

Krka, d. d., Novo mesto, Šmarješka cesta 6, 8501 Novo mesto, in accordance with the Rules of the Ljubljana Stock Exchange and the Financial Instruments Market Act (ZTFI, Official Gazette of the Republic of Slovenia, no. 67/07) hereby publishes

IMPORTANT NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP AND UNAUDITED FINANCIAL STATEMENTS OF THE KRKA COMPANY FOR 2007

The Group's unaudited consolidated financial statements and the Krka Company's unaudited consolidated financial statements for 2007 and the comparative figures for 2006 were prepared in accordance with the International Financial Reporting Standards (IFRS).

The conversion from SIT to EUR for 2006 was carried out with reference to Note 1 to the Introduction to the Slovenian Accounting Standards (2006) – Change in Reporting Currency, which was adopted at the 80th meeting of the Slovenian Institute of Auditor's expert commission. In line with the note, every item in each of the financial statements is converted from SIT to EUR at the official exchange rate of the Bank of Slovenia on the final day of the period of comparison. The exchange rate for conversions for 2006 used was EUR 1 = SIT 239.640. The 2006 financial statements in SIT used for conversion were audited.

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

Data on the Krka Group

Krka, d. d., Novo Mesto (the Krka Company) is the controlling company of the Krka Group, which on 31 December 2007 included the following subsidiaries:

	Ownership share on 31 Dec 2007
Parent company	
KRKA, d. d., Novo mesto	
Subsidiary companies	100%
Terme Krka, d. o. o., Novo mesto	
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 PHARMA DUBLIN LIMITED, Dublin, Ireland	100%
KRKA Sverige AB, Stockholm, Sweden	100%
KRKA Aussenhandels GmbH, Munich, Germany	100%
KRKA PHARMA GMBH, Frankfurt, Germany	100%
KRKA FARMACÉUTICA, LDA, Estoril, Portugal	100%
KRKA USA, LLC, Delaware, United States	100%
TAD Pharma GmbH, Cuxhaven, Germany	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%).

Three new subsidiaries were established abroad in 2007, all of which are 100%-owned by the parent company: KRKA PHARMA GMBH, Frankfurt, Germany, KRKA FARMACÊUTICA, LDA, Estoril, Portugal and KRKA USA, LLC, Delaware, United States.

In 2007 the Krka Company acquired TAD Pharma GmbH, Cuxhaven, Germany, and is now the 100% owner. The purchase price of EUR 97,000 thousand was paid in cash. A recapitalisation of Krka Farma Novi Sad was carried out, with an injection of EUR 42 thousand.

In 2008 the companies KRKA Aussenhandels GmbH, Munich and KRKA PHARMA GMBH, Frankfurt will be merged with TAD Pharma and deleted from the court register of companies. TAD Pharma will take over all their assets, capital, rights and obligations.

Finally, the subsidiary HELVETIUS-S. R. L. in Trieste, in which Krka had had an 80% stake, was dissolved.

Sales

In 2007 the Krka Group achieved sales of products and services worth EUR 780.9 million, which is 17% more than in 2006. The proportion of exports in total Group sales increased, with exports worth EUR 679.3 million equalling 87% of Group sales. In 2007 Krka Group sales were EUR 94.2 million or 14% higher than sales by the Krka Company, which totalled EUR 686.7 million.

Krka Group sales by region

The highest percentage increase in sales (growth of 59% or EUR 60 million) compared to 2006 was in Region West Europe and Overseas Markets, where product sales of EUR 161.0 million were recorded, with the region representing 21% of total sales. The region with highest sales was Region Central Europe where product sales were worth EUR 202.4 million (26% of overall sales), which is 19% higher than in 2006. Product sales worth EUR 183.0 million were achieved in Region East Europe, which is 1% higher than last year, and represented 23% of total sales. Krka's largest single market, the Russian Federation, is part of this region, and 2007 sales there reached EUR 122.0 million. Sales in Region South-East Europe were worth EUR 132.9 million, representing growth of 20%, while a 3% fall in sales was recorded in Slovenia, where total sales were worth EUR 101.6 million.

