955,247		

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 strategic objectives – to 2012

- Achieving average annual growth in sales value of over 10%.
- Maintaining the proportion of new products in overall sales of at least 40%.
- Strengthening the competitive advantage of the product portfolio via vertical integration and launching select products as the first generic products within 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 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 synergy within the Krka Group (in expertise and costs), 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 on 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 2008

- Sales of product and service sales planned to reach EUR 950 million (22% growth).
- The most important sales region will be Region Central Europe, with highest growth anticipated in Region Western Europe and Overseas Markets; the Russian Federation will remain the single most important market.
- The proportion of sales on markets outside Slovenia is anticipated at 89%.
- Prescription pharmaceuticals – with anticipated growth of 23% - will remain the most important product group (82% of overall sales).
- New prescription pharmaceuticals products will be marketed in key indication groups.
- The planned net profit is EUR 160 million.
- At the end of 2006 the Group will have 7700 employees, almost 46% of them abroad.
- Investments planned at EUR 160 million will primarily be used to increase and modernise 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

Principal activity: 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 registered shares with nominal value of EUR 1,669 per share. Krka's shares have been listed on the Ljubljana Stock Exchange since 1997 with the trading code KRKG.

The Krka Group consists of the controlling company, Krka d.d. Novo mesto, and the following subsidiaries and associated companies:

	Ownership share 31 Mar 2008
Terme Krka, d.o.o., Novo mesto	100 %
KRKA-FARMA d. o. o., Zagreb, Croatia	100 %
KRKA-FARMA, d. o. o., Novi Sad, Serbia	100 %
KRKA-FARMA DOOEL, Skopje, Macedonia	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 Magyarország Kft, Budapest, Hungary	100 %
KRKA ČR, s. r. o., Prague, Czech Republic	100 %
KRKA Slovensko, s. r. o, Bratislava, Slovakia	100 %
KRKA PHARMA DUBLIN LIMITED, Dublin, Ireland	100 %
KRKA Sverige AB, Stockholm, Sweden	100 %
TAD Pharma GmbH, Cuxhaven, Germany	100 %
KRKA Aussenhandels GmbH, Munich, Germany	100 %
KRKA PHARMA GMBH, Frankfurt, Germany	100 %
KRKA FARMACÊUTICA, Unipessoal Lda., Estoril, Portugal	100 %
KRKA USA, LLC, Delaware, USA	100 %

The Terme Krka subsidiary has a participating interest in the companies Terme Krka – Strunjan, d. o. o. (51%) and Golf Grad Otočec, d. o. o. (56.37%). The subsidiaries KRKA ČR s. r. o. in the Czech

Republic and KRKA Slovensko, s. r. o. in Slovakia, both 100%-owned by Krka, started operations in 2008. The Slovakian company is new, while the company in the Czech Republic was previously

dormant.

Work is underway on the merger of KRKA Aussenhandels GmbH, Munich and KRKA

PHARMA GMBH, Frankfurt with TAD Pharma. The companies will be deleted from the court register of companies, and TAD Pharma will take over all their assets, capital, rights and obligations.

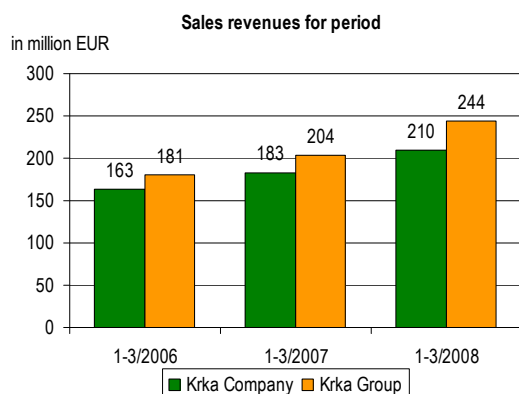
Business operations analysis of the Krka Group and Krka Company

The Krka Group and Company both performed successfully in the first quarter. The positive results were due to increased sales revenues, as well as lower growth in operating expenses compared to operating revenue growth. Most of this year's

quarterly operating results are better than for the same period last year.

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

Revenues



The net sale revenues of the Krka Group increased by 20% compared to the same period last year, while the Krka Company recorded an increase of 15%. The Krka Company generated net sales revenues of EUR 209.9 million from the sale of prescription pharmaceuticals, self-medication products and animal health and cosmetic products,

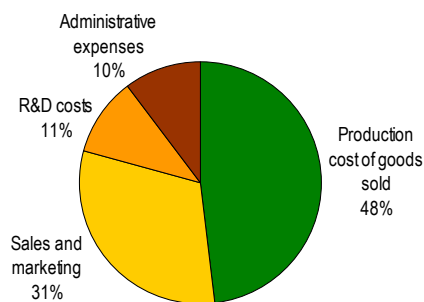
while the Krka Group generated EUR 244.2 million from sales of these products plus sales of health and tourist services.

The highest net Krka Group sales by product group (82%), was generated from prescription pharmaceutical sales. The highest relative growth in sales was recorded for animal health products and pharmaceutical products, both recording 21% growth. The majority of sales revenues (90%) was generated from the sale of products, services and goods in markets outside Slovenia. A more detailed analysis of the sales results by individual market and product group is given in the section Marketing and Sales.

The Group generated total product sales of EUR 251.2 million, and the Krka Company EUR 214.5 million.

Expenses

Group expenses by type for January - March 2008



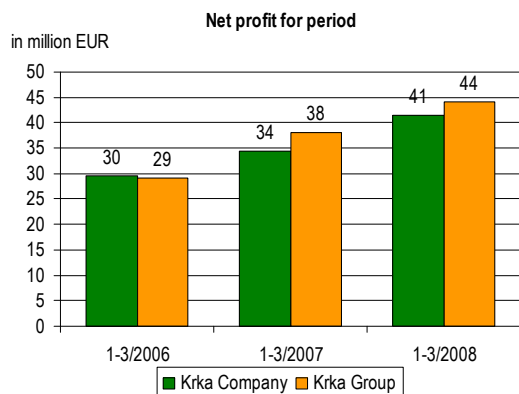
The Krka Group's expenses increased by 20.9%, or EUR 193.0 million more than for the same period last year, and their increase was 1.2 percentage points higher than the growth in sales.

The Krka Group recorded operating expenses of EUR 182.6 million, EUR 87.8 million of which were related to production costs of goods sold, EUR 56.5 million to sales and marketing costs, EUR 19.4 million to R&D costs and EUR 18.8 million to administrative expenses.

The production costs of goods sold increased by 18% for the Group, and their ratio to sales revenues was 35.9%. Sales and marketing costs grew by 14% due to expansion of the market network in all major Krka markets, with their ratio to sales revenues at 23.1%.

The Krka Group's R&D costs were 36% higher (ratio to sales revenues, 8%), and are accounted in full as expenses in the financial year, as the Group does not capitalise them. Administrative expenses increased by 20%, and their ratio to sales revenues remained at 7.7%.

Operating results



The Krka Group's operating profit of EUR 62.7 million represents an increase of 23%, compared to the same period last year. The pre-tax profit was up 18%, at EUR 58.2 million. Corporate income tax totalled EUR 14.2 million, of which EUR 14.7 million was levied tax and EUR 0.5 million deferred tax. The Group's effective tax rate was 24.4%.

The Group's net profit was EUR 44.0 million, an increase of 23% last year's three-month figures, while the net profit of the Krka Company totalled EUR 41.4 million, up 20%.

Assets

The Krka Group's assets stood at EUR 1,170.4 million at the end of March 2008, an increase of 4% on the start of the year. The ratio of non-current assets to total assets was 65.4%, a reduction of 1.5 percentage points compared to the start of the year.

total assets, with their value increasing by 3% compared to the start of the year.

Property, plant and equipment (PPE), worth a total of EUR 590.1 million was by far the largest non-current asset item, out of a total of EUR 765.2 million. PPE alone was worth 50.4% of

Current assets increased by 9% to EUR 405.1 million compared to the start of the year. Trade and other receivables increased by 16% to EUR 208.5 million over the period, while inventories increased 6% to EUR 182.3 million. Current financial investments fell by 50% (primarily shares available-for-sale and derivatives) and were worth EUR 1.5 million at the end of the period.

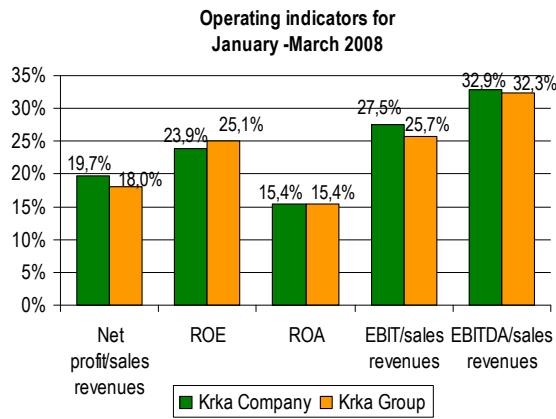
Equity and liabilities

The Group's equity increased by 7% compared to the end of 2007, and now represents 62% of total liabilities. The main factor in the increase was the Group's profits over the period.

Current liabilities were up 1% to EUR 188.2 million, which is 16% of total assets. Among current liabilities, short-term loans fell by 7% to EUR 58.2 million. Operating liabilities increased by 6% to EUR 82.8 million, while other current liabilities stood at EUR 42.0 million, remaining at approximately the same level.

Long-term provisions increased by 3%, while long-term loans remained practically unchanged over the period.

Performance ratios



The operational indicators for the Krka Company and Group were in line with strategic targets and objectives, and were largely up on the same period last year.

