

Krka, d. d., Novo mesto, Šmarješka cesta 6, 8501 Novo mesto, in accordance with the Article 386 of Market in Financial Instruments Act (ZTFI, Official Gazette of the Republic of Slovenia, no 67/2007) hereby publishes:

IMPORTANT NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP AND UNAUDITED FINANCIAL STATEMENTS OF THE KRKA COMPANY FOR 2008

The Group's unaudited consolidated financial statements and the Krka Company's unaudited consolidated financial statements for 2008 and the comparative figures for 2007 were prepared in accordance with the International Financial Reporting Standards (IFRS).

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

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 2008 included the following subsidiaries:

	Share in equity 31 Dec 2008
Controlling company	
KRKA, d. d., Novo mesto, Slovenia	
Subsidiary	
Terme Krka, d.o.o., Novo mesto, Slovenia	100%
KRKA-FARMA d. o. o., Zagreb, Croatia	100%
KRKA Romania S.R.L., Bucharest, Romania	100%
KRKA-FARMA DOO BEOGRAD, Belgrade, Serbia	100%
KRKA-FARMA DOOEL, Skopje, Macedonia	100%
OOO KRKA-RUS, Istra, Russian Federation	100%
OOO KRKA FARMA, Sergiev Posad, Russian Federation	100%
KRKA-POLSKA Sp. z o. o., Warsaw, Poland	100%
KRKA ČR, s. r. o., Prague, Czech Republic	100%
KRKA Magyarország Kft, Budapest, Hungary	100%
KRKA Slovensko, s. r. o, Bratislava, Slovakia	100%
TAD Pharma GmbH, Cuxhaven, Germany	100%
KRKA Sverige AB, Stockholm, Sweden	100%
ALTERNOVA Arzneimittel GmbH, Vienna, Austria	100%
KRKA FARMACÊUTICA, Unipessoal Lda., Estoril, Portugal	100%
KRKA USA, LLC, Wilmington, USA	100%
KRKA PHARMA DUBLIN LIMITED, Dublin, Ireland	100%

The Terme Krka subsidiary had on 31 December 2008 a participating interest in the companies Terme Krka–Strunjan d. o. o. (100%) and Golf Grad Otočec d.o.o. (56.37%). On 1 January 2009 company Terme Krka–Strunjan was merged with Terme Krka and performs its operations as one of its business units.

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 January 2008. The Czech company was previously dormant, while the Slovakian company was newly established. In December 2008 the company KRKA Romania S.R.L. was established in Romania, and is also 100%-owned by the Krka Company. In mid-January 2009 KRKA FARMA, d. o. o., Sarajevo in Bosnia and Herzegovina, which is 100%-owned by Krka Company, was

registered. The representative office in Bosnia and Herzegovina will continue its operations along with the newly established subsidiary.

In the first half of 2008, KRKA Aussenhandels GmbH, Munich and KRKA PHARMA GmbH, Frankfurt were merged with TAD Pharma GmbH. TAD Pharma has taken over all their assets, capital, rights and obligations.

On 6 November 2008, the Krka Company signed a contract purchasing a 100% stake in the company ALTERNOVA Arzneimittel GmbH, Vienna, Austria, from the company Paranova Group A/S, Ballerup, Denmark for EUR 1.3 million in cash.

The company Krka-Farma, d. o. o., Novi Sad, Serbia, moved its registered office from Novi Sad to Belgrade, and also changed the company name to KRKA-FARMA DOO BEOGRAD.

Sales

In 2008 the Krka Group sold products and services worth EUR 949.9 million, representing growth of 22% on the previous year. The proportion of exports in total Group sales increased, with product exports worth EUR 845.5 million, equal to 89% of Group sales. Krka Company sales totalled EUR 826.2 million (growth of 20%).

