



**Unaudited Interim Report
for the Krka Group
and the Krka Company
January – March 2009**



Novo mesto, May 2009

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INTRODUCTION

The statements for the period January-March 2009 and January-March 2008 are unaudited, while the annual statements for 2008 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 2009 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 2009 business report for the Krka Company and Group at its regular meeting on 13 May 2009.

Significant achievements in the period January – March 2009

- The Krka Group achieved sales of products and services worth EUR 245.2 million, while the Krka Company's sales were worth EUR 216.2 million.
- Group sales remained at the level of the same period last year, while Krka Company sales were worth 3% more than for the comparable period last year.
- The Krka Group's operating profit of EUR 67.5 million was an increase of 6% on the same period last year. The Krka Company's operating profit of EUR 58.6 million represents an increase of 1% on the same period last year.
- The net profit was EUR 43.9 million for the Krka Group, around the same level as the first quarter of last year, and EUR 42.2 million (2% growth) for the Krka Company.
- The highest proportion of sales by Krka Group region (almost 30%) was achieved in Region Central Europe, where the highest sales growth (8%) was also achieved.
- Sales on markets outside Slovenia over the period represented 89% of the Group's sales and 91% of the Company's.
- The Krka share price as listed on the Ljubljana Stock Exchange on the final day of March 2009 was EUR 52.61, while the Krka Company's market capitalisation was EUR 1,863.8 million.
- The Krka Group allocated EUR 22.3 million to investments, EUR 20.2 million of which was invested by the Krka Company and EUR 2.1 million by subsidiaries.
- At the end of March 2009 the Krka Group had 7763 employees, 2% more than at the start of the year.

Events after the accounting period

- At the regular meeting of Krka's Supervisory Board on 8 April, the Supervisory and Management Board drew up the proposal that Krka pay its shareholders a dividend of EUR 1.05 gross per share, which is an increase of over 15% on last year's dividend.
- The Krka Company received a supplement to an action filed at the Ljubljana District Court by Merck Frosst Canada Limited, Purdy's Wharf Tower One, 1959 Upper Water Street, Halifax, Nova Scotia, Canada against the defendants, Salus, d. d., Mašera Spasičeva ulica 10, Ljubljana, Slovenia and Krka due an alleged violation of a patent protecting the active pharmaceutical ingredient montelukast. In addition to payment of damages for violation of patent amounting to EUR 67,916.77 and penalty interest from the day the action was filed until payment, the plaintiff is also filing for payment of the value of the matter of dispute for all claims amounting to EUR 1,000,000.00. The value of the matter of dispute therefore amounts to EUR 1,067,916.77.

In the action of 5 December 2008, the plaintiff filed to prohibit the defendants from producing, sales, selling, marketing or importing the Monkasta product or any other product containing the API montelukast in Slovenia, in addition to damages for violation of patent. The court has already rejected a temporary injunction filed by the plaintiff in relation to this case. This was made public on 13 March 2008 and 5 December 2008.
- On 29 April 2009, the Krka subsidiary, Krka-Polska Sp. z o. o., Warsaw (Krka Polska) received a resolution from the High Court in Warsaw with which the court upheld an appeal by Krka Polska and reversed the temporary injunction issued *ex parte* on 26 January 2009 by the Commercial Court in Warsaw due to an alleged violation of patent PL 178 671 of the company Merck & Co., United States, which protected the production of the API montelukast in Poland and prohibited Krka Polska from selling, producing, marketing and importing the pharmaceutical Monkasta, which contains the API montelukast, in Poland. Krka published the notice of temporary injunction on 28 January 2009.

This court resolution is final, so Krka Polska will recommence production of Monkasta in Poland.

The proceedings relating to the alleged infringement of patent PL 178 671 are still underway. Krka Polska considers that it is not infringing the patent in question, which it will prove in proceedings before court.
- On 9 April 2009 the Higher Court in Ljubljana, in a commercial dispute, filed by the plaintiff Dr Janez Suša against the defendant, Krka, for payment of commercial damages amounting to EUR 2,786,540.75 with costs and expenses, judged that Krka's appeal was upheld. The challenged judgment of 3 April 2008 was amended, and the claim was rejected. The judgment is final, though the plaintiff may still file for an extraordinary legal remedy against it with the Supreme Court.

The plaintiff is required to remunerate Krka with costs of EUR 15.800.25 for the civil proceedings.

On 3 April 2008, the Ljubljana District Court adjudged in this dispute that Krka was obliged to pay commercial damages. Krka issued an appeal against the judgment. This was made public on 8 May 2008.

- Companies Warner Lambert Company LLC and Pfizer H.C. Corporation, both from USA, have filed a motion for alleged infringement of two patents relating to the active ingredient atorvastatine at the District Court in Ljubljana in 2005. One of the two patents, EP 0 839 132, has been finally revoked already in 2006 at European Patent Office (EPO). Recently EPO has revoked also the second of the two

allegedly infringed patents, EP 848 705. The decision of the Board of the Appeal of the EPO is final. Patentee, Warner Lambert Company LLC, has at its disposal only extraordinary remedies which can be filed at the Enlarged Board of Appeal, if it believes that its procedural rights had been violated or the decision was met based on a criminal act.

Highlights

in EUR thousand	Krka Group		Krka Company	
	1-3/2009	1-3/2008	1-3/2009	1-3/2008
Sales revenues	245,186	244,384	216,220	210,123
EBIT	67,460	63,809	58,608	58,251
EBITDA	85,820	79,894	72,682	69,723
Net profit	43,862	44,041	42,189	41,418
R&D costs	22,047	19,443	20,651	17,082
Investments	22,250	32,994	20,139	29,927

	31 Mar 2009	31 Dec 2008	31 Mar 2009	31 Dec 2008
Non-current assets	806,848	809,074	771,219	765,873
Current assets	475,255	461,962	478,406	458,519
Equity	818,935	783,296	838,728	797,203
Non-current liabilities	256,620	257,526	222,660	222,067
Current liabilities	206,548	230,214	188,237	205,122

RATIOS	1-3/2009	1-3/2008	1-3/2009	1-3/2008
Net profit margin	17.9%	18.0%	19.5%	19.7%
EBIT margin	27.5%	26.1%	27.1%	27.7%
EBITDA margin	35.0%	32.7%	33.6%	33.2%
ROE ¹	21.9%	25.1%	20.6%	23.9%
ROA ²	13.7%	15.4%	13.6%	15.4%
Liabilities/Equity	0.566	0.614	0.490	0.546
R&D costs/Sales revenues	9.0%	8.0%	9.6%	8.1%

NUMBER OF EMPLOYEES	31 Mar 2009	31 Mar 2008	31 Mar 2009	31 Mar 2008
At the day	7763	7216	5119	5005

SHARE INFORMATIONS (Krka Group)	1-3/2009	1-3/2008
Total number of shares issued	35,426,120	35,426,120
Earnings per share in EUR ³	5.19	5.21
Share price at the end of period in EUR	52.61	94.76
Price/earnings ratio (P/E)	10.14	18.19
Book value of share in EUR ⁴	23.12	20.47
Share price/book value (P/B)	2.28	4.63
Market capitalisation in EUR thousand (at the end of period)	1,863,768	3,356,979

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 strategies and objectives – to 2012

- Achieving average annual growth in sales of over 10%.
- Maintaining the proportion of new products in overall sales above 40%, at least.
- Strengthening the competitive advantage of the product portfolio by maintaining vertical product integration and launching selected products as the first generic on 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 focus on 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 the professional and cost synergy of the Krka Group, 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 in 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 2009

- The product and service sales target is EUR 1,062 million (12% growth).
- The proportion of sales on markets outside Slovenia is expected to be 89%.
- Prescription pharmaceuticals, with growth anticipated at 9%, will remain the most important product group, and are expected to represent 81% of overall sales. Numerous new prescription pharmaceutical products will be marketed in key indication groups.
- The planned net profit is EUR 161 million.
- At the end of 2006 the Group will have 8055 employees, almost 48% of them abroad.
- Investments worth a planned EUR 161 million will primarily be aimed at increasing and modernising 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

Basic 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 shares. 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:

	Ownership share
Terme Krka, d.o.o., Novo mesto	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%
KRKA FARMA, d. o. o., Sarajevo, Bosnia and Herzegovina	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%

In January 2009 the subsidiaries KRKA ROMANIA S. R. L. in Bucharest, Romania (registered in mid-December 2008) and KRKA FARMA, d. o. o., Sarajevo, Bosnia and Herzegovina (registered in January 2009) started operations; both are 100% owned by the Krka Company. The new company will replace the former representative office in Romania, while in Bosnia and Herzegovina the

representative office will continue to operate alongside the newly established company.

