

In accordance with the rules of the Ljubljana Stock Exchange and the Securities Market Act (ZTVP-1, Official Gazette of the Republic of Slovenia no. 56/99) Krka, d. d., Novo mesto, Šmarješka cesta 6, 8501 Novo mesto, hereby releases the following

SUMMARY OF NON-AUDITED FINANCIAL STATEMENTS OF KRKA, D. D., NOVO MESTO, AND OF KRKA GROUP FOR THE FIRST HALF OF THE YEAR 2003

Important notes to the interim financial statements of Krka, d. d., Novo mesto

In the first half of 2003 Krka's business operations have mainly achieved the set plans and strategic goals. Total sales revenues achieved, in this period, were 44.3 billion SIT, which represents a 9% increase compared to the same period last year. 80% of total sales were generated on foreign markets, and the highest growth was recorded in the region West Europe and Overseas Markets with sales growth, in the first half of 2003, of 52% compared to the same period of 2002. Within this region, the outstanding results were achieved on the West European market, where the sales doubled compared to the same period last year.

The sales revenue in Slovenia, which is Krka's largest individual market, represented one fifth of total sales revenue and amounted to 8.8 billion SIT. The most effective sales region, with a 25% in Krka's total sales revenue, is East European region. The most important market within this region remains undoubtedly the Russian Federation. The sales in South-East Europe grew by 8% compared to the same period last year, to 9 billion SIT, whereas the sales on the markets of Central Europe amounted to 8.4 billion SIT.

90% of total sales represent the human health products sales, which include prescription pharmaceuticals and self-medication products. Animal health and cosmetic products each represent 5% of total Krka's total sales. The most significant sales growth by segment, compared to the same period 2002, was achieved in the prescription pharmaceuticals segment (18%).

We have been faced with different pressures for price reductions on all our markets, especially in Croatia, and in Slovenia as well. We estimate that possible price reductions will be compensated by an increased sales volume on these markets.

The development of new products and the acquisition of new marketing authorizations in the first half of 2003 enabled Krka the strengthening of its position among the leading generic pharmaceutical companies in Europe. Among the most important new marketing authorizations acquired were marketing authorization for the systemic antimycotic Atifan[®] and the antidepressive Mirzaten[®]. Furthermore, first marketing authorizations in Western Europe were acquired for Coryol[®], a drug for treating hypertension and reducing mortality after myocardial infarction, and for amlodipine maleate, another drug for the treatment of increased blood pressure.

In the first half of 2003, Krka earmarked 8.3 billion SIT for domestic and foreign investments, of which two thirds were allocated in Slovenia. The highest share of domestic capital expenditures was allocated for production capacity equipment in the new factory for production of pharmaceuticals in solid dosage form – Notol, which was opened last year. By the end of this year we are planning to start the production on eight production lines, and we have also intensified our activities to finish the building of the new plant for the production of solid drug forms in Šentjernež, which will be opened this autumn. Our most important investment abroad is the factory in Russia. The production facilities are being completed and will be opened in September this year.

In the first half of 2003 total revenues amounted to 46.2 billion SIT, which is a 9% increase over the same period last year. The net profit amounted to 5.8 billion SIT and increased by 24% over the first half of 2002.

Performance indicators

	1-6/03	1-6/02
Net profit / revenues	12.5 %	11.0 %
Return on equity (ROE)*	12.6 %	11.0 %
Return on assets (ROA)*	8.7 %	7.6 %

* annualized

The value of Krka's total assets as at 30 June 2003 was 138.3 billion SIT, increased by 9.2% over total assets value as at 30 June 2002. Fixed assets represent 62% and current assets represent 38% of total assets. The capital and provisions account for 79%, whereas short-term and long-term liabilities for 21%, in the capital & liabilities structure.

The average daily market price per share of the company listed on the Ljubljana Stock Exchange was SIT 41,309 as at 30 June 2003 and stands at 54% premium over share book value of SIT 26,767. The earnings per share of SIT 3,259 as at 30 June 2003 is calculated on annual basis. When calculating the earnings per share the total number of company's shares issued was considered.

The trend towards increasing the number of shareholders, typical for the second half of 2002, stopped in the first half of 2003, and the number of all shareholders fell by 0.3% compared to the end of 2002. The share of Kapitalska družba and its funds increased by 2 percentage points, whereas the share of investment companies and other domestic legal entities decreased. The trend of increasing ownership share of domestic individuals continued, whereas the foreign investor's ownership share did not change substantially.