Krka Group sales by region

The highest percentage increase in sales compared to 2007 (growth of 39% or EUR 63.4 million) was in Region West Europe and Overseas Markets, where product sales of EUR 224.3 million were recorded, with the region representing 24% of total sales. The region with highest sales was Region Central Europe where product sales were worth EUR 253.6 million (27% of overall sales), which is by a quarter higher than in 2007. Product sales worth EUR 232.2 million were achieved in Region East Europe, which is 27% higher than last year, and represented 24% of total sales. Krka's largest single market, the Russian Federation, is part of this region, where sales reached EUR 158.1 million (growth of 30%). Sales in Region South-East Europe were worth EUR 135.4 million, representing growth of 2%, while sales growth in Slovenia was 3%, and total sales were worth EUR 104.4 million.

Krka Group sales by product group

The most important product group is prescription pharmaceuticals, with sales revenues worth EUR 782.2 million, representing 82% of overall Group sales. In 2008 Krka generated sales of self-medication products worth EUR 99.2 million or one tenth of overall sales, while cosmetics sales were worth EUR 10.0 million, and animal health product sales were worth EUR 25.1 million. Sales of health and tourism services totalled EUR 32.5 million. Compared to 2007, sales of prescription pharmaceuticals increased by 24%, self-medication product sales increased by 19%, animal health products by 2%, and health and tourism services by 5%.

Performance indicators

EUR thousand	Krka Group		Krka Company	
	2008	2007	2008	2007
Sales revenues	949,920	780,918	826,160	686,729
EBIT	236,781	183,642	223,642	168,672
EBITDA	308,390	240,586	275,371	213,055
Net profit	155,891	132,853	161,130	126,521
Non-current assets	811,821	749,707	768,823	712,263
Current assets	459,215	371,711	455,569	344,995
Equity	782,696	680,913	797,203	672,010
Non-current liabilities	257,526	253,773	222,067	219,426
Current liabilities	230,814	186,732	205,122	165,822
R&D costs	84,746	59,071	76,551	58,300
Investments	146,745	112,977	115,591	92,832
RATIOS				
Net profit margin	16.4%	17.0%	19.5%	18.4%
EBIT margin	24.9%	23.5%	27.1%	24.6%
EBITDA margin	32.5%	30.8%	33.3%	31.0%
ROE ¹	21.3%	21.2%	21.9%	20.4%
ROA ²	13.0%	13.3%	14.1%	13.2%
Liabilities/Equity	0.624	0.647	0.536	0.573
R&D costs/Sales revenues	8.9%	7.6%	9.3%	8.5%
Number of employees at the end of year	7602	6777	5250	4891
Earnings per share in EUR ³	4.61	3.92	4.77	3.74
Book value of share in EUR ⁴	22.09	19.22	22.5	18.97

1 Net profit / average equity balance in period

2 Net profit / average assets balance in period

3 Net profit of the majority owner / average number of shares issued excluding own shares

4 Equity at 31 December / number of shares issued

Sales grew by 22% for the Krka Group, while its operating profit increased by 29%, the pre-tax profit by 18%, and the net profit increased by 17%. For the Krka Company, sales grew by 20%, its operating profit increased by one third, the pre-tax profit by a quarter, and the net profit by 27%.

Research and development

In 2008 Krka was granted first marketing authorisations for 21 new products in 36 pharmaceutical forms. At the same time, 637 market authorisations were acquired for various products across a number of different markets. The highest number of market authorisations was achieved via DCPs (Decentralised Procedures) and MRPs (Mutual Recognition Procedures). Eight DCPs and six MRPs were concluded, representing significant market authorisations for various products in key countries. The most important include the product range with the active pharmaceutical ingredient (API) montelukast and products with the API ziprasidone among the prescription pharmaceuticals, and the product range with the API enrofloxacin among animal health products. The most demanding marketing authorisation procedure, a CP (Centralised Procedure), was successfully concluded for the products Oprynea® (pramipexole) and Irbesartan Krka (irbesartan). The CPs provided market authorisation for both products in all 27 EU member states.

Effective product development and preparation of market authorisation documentation for new products are an important part of ensuring new market authorisations for products in the future. The results of creative and innovative approaches and R&D team work in 2008 were the submission of market authorisation documents for 22 new products.

Krka markets its products under its own trademarked brands, which further enhances the added value of the products. In 2008 Krka registered 121 brands in Slovenia, and submitted 94 international, 10 Europe-wide and 24 individual applications in individual countries.