Krka Group sales by product group

The most important product group is prescription pharmaceuticals, with sales revenue worth EUR 630.8 million, representing 81% of overall Group sales. In 2007 Krka generated sales of self-medication products worth EUR 83.6 million or 11% of overall sales, while cosmetics sales were worth EUR 10.1 million, and animal health product sales were worth EUR 24.6 million. Sales of health and tourism services by the Terme Krka Group totalled EUR 30.8 million. The 2006 sales results were exceeded in every product group: prescription pharmaceuticals and self-medication products both increased by 18%, cosmetics sales increased by 6%, and animal health products by 8%, while sales of health and tourism services increased by 10%.

Performance indicators

in thousand EUR	Krka Group		Krka Company	
	2007	2006	2007	2006
Sales revenues	780,918	667,955	686,729	586,102
EBIT	182,933	150,495	168,083	146,965
EBITDA	239,880	198,200	212,467	183,158
Net profit	132,853	112,086	126,521	113,027
Non-current assets	749,707	574,846	712,263	561,034
Current assets	371,711	304,282	344,995	293,252
Equity	680,913	570,905	672,010	569,918
Non-current liabilities	253,773	163,941	219,426	150,351
Current liabilities	186,732	144,282	165,822	134,017
R&D costs	59,071	52,650	58,300	51,764
Investments	112,977	107,200	92,832	89,000
RATIOS¹				
Net profit/Sales revenues (ROS)	17,0%	16,8%	18,4%	19,3%
EBIT/Sales Revenues	23,4%	22,5%	24,5%	25,1%
EBITDA/Sales revenues	30,7%	29,7%	30,9%	31,3%
Return on equity (ROE) ²	21,2%	21,3%	20,4%	21,6%
Return on assets (ROA) ³	13,3%	13,4%	13,2%	14,0%
Liabilities/Equity	0,647	0,54	0,573	0,499
R&D costs/Sales revenues	7,60%	7,90%	8,5%	8,8%
Number of employees (year end)	6777	5759	4891	4272
Earnings per share in EUR ⁴	3.92	3.3	3.74	3.34
Carrying value of share in EUR ⁵	19.22	16.12	18.97	16.09

¹ To ensure comparability of figures, the new total number of shares - following the 1:10 share split of September 2007 - is used in calculations on share data.

² Net profit/average equity balance in period.

³ Net profit/average assets balance in period.

⁴ Net profit of the majority owner / average number of shares issued excluding treasury shares.

⁵ Equity on 31 december/total number of shares issued by the Company.

Sales grew by 17% while the Krka Group operating profit increased by 22%, the pre-tax profit by 18%, and the net profit increased by 19%. The Krka Company's operating profit was up 14%, and its pre-tax profit and net profit by 12%.

Research and development

Krka's research and development achievements in 2007 included acquiring numerous market authorisations, based on new market authorisation approaches and procedures. We were the first generics company in the European Union to undertake and successfully conclude the most demanding market authorisation procedure (for the product Zalasta® (olanzapine) in classic and orodispersible tablets), the centralised procedure, which provides a market authorisation across the entire European Union. We concluded seven 'decentralised procedures' and expanded use of the CADREAC market authorisation procedures (Collaboration Agreement between Drug Regulatory Authorities in EU Associated Countries), which enables the faster acquisition of market authorisation on new markets.

We acquired a first market authorisation for 10 new products in 22 different pharmaceutical forms and doses, and achieved a total in 2007 of 424 market authorisations for 1325 different pharmaceutical forms. In 2006 we acquired 390 market authorisations for various products across a number of different markets.