On 30 June 2003 ten largest shareholders held slightly more than 38% of Krka's shares, namely:

Shareholder	No. of shares	Share in %
SLOVENSKA ODŠKODNINSKA DRUŽBA, D. D.	510,814	14.42
KAPITALSKA DRUŽBA, D. D.	338,880	9.57
NFD 1 INVESTICIJSKI SKLAD, D. D.	108,815	3.07
TRIGLAV STEBER I PID, D. D.	107,687	3.04
ZAVAROVALNICA TRIGLAV, D. D.	62,343	1.76
KD INVESTMENTS, D. D., VS GALILEO	56,927	1.61
ABANKA, D. D.	48,200	1.36
ID MAKSIMA, D. D.	42,328	1.19
ID KD, D. D.	41,279	1.17
AKTIVA INVEST, D. D.	40,002	1.13
Total	1,357,275	38.31

As at 30 June 2003 the members of the company's Management Board and Supervisory Board held altogether 0.27% of Krka's shares, of which members of the Management Board owned the following number of shares: Miloš Kovačič, President of the Management Board: 2,099 shares or 0.0592%; Jože Colarič, Deputy to the President of the Management Board: 3,024 shares or 0.0854%; Janez Poljanec, Member of the Management Board: 2,370 shares or 0.0669% and Aleš Rotar, Member of the Management Board: 986 shares or 0.0278%. Members of the Supervisory Board held the following number of shares: Sonja Kermc 211 shares or 0.0060%; Mihaela Korent

513 shares or 0.0145%; Darinka Kure 116 shares or 0.0033%; Boris Petančič 100 shares or 0.0028% and Božena Šuštar 10 shares or 0.0003%.

On 30 June 2003 Krka had 163,431 own shares, which accounts for 4.6% of all shares outstanding. In the Balance Sheet they are shown under long-term financial investments amounting to 4,692,359 thousand SIT, valued at the market price on 29 December 2003. In the first six months of 2003 the company did not purchase any own shares.

Krka, d. d., Novo mesto has been practicing a stable dividend policy since listing on the organized capital market and is regularly paying out dividends to its shareholders. In 2003 the shareholders received a dividend in the gross amount of SIT 1,050 per share, in accordance with the Resolution of the 8th Annual General Meeting held on 4 July 2003. In 2002, the gross dividend amounted to SIT 950 SIT per share. At the Annual General Meeting in July 2003 the shareholders were informed that Mihaela Korent had been elected member of the Supervisory Board by the Workers' Council.

Important notes to the interim financial statements of the Krka Group

In the first half of 2003 the Krka Group achieved 47.2 billion SIT of sales revenues, of which 24% on the domestic market and 76% in export. The majority of subsidiaries abroad represent part of the sales network, for the sale of its products. The sales of Krka's products worth 44.6 billion SIT account for 94.5%, and the sales generated by health resort and tourist services of Krka Zdravilišča (together with the company Krka Strunjan) account for 2.6 billion SIT, i.e. 5.5% of Krka Group sales revenues.

The net profit of the Krka Group amounts to 5.0 billion SIT, increased by 25% over the previous year. The value of total assets as at 30 June 2003 amounted to 140 billion SIT increased by 10% compared to the end of 2002. The return on sales was 9.7%, the return on equity 11.0% and the return on assets 7.5%.

Krka, d. d., Novo mesto is a holding company of the Krka Group, which includes the following subsidiaries and associated companies:

	Ownership
Subsidiaries in Slovenia:	
• KRKA Zdravilišča, d. o. o., Novo mesto	100 %
Subsidiaries abroad:	
• KRKA FARMA, d. o. o., Zagreb, Croatia	100 %
• KRKA-FARMA DOOEL, Skopje, Macedonia	100 %
• KRKA KOZMETIKA DOOEL, Skopje, Macedonia	100 %
• KRKA Polska, Sp. z o. o., Warsaw, Poland	100 %
• KRKA Aussenhandels GmbH, München, Germany	100 %
• OOO KRKA-RUS, Istra, Russian Federation	100 %
• OOO KRKA FARMA, Sergiev posad, Russian Federation	100 %
• KRKA ČR, s. r. o., Prague, Czech Republic	100 %
• KRKA Pharma Dublin Limited, Dublin, Ireland	100 %
• KRKA Magyarország, Kft, Budapest, Hungary	99 %
• HELVETIUS S. R. L., Trieste, Italy	80 %
• KRKA-FARMA, d. o. o., Novi Sad, Serbia and Montenegro	60 %
Associated companies in Slovenia:	
• Finsvet, d. o. o., Novo mesto	24.35 %
• Golf Grad Otočec, d. o. o.	25.00 %
• SRC Rog Črmošnjice, d. o. o.	45.33 %
Associated companies abroad:	
• Dawa, Nairobi, Kenya	34.78 %