The Krka Group's net profit margin was 18.0% (Krka Company: 19.7%), ROE 25.1% (Krka Company: 23.9%), ROA 15.4% (Krka Company: 15.4%), operating profit to sales 25.7% (Krka Company: 27.5%), and EBITDA to sales 32.3% (Krka Company: 32.9%).

BUSINESS REPORT

Marketing and sales

In the first quarter of 2008 the Krka Group and Company both exceeded their sales figures for the same period last year. The Krka Group achieved sales worth EUR 244.4 million, exceeding sales

from the same period last year by 20%, while the Krka Company's figures were up 15% on the same period in 2007, to EUR 210.1 million.

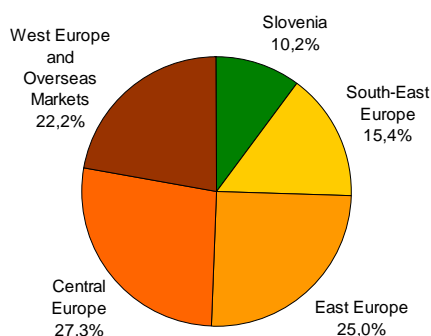
Sales by region

The highest sales by region were recorded in Region Central Europe, where sales reached EUR 66.7 million, representing over 27.3% of overall Group sales. It is followed in sales volume by Region East Europe, with EUR 61.0 million or a 25% share of Group sales. Region West Europe

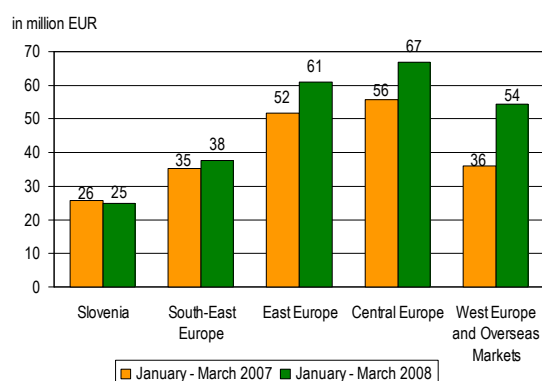
and Overseas Market was the third largest region by sales (22% of overall sales) and also recorded the highest growth of any region (50%). Region South-East Europe represented 15.3% of overall sales, while sales in Slovenia represented 10.2% of Krka Group sales.

in EUR thousand	Krka Group			Krka Company		
	1-3/2008	1-3/2007	Index	1-3/2008	1-3/2007	Index
Slovenia	24,858	25,715	97	17,498	18,599	94
South-East Europe	37,523	35,175	107	34,223	32,436	106
East Europe	61,002	51,582	118	56,270	49,775	113
Central Europe	66,741	55,572	120	60,206	46,214	130
West Europe and Overseas Markets	54,260	36,169	150	41,926	35,850	117
Total	244,384	204,213	120	210,123	182,874	115

Krka Group sales by region – January-March 2008



Krka Group sales by region for January-March 2007 and 2008



Slovenia

On our domestic market we achieved sales worth EUR 24.9 million, with EUR 14.8 million generated from prescription pharmaceutical sales, EUR 1,9 million from self-medication products, EUR 0.7 million from animal health products, and

EUR 0.3 million from cosmetics sales. The fall in the sale of medicines compared to the same period last year was due to the impact of the prescription pharmaceutical pricing system. Nevertheless, Krka remains the leading prescription pharmaceuticals

company in Slovenia, with a market share of almost 14.3%. Health and tourism services contributed EUR 6.9 million to overall sales on the domestic market, which represents 3% growth compared to the same period last year.

We remained the market leader in a number of individual therapeutic groups, such as statins, ACE

South-East Europe

Krka generated sales worth EUR 37.5 million in the countries of South-East Europe over the first quarter, which is 7% higher than for the same period last year. The highest growth compared to the same period last year was in Serbia (21%), Bosnia and Herzegovina (12%), Albania (15%) and Kosovo (26%). The growth of sales in these countries is largely due to an increase in marketing and commercial activities, and the expansion of the marketing and sales network.

As one of the key Krka markets, **Croatia** contributed one third of sales in the region. With a market share of over 6%, Krka has maintained third place on the market, immediately after two domestic producers. The best-selling products over the quarter were Atoris®, Ciprino®, Coryol®, Lorista® and Zyllt®, while the newly launched products Ampiril®, Nolpaza® and Lorista H® all sold successfully.

Krka's subsidiary in Croatia is also producing Zyllt®, Laaven®, Tenox® and Atoris® for the Croatian and other markets.

In **Romania**, the second-ranking market in the region by sales, we maintained the same level of sales as the same period last year, with the market share passing 3%. The best-selling products over

East Europe

Sales over the period increased by 18% in Region East Europe compared to the same period last year. The largest market in the region remains the Russian Federation, which is also Krka's largest individual market.

We achieved product sales worth EUR 43.3 million in the **Russian Federation** over the period. Prescription pharmaceutical sales were worth EUR 31.8 million with growth at 20%. Self-medication product sales reached EUR 10.0 million with growth of 23%, while cosmetics and animal

inhibitors, proton pump inhibitors and sartans, while we are also increasing our market share in medicines to treat the central nervous system. The following Krka products remain market leaders: Ultop®, Lorista®, Atoris®, Enap®, Vasilip® and Prenessa®.

the period were Vasilip®, Fromilid® and Lanzul®, while Enap®, Ciprino®, Tramadol® and Nolycin®; all maintained a high market share.

The 18% growth in self-medication product sales was primarily based on the success with Bilobil®, which remains our best-selling product in Romania. The seasonal nature of Daleron® sales led to its high sales growth over the period.

Most notable in **Serbia** was the growth for the products Lorista®, Fromilid® and Zyllt®. The sales results were largely due to intensive marketing work in the field, and having Krka preparations placed on the official Serbian health insurance fund list.

Sales of self-medication and cosmetic products were 40% higher than for the same period last year, largely due to seasonally-related growth in sales of Septotele® products. The sale of animal health products was somewhat lower than for the same period last year because of market restructuring.

Sales were higher than for the same period last year on all other south-east European markets, following the increase in marketing and sales activities in the field.

health products contributed EUR 0.7 million to overall sales. Cosmetics sales grew by 40%, while sales of animal health products were down by 13% compared to the same period last year.

The tightening of the supplementary medicine programme was already having a major impact on sales in the Russian Federation last year. After changes surrounding the transfer of programme planning and implementation to the regional level, this year Krka is anticipating financing for the supply of medicines via this programme, and for sales of

products within the programme to match last year's.

The best-selling Krka products in the Russian Federation were Enap[®], Vasilip[®], Atoris[®], Nolicin[®], Macropen[®], Ultop[®], Cordipin[®], Zyllt[®], Bilobil[®], Pikovit[®], Duovit[®] and the Herbion[®] product group. These include the three products with highest sales growth over the period: Zyllt[®], Ultop[®] and the Herbion[®] product group.

The improved saturation in the field and high specialisation in marketing key products led to Krka expanding and strengthening the marketing network on this market.

Business in **Ukraine** over the period was marked by an increase in our specialist staff, and as a consequence, a 25% rise in sales compared to the same period last year. Sales reached EUR 11.1 million. We strengthened cooperation with pharmacy chains, which are becoming an increasingly important part of the medicine supply chain in Ukraine. Our best-selling products are Enap[®], Duovit[®] and the Herbion[®] product group.

In **Belarus** we achieved sales worth EUR 1.5 million. The leading product group, with 65% of sales, was prescription pharmaceuticals, followed by self-medication products (30%), and animal health products (3%). We are facing active and very aggressive pricing from domestic

Central Europe

Krka generated sales worth EUR 66.7 million on markets in its Region Central Europe, which is 20% higher than for the same period last year. Sales of prescription pharmaceuticals, which represent 92% of overall sales in the region, grew by 20%, while sales of self-medication products grew by 12%, and animal health products sales by 58%.

On the **Polish** market, which represented 44% of sales in the region, Krka sold products worth EUR 29.1 million, representing growth of 14%. The most important prescription pharmaceuticals remains Zalasta[®], followed by Atoris[®], Lorista[®], Lanzul[®], Vasilip[®] and the recently launched Nolpaza[®]. These products represented half of all pharmaceutical product sales. Prenessa[®] and Zyllt[®] produced in Poland itself also contributed to the positive sales results. The highest growth (38%) compared to the same period last year was recorded in the field of urological products, due to

producers who enjoy high levels of support from institutions on the Belarusian medicine market.

In **Uzbekistan** we generated product sales worth EUR 1.4 million, which is 9% less than the same period last year. Our best-selling products are Pikovit[®], Duovit[®] and Enap[®], and Atoris[®] has now been launched.

In **Kazakhstan** we achieved sales worth EUR 1.0 million. Our leading product group was prescription pharmaceuticals with an 80% share, followed by self-medication products and cosmetics at 17%, while animal health products represented 3%. The market was characterised by a financial crisis over the period, which crossed over from the global real estate crunch.

Operations on other markets in the region proceeded without major items of note. In **Georgia** we achieved a 14% growth in sales compared to the same period last year. Operations in **Armenia** and **Azerbaijan** both had to respond to changes in the legal regime regarding the import and advertising of pharmaceuticals over the period, and sales increased by 3% and 12% respectively. High sales growth was achieved on the other central Asian markets. In **Mongolia** we increased sales by 121%, in **Kyrgyzstan** by 109%, and in **Tajikistan** by 17% compared to the same period last year.

positive sales of Tanyz[®] and expanding the product range with Kamiren XL[®] and Finpros[®].