Krka protects the results of work in key R&D fields with patent applications. In 2007 the company submitted patent applications for 21 new products, and 15 international patent applications on the basis of prioritised applications from 2006. The company markets its products under its own trademarked brands, which further enhances the added value of Krka products. In 2007 Krka registered 57 trademarks in Slovenia and two abroad, and submitted 46 applications for international registration.

Investments

In 2007 the Krka Group allocated EUR 113.0 million to investment, EUR 92.8 million of which was carried out by the Krka Company. In mid-June 2007 Krka officially opened its new active pharmaceutical ingredient plant Sinteza 4. The investment, which was worth over EUR 80 million, including construction of the liquid raw material storage facility, supports our vertically integrated production policy, controlling the entire process from the development and production of active pharmaceutical ingredients to the final products. A 15.5 million-euro investment increased injection production capacity by 30%. Krka is planning to set up two additional product lines, which together with the three new filling lines means our capacity will be between 80 and 100 million injections per year. In the third phase of the Notol project we will increase the packaging facility, which will allow new lines to be added. This project should be completed in 2008. At the end of last year installation work was completed in the Pelete IV plant, with the whole project set for completion in the first half of this year. In the past year we constructed a further extension to the new weighing and support warehouse facility, and reconstructed the existing raw material warehouse.

Production and laboratory equipment was purchased for the Krka-Rus company in the Russian Federation. Krka Polska completed the renovation of its laboratories, and new technological equipment was purchased at Krka Farma Zagreb for a granulation line.

In 2007 the Terme Krka Group renovated Otočec Castle, built an extension to the health centre at Strunjan and started investment work at Hotel Kristal in Dolenjske Toplice.

Employees

At the end of the 2007, the Krka Group employed 6777 people, 3213 of which were employed in the parent company in Slovenia, 1678 in representative offices abroad, 1240 in companies abroad, and 646 in the Krka Terme Group. This was an increase on the previous year of 1018 or 18% in the number of employees. A total of 2918 employees worked in representative offices and companies outside Slovenia, 43% of all employees in the Group.

The proportion of staff with a university education is continually increasing and is now at 46% of all employees. At the end of 2007, the Krka Group had 3117 employees with a least a first degree. These include 81 people with doctorates and 161 with master's degrees and specialisations.

Shares and shareholders

On 3 September 2007 Krka became the first public limited company in Slovenia to carry out a share split – at the ratio of 1:10 – which entailed each old share being split into ten new shares. The purpose of the split was to increase liquidity and open access to the shares to a wider range of investors. The number of Krka shareholders increased by over 13% or by 7030 people over the year. At the end of 2007, Krka had 61585 shareholders.

The ownership share of Slovenian investment companies and funds compared to the end of 2006 fell from 11.0% to 9.3%, while the proportion of Krka shares held by other Slovenian legal persons fell from 10.2% to 10%. The proportion of international investors increased from 8.0% to 8.5% in 2007, and the proportion of shares held by private Slovenian individuals increased from 41.0% to 42.4%. The proportion held by Kapitalska Družba (KAD) and PPS funds remained at 10.2%, while the stake held by the Slovenska odškodninska družba (SOD) fund was 15.0%. The number of own shares remained unchanged.

Risk management

The rapid growth of operations and the Krka Group's significant international presence bring with them a degree of exposure to various forms of risk, which are divided into operational and financial risk. The Krka Group manages all manageable risk by means of appropriate mechanisms, with a number of organisational units bearing responsibility for risk management.

Operational risk management is decentralised, and forms part of the responsibilities and powers built into individual processes and companies within the Krka Group. Actions and results relating to operational risk are monitored regularly via various committees (development committee, sales committee, quality committee, investment committee, human resource committee, economics and finance committee, and the information technology committee).

The Financial Division monitors and manages financial risk on a centralised basis.

The company management approves appropriate actions and mechanisms to manage risk, and also receives reports on the effectiveness of approved actions.