The Terme Krka-Strunjan company, which came under 100%-ownership of the Terme Krka Group in autumn 2008, was merged with Terme Krka on 1 January 2009 and now functions as one of its business units.

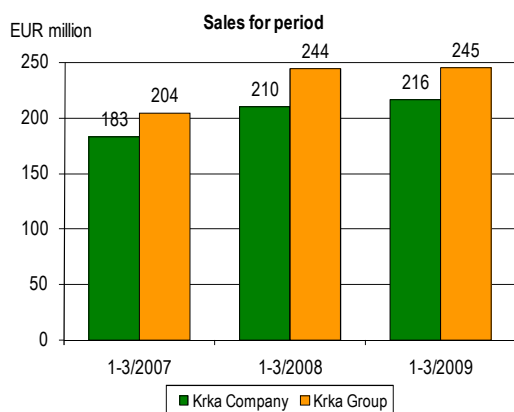
BUSINESS REPORT

Business operations analysis of the Krka Group and Krka Company

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

primarily to the Krka Group.

Revenues



The sale revenues of the Krka Group remained at the same level as the first quarter of last year, while the Krka Company recorded an increase of 3%. The Krka Company generated sales revenues of EUR 216.2 million from the sale of prescription pharmaceuticals, self-medication products, cosmetics and animal health products, while the Krka Group generated EUR 245.2 million from sales

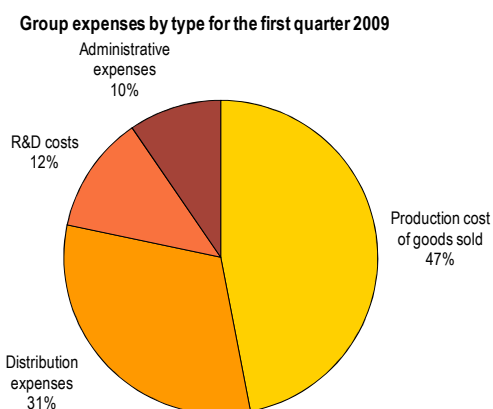
of these products plus sales of health and tourist services.

The Krka Group generated over 83% of its sales revenues from prescription pharmaceutical sales. There was a 2% growth in sales in this product group. Revenues from the sale of products, services and goods on markets outside Slovenia represented 89% of sales revenues.

Together with other financial revenues and financial expenses, the Group generated total revenues of EUR 257.7 million, and the Krka Company EUR 218.9 million.

A more detailed analysis of the sales results achieved by individual market and product groups is provided within this report in the Marketing and Sales section.

Expenses



The Krka Group's total expenses for the first three months of 2009 totaled EUR 194.1 million, 3% higher than for the same period last year.

The Krka Group recorded operating expenses of EUR 181.6 million, EUR 85.3 million of which were related to production costs of goods sold, EUR 56.9 million to sales and marketing costs, EUR 22.0 million to R&D costs and EUR 17.4 million to administrative expenses.

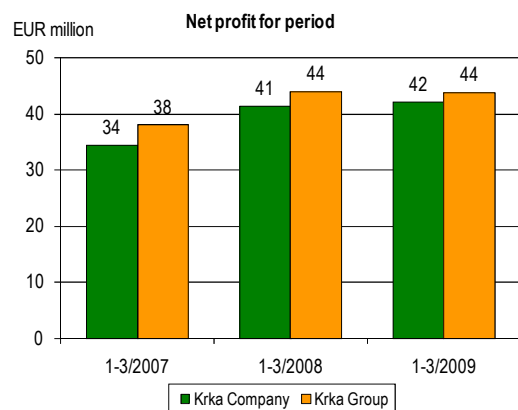
For the Group production costs of goods sold fell by 3% compared to the same period last year, and their ratio to sales revenues was 34.8%. Sales and marketing costs grew by 3% compared to the same period last year, due to Krka continually expanding its market network in all major Krka markets, and their ratio to sales revenues was 23.2%.

Administrative expenses increased by 13% and their ratio to sales revenues was 9.0%. Since they

are not capitalised by the Group, overall R&D costs are recognised as expenses for the period. Administrative expenses increased by 8%

compared to the first nine months of last year, and their ratio to sales revenues was 7.1%.

Operating results



The Krka Group's operating profit of EUR 67.5 million represents an increase of 6% on the same period last year. The pre-tax profit was 5% lower than for the same period last year, at EUR 55.1 million. Corporate income tax totaled EUR 11.2 million, of which EUR 11.9 million was levied tax and EUR 0.7 million deferred tax. The Group's effective tax rate was 20.4%.

The Krka Group's net profit was EUR 43.8 million, which was about the same level as last year's first-quarter figures, while the net profit of the Krka Company totalled EUR 42.2 million, up 2% on the same period last year.

Assets

The Krka Group's assets at the end of March totalled EUR 1,282.1 million, up by 1% from the end of 2008. The ratio of non-current assets to total assets was 62.9 %, a reduction of 0.8 percentage points compared to the start of the year.

The most significant item under important non-current assets, which overall were worth EUR 806.8 million, is property, plant and equipment, which at EUR 635.4 million represent half of all Group assets. Their value remained practically

unchanged from the end of 2008.

During the first quarter of 2009, current assets increased by 3% to EUR 475.3 million compared to the start of the year. Inventories decreased by 7% over the period, totalling EUR 195.8 million, while trade and other receivables increased by 11% to EUR 267.7 million. Current financial investments fell by 14% and were worth EUR 0.6 million at the end of the period.

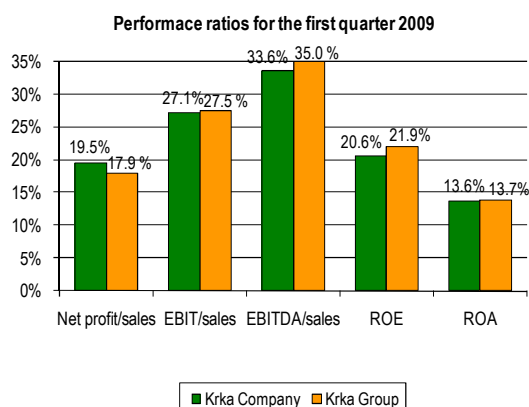
Equity and liabilities

The Group's equity increased by 5% compared to the end of 2008, and now represents 63.9% of total equity and liabilities. The main factor in the increase was the Group's profits over the period.

Long-term provisions, which were worth EUR 150.2 million at the end of March 2009, remained at 2008 levels, as did long-term loans (worth EUR 83.7 million).

Current liabilities fell by one tenth compared to the end of 2008 to EUR 206.5 million, or 16% of total assets. In the current liability structure, operating liabilities fell by 12% to EUR 61.5 million, while short-term loans were down 17% to EUR 83.5 million. Other current liabilities were worth EUR 50.1 million, an increase of 1% compared to the end of last year.

Performance ratios



The performance ratios were in line with strategic targets and objectives for both the Group and the Company.

The Krka Group's net profit margin was 17.9% (Krka Company: 19.5%), the EBIT margin was 27.5% (Krka Company: 27.1%), and the EBITDA margin 35.0% (Krka Company: 33.6%). The Krka Group's ROE was 20.6% (Krka Company: 22.6%), and the ROA was 13.7% (Krka Company: 13.6%).

Marketing and Sales

The Krka Group's sales for the first quarter of 2009 were at the same level as the first quarter of 2008, while the Krka Company achieved growth of 3%

compared to the same period. Krka Group sales were worth EUR 245.2 million and Krka Company sales EUR 216.2 million.

Sales by region

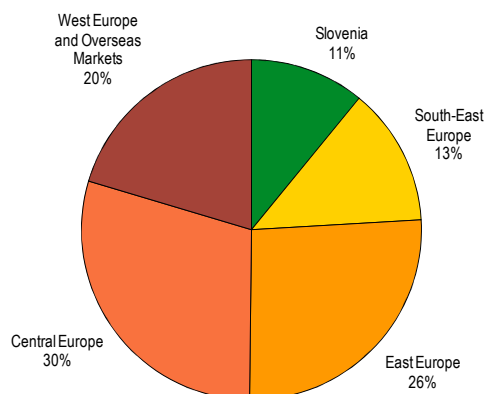
Krka's largest sales region, with a share of overall Group sales of almost 30%, was Region Central Europe. Sales of EUR 72.2 million were recorded, with growth of 8%, the highest of any Krka region. It is followed by Region East Europe, with a 26% share of overall Group sales, where sales were worth EUR 64.0 million. Sales of EUR 50.0 million

(20% of total sales) were achieved in Region West Europe and Overseas Market, making it the third largest sales region.