Sales of self-medication products remained at last year's level, while sales of animal health products doubled.

In the **Czech Republic** we achieved sales worth EUR 16.2 million, with sales growth at 28% compared to the same period last year. The best-selling products are Lorista[®], Prenessa[®], Asentra[®], Fromilid[®], Enap[®] and Lanzul[®]. In the self-medication product group, Septolete[®] and Nalgesin[®] products sold well, representing almost 80% of self-medication product sales, which increased overall by 33% compared to the same period last year.

Hungary is Krka's third largest market in the region by sales. Krka achieved sales worth EUR 10.2 million, with sales growth at 17% compared to the

same period last year. The most important products Atoris®, Prenessa®, Fromilid®, Tenox® and Lanzul®. The most important of these were Prenessa®, which achieved sales growth of 43%, and Lanzul®, which grew 39%.

In **Slovakia** sales were worth EUR 6.0 million, which is 57% up on the same period last year. The best-selling products were Atoris®, Fromilid®, Prenessa®, Alventa® and Valsacor®. Special mention must be made of Alventa® and Valsacor®, which have quickly become the fourth and fifth best-selling Krka products on the market soon after the launch.

Sales in **Lithuania** reached EUR 3.3 million, which means growth of 7% compared to the same period last year. Krka's most important products on this

market are Lorista®, Enap®, Atoris®, Kaptopril® and Zalasta®. Special mention must be made of Atoris®, sales of which grew by over 200%. A fall in sales was recorded for self-medication products compared to the same period last year.

Sales in **Latvia** were worth EUR 1.5 million, meaning growth of 17%. The most important product on the market was Enap®, sales of which grew by 28%, followed by Atoris®, Daleron® and Fromilid®.

In **Estonia** we sold products worth EUR 0.5 million, growth of 10% compared to the same period last year. Our most important products on this market remain Fromilid®, Enap® and Ciprinol®. Sales of self-medication products were also successful, largely due to Septotele® sales being up by 80%.

West Europe and Overseas Markets

In Region West Europe and Overseas Market product sales were worth EUR 54.3 million, an increase of over 50% on the same period last year. Prescription pharmaceuticals represented 95% of total sales in the region, with the remainder coming from animal health products.

Some 87% of sales in this Krka region were achieved in the **EU-15 countries**, which Krka considers as key markets. The most important markets are the United Kingdom, Germany, Italy, and the Netherlands. The best sellers are lansoprazole, olanzapine, carvedilol, amlodipin and enalapril, with Krka one of the leading generic suppliers in some of the markets. Sales of venlafaxine, risperidone, mirtazapine and sertraline all grew.

Krka successfully strengthened sales of its own

branded products via its subsidiaries in western Europe.

Animal health product sales were up by 46% compared to the same period last year, and doubled in the EU15 countries. The growth of enrofloxacin, new market authorisations for florfenicol and the successful launch of salinomycin means we expect sales growth to continue in the future.

In our **overseas markets** we expect successful sales to continue in **Africa** for medicines sold via our partners and our own brands. In **Asia** we gained new market authorisations, which will lead to increased sales in the future. Sales growth was also achieved in **Iran**, where we also sell Krka-branded products, and in **Yemen**, where we are increasing the proportion of new products being promoted.

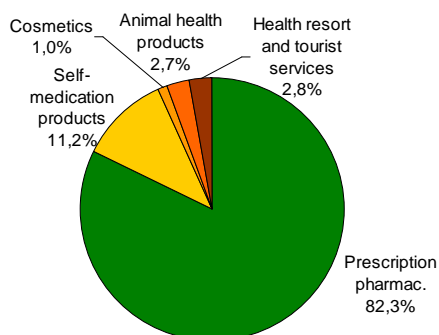
Krka Group and Krka Company sales by product and service group

Krka's most important line of business is the production and marketing of pharmaceutical products. Sales of prescription pharmaceutical products grew by 21% over the period, and together with self-medication and cosmetics represent 94.4%

of overall Krka Group sales. Krka also markets and sells animal health products, with sales growing by 21% over the quarter. The value of health and tourism services were worth EUR 6.9 million, achieving growth of 3%.

in EUR thousand	Krka Group			Krka Company		
	1-3/2008	1-3/2007	Index	1-3/2008	1-3/2007	Index
Human health products	230,624	191,797	120	203,535	177,226	115
- prescription pharmaceuticals	200,879	166,597	121	175,530	152,230	115
- self-medication products	27,316	22,869	119	25,604	22,529	114
- cosmetics	2,429	2,331	104	2,401	2,467	97
Animal health products	6,599	5,465	121	6,319	5,465	116
Health resort and tourist services	6,939	6,767	103			
Other	222	184	121	269	183	107
Total	244,384	204,213	120	210,123	182,874	115

Krka Group sales by product and service group – January-March 2008



Prescription pharmaceuticals

The Krka Group sold prescription pharmaceuticals worth EUR 200.9 million, which is 21% higher than for the first quarter of 2007. Sales on Krka's traditional markets – Slovenia and the markets of central, south-east and eastern Europe – were worth EUR 149.2 million, increasing most compared to the same period last year in central Europe (20% growth) and eastern Europe (18% growth). The highest growth by region was achieved in our Region West Europe and Overseas Markets, where growth of 48% led to prescription pharmaceutical sales worth EUR 51.7 million.

On the larger markets, the highest growth in prescription pharmaceuticals compared to the same period in 2007 was achieved in the northern EU-15 countries (85%), the Czech Republic (28%), Ukraine (25%), the Russian Federation (20%), Hungary

(17%) and Poland (12%). On medium-sized markets, mention should be made of the high sales growth achieved in Slovakia (61%), Bosnia-Herzegovina (20%), Serbia (20%) and Lithuania (13%).

The leading prescription pharmaceuticals by sales are Enap®, Atoris®, Lanzul®, Zalasta®, Vasilip®, Tenox®, Fromilid®, Lorista®, Coryol®, and Nolicin®. The highest growth in sales was achieved for Zalasta® (over 200%), and Tenox®, Coryol®, Lorista® and Atoris® (from 20 to 50%).

New products were the key generator of continued growth. Krka's top-30 best-selling prescription pharmaceuticals includes nine products launched in the past five years. The highest-ranking of these are Zalasta® (olanzapine), Prenessa® (perindopril) and

Co-Prenessa/Prenewel® (fixed combination with indapamide) and Zyllt® (clopidogrel).

Krka started marketing a large number of products on new markets in the first quarter of 2008. Major events included the launch of Nolpaza® (pantoprazole) and Kventiax® (quetiapine) on most central European markets, the launch of Zalasta® (olanzapine) in orodispersible tablet form in Poland, and the launch of Lorista® (losartan) in Ukraine and Valsacor® (valsartan) in Poland. This makes a total of over 25 launches on 28 of Krka's markets, which were all given active promotional support via Krka's own marketing activities and its marketing network.

Most marketing activities were aimed at promoting products in key therapeutic groups. These are primarily pharmaceutical products to reduce high blood pressure (Enap®, Prenessa®, Ampril®, Lorista®, Valsacor®, Tenox® and Coryol®), pharmaceuticals to reduce plasma lipids (Atoris®

Self-medication products

In the first quarter of the year, Krka sold self-medication products worth EUR 27.3 million, an increase of 19% on the same period in 2007.

Positive sales trends were recorded in all regions for this product group. Growth of 12% was achieved on the markets of south-eastern Europe, 20% in eastern Europe, and 12% in central Europe and Slovenia.

The highest growth on the larger markets was achieved in Romania (18%), the Russian Federation (23%), Uzbekistan (18%), Ukraine (29%) and in Poland (8%). Mention should also be made of growth of over 25% in the Czech Republic and

Cosmetic products

Sales of cosmetic products in the first quarter were worth EUR 2.4 million, exceeding last year's sales figures for the same period by 4%.

Positive sales results were achieved on the markets of eastern Europe, where we achieved growth of 11%, and as high as 40% in the Russian Federation.

The best-selling product is Fitoval®, which recorded 14% growth, and represents 38% of overall cosmetics sales.

and Vasilip®), anti-ulcer pharmaceuticals (Ultop®, Lanzul® and Nolpaza®), medicines to treat the central nervous system (Asentra®, Alventa®, Mirzaten®, Torendo®, Zalasta® and Yasnal®), and anti-microbials (Fromilid®).

One of the most important events of 2008 so far was the 20-year anniversary of medicines affecting the RAAS system (renin-angiotensin-aldosterone system). These include ACE inhibitors (angiotensin-converting enzyme), Enap®, Prenessa® and Ampril® and the sartans Lorista® and Valsacor®. Many activities are in preparation or already underway to mark this anniversary.

Throughout 2008 we will be continuing to strengthen and expand our marketing network, with induction seminars being prepared to that effect for all new employees in the first quarter-year to train them for an effective and immediate start to their work.

Slovakia.

The best-selling self-medication product is Bilobil® (36% growth over the period). It is followed by Septolete® (25%), Pikovit® (3% fall), Herbion® (51%) and Duovit® (3% fall in sales). The ten best-selling products represent 85% of all self-medication product sales.

Financially well-supported marketing activities were directed towards key products (Septolete®, Bilobil®, and Duovit®), which received appropriate support on the markets with most potential, i.e. the Russian Federation, Ukraine, Romania, Poland and Croatia.

Products in the Vitaskin® line achieved the same sales levels as last year, and represent 39% of overall cosmetics sales. Vitaskin® Pharma-branded products, which were launched in 2007 represent 17% of total Vitaskin® brand sales. Vitaskin® and Fitoval® together represent 77% of overall cosmetics sales. In the future we will continue to focus development on these two products, which are also expected to produce the best results.