All risk is dealt with systematically, with appropriate quantitative methods applied to financial risk to study exposure and potential volume of loss. The careful attention Krka pays to risk management enabled it to effectively manage the risks mentioned above during 2007, and reduce their negative impact on operations.

Plans for 2008

The sale of products and services in 2008 is planned to reach EUR 950 million, with growth of 22% on the 2007 sales figures. The proportion of sales on markets outside Slovenia will be approximately 89%. The most important sales region will be Central Europe, the highest growth is envisaged in Region West Europe and Overseas Markets, while the Russian Federation will remain the most important single market. Prescription pharmaceuticals, with growth anticipated at 23%, will remain the most important product group, and are expected to represent 82% of overall sales.

We expect a Group net profit of EUR 160 million, with investments of the same value planned, which will be largely allocated to increasing and modernising production and R&D capacity, and infrastructure.

At the end of 2008 the Krka Group will have 7700 employees, almost 46% of them abroad.

Other significant events

In January 2008 the subsidiaries KRKA ČR s.r.o in the Czech Republic and KRKA Slovensko, s.r.o in Slovakia started operating, both of which are 100% owned by the Krka Group. The Slovakian company is new, while the company in the Czech Republic is a reactivated dormant company.

At the beginning of this year the process of merging KRKA Aussenhandels GmbH, Munich and KRKA PHARMA GMBH, Frankfurt with TAD Pharma was started. The companies will be deleted from the court register of companies, and TAD Pharma will take over all their assets, capital, rights and obligations.

On 1 February 2008, Krka, d. d., Novo mesto (hereafter Krka) received the order of the District Court in Ljubljana that prohibits Krka manufacturing and marketing the product Zolrix or other products containing olanzapine as active pharmaceutical ingredient in Slovenia. The court has granted the temporary injunction on request of Eli Lilly Company Limited, Hampshire, Great Britain. The subject patent protects the process for manufacturing a pharmaceutical form i.e. the formulation of the medicine. The essential characteristic of patented process is mixing of olanzapine with other auxiliary ingredients. Krka filed an appeal against the decision. If Eli Lilly is not filling lawsuit for alleged infringement against Krka and Salus, Ljubljana, d.d., a marketing authorization holder of Zolrix in Slovenia, within 30 days, the temporary injunction will cease to be valid. Krka manufactures Zolrix in its subsidiary Krka-Polska, Sp.zo.o. in Warsaw. In 2007 the sales of Zolrix in Slovenia were less than 100,000 EUR. The planned sales of the same product in Slovenia for 2008 are somewhat higher compared to the sales in the previous year. Krka markets products with olanzapine active pharmaceutical ingredient also in other countries of Central, West and South-East Europe.

The company regularly publishes any significant amendments to the data contained in its stock exchange prospectus on the Ljubljana Stock Exchange's electronic information system SEOnet. The statements can also be accessed on Krka's official website (www.krka.si) without restriction, from the day the statement is issued onwards.

Novo mesto, February 2008

Krka, d. d., Novo mesto
Management Board

Unaudited consolidated balance sheet of Krka Group

in thousand EUR	31 Dec 2007	31 Dec 2006
Assets		
Property, plant and equipment	572,244	506,929
Intangible assets	129,854	23,500
Investments in associates	0	2,023
Other investments	14,512	10,301
Deferred tax assets	32,687	31,840
Other non-current assets	410	253
Total non-current assets	749,707	574,846
Inventories	171,647	115,925
Trade and other receivables	179,834	153,891
Other investments	4,446	24,067
Cash and cash equivalents	15,784	10,399
Total current assets	371,711	304,282
Total assets	1,121,418	879,128
Equity		
Share capital	59,126	59,132
Own shares	-19,489	-19,489
Reserves	157,094	151,295
Retained earnings	474,146	372,060
Equity holders of the parne	670,877	562,998
Minority interest	10,036	7,907
Total equity	680,913	570,905
Liabilities		
Borrowings	87,183	34,584
Provisions	143,641	122,554
Grants received	3,099	2,778
Deferred tax liabilities	19,850	4,025
Total non-current liabilities	253,773	163,941
Trade payables	78,462	60,888
Borrowings	62,528	48,769
Income tax liabilities	3,612	7,020
Provisions and other liabilities	42,130	27,605
Total current liabilities	186,732	144,282
Total liabilities	440,505	308,223
Total equity and liabilities	1,121,418	879,128