Sales on the Slovenian market were worth 9% of the Krka Company's total sales and 11% of the Group's total sales.

in EUR thousand	Krka Group			Krka Company		
	1-3/2009	1-3/2008	Ind.	1-3/2009	1-3/2008	Ind.
Slovenia	26,753	24,858	108	19,300	17,498	110
South-East Europe	32,273	37,523	86	31,686	34,223	93
East Europe	63,970	61,002	105	52,605	56,270	93
Central Europe	72,237	66,741	108	70,969	60,206	118
West Europe and Overseas Markets	49,953	54,260	92	41,660	41,926	99
Total	245,186	244,384	100	216,220	210,123	103

Krka Group sales by region – January-March 2009



Slovenia

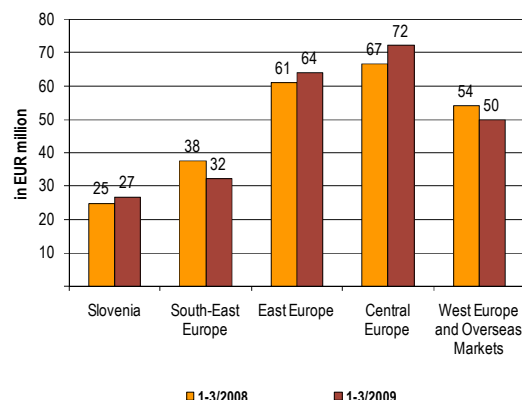
The growth in sales recorded since the end of summer last year, continued during the first quarter of 2009, despite the impact of the valid Rules on the Prices of Medical Products. During the same period, sales of products and services on the Slovenian market were worth EUR 26.7 million, representing 8% growth on the same period last year. Prescription pharmaceutical sales were worth EUR 16.0 million, self-medication products EUR 1.9 million, cosmetics EUR 0.3 million, and veterinary products EUR 0.7 million. Sales of health and tourism services were worth EUR 7.7 million.

South-East Europe

Krka generated sales worth EUR 32.3 million in the countries of South-East Europe over the first quarter, which is 14% lower than for the same period last year. A fall in sales was recorded on the markets of Serbia, Montenegro, Romania and Croatia, which remains the largest market in the region.

As one of the key Krka markets, **Croatia** contributed almost one third of sales in the region. In this first quarter of the year, Krka achieved sales of EUR 10.3 million, which is 18% down on the same period last year. The reduced sales are largely due to lower prices for products on the new pharmaceutical list, which came into force in March. Krka retained its third position among pharmaceutical companies on the market, right behind two domestic suppliers. The best-selling Krka products on the Croatian market are Atoris®, Zyllt®, Ciprinol®, Vasilip® in Lanzul®, while two

Krka Group sales by region for the January-March periods in 2008 and 2009



The growth of sales has confirmed Krka's leading position on the Slovenian market. Krka remains the market leader in a number of individual therapeutic groups, such as statins, ACE inhibitors (angiotensin-converting enzyme), proton pump inhibitors and sartans, while it is also increasing its market share in medicines to treat the central nervous system with an expanded product range. The most important products Atoris®, Prenessa®, Ultop®, Enap®, Lorista® and Vasilip®.

products introduced over the past year have also sold successfully: Ampriol®, Nolpaza® and Lorista H®.

The Jastrebarsko production plant again acquired a positive assessment from European union health authorities in the field of good manufacturing practice (GMP). This led to the granting of an EU GMP certificate for all phase of the production process for the following three years.

In **Romania**, which is the second most important market in the region, product sales were worth EUR 7.6 million. The lower sales compared to the first quarter of 2008 was largely due to the reduction in prices on the market, and a slowdown in March, due to an anticipated fall in pharmaceutical prices in April, and further changes to the medicine prescription system.

The ten best-selling products on the Romanian

market are worth over three-quarters of total Krka sales. The best-selling products are Bilobil[®], Enap[®], Nolicin[®], Ciprinol[®] and Tadol[®], while the highest growth in sales was achieved with Ampril[®], Mirzaten[®], Nolicin[®], Tenox[®] plus Bilobil[®] and Septolete[®]. Mirzaten[®] Q-tab was successfully launched during the first quarter. The most important product group is prescription pharmaceuticals, which represents almost two-thirds of total sales, followed by self-medication products, cosmetics, and animal health products. Animal health products represent fewer than 5% of total sales.

In **Serbia** Krka achieved product sales worth EUR 2.4 million. The lower result compared to the same period last year is mainly due to the trend of reduced prices and a number of products falling off the approved list over the past year, and the forecast removal of Lorista[®], Vasilip[®] and Asentra[®] from the positive list at the end of May this year.

The best selling products over the first three months of the year were Zyllt[®], Fromilid[®], Zalasta[®] and Lorista[®], while good sales results are expected from Alventa[®], which was launched on the Serbian market this quarter. Mention should be made in the cosmetics sector of the presentation of new packaging for the Fitoval[®] brand in March.

In **Bulgaria** Krka generated product sales worth EUR 3.0 million, representing growth of 4% on the same period last year. Prescription pharmaceuticals represent 97% of total sales. The leading individual product by sales was Lorista[®], which contributes

East Europe

Sales on the markets of Krka's Region East Europe were worth EUR 64.0 million over the first quarter of 2009, which is 5% higher than for the same period last year. The largest contribution to overall sales came from prescription pharmaceuticals (77%), followed by self-medication and cosmetic products, which together represented 21%, and animal health products (2%).

In the **Russian Federation** Krka achieved product sales worth EUR 49.4 million over the period, an increase of 14% on the same period last year. Prescription pharmaceutical sales remained the mainstay by sales volume, growing 20% to EUR 38.2 million. They were followed by self-medication product sales, which were worth

over one fifth of all sales. Enap[®], Rawel[®], Atoris[®] and Flosteron[®] also represent a major share of sales, while the new products launched this quarter were Torendo[®] Q-tab and Monkasta[®].

In **Bosnia and Herzegovina** Krka recorded sales worth EUR 3.7 million, growth of 11% compared to the same period last year. The highest proportion of sales by product group came from prescription pharmaceuticals, sales of which grew by 14% compared to the same period last year. The best-selling products from this group were Enap[®], Ospen[®], Vasilip[®], Naklofen[®], Coryol[®] and Ampril[®]. The self-medication product group was also of note, with sales of Septolete[®], Herbion[®], Pikovit[®] and Daleron[®] making the main contribution to growth of 27%. The best selling cosmetics remained Tricia[®] and Fitoval[®].

In **Macedonia** Krka sold product sales worth EUR 2.4 million. Growth of 13% was achieved compared to the same period last year, making Krka the leading foreign generics company. The best-selling pharmaceutical products were Enap[®], Lanzul[®], Cordipin[®], Ospen[®] and Atoris[®], while the leading self-medication products were Daleron[®], B-Complex[®], Herbion[®], Septolete[®] and Pikovit[®].

Sales in **Montenegro** were lower than planned, largely due to the economic conditions in the country. The intense promotional and commercial activities in the field helped achieve high sales growth on the markets of **Albania** (19%) and **Kosovo** (22%).

EUR 9.6 million, animal health products, worth EUR 1.0 million, and cosmetics worth EUR 0.5 million.

Krka's best-selling product in the Russian Federation is Enap[®], followed by Vasilip[®], Nolicin[®], Herbion[®], Zyllt[®], Duovit[®], Cordipin[®], Macropen[®], Ultop[®], Panzynom[®], Pikovit[®], Fromilid[®] and Atoris[®]. The highest growth was recorded for Herbion[®], Tenox[®], Zyllt[®], Vasilip[®] and Duovit[®]. In addition to Lorista[®], which was launched in the middle of last year and has already become Krka's 12th best-selling prescription pharmaceutical product in the Russian Federation, in February and March 2009 Krka expanded its range of products with Lorista H[®] and Lorista HD[®].

The strengthening of the marketing network continued the successful work of recent years into this quarter. The Krka Rus company also operated successfully, and its own production already covers one-fifth of Krka's solid dosage products sold in the Russian Federation.

In **Ukraine** Krka recorded a significant fall in sales in the first quarter of 2009, due to the falling value of the entire pharmaceuticals market, price reductions and general economic conditions in the country. The reduction in sales was greater among the non-prescription than the prescription pharmaceuticals, however, but a positive sales trend had already been recorded by March. The additional commercial and marketing actions have consolidated Krka's position and we are attempting to utilise the current conditions to strengthen our market share. The best selling products in the first quarter of 2009 were Enap[®], Naklofen[®] and Vasilip[®].