Novo mesto, August 2003

The Management Board
Krka, d. d., Novo mesto

BALANCE SHEET

in '000 SIT

	Krka, d. d., Novo mesto		Krka Group	
	30.06.2003	30.06.2002	30.06.2003	30.06.2002
ASSETS	138,289,719	125,409,267	139,990,541	125,939,645
Fixed assets	86,072,889	79,115,927	88,152,145	81,049,698
Intangible fixed assets	1,197,062	652,497	1,536,805	930,726
Tangible fixed assets	56,286,912	51,119,431	79,897,173	72,282,553
Long-term investments	28,588,915	27,343,999	6,718,167	7,836,419
Current assets	52,104,292	46,219,849	51,495,347	44,613,398
Inventories	18,357,365	15,309,647	21,407,629	17,496,717
Operating receivables	31,043,187	26,865,005	25,567,111	21,713,340
Short-term investments	1,369,974	2,347,439	1,460,767	2,766,373
Cash and cash equivalents	1,333,765	1,697,758	3,059,840	2,636,968
Deferred costs (expenses) and accrued revenues	112,538	73,491	343,049	276,549
OFF-BALANCE SHEET ASSETS	7,714,411	4,822,516	8,159,690	4,967,203
LIABILITIES AND CAPITAL	138,289,719	125,409,267	139,990,541	125,939,645
Capital	94,824,301	88,175,101	93,624,077	86,423,586
Called-up capital	14,170,448	14,170,448	14,170,448	14,170,448
Capital reserves	2,566,886	7,001	2,566,886	7,001
Revenue reserves	36,817,324	28,607,645	36,817,324	28,607,645
Retained net profit from previous years	13,761,979	17,496,586	11,362,672	14,445,114
Net profit for the financial year	5,773,019	4,657,099	5,017,864	4,012,434
Equity revaluation adjustments	21,734,645	23,236,322	21,734,645	23,263,336
Capital of minority owners			1,954,238	1,917,608
Provisions	13,890,770	15,336,190	14,034,954	15,565,543
Financial and operating liabilities	28,604,548	21,811,048	32,109,079	23,695,038
Long-term liabilities	6,536,027	4,306,718	8,514,829	6,029,203
Short-term liabilities	22,068,521	17,504,330	23,594,250	17,665,835
Accrued costs (expenses) and deferred revenues	970,100	86,929	222,431	255,479
OFF-BALANCE SHEET LIABILITIES	7,714,411	4,822,516	8,159,690	4,967,203

INCOME STATEMENT

in '000 SIT

	Krka, d. d., Novo mesto		Krka Group	
	01-06/2003	01-06/2002	01-06/2003	01-06/2002
Net sales revenues	44,299,937	40,548,137	47,164,396	43,836,232
- domestic sales	8,804,418	7,951,155	11,410,575	10,496,435
- export sales	35,495,519	32,596,982	35,753,821	33,339,797
Change in value of inventory of products and work-in-process	1,809,493	-175,225	2,227,063	207,294
Capitalized own products and services	3,839	10,949	3,838	10,949
Other operating revenues	57,851	143,787	114,530	223,079
Costs of goods, materials and services	-20,611,827	-17,771,689	-22,370,041	-19,287,583
Labour costs	-11,353,205	-10,644,596	-13,443,822	-12,561,572
Amortization/depreciation, write off	-4,348,942	-4,001,133	-5,141,335	-4,632,070
- amortisation of intangible fixed assets, depreciation of tangible fixed assets, operating expenses from revaluation of tangible and intangible fixed assets	-3,878,228	-3,527,975	-4,738,158	-4,120,806
- operating expenses from revaluation of operating current assets	-470,714	-473,158	-403,177	-511,264
Other operating expenses	-632,990	-612,614	-770,124	-781,703
Financial revenues from investments	652,326	489,347	44,303	489,347
Financial revenues from long-term receivables	566,051	453,150	552,312	453,150
Financial revenues from short-term receivables	536,978	531,701	833,841	620,074
Financial exp. from long-term and short-term investment write-off	-2,164,066	-1,396,492	-890,337	-1,396,492
Interest and other financial expenses from liabilities	-1,782,615	-2,166,274	-2,081,421	-2,349,007
Profit from ordinary activities	7,032,830	5,409,048	6,243,203	4,831,698
Extraordinary revenues	49,050	92,474	96,472	101,572
Extraordinary expenses	-8,973	-4,504	-16,238	-8,625
Extraordinary profit	40,077	87,970	80,234	92,947
Profit before tax	7,072,907	5,497,018	6,323,437	4,924,645
Income tax	-1,299,888	-839,919	-1,303,296	-911,377
Net profit for the financial year	5,773,019	4,657,099	5,020,141	4,013,268
Share of minority owners			2,277	834
Net profit for majority owners			5,017,864	4,012,434