Animal health products

The value of the Krka Group's animal health product sales in the first three months of 2008 was EUR 6.6 million, which means we achieved growth of 21% compared to the same period last year. The biggest contribution to this growth came from sales in Region West Europe and Overseas Market (46% growth). Sales on Krka's traditional markets increased by 14%.

Growth in Slovenia was moderate (6%), while sales on the markets of central Europe was extremely high at 58%. In Poland, where sales increased by as much as 107%, one can expect sales to calm in the next quarter. Sales in Lithuania grew by 19%.

In Region East Europe sales increased by 13%. The highest growth was for sales in Ukraine (80%), while sales in the Russian Federation fell by 13%.

Sales fell by 16% on the markets of south-east Europe. The refocus of sales from raw materials to

finished products with high value added on the markets of western Europe had a major impact on sales results, which doubled compared to the same period last year.

Sales of Enroxil® were up by 35%, maintaining its position as the leading brand. In terms of growth, it was outstripped by the newer product Floron® (107% growth). In third place ranked by sales is Ecocid S®, which was launched in 2007. High sales growth is still being achieved by the established product, Calfoset® (47% growth).

After acquiring a market authorisation in the European Union, Kokcisan® was launched throughout the EU at the end of March.

Marketing activities focused on the leading brands, while intense sales growth this year was boosted by the strengthening of the Krka marketing network on foreign markets.

Health and tourism services

The Terme Krka Group generated sales worth EUR 6.9 million in the first quarter of 2008, representing growth of 3%. The highest proportion of revenues at 32% came from sales of overnight stays, which were up by 4% compared to the same period last year.

Sales of food and drink represented 27% of sales revenues, and health care services 25%, while swimming pool, sporting activities and cosmetic services together contributed 14% of sales revenues. The average accommodation occupancy

for the Group was 61%. In the first quarter of 2008 a fall in the number of overnight stays by foreign guests was recorded, due to fewer Italian and Austrian guests, while the number of Slovene guests increased. Of the individual business units, the Šmarješke Toplice spa generated the highest revenues with EUR 2.3 million, achieved 3% growth, followed by the Dolenjske Toplice spa with EUR 2.2 million (also 3% growth), while the subsidiary Terme Krka-Strunjan achieved growth of 4%, generating sales worth EUR 1.8 million.

Research and development

The major event of note in the research and development sector in first quarter of 2008 was the acquisition of first market authorisations for six new products in 10 pharmaceutical forms. Over the period, 122 market authorisations were acquired for products in 218 pharmaceutical forms in a variety of markets.

First market authorisations were achieved for the **Lertazin**[®] product in a tablet form containing the active ingredient levocetirizine in a number of European markets. This product is for adults and children over the age of 6 to treat acute and chronic allergic reactions, such as hay-fever and skin reactions. Major development results were achieved with a medicine in film-coated tablet form with the active ingredient irbesartan, and a film-coated tablet with a combination of two active ingredients, valsartan and hydrochlorothiazide.

The **Pikovit**[®] brand of child vitamins was expanded with the acquisition of a first notification to include chewable tablets that contain all minerals required

for healthy development as well as vitamins. The **Pikovit**[®] **complex** product is a complex composition of vitamins and minerals, with the taste and chewable form adapted for child consumption. We have acquired a notification for **Pikovit**[®] complex in the markets of Slovenia, the Czech Republic, Bulgaria, Slovakia and Macedonia. The successful acquisition of notifications has continued for food supplement products, including a notification for **Duovit**[®] **Energija** in the Russian Federation.

In the animal health product sector, we acquired a permit for use in the first quarter of 2008, having concluded an EU centralised procedure for the coccidiostatic **Kokcisan**[®] 120 as a granulate mix. It prevents coccidiosis in poultry. We successfully concluded a decentralised market authorisation procedure for the anti-microbial medicine **Giraxa**[®] in the form of a powder for preparation as an oral solution for the treatment of farm livestock, in the markets of Slovenia, the Czech Republic, Poland, Romania, Lithuania and Latvia.

Investment

In the first quarter of 2008 the Krka Group allocated EUR 33.0 million to investment, of which EUR 29.9 million was in the controlling company, and EUR 3.1 million in subsidiaries. We continued intense work on investments already underway, which represent 60% of investment spending over the first quarter, and started and continued preparatory and project work for new investments. The most intense investment activity took place on the following projects:

Pelete V plant

The project will significantly increase pellet production capacity. In 2007 we prepared project documentation and ordered technical equipment, while construction started in January 2008. Trades and installation work are underway on the building, and in the next quarter year the planned technical equipment will be installed and commissioned. The start of production is planned for the end of summer 2008.

NOTOL Phase III – Building 4

Building 4 is an extension to the existing plant and will expand the production capacity of the Notol plant. Small-batch production of solid dosage pharmaceutical forms will take place at the plant. The newly installed equipment will increase current tablet-coating capacity by 50%.

Phase IV of the construction project was reached by the end of 2007, while installation work started at the beginning of this year. The assembly of technical equipment and creation of a clean environment started in February. The installation of technical equipment will continue until the end of May 2008, while the technical inspection and start-up of production are planned for the summer.

Beta III Plant

A new solid-dosage pharmaceutical form production plant will be built at Krka's location in Šentjernej, which will have six packaging lines with a total

capacity of 1.2 billion tablets per year, with the option of later expansion. Work on these projects is fully underway, with the start of construction planned for autumn 2008. A change in the spatial planning documentation is underway, as are activities to arrange the energy supply required by operations.

Capsule production plant

The construction of the capsule production plant will increase capsule production capacity. The planned capacity of the new plant will be 2 billion capsules per year in the first phase. The preliminary design project for the technology, architecture and environment impact assessment was prepared last year. In the first quarter of this year, we continued to prepare documentation for the building permit, which we expect to acquire in the first half of 2008. The construction of the plant is expected to start in

the second half of 2008, with the production start-up planned for spring 2010.

Extension and connecting corridor to Balnea wellness centre at Hotel Kristal

Work is underway at the Dolenjske Toplice spa complex on a new 116-bed hotel. The investment is being co-financed by a grant from the European Regional Development Fund (ERDF).

Expansion of the Otočec golf course

The investment will add a further nine holes and an irrigation system to the golf course, and is co-financed by an ERDF grant and a capital injection from partners.

Employees

The Krka Group is taking on high numbers of new employees, mainly in the marketing and sales and research and development sectors. In 2008 we planned an increase of 806 in the number of employees, 76% of which in companies and representatives abroad. In the first quarter of 2008 the Krka Group employed 567 new staff members, with 92% being taken on outside Slovenia, with nearly all new employees having at least a higher education degree. A total of 22 people left the

controlling company in Slovenia, and 106 left subsidiaries and representative offices. The net increase in Krka Group employees over the period was therefore 439. At the end of March the Krka Group had a total of 7,216 employees, 46% of whom are employed in subsidiaries and representative offices abroad. Fifty-eight per cent of employees have at least a higher education qualification.

Education structure of Krka Group employees

Educational level	31 Mar 2008		31 Dec. 2007	
	Headcount	Share (in %)	Headcount	Share (in %)
PhD	68	0,9	68	1,0
MSc	173	2,4	174	2,6
University education	3239	44,9	3067	45,3
Higher professional education	705	9,8	413	6,1
Vocational college education	209	2,9	229	3,4
Secondary school education	1377	19,1	1366	20,2
Other	1445	20,0	1460	21,4
Total	7216	100,0	6777	100,0
- in Slovenia	3904	54,1	3859	56,9
- abroad	3312	45,9	2918	43,1

The modernisation of production, new products and competition demand continual investment in new knowledge and qualifications for employees. This is the main reason that 98 employees are taking part-time specialist and master's programmes, 20 are on doctoral degree courses, and a total 474 Krka employees are involved in part-time studies. Our employees are also studying at home and abroad in the fields of specialist knowledge, management, personal development, quality, foreign languages and information science. Krka organises most staff training itself or in cooperation with external providers.

Since we want to ensure a constant inflow of new, high quality staff, we have increased the amount of the Krka scholarships and expanded the numbers available. In the 2007/2008 academic year we granted 21 new scholarships, and now have 90 people on scholarships, primarily in the field of pharmacy, chemistry and chemical technology.

Since 2001 we have been testing and verifying knowledge via a certification system that recognises and favours employees' practical knowledge. To date we have awarded 244 certificates to Krka

employees within this system for six national vocational standards; 233 staff members are currently studying for new national vocational qualifications.

We are continuing with the development of Krka's employee information system, which will provide an integrated function for the entire Group. Development planning for key and promising staff includes giving such staff demanding tasks and educating and training them in management and professional fields to ensure they are provided with all they need for top quality development. Their development takes place in Krka's own International Management School, which involves directors and managers from Krka companies and representatives offices abroad and from Krka's organisational units in Slovenia. This also contributes to strengthening the international culture of the Krka Group.

A wide range of sport, recreation and cultural activities also helps ensure a high overall quality of work and life for employees, which also contributes to successful business results in the long term.

Investor information

At the end of March 2008 Krka had 67,549 shareholders, almost 10% higher than at the end of 2007. The increase in the total number of shareholders was largely due to an increase in the

number of individual Slovenian investors. In the first quarter of 2008 the ownership share of other Slovenian companies and foreign investors decreased.