In **Kazakhstan** Krka achieved product sales over the period worth EUR 1.3 million or 30% more than on the same period last year, which is primarily due to the high growth of sales via public tenders. The largest proportion of sales comes from prescription (71%), while self-medication products and cosmetics together represented the remaining 29%. The best-selling Krka products were Enap[®], Vasilip[®], Duovit[®], Pikovit[®] and Rawel[®].

In **Uzbekistan** Krka achieved sales of EUR 1.6 million. The highest growth by product group was 36%, for prescription pharmaceutical products. The best-selling products were Pikovit[®],

Duovit[®] and Enap[®]. The increase in sales is ascribed primarily to the impact of commercial and marketing actions carried out on the market over the period.

Sales in **Belarus** in the first quarter of 2009 grew by 8% on the same period last year, reaching EUR 1.6 million. Prescription pharmaceuticals represent almost two-thirds of total sales, while self-medication and cosmetic products together represent one third, and animal health products 2%. The best-selling products were Enap[®], Septolete[®], Pikovit[®], Macropen[®] and Bilobil[®].

Despite the stagnation on the market, sales of Krka products in **Moldova** over the period grew by one-fifth compared to the same period last year. The best-selling products were Enap[®], Ciprinol[®], Kaptopril[®] and Tenox[®].

In **Mongolia**, where from the start of 2009 Krka has had a representative office, Krka sold products worth EUR 0.4 million, an increase of one-fifth on sales from the same period last year. Sales of prescription pharmaceuticals grew by 68%.

By increasing promotional and commercial activities in the field, on the other markets in the region Krka achieved sales growth compared to the same period last year: of 136% in **Tajikistan**, 44% in **Kyrgyzstan**, 15% in **Armenia**, where Krka also opened a new representative office this year, and growth of 7% in **Azerbaijan**. After the events of last year in **Georgia**, sales remained at the same level as those achieved in the first quarter of last year.

Central Europe

In the first quarter of this year, Krka recorded sales worth EUR 72.2 million in the countries of central Europe, achieving growth of 8% compared to the same period last year. Sales of prescription pharmaceuticals, which represent 93% of overall sales in the region, grew by a tenth, while sales of self-medication products grew by 14%.

Poland is one of Krka's key markets and with a 41% share of sales, is also the largest market in this region. Over the period, Krka achieved 2% growth in sales, which reached a value of EUR 29.6 million. The most important prescription pharmaceutical is now Atoris[®], while the best-selling products including Zalasta[®], Lorista[®], and Valsacor[®], which are produced in Poland. These products

represented almost half of all prescription pharmaceutical sales. Also worth mentioning is Zyllt[®], sales of which grew 185%, making it the eighth best-selling Krka product. Sales of self-medication products grew by 14%, primarily due to successful sales of Septolete[®], which grew by 36%, and Bilobil[®], sales of which grew by 16%. Among the animal health products, successful sales of Enroxil[®] could not replace poor sales of Floron[®].

In the **Czech Republic** Krka generated sales worth EUR 17.8 million, growth of 10%. The best-selling products were Atoris[®], Lorista[®], Ampril[®], Prenessa[®], Asentra[®], Fromilid[®], Lanzul[®] and Lexaurin[®]. Notable among self-medication products were the very good sales of Septolete[®] and Nalgesin[®], which

with sales growth of 20 and 21% contributed most to the overall sales growth of 20% for this product group.

Hungary is the second largest market in the region. During the first quarter of 2009, sales of EUR 11 million were recorded there, representing growth of 8%. The most important products were Atoris®, Prenessa®, Fromilid®, Lanzul® and Nolpaza®, which together represented 70% of total sales. Mention should be made of Lorista® with growth of 77% and Prenessa®, which grew by 18%. The only self-medication product Krka sells on the Hungarian market is Bilobil®, which recorded growth of 77%.

Sales in **Slovakia** were worth EUR 7.8 million, posting the highest growth in the region, at 31%. The best-selling products were: Atoris®, Prenessa®, Fromilid®, Alventa® and Lorista®. Of particular note were Prenessa® and Lorista®, which with growth of 116% and 50% became the second and fifth best-sellers respectively, within a short period after launch. Septolete® (growth of 37%) remained the

West Europe and Overseas Markets

Sales in Region West Europe and Overseas Markets were worth EUR 50.0 million. The fall in sales of olanzapine in Germany will be made up in the second quarter by the launch of generic pantoprazole and perindopril. Prescription pharmaceuticals represent almost 95% of sales, with the remainder contributed by animal health products and, to a lesser extent, self-medication products.

The countries of **western Europe** are among Krka's key markets and contribute most (95%) to sales in this Krka region. The most important markets by sales are Germany, the United Kingdom, France, Italy, and the Nordic countries. With the aid of subsidiaries in western Europe, including Austria, Krka is strengthening the sale of Krka products under its own brand since the end of last year, when Krka acquired the generic producer, Alternova AT. Most products are sold under Krka brand names via the TAD Pharma subsidiary on the German market.

The volume of animal health products remained at the same level as the first quarter of last year. The

best-selling product among the self-medication products, sales of which overall grew by one third.

Sales in **Lithuania** were worth EUR 3.8 million, which is 16% higher than in the first quarter of 2008. The most important products were Lorista®, Valsacor®, Prenessa®, Zalasta® and Kaptopril®. The highest sales growth among these products was for Valsacor® and Prenessa®, which were the second and third best-sellers respectively this quarter.

Sales in **Latvia** were worth EUR 1.6 million, with growth of 5%. The most important product, with growth of 38% was Atoris®, followed by Enap®, Prenessa® and Zalasta®. Sales of self-medication products were lower than for the same period last year.

Sales in **Estonia** were worth EUR 0.6 million, one-fifth higher than for the same period last year. The most important product remains Fromilid®, followed by Enap® and Atoris®. Sales of self-medication products were also successful and up by 27%, largely due to Septolete®.

proportion of new products increased by 35% on the same period last year, and already represents three-quarters of overall sales. Positive sales results are expected in the second quarter, primarily due to the launch of enrofloxacin tablets in the EU-15.

Most products sales on overseas markets take place via partner companies and under Krka's own brands. Prescription pharmaceuticals represent the majority of total sales. The most important markets in **Africa** remains South Africa and Ghana, where in addition to Sudan, high growth is expected this year. In the **Middle East**, Krka's main market remains Iran, while a significant increase in sales has been achieved in Yemen. In **Asia**, the most important market is Malaysia, while continued sales growth is also expected in Vietnam this year. In Hong Kong, Krka expects to acquire market registration for a large number of new products, which will have a positive effect on future sales results on this market. The product sales portfolio is being expanded in most overseas markets, while the possibilities of entry to new markets are also being explored.

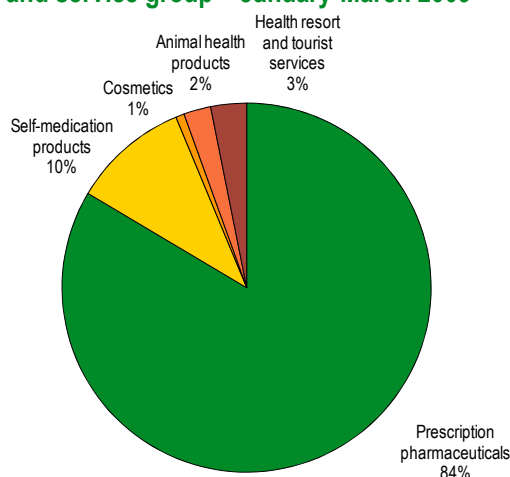
Sales by product and service group

Krka's most important line of business is the production and marketing of prescription pharmaceuticals. Their sales grew by 2% over the period, and together with self-medication and

cosmetics represented 95% of overall Krka Group sales. Health and tourism service sales grew by 11%, and were worth EUR 7.7 million.

in EUR thousand	Krka Group			Krka Company		
	1-3/2009	1-3/2008	Ind.	1-3/2009	1-3/2008	Ind.
Human health products	231,459	230,624	100	210,013	203,535	103
- prescription pharmaceuticals	204,612	200,879	102	184,132	175,530	105
- self-medication products	25,039	27,316	92	24,330	25,604	95
- cosmetics	1,808	2,429	74	1,551	2,401	65
Animal health products	5,836	6,599	88	5,782	6,319	92
Health resort and tourist services	7,668	6,939	111			
Other	223	222	100	425	269	158
Total	245,186	244,384	100	216,220	210,123	103

Krka Group sales by product and service group – January-March 2009



Prescription pharmaceuticals

The Krka Group sold prescription pharmaceuticals worth EUR 204.6 million, which is 2% up on the same period in 2008. Sales on traditional markets, which include Slovenia and the markets of central, south-east and eastern Europe came to EUR 157.1 million, which is 6% up on the same period last year.