Investment

In 2008 the Krka Group allocated EUR 146.7 million to investment, of which EUR 115.6 million (79% of total Krka Group investments) was within the controlling company, and EUR 31.1 million in subsidiaries.

The completion of the third phase of the expansion of the Notol tableting plant, Krka increased its annual capacity to 3.5 billion tablets and capsules. The capacity of the pellet production plant was increased and a technical service centre was constructed. At present there are several investment projects underway in the Company: production capacity at the Sinteza plant is being expanded, necessitated by the need to produce increasing quantities of new APIs; the Bršljin plant is being renovated and a new facility will be built for the production of biocides, and syrup production is being renovated and increased, and pastille production in Ljutomer is being expanded by 30%. Preparations for the construction of a new capsule production plant are underway at the Ločna location, with an annual capacity of 2 billion capsules.

The Terme Krka Group opened a new 116-bed hotel at Dolenjske Toplice and is currently constructing nine new holes on the Otočec golf course. Both investments have been co-financed by the European Regional Development Fund. The subsidiaries TAD Pharma, Krka Farma Zagreb and Krka Polska all increased production or warehousing capacity in 2008.

The Krka Company signed a contract with the Paranova Group on 6 November 2008 to purchase the company Alternova Arzneimittel GmbH, Vienna. The purchase price was EUR 1.3 million and was paid in cash. This made Krka the 100% owner of Alternova.

Employees

At the end of the 2008, the Krka Group employed 7602 co-workers, 3380 of which were employed in the parent company in Slovenia, 1870 in representative offices abroad, 1673 in companies abroad, and 679 in the Terme Krka Group. This was an increase of 825 or 12% in the number of employees on the previous year. A total of 3543 co-workers worked in representative offices and companies outside Slovenia, 47% of all employees in the Group.

The proportion of Krka Group employees with a university education is increasing. At the end of 2008, 51% of Krka Group employees or 3858 of them had at least a first degree. This includes 76 people with doctorates and 178 with master's degrees and specialisations.

Shares and Shareholders

At the end of 2008, Krka had 77,276 shareholders. The number of Krka shareholders increased by a quarter or by 15,691 over the year.

The largest increase by investor type was among individual Slovenian investors, with 15,460 new investors, increasing their proportion of shares held by private Slovenian investors. The ownership share of international investors and Slovenian businesses fell slightly. The number of own shares remained unchanged at 1,626,620.

The Krka share price on the last trading day of 2008 was EUR 48.27, which is 61% down on the figure at year-end 2007, when it stood at EUR 124.29. The fall is largely attributable to the crisis on international financial markets, which had also affected the Slovene capital market. The Slovenian Stock Exchange Index (SBI 20) fell 68% over 2008.

Since it was first listed on the stock exchange, the growth in the Krka share price has exceeded that on comparable share indexes, i.e. the SBI 20 and the Bloomberg Europe Pharmaceutical Index, which includes all the most important European pharmaceutical companies.

Krka's shares were the most liquid securities on the Ljubljana Stock Exchange in 2008. The annual turnover in Krka shares was worth EUR 394 million in 2008, a fall of 23% compared to 2007. The average daily turnover was EUR 1.58 million.

At the end of 2008 the Krka Company's market capitalisation stood at EUR 1.7 billion, representing one fifth of the total market capitalisation of the Ljubljana Stock Exchange.

Plans for 2009

The sale of products and services for Krka Group in 2009 is planned to reach EUR 1,062 million, with growth of almost 12% on the 2008 sales figures. The proportion of sales on markets outside Slovenia is planned at 89%. Prescription pharmaceuticals, with growth anticipated at 9%, will remain the most important product group, and are expected to represent 81% of overall sales.

The Group is planning for a net profit of EUR 161 million, with investments of the same value planned, which will largely be allocated to increasing and modernising production and R&D capacity, and infrastructure.

At the end of 2009 the Krka Group will have 8055 employees, 48% of them abroad.

Significant events after the accounting period

The five-year term-in-office of Krka Management Board members expires on 31 December 2009. To ensure that procedures to appoint the new management board move forward on time, at its meeting on 21 January 2009 the Supervisory Board re-appointed the current President of the Management Board, Jože Colarič, as President of the Management Board for the next six-year term-in-office, which will start on 1 January 2010. At the same time the Board charged him, as President of the Management Board and Chief Executive to prepare a proposal for the Supervisory Board on the appointment of members of the management board in accordance with the company's articles of association no later than by the end of August 2009.