Unaudited consolidated income statement of Krka Group

in thousand EUR	2007	2006
Sales revenues	780,918	667,955
Production cost of goods sold	282,833	248,985
Gross profit	498,085	418,970
Sales and marketing	198,051	165,844
R&D costs	59,071	52,650
Administrative expenses	62,246	53,545
Other operating income	4,216	3,564
Operating profit	182,933	150,495
Financial income	17,355	15,500
Financial expenses	25,354	17,239
Net financial result	-7,999	-1,739
Profit before tax	174,934	148,756
Income tax expense	42,081	36,670
Profit for the period	132,853	112,086
Equity holders of the parent	132,552	111,682
Minority interest	301	404
Earnings per share (in EUR) ¹	3.92	3.30

¹ Net profit of majority shareholders / average number of shares issued, excluding treasury shares. Calculations take into account the number of shares after the 1:10 share split.

Unaudited consolidated statement of changes in equity of Krka Group

in thousand EUR	Called capital	Own shares	Reserves					Retained earnings			Minority interest	Total equity
			Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserves	Profit reserves	Net profit for the period	Net profit carried forward		
Balance at 01 Jan 2006	59,132	-19,489	120,986	14,990	9,597	2,345	19	225,254	66,719	-7,665	7,568	479,456
Entry of net profit for the period	0	0	0	0	0	0	0	0	111,682	0	405	112,087
Formation of statutory reserves	0	0	0	0	2,086	0	0	0	-2,086	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board of the Krka Company	0	0	0	0	0	0	0	20,030	-20,030	0	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	0	-66,719	66,719	0	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	0	30,512	0	-30,512	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	-23,499	-65	-23,564
Recognised income and expenses	0	0	0	0	0	1,136	135	0	0	1,655	0	2,926
Balance at 31 Dec 2006	59,132	-19,489	120,986	14,990	11,683	3,481	154	275,796	89,566	6,698	7,908	570,905
Entry of changes in past profits	0	0	0	0	0	0	0	0	0	-193	0	-193
Entry of net profit for the period	0	0	0	0	0	0	0	0	132,552	0	301	132,853
Entry of minority interest	0	0	0	0	0	0	0	0	0	0	1,929	1,929
Formation of statutory reserves	0	0	0	0	2,500	0	0	0	-2,500	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board of the Krka Company	0	0	0	0	0	0	0	43,000	-43,000	0	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	0	-89,566	89,566	0	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	-6	0	6	0	0	0	0	38,149	0	-38,149	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	-27,040	-102	-27,142
Recognised income and expenses	0	0	0	0	0	3,344	-50	0	0	-733	0	2,561
Balance at 31 Dec 2007	59,126	-19,489	120,992	14,990	14,183	6,825	104	356,945	87,052	30,149	10,036	680,913