Sales increased in East Europe (12% growth), Central Europe (10%) and Slovenia (8%), while sales in South East Europe were down in comparison to the first quarter of 2008. This was mainly due to falling sales in Croatia and Romania. Despite the positive overall sales in East Europe, we recorded a fall in sales in Ukraine compared to

the same period last year, due to the poor economic conditions on that market. Growth was achieved on every market in Region Central Europe compared to the same period last year. Lower sales were recorded in Western Europe and Overseas Markets, where product sales totalled EUR 47.3 million.

The leading prescription pharmaceuticals by sales are Enap®, Atoris®, Lanzul®, Lorista®, Vasilip®, Fromilid®, Prenessa®, Nolicin®, Coryol® and Zyllt®. The highest growth was achieved for Lorista®, Prenessa®, Zyllt®, Alventa® and Nolpaza®.

A new product that has already been launched on initial markets is Oprymeia® (pramipexole), which is

used in the treatment of Parkinson's disease. Monkasta® (montelukast) and Cezera® (levocetirizine) were launched on several additional markets.

Recently launched products are undoubtedly a major generator of growth, while sales growth also comes from other key products, which are supported by marketing activities and our large marketing network. Marketing activities are adapted to match changing market conditions.

Krka's key therapeutic group among prescription pharmaceuticals is medicines for treatment of

cardiovascular diseases, which it sells on all its markets. Medicines for diseases of the alimentary tract and systemic anti-microbial medicines are also sold on all markets. The group of medicines for treatment of the central nervous system is growing in strength, and mainly sells on the markets of central, south-east and western Europe in addition to Slovenia, while also selling at a lower rate on eastern European markets. A major international symposium at the start of the year featured Krka's range of products to treat conditions of the central nervous system – the European psychiatry congress in Lisbon.

Self-medication products

The Krka Group posted self-medication product sales of EUR 25.0 million, a fall of 8% on the same period last year. The fall in sales was larger due to the economic conditions on a number of markets.

On some markets, Krka managed to maintain a level of sales comparable to last year's figures, or even record an increase in some cases. Sales in Slovenia were at the same level as the first quarter of last year, with the highest growth being achieved

in Slovakia (33%), Bosnia and Herzegovina (27%), Czech Republic (19%) and Poland (14%). Sales were only slightly down on last year in the Russian Federation, but were down 15% in Romania. Of the major markets, sales in Ukraine were poor, largely due to the complex economic conditions there.

The best-selling products were Bilobil®, Septolete®, Pikovit® and Herbion®.

Cosmetic products

Sales of cosmetic products in the first quarter of the year were worth EUR 1.8 million, one-quarter lower than for the same period last year. The deteriorating economic conditions and falling purchasing power led to significant reductions in cosmetics sales.

Good sales results were only achieved in Slovenia,

where growth was 7%, and in Croatia where growth was 3%. The largest fall among the major markets was in Ukraine.

The best-selling products include Fitoval® and Vitaskin®.

Animal health products

Sales of animal health products in the first three months of 2009 reached EUR 5.8 million, which is 12% down on the same period in 2008. Sales growth was notable on the markets of eastern Europe (17%) and south-eastern Europe (4%).

High growth was maintained in the Russian Federation (35%), while growth was also achieved on smaller markets in Region East Europe. The largest contribution to sales in western Europe came from good sales performances in France and product launches in Italy. Sales fell in Region

Central Europe, largely due to a reduction in sales in Poland and Hungary.

The leading brands are still Enroxil® and Floron®. Following acquisition of EU market authorisation, Kokcisan® is now a leading product, followed by Ecocid S®.

Marketing activity focused on the leading brands. The intensity and effectiveness of activities by Krka's own marketing networks was strengthened on all markets in response to the financial crisis.

Health and tourism services

The Terme Krka Group generated sales worth EUR 7.7 million in the first quarter of 2009, representing growth of 11%. The leading line of business, with a 32% share of sales, was overnight stays, which earned revenues of EUR 2.5 million, growth of 11%. The highest growth (23%) was in revenues from medical activities, which totalled EUR 2.2 million and constituted 28% of total sales. Revenues from catering services represented 24% of total revenues in this sector. We assess that negative economic trends will have the largest impact on revenues from this sector, and the Terme Group Krka generated revenues of EUR 1.9 million from catering activities, down one percentage point on revenues over the same period last year.

The highest sales unit by individual business unit was recorded by the Dolenjske Toplice and Šmarješke Toplice spas, each achieving sales worth EUR 2.4 million. They are followed by the Strunjan business unit, which posted sales EUR 2.1 million, and the highest growth on the same period last year of 18%. The numbers of group and individual guests on the domestic market are positive, particularly at

the Dolenjske Toplice and Strunjan spa complexes, but the trend is negative in the field of preventive health recreation and seminars, which can be ascribed to the recession and savings measures by Slovenian companies. The fall in business guests was felt most at the Otočec and Hotel Krka business units in Novo mesto, with both generating lower revenues than in the first quarter of the previous year, down 3% and 5% respectively. The decline in the number of German, Austrian and Italian guests continued, and the only major foreign market to exceed last year's results was the Russian market, with the number of overnight stays up 46% on the same period last year.

The new Hotel Balnea Superior at Dolenjske Toplice, which operated for the full first quarter of 2009, made a decisive contribution to the 28% growth in overnight stays at the Terme Dolenjske Toplice business unit, while Golf Grad Otočec also achieved an encouraging growth of around one third due to investment in expanding the golf course from 9 to 18 holes.

Research and Development

During the first quarter the research and development field was marked by acquisition of the first market authorisations for 2 new products in 2 pharmaceutical forms, and the acquisition of a trading permit for 2 cosmetic products. We also acquired 106 market authorisations for various products across a number of different markets in 169 pharmaceutical forms.

Over the period we acquired market authorisations for two products based on a fixed combination of two active pharmaceutical ingredients (APIs). The Doreta[®] product in tablet form contains the APIs paracetamol and tramadol, and is intended to ease the symptoms of moderate to stronger pain. The market permit was acquired in nine EU states and Croatia. Krka's Doreta[®] is the first generic product in this niche fixed combination.

The first marketing authorisation for Co-cazapro[®], which contains the APIs cilazapril and hydrochlorothiazide, was acquired in Croatia. The product is used to treat high blood pressure in

patients for whom monotherapy is insufficient. The procedure to acquire market authorisations for a product containing donepezil with a film-coated tablet is ongoing. In the first quarter of 2009, we concluded a DCP (decentralised procedure) in most western European countries.

We successfully concluded the notification procedure for the new syrups Pikovit[®] IQ syrup and Pikovit[®] Balance syrup on the markets of the Czech Republic, Slovakia, Serbia, Romania, Latvia and Estonia. The products are a major addition to the range of Pikovit[®] food supplement products, and contain Omega 3 acid (Pikovit IQ) and prebiotic fibres (Pikovit Balance) in addition to vitamins.

Notifications were achieved in Slovakia and the Czech Republic for Duovit[®] Elegance, which includes all the ingredients required for the biological nutrition of skin during the day and night, in two capsules, one for day-time and one for night-time.

The market authorisation procedure has been concluded for Panzynom® 10,000 capsules in the Russian Federation, which is the key market for this product.

The market authorisation for Bilobil® 120 capsule in Hungary has broadened the existing product range with the addition of a higher dose API, which makes administration easier for users.

In Ukraine we acquired a market authorisation for Triovit® kardio, which contains a combination of vitamins B6, B12 and folic acid.

In the field of animal health product development, the first quarter was marked by the expansion of the product range with products containing enrofloxacin,

colistin sulphate and florfenicol on the markets of Region East Europe. In Ukraine we acquired a market authorisation for Enroxil® Max in injection solution form to treat respiratory infections in cattle and Giraxa®, a powder for oral solution preparation to treat bacterial infections in farm animals. In the Russian Federation we acquired a market authorisation for Floron®, injection solution form to treat infections in cattle.

In the cosmetics field, we concluded research work on the Sun Mix® product line. In line with new legislative recommendations we developed six new sun protection products, and successfully concluded efficacy tests and acquired a market permit in Slovenia.