On 13 January 2009 the Ljubljana District Court temporarily suspended Krka's production and marketing of the pharmaceutical Valsaden due to alleged violations of patent belonging to Novartis AG, Basel, Switzerland, EP 0914 119 or EP 1 410 797 in Slovenia. The subject of both patents is the production procedure for solid pharmaceutical forms (tablets), which contain a combination of valsartan and hydrochlorothiazide. The court issued its resolution ex parte, on 17 February 2009 the decision was rescinded on the basis of an appeal, but at the time of publication the decision was not yet final. Novartis AG has also filed a suit to determine the alleged violation. A case is also before the same court to issue a temporary injunction against patent EP 1 410 797 due to alleged violations for products containing the API valsartan. On 23 February 2009 Krka received the decision of the District Court in Ljubljana that rejects the request of Novartis AG, Switzerland, for temporary injunction that would prohibit Krka to manufacture and market the product Valsacor, film coated tablets in all strengths, or whichever other product that may infringe the patent EP 1 410 797 in Slovenia. The court decision is not final yet. Novartis may file an appeal against the court decision

On 26 January 2009 the subsidiary Krka-Polska Sp. z o.o., Warsaw (Krka Polska) received a resolution from the commercial court in Warsaw, with which the court temporarily prevented Krka Polska from selling, producing, marketing and importing the pharmaceutical Monkasta®, which contains the API montelukast, in Poland, due to

an alleged violation of the patent PL 178 671, held by Merck & Co., USA. The court issued the resolution ex parte, without receiving a response from Krka Polska. Krka Polska subsequently issued an appeal against the resolution. Merck & Co. also filed a suit due to an alleged patent violation. Patent PL 178 671 protects one of the procedures for the production of the API montelukast. Krka produces the API montelukast using a different procedure, and that procedure does not violate the cited patent of Merck & Co. in Poland to the best of its knowledge.

In January 2009 two subsidiaries started their operations, KRKA ROMANIA S.R.L. in Bucharest, Romania (registered in mid-December 2008) and KRKA FARMA, d. o. o. in Sarajevo, Bosnia and Herzegovina (registered in mid-January 2009), both 100%-owned by Krka. The new subsidiary in Romania will thus supersede the former representative office, while the representative office in Bosnia and Herzegovina will continue its operations along with the newly established subsidiary. The company Terme Krka – Strunjan whose 100%-owner became the Krka Terme Group in October 2008, was merged with Terme Krka on 1 January 2009, and performs its operations as one of its business units.

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 2009

Krka, d. d., Novo mesto
Management Board

Unaudited consolidated balance sheet of Krka Group

EUR thousand	31 Dec 2008	31 Dec 2007
Assets		
Property, plant and equipment	637,749	572,244
Intangible assets	128,980	129,854
Deferred tax assets	34,273	32,687
Long-term loans	3,892	3,531
Non-current investments	6,591	10,981
Other non-current assets	336	410
Total non-current assets	811,821	749,707
Inventories	211,662	171,647
Trade and other receivables	237,228	179,834
Short-term loans	1,393	1,510
Current investments, including derivatives	743	2,936
Cash and cash equivalents	7,604	15,784
Assets classified as held for sale	585	0
Total current assets	459,215	371,711
Total assets	1,271,036	1,121,418
Equity		
Share capital	59,126	59,126
Own shares	-19,489	-19,489
Reserves	146,454	157,094
Retained earnings	595,704	474,146
Equity holders of the parent	781,795	670,877
Minority interest	901	10,036
Total equity	782,696	680,913
Liabilities		
Long-term borrowings	83,734	87,183
Provisions	149,663	143,641
Government grants and EU grants	5,353	3,099
Deferred tax liabilities	18,776	19,850
Total non-current liabilities	257,526	253,773
Trade payables	69,996	78,462
Short-term borrowings	100,111	62,528
Income tax liabilities	10,533	3,612
Other current liabilities	50,174	42,130
Total current liabilities	230,814	186,732
Total liabilities	488,340	440,505
Total equity and liabilities	1,271,036	1,121,418