CASH FLOW STATEMENT

in '000 SIT

	Krka, d. d., Novo mesto		Krka Group	
	01-06/2003	01-06/2002	01-06/2003	01-06/2002
CASH FLOW FROM OPERATING ACTIVITIES				
Inflows	40,599,784	37,427,578	45,802,346	41,679,425
Operating revenues	44,607,923	40,629,596	47,558,304	44,050,182
Extraordinary revenues arising from operating activities	49,050	92,474	96,472	101,572
Change in operating receivables	-3,990,082	-3,270,692	-1,677,079	-2,309,969
Change in deferred costs, expenses and accrued revenues	-67,107	-23,800	-175,351	-162,360
Outflows	31,654,164	29,754,548	37,706,764	33,260,402
Operating expenses, excluding depreciation and long-term provisions	33,375,795	29,405,583	38,188,099	32,881,335
Extraordinary expenses arising from operating activities	8,973	4,504	16,238	8,625
Income tax and other taxes not shown under operating expenses	1,299,888	839,919	1,303,296	911,377
Change in inventories	452,033	426,604	1,110,859	849,599
Change in operating liabilities	-3,551,032	-1,057,249	-3,198,030	-1,593,806
Change in accrued costs, expenses and deferred revenues	68,507	135,187	286,302	203,272
Net flow from operating activities	8,945,620	7,673,030	8,095,582	8,419,023
CASH FLOW FROM INVESTMENT ACTIVITIES				
Inflows	208,025	429,388	491,149	460,559
Financial revenues arising from investment activities	208,025	206,252	491,149	173,577
Decrease in short-term investments	0	223,136	0	286,982
Outflows	10,837,756	6,445,231	12,453,698	6,973,670
Increase in intangible fixed assets	376,111	45,302	363,210	26,049
Increase in tangible fixed assets	7,823,050	4,738,215	11,166,953	5,998,094
Increase in long-term investments	2,072,953	1,661,714	388,503	949,527
Increase in short-term investments	565,642	0	535,032	0
Net flow from investment activities	-10,629,731	-6,015,843	-11,962,549	-6,513,111
CASH FLOW FROM FINANCING ACTIVITIES				
Inflows	3,301,214	73,548	4,819,383	1,568,295
Financial revenues arising from financing activities	21,771	35,523	21,771	135,319
Increase in capital (excluding net profit)				
Increase in long-term provisions	0	0	0	59,919
Increase in long-term financial liabilities	3,279,443	38,025	4,021,621	1,373,057
Increase in short-term financial liabilities	0	0	775,991	0
Outflows	1,337,248	1,277,360	791,369	2,631,426
Financial expenses arising from financing activities	922,795	488,478	768,988	736,734
Decrease in long-term provisions	10,202	5,163	12,084	0
Decrease in long-term financial liabilities				
Decrease in short-term financial liabilities	397,225	783,719	0	1,894,692
Decrease in dividends payable	7,026	0	10,297	0
Net flow from financing activities	1,963,966	-1,203,812	4,028,014	-1,063,131
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,333,765	1,697,758	3,059,840	2,636,968
Net increase / decrease in cash and cash equivalents	279,855	453,375	161,047	842,781
Effect of change in exchange rate on cash and cash equivalents	-61,672	-54,470	-61,672	-54,470
Cash and cash equivalents at the beginning of the year	1,115,582	1,298,853	2,960,465	1,848,657