Investments

The Krka Group allocated EUR 22.3 million to investment in the first quarter of 2009, with EUR 20.2 million invested by the controlling company, and EUR 2.1 million by subsidiaries. Over 20 investment projects are planned this year, and are in various phases. Many are now approaching completion, while new projects to modernise or

construct new production capacity, R&D laboratories and infrastructure to ensure uninterrupted production are already in the conceptual and planning stages.

Below are a number of the most important projects.

NOTOL Phase III – Building 4

Previously, Krka did not have the capacity to produce small batches of solid dosage forms, so Phase III of the Notol Building 4 expansion programme included a small-batch production facility. Building 4 is an intermediate link between development and large-batch production, and offers

the possibility of optimising existing technology and development work. At the start of this year the qualification process was successfully completed for premises and equipment and the approval to start production was achieved. February saw the first product to go to market from the new facilities.

Solid oral dosage production plant

Preparatory field work for construction of the plant is already underway. The project will increase pellet and capsule production capacity. The plant has

been planned to enable part of capacity to be allocated to tablet production, if required.

Reconstruction of the Bršljín plant

The Bršljín plant reconstruction project includes a new facility intended to produce biocides, while syrup production is also being overhauled and increased. The works are being implemented in two phases. In 2008 the biocide production facility and

related infrastructure was constructed while in December technical inspection of the facility has been carried out, and a permit for test production issued.

In January 2009 installation works began on the syrup production facility, which are set to be

completed by autumn 2009.

Sinteza 4 – Line 5

The upgrade and equipping of an additional line in the section of Sinteza 4 allocated to that purpose, was dictated by the need to produce increasing quantities of various new APIs. In addition to existing technologies, this will allow new strategic products to be produced and ensure full control of technologies requiring equipment that is highly

resistant to corrosion.

The technological equipment has been installed and in February installation works on Line 5 were finished. In March we acquired a SIQ certificate, enabling test production to go ahead.

Ljutomer III

The Ljutomer III project will increase pastille production capacity by 30%. The mechanical installation works in the production section have been completed, and a sintering furnace has been

delivered and commissioned. Testing of the tablet press is underway and the packaging facility is being readied for start-up.

Balnea wellness centre at Hotel Kristal

The new Hotel Balnea Superior was opened at the Dolenjske Toplice spa complex in December 2008. The hotel, which was named after the Balnea relaxation centre, is primarily intended for guests wanting to enjoy a relaxing break, in the heart of the green Dolenjska countryside, and make use of a

wide range of high quality wellness active recreation services. At the start of the year we also connected up installations in the existing reception and in January carried out works relating to ensuring the hotel's classification.

Employees

Growth in human resources is ensured by supporting the career development of existing staff members as well as the active recruitment of new staff, primarily in the fields of sales and marketing and R&D. The number of employees in Slovenia increased by 35 in the first quarter of the year, and

by 126 outside Slovenia. At the end of March 2009 the Krka Group had 7763 employees, which is 161 more than at the start of the year. The proportion of employees that work in companies and representative offices outside Slovenia is 47% of all Krka Group employees.

Education structure of Krka Group employees

Educational level	31 Mar 2009		31 Dec 2008	
	Headcount	Share (in %)	Headcount	Share (in %)
PhD	79	1.0	76	1.0
MSc	183	2.4	178	2.3
University education	3733	48.1	3604	47.4
Higher professional education	614	7.9	596	7.8
Vocational college education	230	3.0	225	3.0
Secondary school education	1509	19.4	1503	19.8
Other	1415	18.2	1420	18.7
Total	7763	100.0	7602	100.0
- in Slovenia	4094	52.7	4059	53.4
- abroad	3669	47.3	3543	46.6

Now over 51% of employees in the Krka Group have at least a university education qualification.

Krka ensures the continual influx of capable new colleagues with scholarships. At present there are 117 Krka scholarships, largely in the fields of pharmacy and chemistry, though scholarships are also available to outstanding students in other fields of interest to Krka.

Employment development is implemented via the established Krka appraisal interview system and skills system, which is being upgraded and introduced gradually. Skill development for individual areas of work ensures more objective feedback and more systematic HR development. The annual formation and updating of the portfolio of key and promising staff and the planned investment in their development, education and skills development provides Krka with a high quality platform and provides continuity in key work positions.

The growth in the number of employees is linked considerable demand for the training of new employees. Continual staff training also takes place because of new technologies, demanding quality standards, IT development, and the transfer of colleagues to new and more complex tasks.

Our employees are also studying at home and abroad in the fields of specialist knowledge, quality, leadership, personal development, foreign languages and information science. The training is adapted to the needs of our employees, the technological process, market conditions and the developmental needs of the Group, so most education is organised in-house.

Krka employees show great interest in acquiring new knowledge and gaining higher qualifications. At present 93 Krka employees are involved in specialist, master's and doctoral studies, while a total of 456 employees are involved in part-time studies alongside their work. In the first quarter of 2009, 7 staff concluded their studies.

Krka is the only verified examiner for national vocational qualifications (NVQs) in Slovenia in the field of pharmaceuticals. Between 2002 and 2008, 362 certificates were awarded to Krka employees, and 119 certificates to staff from other pharmaceutical organisations within the Krka-run NVQ training system.

In spring two new groups with 69 participants started lectures and on-the-job training, which

means at present there are 242 employees studying for 4 different NVQs: production process technician in the pharmaceutical industry, process technician in pharmaceutical API production, process technician in pharmaceutical industry logistics and chemical technology operative.

The development of the SAP HR information system continued in 2009 for companies and representative offices abroad; the system integrates operations in the human resource administration and the organisational structure of Krka companies and representative offices abroad.

In 2009 Krka employees could again benefit from a wide range of activities tailored to ensure overall quality of work and life, helping us to realise the Krka mission of Living a Healthy Life within the Krka Group.

At the end of last year, Krka took part in the *Dnevnik* newspaper's Golden Thread awards to find Slovenia's best employer, and was selected as a finalist in the large enterprise category.

Investor information

At the end of March 2009 Krka had 79,056 shareholders, almost 2% higher than at the end of 2008. The increase in the total number of shareholders was largely due to an increase in the number of individual Slovenian investors and international investors.

In the first quarter of 2009, the ownership share of international investors and individual Slovenian investors increased, while the share held by investment companies and funds and by other Slovenian companies fell.

Ownership structure (%)

	31. 3. 2009	31. 12. 2008
Individual Slovenian investors	43.9	43.8
SOD Fund	15.0	15.0
KAD & PPS Funds	10.2	10.2
Slovenian investment companies \$funds &	8.9	9.2
Other Slovenian companies	9.1	9.3
International investors	8.3	7.9
Treasury shares	4.6	4.6
Total	100.0	100.0

On 31 March 2009, Krka held 1,626,620 own shares, representing 4.6% of nominal capital. In the

first quarter of 2009 the company did not repurchase any own shares.