Unaudited consolidated income statement of Krka Group

EUR thousand	2008	2007
Sales revenues	949,920	780,918
Production cost of goods sold	-325,102	-282,833
Gross profit	624,818	498,085
Other operating income	8,617	3,726
Sales and marketing	-242,274	-196,852
R&D costs	-84,746	-59,071
Administrative expenses	-69,634	-62,246
Result from operating activities	236,781	183,642
Financial income	3,029	7,635
Financial expenses	-34,177	-16,343
Net financial result	-31,148	-8,708
Profit before tax	205,633	174,934
Income tax expense	-49,742	-42,081
Profit for the period	155,891	132,853
Attributable to:		
– equity holders of the parent	155,955	132,552
– minority interest	-64	301
Earnings per share (in EUR)	4.61	3.92
Diluted earnings per share (in EUR)	4.61	3.92

¹ Net profit attributable to the majority shareholders / average number of shares issued, excluding own shares.

² All shares issued by the controlling company are ordinary shares, hence the diluted earnings per share ratio was equal to the basic earnings per share.

Unaudited consolidated statements of changes in equity of Krka Group

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	11,684	3,480	154	275,796	89,566	6,698	562,997	7,908	570,905
Entry of changes in profit for previous periods	0	0	0	0	0	0	0	0	0	-193	-193	0	-193
Entry of net profit for the period	0	0	0	0	0	0	0	0	132,552	0	132,552	301	132,853
Entry of minority interest	0	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	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	0	43,000	-43,000	0	0	0	0
Transfer of previous period's net profit to net profit carried forward	0	0	0	0	0	0	0	0	-89,566	89,566	0	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	0
Dividends paid	0	0	0	0	0	0	0	0	0	-27,040	-27,040	-102	-27,142
Translation reserve	0	0	0	0	0	0	-50	0	0	0	-50	0	-50
Changes in the fair value of financial assets available for sale	0	0	0	0	0	3,344	0	0	0	0	3,344	0	3,344
Tax effects of the transition and adjustment to IFRS	0	0	0	0	0	0	0	0	0	-733	-733	0	-733
Balance at 31 Dec 2007	59,126	-19,489	120,992	14,990	14,184	6,824	104	356,945	87,052	30,149	670,877	10,036	680,913
Balance at 1 Jan 2008	59,126	-19,489	120,992	14,990	14,184	6,824	104	356,945	87,052	30,149	670,877	10,036	680,913
Entry of changes in profits for previous periods / entry of acquisition of Krka Terme Strunjan	0	0	0	0	0	0	0	0	0	336	336	0	336
Entry of net profit for the period	0	0	0	0	0	0	0	0	155,955	0	155,955	-64	155,891
Entry of minority interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of statutory reserves	0	0	0	0	3,000	0	0	0	-3,000	0	0	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	0	50,000	-50,000	0	0	0	0
Transfer of previous period's net profit to net profit carried forward	0	0	0	0	0	0	0	0	-87,052	87,052	0	0	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	0	43,472	0	-43,472	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	-30,828	-30,828	-113	-30,941
Translation reserve	0	0	0	0	0	0	-9,436	0	0	0	-9,436	0	-9,436
Changes in the fair value of financial assets available for sale	0	0	0	0	0	-4,204	0	0	0	0	-4,204	0	-4,204
Tax effects of the transition and adjustment to IFRS	0	0	0	0	0	0	0	0	0	-905	-905	0	-905
Changes of minority interest	0	0	0	0	0	0	0	0	0	0	0	-8,958	-8,958
Balance at 31 Dec 2008	59,126	-19,489	120,992	14,990	17,184	2,620	-9,332	450,417	102,955	42,332	781,795	901	782,696