Ownership structure (%)

	31 Mar 2008	31 Dec 2007
Individual Slovenian investors	43.1	42.4
SOD Fund	9.5	9.3
KAD & PPS Funds	15.0	15.0
Investment funds & companies	9.8	10.0
Other Slovenian companies	10.2	10.2
International investors	4.6	4.6
Treasury shares	7.8	8.5
Total	100.0	100.0

On 31 March 2008, Krka held 1,626,620 treasury shares, representing 4.6% of share capital. In the

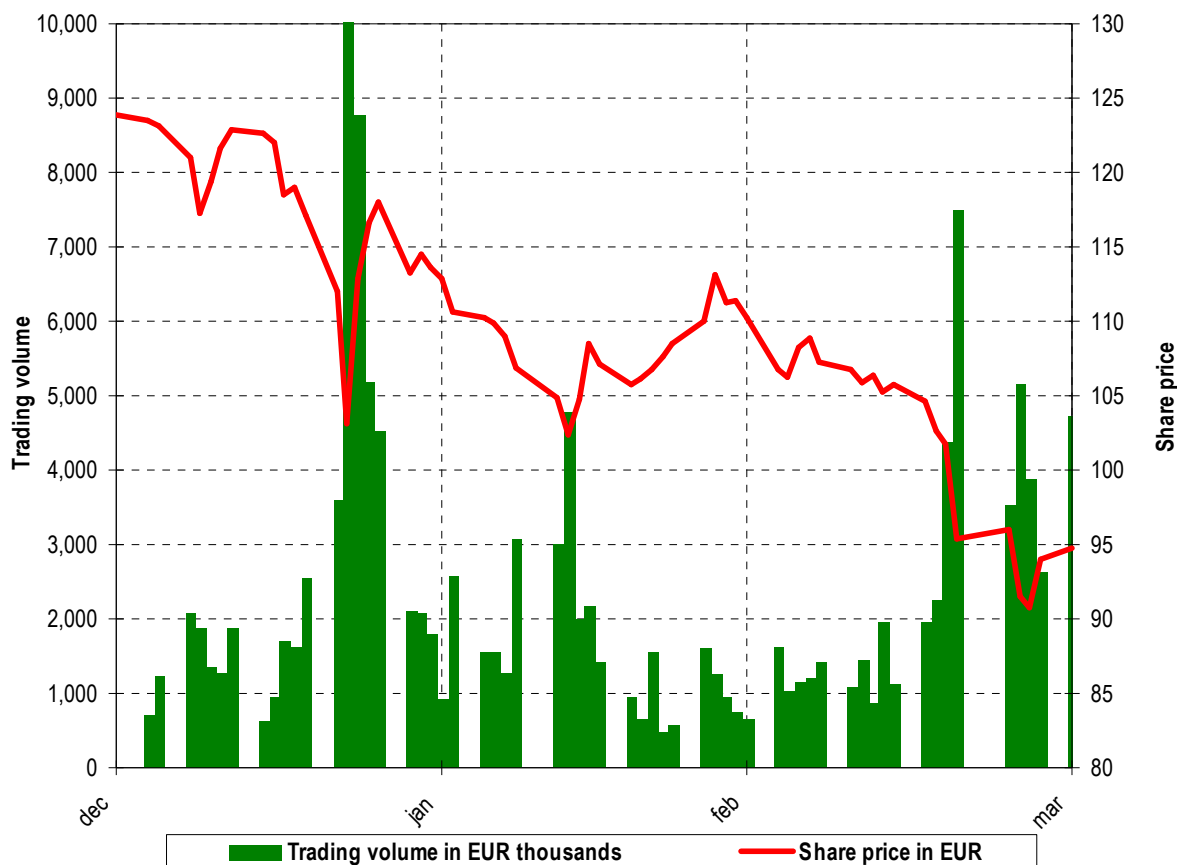
first quarter of 2008 the company did not repurchase any treasury shares.

Ten largest shareholders in Krka as at 31 March 2008

	Country	Number of shares	Proportion in equity	Proportion in voting rights
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%
NFD 1 DELNIŠKI INVESTICIJSKI SKLAD D.D.	Slovenia	948,667	2.68%	2.81%
NEW WORLD FUND INC	USA	910,700	2.57%	2.69%
BANK AUSTRIA CREDITANSTALT AG	Austria	499,137	1.41%	1.48%
LUKA KOPER, D.D.	Slovenia	453,590	1.28%	1.34%
ZAVAROVALNICA TRIGLAV, D.D.	Slovenia	388,300	1.10%	1.15%
DELNIŠKI VZAJEMNI SKLAD TRIGLAV STEBER I	Slovenia	371,845	1.05%	1.10%
KD GALILEO VS	Slovenia	251,244	0.71%	0.74%
KD ID	Slovenia	238,680	0.67%	0.71%
Total		12,867,263	36.32%	38.07%

On 31 March 2008, members of the management board and supervisory board together held 65,320 company shares or 0.18 % of Krka shares. Members of the Management Board held the following number of shares: Jože Colarič – 22,500 shares (0.0635% of total equity), Janez Poljanec – 22,060 shares (0.0623%), Aleš Rotar – 12,770 shares (0.0360%) and Zvezdana Bajc – 1,660 shares (0.0047%). Members of the Supervisory

Board held the following number of shares: Gregor Gomišček – 220 shares (0.0006%), Draško Veselinovič – 10 shares (0.00003%), Alojz Zupančič – 3,490 shares (0.0099%), Sonja Kermc – 2,110 shares (0.0060%) and Tomaž Sever – 500 shares (0.0014%).

Trading in Krka shares in the first quarter of 2008


The Krka share price started to fall in mid-January. A brief correction upwards followed, before the downward trend continued until the end of March. In the first quarter of 2008 the share price fell by 24%, reaching EUR 94.76 by the end of March. The reasons for this fall in the share price cannot be found in Krka's operations, or in the Group's future business opportunities. Krka's ambitious business plans remain unchanged. The reasons for the fall in share value are linked to the crisis on international financial markets, which has also affected the

Slovenian capital market. The value of the Slovenian Stock Exchange Index (SBI 20) also fell significantly during the first quarter of 2008, also down 24%.

The average daily trading in company shares on the Ljubljana Stock Exchange in the first quarter of 2008 was EUR 2.3 million, and the market capitalisation on 31 March 2008 was EUR 3.4 billion.

Corporate risk management

Foreign exchange risk

The main foreign exchange risk for the Krka Group comes from the volatility of the US dollar, while we also monitor movements and exposure to the currencies of the countries in which Krka has key companies.

No action was taken in the first quarter of 2008 to hedge against US dollar-related risk. From January 2008 Krka has invoiced sales on most eastern

European markets, including the Russian Federation, in euros, so the Krka Group's exposure to changes in the US dollar's value is being gradually reduced.

Derivative contracts agreed last year generated positive financial effects in the first quarter of 2008, and partially neutralised the exchange rate losses caused by the fall in the US dollar's value.

Interest rate risk

At the end of the first quarter of 2008, Krka had four long-term loans linked to the 6-month LIBOR for the US dollar or the 6-month EURIBOR for the euro.

The interest rate risk for the loans linked to the 6-month LIBOR has been hedged in full. At present,

17.3% of the principal is hedged for loans linked to the 6-month EURIBOR. Loans taken out at the end of 2007 have not yet been hedged, since the ECB's key interest rate is no longer being raised.

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.

At the end of the first quarter of 2008, 425 of the Group's customers were included in the credit control system. Following the subsidiaries in Poland, Croatia, Serbia, the Russian Federation, Macedonia and Sweden, the German subsidiary acquired in

November 2007 – TAD Pharma GmbH – was also incorporated in the credit control system.

The Group's credit exposure did not change over the first quarter of 2008. The age structure and value of receivables remained favourable, and the average repayment term measured by days required to clear did not change in the first quarter.

Receivables write-offs had no material impact on our financial position in the first quarter of 2008.

Liquidity risk

Risks relating to the Group's solvency were controlled over the first quarter of the year by means of effective short-term cash flow planning. In

the short term, liquidity needs are fulfilled by means of agreed credit lines at banks, and daily, weekly, monthly and longer-term cash flow plans on a rolling

basis. The cash balance on the accounts of all subsidiaries has been optimised and cash pooling introduced for subsidiaries in Slovenia.

Despite the current state of financial markets,

Property, business interruption and liability insurance

The Krka Group renewed its insurance contracts on the basis of insurance offers at the end of last year. Earthquake insurance and business interruption by earthquake insurance was introduced in the field of property insurance, and the sum insured for business interruption due to fire was increased. The coverage limits for additional fire risk due to floods, precipitation and other water damage were increased and standardised.

liquidity risk is assessed as low, since short-term borrowing fell compared to the end of 2007, and the agreed lines of credit are sufficient to ensure payment of larger liabilities.

Insurance of goods in international transport was lower, due to favourable loss results in past years, and increased transport on all routes. Favourable loss results also led to lower premiums being agreed for insuring manufacturer's liability for products, third-party motor liability insurance and motor vehicle casco insurance.