Ten largest shareholders in Krka on 31 March 2009

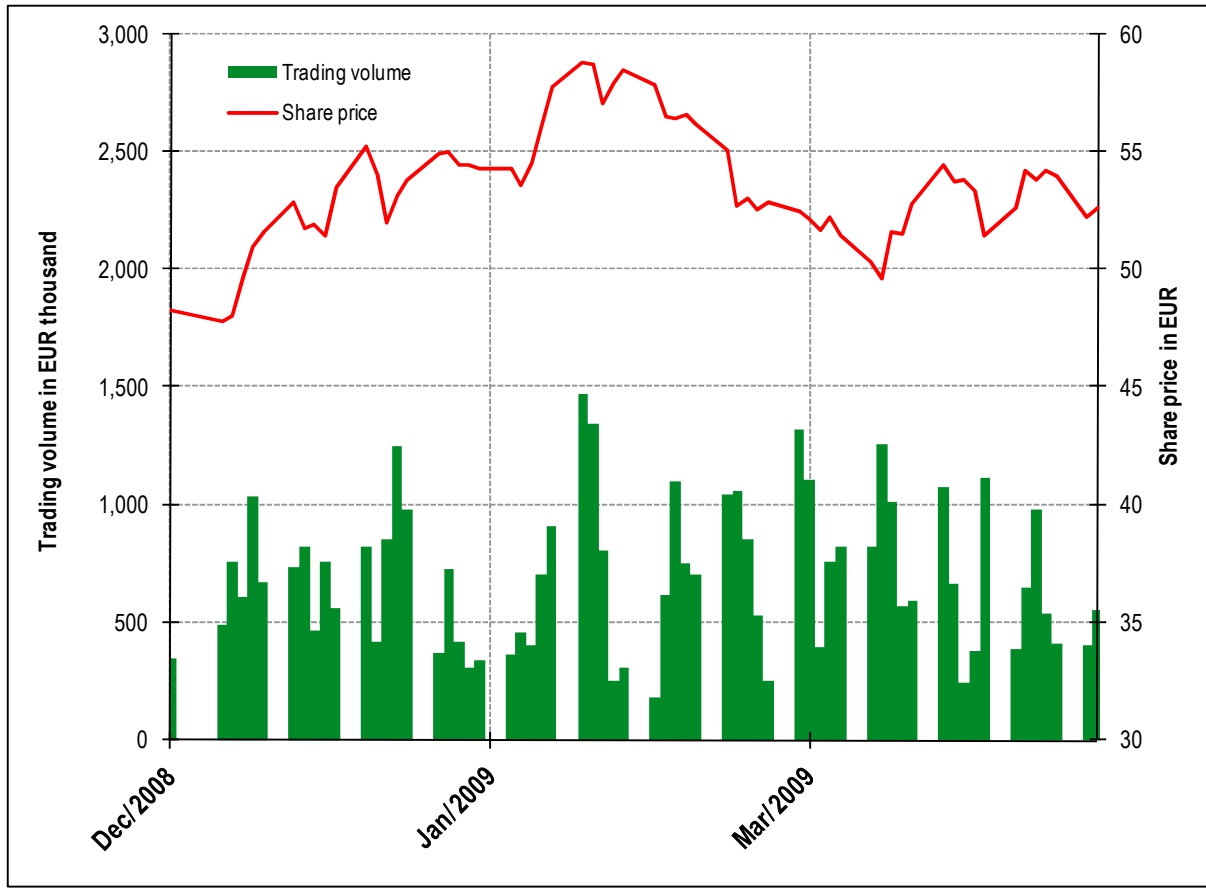
	Country	Number of shares	Proportion in equity in %	Proportion in voting rights in %
SLOVENSKA ODŠKODNINSKA DRUŽBA, D.D.	Slovenia	5,312,070	14.99	15.72
KAPITALSKA DRUŽBA, D.D.	Slovenia	3,493,030	9.86	10.33
NEW WORLD FUND INC	USA	926,200	2.61	2.74
NFD 1 DELNIŠKI INVESTICIJSKI SKLAD D.D.	Slovenia	794,670	2.24	2.35
LUKA KOPER, D.D.	Slovenia	433,970	1.23	1.28
ZAVAROVALNICA TRIGLAV, D.D.	Slovenia	388,300	1.10	1.15
DELNIŠKI TRIGLAV STEBER I	Slovenia	373,585	1.05	1.11
UNICREDIT BANK AUSTRIA AG	Austria	354,964	1.00	1.05
MARIFARM D.O.O.	Slovenia	225,000	0.64	0.67
BANKA CELJE D.D.	Slovenia	203,155	0.57	0.60
Total		12,504,944	35.29	37.00

On 31 March 2009 members of the Krka Management Board and Supervisory Board held a total of 65,470 shares in the company, or 0.185% of all shares issued.

Shares in Equity and Voting Rights of Krka Management Board and Supervisory Board Members on 31 March 2009

	Number of shares	Proportion in equity in %	Proportion in voting rights in %
Management Board members			
Jože Colarič	22,500	0.06351	0.06657
Janez Poljanec	22,060	0.06227	0.06527
Aleš Rotar	12,770	0.03605	0.03778
Zvezdana Bajc	1,660	0.00469	0.00491
Danica Novak Malnar	0	0.00000	0.00000
Total Management Board members	58,990	0.16652	0.17453
Supervisory Board Members			
Gregor Gomišček	320	0.00090	0.00095
Mateja Božič	0	0.00000	0.00000
Anton Rous	0	0.00000	0.00000
Draško Veselinović	60	0.00017	0.00018
Alojz Zupančič	3,490	0.00985	0.01033
Sonja Kermc	2,110	0.00596	0.00624
Tomaž Sever	500	0.00141	0.00148
Mateja Vrečer	0	0.00000	0.00000
Total Supervisory Board Members	6,480	0.01829	0.01917

Trading in Krka shares in the first quarter of 2009



Source: Ljubljanska borza

The Krka share price grew by 9% to EUR 52.61 from the start of the year until the end of March 2009. The Slovenian Stock Exchange Index (SBI 20) lost 4% over the same period. Krka's market capitalisation on 31 March 2009 was

EUR 1.9 billion.

Average daily turnover in Krka shares was EUR 0.7 million, making it the most liquid security on the Ljubljana Stock Exchange in the first quarter.

Corporate Risk Management

Foreign exchange risk

The Krka Group's main foreign exchange risk lies in the variability of the US dollar exchange rate, as well as the Polish zloty, Croatian kuna, Russian rouble, Serbian dinar, Hungarian forint and Romanian lei.

US dollar risk in the first quarter of 2009 was actively hedged at the end of 2008 with forward

contracts. There were no new activities in the first quarter of this year.

Hedging was not used during the first quarter of this year to manage foreign exchange risk from other currencies. This was partly due to a lack of suitable instruments to effectively hedge such risk, caused by the difficult macroeconomic conditions on the financial markets.

Interest rate risk

At the end of the first quarter of 2009, Krka had three long-term loans linked to the 6-month EURIBOR for the euro, which represent a major risk in the event of interest rate increases.

Krka did not increase its long-term borrowing during the first quarter. The total long-term borrowing fell

during the same period due to ongoing debt repayment.

Krka did not carry out any hedging against rising interest rates given the falling trend in reference interest rates and comparable fixed interest rates over the first quarter.

Credit risk

The credit control process involves obtaining credit ratings for customers to which the controlling company and subsidiaries makes annual product sales of at least EUR 100,000, and regular, dynamic monitoring of customer payment discipline. Over 400 of the Group's customers are included in the credit control system.

Key credit control indicators, including the maturity structure, value of trade receivables, and average repayment term (measured by days required to clear) did not significantly decline over the first quarter.

Receivables write-offs had no material impact on Krka's financial position over the period.

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 regular cash flow provision, agreed credit lines at banks, short-term deposits, and daily, weekly, monthly and longer-term planning and monitoring of cash inflows and outflows on a rolling basis. The cash balance was optimised in the accounts of all subsidiaries.

Despite the current state of financial markets, liquidity risk is assessed as low. In general banks are reduced short-term loan maturity, raised interest margins, and added new clauses to standard contracts giving them greater flexibility, but Krka's low level of borrowing, sound cashflow, and successful operations still allow it to agree favourable loan terms with banks. Short-term borrowing fell slightly in the first quarter of 2009.

Insurance

The Krka Group makes use of property insurance to secure compensation for damage to property caused by destructive nature forces, technical production issues or human factors. It covers the fixed costs of production based on own pharmaceutical ingredients and the Group's profit in the event of lengthier business interruption, and has an insurance programme to insure the Group against claims for damages.

In 2009 Krka added its subsidiaries in Austria, Hungary, Serbia, Romania, Slovakia and the Czech Republic to its international insurance programme. The inclusion of these companies in the international insurance programme transfers insurance procedures to the controlling company. Insurance is centralised, and the companies acquire internally standardised procedures for taking out insurance and filing claims.

FINANCIAL STATEMENTS OF THE KRKA GROUP WITH NOTES

Balance sheet of the Krka Group

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Assets			
Property, plant and equipment	635,355	635,250	100
Intangible assets	128,153	128,980	99
Deferred tax assets	33,574	34,273	98
Long-term loans	3,880	3,892	100
Investments	5,548	6,343	87
Other non-current assets	338	336	101
Total non-current assets	806,848	809,074	100
Inventories	195,825	211,347	93
Trade and other receivables	267,724	240,875	111
Short-term loans	1,789	1,393	128
Current investments, including derivatives	639	743	86
Cash and cash equivalents	9,278	7,604	122
Total current assets	475,255	461,962	103
Total assets	1,282,103	1,271,036	101
Equity			
Share capital	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	138,301	146,454	94
Retained earnings	639,179	595,382	107
Equity holders of the parent	817,117	781,473	105
Minority interest	1,818	1,823	100
Total equity	818,935	783,296	105
Liabilities			
Long-term borrowings	83,726	83,734	100
Provisions	150,208	149,663	100
Government grants and grants by the European Union	5,302	5,353	99
Deferred tax liabilities	17,384	18,776	93
Total non-current liabilities	256,620	257,526	100
Trade payables	61,474	69,996	88
Short-term borrowings	83,476	100,111	83
Income tax liabilities	11,501	10,533	109
Other current liabilities	50,097	49,574	101
Total current liabilities	206,548	230,214	90
Total liabilities	463,168	487,740	95
Total equity and liabilities	1,282,103	1,271,036	101