Unaudited cash flow of statement of Krka Group

in thousand EUR	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	132,853	112,086
Adjustments for:	99,879	85,623
– amortisation /depreciation	56,947	47,704
– foreign exchange gain	-5,078	-1,962
– foreign exchange loss	5,404	4,147
– investment income	-8,201	-9,831
– investment expenses	4,594	3,636
– financial expenses	4,325	4,980
– income taxes and other taxes not included in operating expenses	42,081	36,669
– other	-193	278
Operating profit before changes in net operating current assets	232,732	197,710
Change in trade receivables	-14,920	-18,880
Change in inventories	-32,117	4,950
Change in operating liabilities	-1,210	-1,101
Change in other current liabilities and provisions	31,148	19,751
Income taxes paid	-49,476	-65,512
Cash generated from operations	166,157	136,918
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	356	768
Proceeds from sale of current investments	1,263	1,014
Dividends received	216	201
Proceeds from property, plant and equipment	1,212	1,565
Acquisition of subsidiary	-96,043	0
Purchase of intangible assets	-10,801	-7,298
Purchase of property, plant and equipment	-112,801	-96,910
Payments in connection with long-term loans	28	-25
Payments in connection with non-current assets	3,783	-1,150
Acquisition of current investments	14,694	-7,802
Acquisition of derivative financial instruments	2,186	1,817
Net cash used in investing activities	-195,907	-107,820
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments from an increase in current financial liabilities	13,301	10,492
Interest paid	-3,868	-4,764
Payment of non-current financial liabilities	53,000	-13,162
Dividends paid	-27,075	-23,534
Net cash used in financing activities	35,358	-30,967
Net increase in cash and cash equivalents	5,607	-1,869
Cash and cash equivalents at beginning of period	10,399	12,635
Effect of exchange rate fluctuations on cash held	-222	-367
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	15,784	10,399

Unaudited balance sheet of Krka, d. d., Novo mesto

in thousand EUR	31 Dec 2007	31 Dec 2006
Assets		
Property, plant and equipment	422,891	377,442
Intangible assets	24,466	22,400
Investments in subsidiaries	218,178	121,513
Other investments	17,709	11,853
Deferred tax assets	28,653	27,648
Other non-current assets	366	178
Total non-current assets	712,263	561,034
Inventories	127,276	99,480
Trade and other receivables	188,872	157,484
Other investments	26,507	31,790
Cash and cash equivalents	2,340	4,498
Total current assets	344,995	293,252
Total assets	1,057,258	854,286
Equity		
Share capital	59,126	59,132
Own shares	-19,489	-19,489
Reserves	156,990	151,140
Retained earnings	475,383	379,135
Total equity	672,010	569,918
Liabilities		
Borrowings	83,200	29,143
Provisions	131,994	116,806
Grants received	913	448
Deferred tax liabilities	3,319	3,954
Total non-current liabilities	219,426	150,351
Trade payables	67,542	56,304
Borrowings	65,747	47,105
Income tax liabilities	2,132	6,698
Provisions and other liabilities	30,401	23,910
Total current liabilities	165,822	134,017
Total liabilities	385,248	284,368
Total equity and liabilities	1,057,258	854,286

Unaudited income statement of Krka, d. d., Novo mesto

in thousand EUR	2007	2006
Sales revenues	686,729	586,102
Production cost of goods sold	241,052	213,248
Gross profit	445,677	372,854
Sales and marketing	174,467	133,943
R&D costs	58,300	51,764
Administrative expenses	46,155	42,182
Other operating income	1,328	2,000
Operating profit	168,083	146,965
Financial income	16,360	14,779
Financial expenses	20,245	14,494
Net financial result	-3,885	285
Profit before tax	164,198	147,250
Income tax expense	37,677	34,223
Profit for the period	126,521	113,027
Earnings per share (in EUR) ¹	3.74	3.34

¹ Net profit of majority shareholders / average number of shares issued, excluding treasury shares. Calculations take into account the number of shares after the 1:10 share split.