STATEMENT OF CHANGES IN EQUITY

Krka, d. d., Novo mesto

in '000 SIT

	Called-up capital	Capital reserves	Legal reserves	Reserves for own shares	Revenue reserves	Retained net profit from previous periods	Net profit for the financial year	General equity revaluation adjustment	Special equity revaluation adjustments	Total capital
Balance at 31.12.2001	14,170,448	7,001	3,592,196	4,715,127	15,759,680	12,955,944	9,081,284	21,724,113	0	82,005,792
Transfer to equity	0	0	0	0	0	0	4,657,099	0	1,512,209	6,169,308
Net profit for the financial period							4,657,099			4,657,099
Other transfers to equity									1,512,209	1,512,209
Transfer within equity	0	0	0	0	4,540,642	4,540,642	-9,081,284	0	0	0
Appropriation of net profit for the financial year					4,540,642	4,540,642	-9,081,284			0
Transfer from equity	0	0	0	0	0	0	0	0	0	0
Balance at 30.06.2002	14,170,448	7,001	3,592,196	4,715,127	20,300,322	17,496,585	4,657,099	21,724,113	1,512,209	88,175,101

in '000 SIT

	Called-up capital	Capital reserves	Legal reserves	Reserves for own shares	Revenue reserves	Retained net profit from previous periods	Net profit for the financial year	General equity revaluation adjustment	Special equity revaluation adjustments	Total capital
Balance at 31.12.2002	14,170,448	2,566,886	3,592,196	4,692,359	28,532,770	8,555,351	5,206,627	21,724,113	10,532	89,051,282
Transfer to equity	0	0	0	0	0	0	5,773,019	0	0	5,773,019
Net profit for the financial period							5,773,019			5,773,019
Transfer within equity	0	0	0	0	0	5,206,627	-5,206,627	0	0	0
Appropriation of net profit for the financial year in compliance with the resolutions adopted by the Management Board and the Supervisory Board						5,206,627	-5,206,627			0
Transfer from equity	0	0	0	0	0	0	0	0	0	0
Balance at 30.06.2003	14,170,448	2,566,886	3,592,196	4,692,359	28,532,770	13,761,978	5,773,019	21,724,113	10,532	94,824,301

STATEMENT OF CHANGES IN EQUITY

Krka Group

in '000 SIT

	Called-up capital	Capital reserves	Legal reserves	Reserves for own shares	Revenue reserves	net profit from previous periods	Net profit for the financial year	General equity revaluation adjustment	Special equity revaluation adjustments	Total capital
Balance of majority capital at 31.12.2001	14,170,448	7,001	3,592,196	4,715,127	15,759,680	10,465,852	8,519,905	21,751,126	0	78,981,335
Transfer to equity	0	0	0	0	0	0	4,012,434	0	1,512,209	5,524,643
Net profit for the financial period							4,012,434			4,012,434
Other transfers to equity									1,512,209	1,512,209
Transfer within equity	0	0	0	0	4,540,642	3,979,263	-8,519,905	0	0	0
Other transfers within equity					4,540,642	3,979,263	-8,519,905			0
Transfer from equity	0	0	0	0	0	0	0	0	0	0
Balance of majority capital at 30.06.2002	14,170,448	7,001	3,592,196	4,715,127	20,300,322	14,445,115	4,012,434	21,751,126	1,512,209	84,505,978

in '000 SIT

	Called-up capital	Capital reserves	Legal reserves	Reserves for own shares	Revenue reserves	net profit from previous periods	Net profit for the financial year	General equity revaluation adjustment	Special equity revaluation adjustments	Total capital
Balance of majority capital at 31.12.2002	14,170,448	2,566,886	3,592,196	4,692,359	28,532,770	5,530,894	5,831,778	21,724,113	10,532	86,651,976
Transfer to equity	0	0	0	0	0	0	5,017,864	0	0	5,017,864
Net profit for the financial period							5,017,864			5,017,864
Transfer within equity	0	0	0	0	0	5,831,778	-5,831,778	0	0	0
Other transfers within equity						5,831,778	-5,831,778			0
Transfer from equity	0	0	0	0	0	0	0	0	0	0
Balance of majority capital at 30.06.2003	14,170,448	2,566,886	3,592,196	4,692,359	28,532,770	11,362,672	5,017,864	21,724,113	10,532	91,669,839