FINANCIAL STATEMENTS OF THE KRKA GROUP WITH NOTES

Balance sheet of the Krka Group

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Assets			
Property, plant and equipment	590,102	572,244	103
Intangible assets	128,494	129,854	99
Deferred tax assets	32,850	32,687	100
Long-term loans	3,639	3,531	103
Non-current investments	9,816	10,981	89
Other non-current assets	339	410	83
Total non-current assets	765,240	749,707	102
Inventories	182,321	171,647	106
Trade and other receivables	208,496	179,834	116
Short-term loans	1,564	1,510	104
Current investments, including derivatives	1,468	2,936	50
Cash and cash equivalents	11,287	15,784	72
Total current assets	405,136	371,711	109
Total assets	1,170,376	1,121,418	104
Equity			
Share capital	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	157,398	157,094	100
Retained earnings	518,126	474,146	109
Equity holders of the parent	715,161	670,877	107
Minority interest	10,013	10,036	100
Total equity	725,174	680,913	107
Liabilities			
Long-term borrowings	87,178	87,183	100
Provisions	147,342	143,641	103
Government grants and EU grants	3,049	3,099	98
Deferred tax liabilities	19,408	19,850	98
Total non-current liabilities	256,977	253,773	101
Trade payables	82,788	78,462	106
Short-term borrowings	58,220	62,528	93
Income tax liabilities	5,214	3,612	144
Other current liabilities	42,003	42,130	100
Total current liabilities	188,225	186,732	101
Total liabilities	445,202	440,505	101
Total equity and liabilities	1,170,376	1,121,418	104

Income statement of the Krka Group

in EUR thousand	1-3/2008	1-3/2007	Ind. 03/07
Sales revenues	244,384	204,213	120
Production cost of goods sold	-87,829	-74,358	118
Gross profit	156,555	129,855	121
Other operating income	932	748	125
Sales and marketing	-56,497	-49,634	114
R&D costs	-19,443	-14,316	136
Administrative expenses	-18,803	-15,667	120
Result from operating activities	62,744	50,986	123
Financial income	5,887	3,881	152
Financial expenses	-10,413	-5,686	183
Net financial expenses / income	-4,526	-1,805	251
Profit before tax	58,218	49,181	118
Income tax expense	-14,177	-11,073	128
Profit for the period	44,041	38,108	116
Attributable to:			
– equity holders of the parent	44,064	38,085	116
– minority interest	-23	23	-100
Earnings per share (in EUR)	1.30	1.13	116
Diluted earnings per share (in EUR)	1.30	1.13	116

* 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 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 reserves	Translation reserves	Other revenue reserves	Net profit for the period	Net profit carried forward			
Balance at 1 Jan 2007	59,132	-19,489	120,986	14,990	11,683	3,481	154	275,796	89,566	6,698	562,997	7,908	570,905
Entry of net profit for the period	0	0	0	0	0	0	0	0	38,085	0	38,085	23	38,108
Entry of minority interest	0	0	0	0	0	0	0	0	0	0	0	1,613	1,613
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	0	-89,566	89,566	0	0	0
Translation reserve	0	0	0	0	0	0	-159	0	0	0	-159	0	-159
Changes in the fair value of financial assets available for sale	0	0	0	0	0	1,124	0	0	0	0	1,124	0	1,124
Balance at 31 Mar 2007	59,132	-19,489	120,986	14,990	11,683	4,605	-5	275,796	38,085	96,264	602,047	9,544	611,591
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
Entry of net profit for the period	0	0	0	0	0	0	0	0	44,065	0	44,065	-23	44,042
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
Changes in the fair value of financial assets available for sale	0	0	0	0	0	-898	0	0	0	0	-898	0	-898
Tax effects of the transition and adjustment to IFRS	0	0	0	0	0	0	0	0	0	-86	-86	0	-86
Refund of default interest that had been overcharged by the tax office	0	0	0	0	0	0	1,203	0	0	0	1,203	0	1,203
Balance at 31 Mar 2008	59,126	-19,489	120,992	14,990	14,183	5,927	1,306	356,945	44,065	117,116	715,161	10,013	725,174

Cash flow statement of the Krka Group

in EUR thousand	1-3/2008	1-3/2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	44,041	38,108
Adjustments for:	34,949	27,570
– amortisation /depreciation	16,085	13,374
– foreign exchange gain	-1,090	-1,048
– foreign exchange loss	3,654	1,788
– investment income	-1,768	-1,953
– investment expense	1,844	1,596
– interest expense and other financial expense	2,047	1,127
– income tax	14,177	11,073
– other (change in the minority interest)	0	1,613
Operating profit before changes in net operating current assets and provisions	78,990	65,678
Change in trade receivables	-30,281	-16,723
Change in inventories	-10,674	-450
Change in operating debts (liabilities)	4,680	8,561
Change in provisions	3,702	4,943
Change in grants received	-51	-52
Change in other current liabilities	-105	2,683
Income taxes paid	-13,014	-10,579
Cash generated from operations	33,247	54,061
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	145	88
Proceeds from sale of current investments	0	232
Dividends received	1	39
Proceeds from sale of property, plant and equipment	76	126
Purchase of intangible assets	-829	-705
Purchase of property, plant and equipment	-32,130	-28,524
Given long-term loans	-205	-405
Proceeds from repayment of long-term loans	251	435
Acquisition of non-current investments	0	-72
Proceeds from sale of non-current investments	82	0
Acquisition of current investments	-450	-2,098
Proceeds from sale of current investments and repayment of short-term loans	112	3,855
Payments in connection with derivative financial instruments	-36	-12
Proceeds from derivative financial instruments	1,599	615
Net cash used in investing activities	-31,384	-26,426
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-1,938	-1,820
Repayment of long-term borrowings	-5,319	-5,557
Proceeds from long-term borrowings	0	0
Repayment of short-term borrowings	-47,744	-76,799
Proceeds from short-term borrowings	48,665	55,200
Dividends paid	-22	-5
Net cash used in financing activities	-6,358	-28,981
Net increase in cash and cash equivalents	-4,495	-1,346
Cash and cash equivalents at beginning of period	15,784	10,399
Effect of exchange rate fluctuations on cash held	-2	2
Net cash and cash equivalents at end of period	11,287	9,055

Notes to the financial statements of the Krka Group

Sales revenues

EUR 244,384 thousand

Sales revenues comprise revenues from the sale of products, services and goods on the domestic market in the amount of EUR 24,858 thousand (10% of the Group's net sales revenues) and revenues from sales on foreign markets in the

amount of EUR 219,526 thousand (90% of net sales revenues). The growth in sales revenues was 20% compared to the results from the same period last year.

Production cost of goods sold

EUR 87,829 thousand

The production costs of goods sold increased by 18% for the Group, and their ratio to sales revenues fell from 36.4% to 35.9%.

Sales and marketing

EUR 56,497 thousand

Sales and marketing expenses comprise the costs of the Slovenian and foreign marketing sales networks, and new provisions worth EUR 3,000 thousand. The expenses were 14%

higher for the first quarter than for the same period last year, and their ratio to sales revenues fell from 24.3% to 23.1%.

R&D costs

EUR 19,443 thousand

The income statement for the period analysed discloses all costs arising in relation to research and development activities. Compared to the same period last year they increased by 36%, and their

ratio to sales revenues increased from 7.0% to 8.0%. The Company does not capitalise R&D costs, and they are fully disclosed in the current income statement.

Administrative expenses

EUR 18,803 thousand

Administrative expenses increased by 20% compared to the same period last year, and their ratio to sales revenues remained unchanged at

7.7%. Administrative expenses include other operating expenses.

Employee benefit cost

EUR 53,926 thousand

in EUR thousand	1-3/2008	1-3/2007	Ind. 08/07
Gross wages and salaries and continued pay	44,189	35,815	123
Social security contributions and payroll tax	7,290	6,180	118
Other employee benefits cost	1,331	1,275	104
Termination pay and anniversary bonuses	1,116	179	623
Total employee benefits cost	53,926	43,449	124

Other operating expenses
EUR 7,528 thousand

in EUR thousand	1-3/2008	1-3/2007	Ind. 08/07
Grants, assistance	392	554	71
Environmental levies	473	347	136
Other charges	834	458	182
Loss in the sale of property, plant and equipment	714	357	200
Write-offs and allowances for inventories	1,024	1,030	99
Impairments and receivable write-offs	1,065	390	273
Other costs	2,756	584	472
Total other operating expenses	7,258	3,720	195

Financial income and financial expenses

in EUR thousand	1-3/2008	1-3/2007	Ind. 08/07
Exchange differences	4,196	2,053	204
Interest income	91	86	106
Change in fair value of investments through profit or loss	0	690	0
Gain on the sale of securities	0	249	0
Income from derivative financial instruments:	1,599	764	209
– inflows	1,599	616	260
– changes in fair value	0	148	0
Dividend income	1	38	3
Total financial income	5,887	3,880	152
Exchange differences	-6,901	-3,320	208
Interest expense	-1,917	-618	310
Change in fair value of investments through profit or loss	-225	-817	28
Income from derivative financial instruments:	-1,236	-491	252
– outflows	-36	-12	300
– changes in fair value	-1,200	-479	251
Other financial expenses	-134	-440	30
Total financial expenses	-10,413	-5,686	183
Net financial income/expenses	-4,526	-1,806	251

Income tax expense
EUR 14,177 thousand

The corporate income tax levied amounts of EUR 14,696 thousand, which is 25.2% of the pre-tax profit. Taking into account the deferred tax of EUR 519 thousand, the income tax expense in the

income statement totals EUR 14,177 thousand. Compared to the same period last year the effective tax rate increased from 22.5% to 24.4%.

Property, plant and equipment
EUR 590,102 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Property	25,238	25,234	100
Plant	261,747	263,249	99
Equipment	208,430	208,512	100
PPE under construction	91,666	71,277	129
Advances for PPE	3,021	3,972	76
Total property, plant and equipment	590,102	572,244	103

The value of property, plant and equipment represented half of the Group's total assets. The 3% increase in PPE value compared to the start of 2008 was largely due to the investment projects currently

underway within the Group. The largest Krka investments over the first three months were described in the chapter 'Investments' on pages 17 and 18.