Unaudited consolidated cash flow statement of Krka Group

EUR thousand	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	155,891	132,853
Adjustments for:	124,952	101,809
– amortisation /depreciation	71,609	56,944
– foreign exchange gain	-27,812	-5,078
– foreign exchange loss	17,740	5,407
– investment income	-6,386	-8,201
– investment expense	8,601	4,594
– interest expense and other financial expense	9,599	4,325
– income tax	51,857	42,081
– other	-256	1,737
Operating profit before changes in net operating current assets and provisions	280,843	234,662
Change in trade receivables	-61,812	-13,452
Change in inventories	-40,277	-32,117
Change in operating debts (liabilities)	-2,956	4,059
Change in provisions	5,943	16,367
Change in grants received	2,254	321
Change in other current liabilities	7,355	14,459
Income taxes paid	-47,274	-49,096
Cash generated from operations	144,076	175,203
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	358	356
Proceeds from sale of current investments	14	1,263
Dividends received	21	216
Proceeds from sale of property, plant and equipment	3,936	1,212
Purchase of intangible assets	-12,652	-7,381
Purchase of property, plant and equipment	-128,549	-107,742
Acquisition of subsidiary net of cash	-9,051	-96,043
Given long-term loans	-1,067	-1,590
Proceeds from repayment of long-term loans	858	1,618
Acquisition of non-current investments	-1,085	-308
Proceeds from sale of non-current investments	150	44
Acquisition of current investments	-1,760	-21,662
Proceeds from sale of current investments and repayment of short-term loans	1,661	22,876
Payments in connection with derivative financial instruments	-1,098	-63
Proceeds from derivative financial instruments	1,885	2,250
Net cash used in investing activities	-146,379	-204,954
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-7,672	-3,868
Repayment of long-term borrowings	-22,533	-14,283
Proceeds from long-term borrowings	0	104,000
Repayment of short-term borrowings	-308,684	-318,566
Proceeds from short-term borrowings	364,042	295,150
Dividends paid	-30,852	-27,075
Net cash used in financing activities	-5,699	35,358
Net increase in cash and cash equivalents	-8,002	5,607
Cash and cash equivalents at beginning of period	15,784	10,399
Effect of exchange rate fluctuations on cash held	-178	-222
Net cash and cash equivalents at end of period	7,604	15,784

Unaudited balance sheet of Krka Company

EUR thousand	31 Dec 2008	31 Dec 2007
Assets		
Property, plant and equipment	475,577	422,891
Intangible assets	28,137	24,466
Investments in subsidiaries	225,054	218,178
Deferred tax assets	28,732	28,653
Long-term loans	4,633	6,936
Non-current investments	6,382	10,773
Other non-current assets	308	366
Total non-current assets	768,823	712,263
Inventories	170,206	127,276
Trade and other receivables	252,494	188,872
Short-term loans	31,832	23,575
Current investments, including derivatives	743	2,932
Cash and cash equivalents	294	2,340
Total current assets	455,569	344,995
Total assets	1,224,392	1,057,258
Equity		
Share capital	59,126	59,126
Own shares	-19,489	-19,489
Reserves	155,786	156,990
Retained earnings	601,780	475,383
Total equity	797,203	672,010
Liabilities		
Long-term borrowings	81,209	83,200
Provisions	139,309	131,994
Government grants and EU grants	853	913
Deferred tax liabilities	696	3,319
Total non-current liabilities	222,067	219,426
Trade payables	73,237	67,542
Short-term borrowings	88,752	65,747
Income tax liabilities	9,105	2,132
Other current liabilities	34,028	30,401
Total current liabilities	205,122	165,822
Total liabilities	427,189	385,248
Total equity and liabilities	1,224,392	1,057,258

Unaudited income statement of Krka Company

EUR thousand	2008	2007
Sales revenues	826,160	686,729
Production cost of goods sold	-272,200	-241,052
Gross profit	553,960	445,677
Other operating income	2,551	1,328
Sales and marketing	-205,133	-173,878
R&D costs	-76,551	-58,300
Administrative expenses	-51,185	-46,155
Result from operating activities	223,642	168,672
Financial income	4,856	11,791
Financial expenses	-22,780	-16,265
Net financial result	-17,924	-4,474
Profit before tax	205,718	164,198
Income tax expense	-44,588	-37,677
Profit for the period	161,130	126,521
Earnings per share (in EUR)¹	4.77	3.74
Diluted earnings per share (in EUR)²	4.77	3.74

¹ Net profit / average number of shares issued, excluding own shares.