Unaudited statement of changes in equity of Krka, d. d., Novo mesto

in thousand EUR	Called capital	Own shares	Reserves				Retained earnings			Total equity
			Share premium	Profit reserves	Profit reserves	Profit reserves	Profit reserves	Net profit for the period	Net profit carried forward	
Balance at 01 Jan 2006	59,132	-19,489	120,986	14,990	9,598	2,344	225,254	59,593	5,190	477,598
Entry of net profit for the period	0	0	0	0	0	0	0	113,027	0	113,027
Formation of statutory reserves	0	0	0	0	2,086	0	0	-2,086	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board of the Krka Company	0	0	0	0	0	0	20,030	-20,030	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	-59,593	59,593	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	30,512	0	-30,512	0
Dividends paid	0	0	0	0	0	0	0	0	-23,499	-23,499
Recognised income and expenses	0	0	0	0	0	1,136	0	0	1,656	2,792
Balance at 31 Dec 2006	59,132	-19,489	120,986	14,990	11,684	3,480	275,796	90,911	12,428	569,918
Entry of net profit for the period	0	0	0	0	0	0	0	126,521	0	126,521
Formation of statutory reserves	0	0	0	0	2,500	0	0	-2,500	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board of the Krka Company	0	0	0	0	0	0	43,000	-43,000	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	-90,911	90,911	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	-6	0	6	0	0	0	38,149	0	-38,149	0
Dividends paid	0	0	0	0	0	0	0	0	-27,040	-27,040
Recognised income and expenses	0	0	0	0	0	3,344	0	0	-733	2,611
Balance at 31 Dec 2007	59,126	-19,489	120,992	14,990	14,184	6,824	356,945	81,021	37,417	672,010

Unaudited cash flow statement of Krka, d. d., Novo mesto

in thousand EUR	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	126,521	113,027
Adjustments for:	79,603	68,428
– amortisation /depreciation	44,384	36,193
– foreign exchange gain	-1,860	-1,507
– foreign exchange loss	3,906	4,781
– investment income	-12,698	-11,637
– investment expenses	4,466	2,978
– financial expenses	3,729	3,119
– income taxes and other taxes not included in operating expenses	37,677	34,223
– other	0	278
Operating profit before changes in net operating current assets and provisions	206,124	181,455
Change in trade receivables	-32,021	-20,087
Change in inventories	-27,796	12,701
Change in operating liabilities	21,387	-1,571
Change in other current liabilities and provisions	22,098	18,121
Income taxes paid	-45,501	-63,171
Cash generated from operations	144,291	127,448
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	755	901
Proceeds from sale of current investments	1,263	1,014
Dividends received	216	201
Profits from subsidiaries	4,400	2,027
Proceeds from property, plant and equipment	908	1,176
Purchase of intangible assets	-7,291	-6,459
Purchase of property, plant and equipment	-96,421	-79,862
Payments related to subsidiaries – capital increase and loss coverage	-96,857	-6,501
Payments in connection with long-term loans	-1,883	90
Payments in connection with non-current assets	-160	-141
Acquisition of current investments	4,397	-13,398
Acquisition of derivative financial instruments	2,101	1,817
Net cash used in investing activities	-188,517	-99,135
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from an increase in current financial liabilities	18,057	11,537
Interest paid	-3,145	-3,011
Payment of non-current financial liabilities	54,371	-11,676
Dividends paid	-26,993	-23,468
Net cash used in financing activities	42,290	-26,618
Net increase in cash and cash equivalents	-1,936	1,699
Cash and cash equivalents at beginning of period	4,498	3,166
Effect of exchange rate fluctuations on cash held	-222	-367
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,340	4,498

Accumulated profit

in thousand EUR	2007	2006
Compulsory appropriation of net profit		
Net profit for the period	126,521	113,027
– to cover the loss from previous periods	0	0
– allocation to legal reserves	0	0
– allocation to reserves for own shares	0	0
– allocation to statutory reserves	2,500	2,086
Net profit after compulsory appropriation	124,021	110,941
– formation of other income reserves pursuant to a decision adopted by the Management Board and Supervisory Board	43,000	20,030
Surplus of net profit	81,021	90,911
Identification of accumulated profit		
– surplus of net profit	81,021	90,911
– retained earnings from previous periods	37,417	12,428
Accumulated profit	118,438	103,339