Intangible assets
EUR 128,494 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Goodwill	42,278	42,278	100
R&D costs	2,707	2,784	97
Concessions, patents, licences, trademarks and similar rights	76,437	76,398	100
Intangible assets under construction	7,072	8,394	84
Total intangible assets	128,494	129,854	99

The value of intangible assets had decreased by 1% since the start of 2008. The Group disclosed the goodwill accrued in the purchase of the subsidiary TAD Pharma, completed in November 2007.

include the TAD Pharma brand worth EUR 42,027 thousand, in addition to market authorisation documentation and software. Assets under construction represented 6% of all intangible assets, and largely comprised market authorisation documentation for new pharmaceuticals.

The largest proportion of intangible assets (59%) comprised non-current property rights, which

Loans
EUR 5,203 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Long-term loans	3,639	3,531	103
Short-term loans	1,564	1,510	104
Total loans	5,203	5,041	103

Investments
EUR 11,284 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Non-current investments	9,816	10,981	89
- financial assets available for sale	9,569	10,721	89
- other non-current investments	247	260	95
Current investments, including derivatives	1,468	2,936	176
- instruments held for trading	296	538	55
- derivatives	384	1,583	24
- other current investments	788	815	97
Total investments	11,284	13,917	81

'Financial assets available for sale' include investments worth EUR 1,071 thousand of the controlling company in Slovenia, and EUR 8,290 thousand in investments by the controlling company abroad. 'Other non-current investments' includes items of cultural and historical value.

Derivatives include an interest change worth EUR 384 thousand.

Other current investments comprise assets under management in the amount of EUR 496 thousand and Slovenian mutual fund units in the amount of EUR 292 thousand.

Inventories
EUR 182,321 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Material	56,328	52,906	106
Work in progress	48,841	45,531	107
Products	70,983	58,824	121
Merchandise	11,511	20,221	57
Advances	175	146	120
Allowances and write-off of inventories	-5,517	-5,981	92
Total inventories	182,321	171,647	106

Inventories increased by 6% compared to the end of 2007, because of anticipated higher sales by the end of the year.

Materials represent 33% of total inventories, work-in-progress 30%, and finished products and merchandise 37%.

Trade and other receivables
EUR 208,496 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Short-term trade receivables	187,802	160,295	117
Other short-term receivables	20,694	19,539	106
Total receivables	208,496	179,834	116

Receivables increased by 16% compared to the end of 2007. The main reason for this increase lies in the higher sales achieved in the first quarter.

Cash and cash equivalents
EUR 11,287 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Cash in hand	788	230	343
Bank balances	10,499	15,554	68
Total cash and cash equivalents	11,287	15,784	72

Equity
EUR 725,174 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Share capital	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	157,398	157,094	100
– share premium	120,992	120,992	100
– legal reserves	14,990	14,990	100
– statutory reserves	14,183	14,183	100
– fair value reserves	5,927	6,825	
– translation reserve	1,306	104	
Retained earnings	518,126	474,146	109
Equity holders of the parent	715,161	670,877	107
Minority interest	10,013	10,036	100
Total equity	725,174	680,913	107

Borrowings
EUR 145,398 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Long-term borrowings	87,178	87,183	100
– borrowings from domestic banks	87,178	87,183	100
Short-term borrowings	58,220	62,528	93
– borrowings from domestic banks	46,193	53,094	87
– borrowings from foreign banks	3,871	320	1,210
– borrowings from other entities	6,780	7,824	87
– interest payable	1,376	1,290	107
Total borrowings	145,398	149,711	97

Provisions
EUR 147,342 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Provisions for termination pay and anniversary bonuses	48,194	47,408	102
Other provisions	99,148	96,233	103
– provisions for lawsuits	93,559	90,356	104
– provisions for ecological restoration	120	162	74
– other provisions	5,469	5,715	96
Total provisions	147,342	143,641	103

Provisions for lawsuits comprise 63% of provisions formed. These increased by 4% compared to the end of last year, largely due to the formation of new

provisions for lawsuits totalling EUR 3,000 thousand by the controlling company.

Government grants and EU grants

EUR 3,049 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Grants for the plant Beta in Šentjernej	247	258	96
Assets for the health resorts Dolenjske and Šmarješke Toplice	2,151	2,186	98
Grants by the European Regional Development Fund	38	39	97
Free receipt of property, plant and equipment	613	616	100
Total grants received	3,049	3,099	98

Trade payables

EUR 82,788 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Payables to domestic suppliers	30,564	36,633	83
Payables to foreign suppliers	51,770	41,145	126
Payables from advances	454	684	66
Total trade payables	82,788	78,462	106

Other current liabilities

EUR 42,003 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Accrued contractual discounts on products sold to other customers	11,370	14,263	80
Payables to employees – gross wages, other charges	19,165	20,966	91
Other	11,468	6,901	166
Total other current liabilities	42,003	42,130	100

FINANCIAL STATEMENTS OF KRKA, D. D., NOVO MESTO

Balance sheet of Krka, d. d., Novo mesto

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Assets			
Property, plant and equipment	437,920	422,891	104
Intangible assets	23,822	24,466	97
Investments in subsidiaries	223,953	218,178	103
Deferred tax assets	29,350	28,653	102
Long-term loans	7,078	6,936	102
Non-current investments	9,608	10,773	89
Other non-current assets	297	366	81
Total non-current assets	732,028	712,263	103
Inventories	139,305	127,276	109
Trade and other receivables	202,430	188,872	107
Short-term loans	21,810	23,575	93
Current investments, including derivatives	1,465	2,932	50
Cash and cash equivalents	4,049	2,340	173
Total current assets	369,059	344,995	107
Total assets	1,101,087	1,057,258	104
Equity			
Share capital	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	156,092	156,990	99
Retained earnings	516,714	475,383	109
Total equity	712,443	672,010	106
Liabilities			
Long-term borrowings	83,152	83,200	100
Provisions	135,677	131,994	103
Government grants and EU grants	898	913	98
Deferred tax liabilities	3,065	3,319	92
Total non-current liabilities	222,792	219,426	102
Trade payables	78,781	67,542	117
Short-term borrowings	53,783	65,747	82
Income tax liabilities	3,963	2,132	186
Other current liabilities	29,325	30,401	96
Total current liabilities	165,852	165,822	100
Total liabilities	388,644	385,248	101
Total equity and liabilities	1,101,087	1,057,258	104

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

in EUR thousand	1-3/2008	1-3/2007	Ind. 03/07
Sales revenues	210,123	182,874	115
Production cost of goods sold	-72,942	-68,791	106
Gross profit	137,181	114,083	120
Other operating income	268	288	93
Sales and marketing	-48,031	-42,334	113
R&D costs	-17,082	-14,180	120
Administrative expenses	-14,600	-12,498	117
Result from operating activities	57,736	45,359	127
Financial income	4,143	2,615	158
Financial expenses	-8,780	-3,356	262
Net financial income / expenses	-4,637	-741	626
Profit before tax	53,099	44,618	119
Income tax expense	-11,681	-10,136	115
Profit for the period	41,418	34,482	120
Earnings per share (in EUR)	1.23	1.02	120
Diluted earnings per share (in EUR)	1.23	1.02	120

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

in EUR thousand	Called capital	Own shares	Reserves				Retained earnings			Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserves	Other revenue reserves	Net profit for the period	Net profit carried forward	
Balance at 1 Jan 2007	59,132	-19,489	120,986	14,990	11,684	3,480	275,796	90,911	12,427	569,917
Entry of net profit for the period	0	0	0	0	0	0	0	34,482	0	34,482
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	-90,911	90,911	0
Changes in the fair value of financial assets available for sale	0	0	0	0	0	1,125	0	0	0	1,125
Balance at 31 Mar 2007	59,132	-19,489	120,986	14,990	11,684	4,605	275,796	34,482	103,338	605,524
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
Entry of net profit for the period	0	0	0	0	0	0	0	41,418	0	41,418
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	-81,021	81,021	0
Changes in the fair value of financial assets available for sale	0	0	0	0	0	-898	0	0	0	-898
Tax effects of the transition and adjustment to IFRS	0	0	0	0	0	0	0	0	-87	-87
Balance at 31 Mar 2008	59,126	-19,489	120,992	14,990	14,184	5,926	356,945	41,418	118,351	712,443

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

in EUR thousand	1–3/2008	1–3/2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	41,418	34,482
Adjustments for:	26,853	20,754
– amortisation /depreciation	11,472	10,362
– foreign exchange gain	-698	-208
– foreign exchange loss	2,577	522
– investment income	-4,617	-2,026
– investment expense	4,548	1,426
– interest expense and other financial expense	1,889	542
– income tax	11,682	10,136
Operating profit before changes in net operating current assets and provisions	68,271	55,236
Change in trade receivables	-15,515	-15,980
Change in inventories	-12,029	2,980
Change in operating debts (liabilities)	11,490	12,282
Change in provisions	3,683	4,994
Change in government grants and EU grants received	-15	-17
Change in other current liabilities	-1,057	1,131
Income taxes paid	-10,634	-9,797
Cash generated from operations	44,194	50,829
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	471	142
Proceeds from sale of current investments	0	232
Dividends received	1	39
Proceeds from sale of property, plant and equipment	2,580	126
Sale of subsidiary	0	56
Purchase of intangible assets	-556	-660
Purchase of property, plant and equipment	-28,387	-24,532
Acquisition of subsidiaries and capital increase	-5,775	-18
Given long-term loans	-320	-424
Proceeds from repayment of long-term loans	260	390
Acquisition of non-current investments	0	-22
Proceeds from sale of non-current investments	82	0
Acquisition of current investments	-7,661	-10,971
Proceeds from sale of current investments and repayment of short-term loans	9,158	12,057
Payments in connection with derivative financial instruments	-36	-12
Proceeds from derivative financial instruments	1,599	615
Net cash used in investing activities	-28,584	-22,982
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-1,772	-1,126
Repayment of long-term borrowings	-5,362	-5,551
Repayment of short-term borrowings	-52,744	-76,362
Proceeds from short-term borrowings	46,002	55,201
Dividends paid	-22	-5
Net cash used in financing activities	-13,898	-27,844
Net increase in cash and cash equivalents	1,712	4
Cash and cash equivalents at beginning of period	2,340	4,498
Effect of exchange rate fluctuations on cash held	-3	2
Net cash and cash equivalents at end of period	4,049	4,504

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

Sales revenues

EUR 210,123 thousand

Sales revenues include revenues from the sale of products, services and goods on the domestic market in the amount of EUR 17,498 thousand (10% of net sales revenues) and revenues from sales on foreign markets in the amount of

EUR 192,625 thousand (92% of net sales revenues). The growth in sales revenues was 15% compared to the results from the same period last year.