² All shares issued by the controlling company are ordinary shares, hence the diluted earnings per share ratio was equal to the basic earnings per share.

Accumulated profit of Krka Company

EUR thousand	2008	2007
Compulsory appropriation of net profit		
Net profit for the period	161,130	126,521
– 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	-3,000	-2,500
Net profit after compulsory appropriation	158,130	124,021
– formation of other revenue reserves under the resolution of the Management and the Supervisory Board	-50,000	-43,000
Surplus of net profit	108,130	81,021
Identification of accumulated profit		
– surplus of net profit	108,130	81,021
– retained earnings from previous periods	43,233	37,416
Accumulated profit	151,363	118,437

Unaudited statements of changes in equity of Krka Company

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	12,428	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	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
Changes in the fair value of financial assets available for sale	0	0	0	0	0	3,344	0	0	0	3,344
Tax effects of the transition and adjustment to IFRS	0	0	0	0	0	0	0	0	-733	-733
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
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	161,130	0	161,130
Formation of statutory reserves	0	0	0	0	3,000	0	0	-3,000	0	0
Formation of other revenue reserves under the resolution of the Management and the Supervisory Board	0	0	0	0	0	0	50,000	-50,000	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	-81,021	81,021	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	43,472	0	-43,472	0
Dividends paid	0	0	0	0	0	0	0	0	-30,828	-30,828
Changes in the fair value of financial assets available for sale	0	0	0	0	0	-4,204	0	0	0	-4,204
Tax effects of the transition and adjustment to IFRS	0	0	0	0	0	0	0	0	-905	-905
Balance at 31 Dec 2008	59,126	-19,489	120,992	14,990	17,184	2,620	450,417	108,130	43,233	797,203

Unaudited cash flow statement of Krka Company

EUR thousand	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	161,130	126,521
Adjustments for:	106,541	79,603
– amortisation /depreciation	51,729	44,383
– foreign exchange gain	-6,727	-1,859
– foreign exchange loss	9,136	3,905
– investment income	-9,802	-12,698
– investment expense	8,743	4,466
– interest expense and other financial expense	8,874	3,729
– income tax	44,588	37,677
Operating profit before changes in net operating current assets and provisions	267,671	206,124
Change in trade receivables	-66,466	-32,021
Change in inventories	-42,930	-27,796
Change in operating debts (liabilities)	6,504	11,325
Change in provisions	7,315	15,188
Change in grants received	-60	464
Change in other current liabilities	3,537	6,446
Income taxes paid	-39,993	-45,501
Cash generated from operations	135,578	134,229
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,271	756
Proceeds from sale of current investments	14	1,263
Dividends received	21	216
Proportionate profit of subsidiaries	682	4,400
Proceeds from sale of property, plant and equipment	4,949	907
Sale of subsidiary	0	56
Purchase of intangible assets	-8,829	-7,291
Purchase of property, plant and equipment	-104,580	-86,360
Acquisition of subsidiaries and capital increase	-6,876	-96,857
Given long-term loans	-1,120	-3,389
Proceeds from repayment of long-term loans	3,575	1,506
Acquisition of non-current investments	-1,085	-163
Proceeds from sale of non-current investments	346	3
Acquisition of current investments	-41,402	-41,121
Proceeds from sale of current investments and repayment of short-term loans	32,421	45,518
Payments in connection with derivative financial instruments	-1,099	-63
Proceeds from derivative financial instruments	1,885	2,164
Net cash used in investing activities	-118,826	-178,455
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-6,984	-3,145
Repayment of long-term borrowings	-22,533	-12,913
Proceeds from long-term borrowings	0	104,000
Repayment of short-term borrowings	-319,834	-318,218
Proceeds from short-term borrowings	361,508	299,559
Dividends paid	-30,739	-26,993
Net cash used in financing activities	-18,581	42,290
Net increase in cash and cash equivalents	-1,829	-1,936
Cash and cash equivalents at beginning of period	2,340	4,498
Effect of exchange rate fluctuations on cash held	-217	-222
Net cash and cash equivalents at end of period	294	2,340