Production cost of goods sold

EUR 72,942 thousand

The production costs of goods sold increased by 6% compared to the same period last year, and

their ratio to sales revenues fell from 37.6% to 34.7%.

Sales and marketing

EUR 48,031 thousand

Sales and marketing expenses comprise the costs of marketing sales networks in Slovenia and abroad, and new provisions for lawsuits worth

EUR 3,000 thousand. The expenses were 13% higher than for the same period last year, and their ratio to sales revenues fell from 23.1% to 22.9%.

R&D costs

EUR 17,082 thousand

The income statement for the period analysed discloses all costs arising in relation to research and development activities. Compared to the same period last year they increased by 20%, and their

ratio to sales revenues increased from 7.8% to 8.1%. The Company does not capitalise R&D costs, and they are fully disclosed in the current income statement.

Administrative expenses

EUR 14,600 thousand

Administrative expenses increased compared to the same period last year by 17%, and their ratio to sales revenues increased from 6.8% to 6.9%.

Administrative expenses includes other operating expenses.

Employee benefit cost

EUR 40,404 thousand

in EUR thousand	1-3/2008	1-3/2007	Ind. 08/07
Gross wages and salaries and continued pay	33,076	29,775	111
Social security contributions and payroll tax	5,338	4,731	113
Other employee benefits cost	874	848	103
Termination pay and anniversary bonuses	1,116	179	623
Total employee benefits cost	40,404	35,533	114

Other operating expenses
EUR 3,394 thousand

in EUR thousand	1-3/2008	1-3/2007	Ind. 08/07
Grants, assistance	311	442	70
Environmental levies	434	303	143
Other charges	185	80	231
Loss in the sale of property, plant and equipment	657	106	620
Allowance and inventory write-offs	533	1,087	49
Impairments and receivable write-offs	515	120	429
Other costs	759	530	143
Total other operating expenses	3,394	2,668	127

Financial income and expenses

in EUR thousand	1-3/2008	1-3/2007	Ind. 08/07
Exchange differences	2,107	715	295
Interest income	436	159	274
Change in fair value of investments through profit or loss	0	690	0
Gain on the sale of securities	0	249	0
Income from derivative financial instruments	1,599	764	209
– inflows	1,599	616	260
– changes in fair value	0	148	0
Dividend income	1	38	3
Total financial income	4,143	2,615	158
Exchange differences	-5,428	-1,489	365
Interest expense	-1,803	-536	336
Change in fair value of investments through profit or loss	-225	-817	28
Income from derivative financial instruments	-1,236	-491	252
– outflows	-36	-12	300
– changes in fair value	-1,200	-479	251
Other financial expenses	-88	-23	383
Total financial expenses	-8,780	-3,356	262
Net financial income/expenses	-4,637	-741	626

Income tax expense
EUR 11,681 thousand

The corporate income tax levied amounts to EUR 12,465 thousand, which is 23.5% of the pre-tax profit. Taking into account the deferred tax of EUR 784 thousand, the income tax expense in the

income statement totals EUR 11,681 thousand. Compared to the same period last year the effective tax rate fell from 22.7% to 22.0%.

Property, plant and equipment**EUR 437,920 thousand**

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Property	13,662	13,662	100
Plant	172,119	172,362	100
Equipment	163,436	165,489	99
PPE under construction	85,753	67,447	129
Advances for PPE	2,950	3,931	75
Total property, plant and equipment	437,920	422,891	104

The value of property, plant and equipment represented 40 % of total assets. The 4% increase in PPE value compared to the start of 2008 was largely due to the investment projects currently

underway within the Company. The largest Krka investments over the first three months were described in the chapter 'Investments' on pages 17 and 18.

Intangible assets**EUR 23,822 thousand**

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
R&D costs	2,374	2,602	91
Concessions, patents, licences, trademarks and similar rights	16,712	17,656	95
Intangible assets under construction	4,736	4,208	113
Total intangible assets	23,822	24,466	97

The value of intangible assets had decreased by 3% since the start of 2008. Property rights from computer software and market authorisation documentation represented the largest intangible

asset item (70%). Assets under construction represented 20% of all intangible assets, and largely comprised market authorisation documentation for new pharmaceuticals.

Loans**EUR 28,888 thousand**

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Long-term loans:	7,078	6,936	102
– long-term loans to subsidiaries	3,556	3,524	101
– long-term loans to other entities	3,522	3,412	103
Short-term loans:	21,810	23,575	93
– short-term loans to subsidiaries	20,774	22,289	93
– short-term loans to other entities	1,036	1,286	81
Total loans	28,888	30,511	95

Long-term loans granted represent a quarter of all loans granted.

Long-term loans to other entities includes loans granted by the company to employees, primarily for housing purposes, in line with internal acts.

Investments
EUR 11,073 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Non-current investments	9,608	10,773	89
– financial assets available for sale	9,361	10,513	89
– other non-current investments	247	260	95
Current investments, including derivatives	1,465	2,932	50
– instruments held for trading	293	538	54
– derivatives	384	1,583	24
– other current investments	788	811	97
Total investments	11,073	13,705	81

'Financial assets available for sale' include investments worth EUR 1,071 thousand in Slovenia, and EUR 8,290 thousand in investments abroad. 'Other non-current investments' includes items of cultural and historical value.

Derivatives include an interest change worth

EUR 384 thousand.

Other current investments comprise assets under management in the amount of EUR 496 thousand and Slovenian mutual fund units in the amount of EUR 292 thousand.

Inventories
EUR 139,305 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Material	48,081	45,936	105
Work in progress	42,569	37,222	114
Products	49,420	46,390	107
Merchandise	3,001	2,122	141
Advances	108	66	164
Impairment and write-off of inventories	-3,874	-4,460	87
Total inventories	139,305	127,276	109

Inventories increased by 9% compared to the end of 2007, because of anticipated higher sales by the end of the year.

Materials represent 33% of total inventories, work-in-progress 30%, and finished products and merchandise 37%.

Trade receivables and other receivables
EUR 202,430 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Short-term receivables due from subsidiaries	112,073	100,953	111
Trade receivables	79,915	77,654	103
Receivables due from other entities	10,442	10,265	102
Total receivables	202,430	188,872	107

Receivables increased by 7% compared to the end of 2007. The main reason for this increase lies in the growth in sales over the first quarter.

Cash and cash equivalents**EUR 4,049 thousand**

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Cash in hand	117	33	355
Bank balances	3,932	2,307	170
Total cash and cash equivalents	4,049	2,340	173

Equity**EUR 712,443 thousand**

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Share premium	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	156,092	156,990	99
– share premium	120,992	120,992	100
– legal reserves	14,990	14,990	100
– statutory reserves	14,184	14,184	100
– fair value reserves	5,926	6,824	87
Retained earnings	516,714	475,383	109
Total equity	712,443	672,010	106

Borrowings**EUR 136,935 thousand**

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Long-term borrowings	83,152	83,200	100
– borrowings from domestic banks	83,152	83,200	100
Short-term borrowings	53,783	65,747	82
– borrowings from subsidiaries	502	5,000	10
– borrowings from domestic banks	45,099	51,638	87
– borrowings from other entities	6,780	7,824	87
– interest payable	1,402	1,285	109
Total borrowings	136,935	148,947	92

Provisions**EUR 135,677 thousand**

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Provisions for termination pay and anniversary bonuses	44,036	43,311	102
Other provisions:	91,641	88,683	103
– provisions for lawsuits	91,490	88,490	103
– provisions for ecological restoration	120	162	74
– other provisions	30	31	97
Total provisions	135,677	131,994	103

Provisions for lawsuits comprise two-thirds of provisions formed. These increased by 3% compared to the end of last year, due to the

formation of new provisions for lawsuits totalling EUR 3,000 thousand.

Government grants and EU grants
EUR 898 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Grants for the plant Beta in Šentjernej	247	258	96
Grants by the European Regional Development Fund	38	39	97
Free receipt of property, plant and equipment	613	616	100
Total grants	898	913	98

Trade payables
EUR 78.781 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Payables to subsidiaries	11,267	10,050	112
Payables to domestic suppliers	27,224	29,269	93
Payables to foreign suppliers	39,893	27,769	144
Payables from advances	397	454	87
Total trade payables	78,781	67,542	117

Total other current liabilities
EUR 29,325 thousand

in EUR thousand	31 Mar 2008	31 Dec 2007	Ind. 08/07
Accrued contractual discounts on products sold to subsidiaries	539	347	155
Accrued contractual discounts on products sold to other customers	10,906	10,906	100
Payables to employees – gross wages, other charges	16,611	17,154	97
Other	1,269	1,994	64
Total other current liabilities	29,325	30,401	96