Income statement of the Krka Group

in EUR thousand	1-3/2009	1-3/2008	Ind. 09/08
Revenues	245,186	244,384	100
Production cost of goods sold	-85,278	-87,829	97
Gross profit	159,908	156,555	102
Other operating income	3,886	932	417
Distribution expenses	-56,934	-55,432	103
R&D costs	-22,047	-19,443	113
Administrative expenses	-17,353	-18,803	92
Result from operating activities	67,460	63,809	106
Financial income	100	1,691	6
Financial expenses	-12,472	-7,282	171
Net financial expenses / income	-12,372	-5,591	221
Profit before tax	55,088	58,218	95
Income tax expense	-11,226	-14,177	79
Profit for the period	43,862	44,041	100
Attributable to:			
– equity holders of the parent	43,867	44,064	100
– minority interest	-5	-23	22
Basic earnings per share (in EUR)	1.30	1.30	100
Diluted earnings per share (in EUR)	1.30	1.30	100

* 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 comprehensive income of the Krka Group

In thousand EUR	1-3/2009	1-3/2008	Ind. 09/08
Net profit for the period	43,862	44,041	100
Other comprehensive income for the period:			
Changes in fair value of financial assets available for sale	-796	-1,151	69
Deferred tax effect - change in fair value of financial assets available for sale	167	253	66
Deferred tax effect and tax effect of transition to IFRS	-35	-87	41
Translation reserve	-7,524	1,203	-625
Total other comprehensive income for the period	-8,188	218	-3739
Total comprehensive income for the period	35,674	44,259	81
Attributable to:			
- Equity holders of the parent	35,679	44,282	81
- Minority interest	-5	-23	22

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 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
Comprehensive income for the period	0	0	0	0	0	-898	1,203	0	44,064	-87	44,282	-23	44,259
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	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	0	0	0	0	0	0
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
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance at 31 Mar 2008	59,126	-19,489	120,992	14,990	14,183	5,927	1,306	356,945	44,064	117,115	715,159	10,013	725,172
Balance at 1 Jan 2009	59,126	-19,489	120,992	14,990	17,184	2,620	-9,332	450,417	102,955	42,010	781,473	1,823	783,296
Changes in profits for previous periods	0	0	0	0	0	0	0	0	0	-35	-35	0	-35
Comprehensive income for the period	0	0	0	0	0	-629	-7,524	0	43,867	-35	35,679	-5	35,674
Purchase of minority interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Formation of statutory reserves	0	0	0	0	0	0	0	0	0	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	0	0	0	0	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	0	-102,955	102,955	0	0	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance at 31 Mar 2009	59,126	-19,489	120,992	14,990	17,184	1,991	-16,856	450,417	43,867	144,895	817,117	1,818	818,935

Cash flow statement of the Krka Group

in EUR thousand	1–3/2009	1–3/2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	43,862	44,041
Adjustments for:	28,512	35,208
– amortisation /depreciation	18,360	16,085
– foreign exchange gain	-9,205	-1,090
– foreign exchange loss	5,162	3,654
– investment income	-215	-1,844
– investment expense	1,468	2,179
– interest expense and other financial expense	1,750	2,047
– income tax	11,226	14,177
– other	-34	0
Operating profit before changes in net operating current assets and provisions	72,374	79,249
Change in trade receivables	-25,932	-29,313
Change in inventories	15,472	-10,674
Change in operating debts (liabilities)	-12,696	4,680
Change in provisions	545	3,702
Change in grants received from the government and the European Union	-51	-51
Change in other current liabilities	538	-105
Income taxes paid	-10,819	-13,014
Cash generated from operations	39,431	34,474
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	53	145
Dividends received	0	1
Proceeds from sale of property, plant and equipment and intangible assets	2,421	2,626
Purchase of intangible assets	-2,077	-829
Purchase of property, plant and equipment	-18,072	-35,906
Given long-term loans	-122	-205
Proceeds from repayment of long-term loans	257	251
Acquisition of non-current investments	-2	0
Proceeds from sale of non-current investments	0	82
Acquisition of current investments	-1,870	-450
Proceeds from sale of current investments and repayment of short-term loans	1,127	112
Payments in connection with derivative financial instruments	-1,035	-36
Proceeds from derivative financial instruments	0	1,599
Net cash used in investing activities	-19,320	-32,610
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-4,090	-1,938
Repayment of long-term borrowings	-11,536	-5,319
Repayment of short-term borrowings	-97,850	-47,744
Proceeds from of short-term borrowings	95,091	48,665
Dividends paid	-14	-22
Net cash used in financing activities	-18,399	-6,358
Net increase in cash and cash equivalents	1,712	-4,494
Cash and cash equivalents at beginning of period	7,604	15,784
Effect of exchange rate fluctuations on cash held	-38	-3
Net cash and cash equivalents at end of period	9,278	11,287

Notes to the consolidated financial statements

Sales revenues

EUR 245,186 thousand

Sales revenues comprise revenues from the sale of products, services and goods on the domestic market worth EUR 26,753 thousand (10.9% of the Group's net sales revenues) and on foreign markets

worth EUR 218,433 thousand (89.1% of net sales revenues). The growth in sales revenues was 0.3%, compared to the results from the same period last year.

Production cost of goods sold

EUR 85,278 thousand

The Group's production costs of goods sold decreased by 3% compared to the same period last year, and their ratio to sales revenues was 34.8%.

Sales and marketing

EUR 56,934 thousand

Sales and marketing expenses comprise the costs of the Slovenian and foreign marketing sales networks. Sales and marketing expenses were 3%

higher than for the same period last year, and their ratio to sales revenues was 23.2%.

R&D costs

EUR 22,047 thousand

The Company does not capitalise R&D costs, so they are fully disclosed in the current income statement.

R&D costs were 13% higher than for the same period last year, and their ratio to sales revenues was 9.0%.

Administrative expenses

EUR 17,353 thousand

Administrative expenses increased by 8% compared to the same period last year, and their ratio to sales revenues was 7.1%.

Costs by type

EUR 181,612 thousand

in thousand EUR	1-3/2009	1-3/2008	Ind. 09/08
Cost of goods and materials	47,725	59,436	80
Cost of services	45,011	44,696	101
Employee benefits cost	56,029	53,926	104
Depreciation/amortisation	18,360	16,085	114
Provisions formed	0	3,042	0
Other operating expenses	4,883	6,193	79
Total costs in terms of type	172,008	183,378	94
Changes in the value of inventories	9,604	-1,871	
Total	181,612	181,507	100

Employee benefit cost
EUR 56,029 thousand

in EUR thousand	1-3/2009	1-3/2008	Ind. 09/08
Gross wages and salaries and continued pay	45,945	44,189	104
Social security contributions and payroll tax	7,451	7,290	102
Other employee benefits cost	1,669	1,331	125
Retirement benefits and anniversary bonuses	964	1,116	86
Total employee benefits cost	56,029	53,926	104

Other operating expenses
EUR 4,883 thousand

in EUR thousand	1-3/2009	1-3/2008	Ind. 09/08
Grants and assistance for humanitarian and other purposes	576	392	147
Environmental levies	409	473	86
Other levies	1,135	834	136
Loss in the sale of property, plant and equipment and intangible assets	229	714	32
Write-offs and allowances for inventories	854	1,024	83
Other costs	1,680	2,756	61
Total other operating expenses	4,883	6,193	79

Finance income and financial expenses

in EUR thousand	1-3/2009	1-3/2008	Ind. 09/08
Interest income	54	91	59
Change in fair value of investments through profit or loss	22	0	
Income from derivative financial instruments, thereof:	0	1,599	0
– inflows	0	1,599	0
Dividend income	0	1	0
Other income	6	0	
Reversal of impairment	18	0	
Total financial income	100	1,691	6
Exchange differences	-8,932	-2,705	330
Interest expense	-1,691	-1,917	88
Change in fair value of investments through profit or loss	-15	-225	7
Expenses from derivative financial instruments, thereof:	-1,225	-1,236	99
– outflows	-1,035	-36	2,875
– changes in fair value	-190	-1,200	16
Other expenses	-59	-134	44
Write-offs and allowances for receivables	-550	-1,065	52
Total financial expenses	-12,472	-7,282	171
Net financial income/expenses	-12,372	-5,591	221

Income tax expenses
EUR 11,226 thousand

The corporate income tax levied was EUR 11,958 thousand, which is 21.7% of the pre-tax profit. Taking into account the deferred tax of EUR 732 thousand, the income tax expense in the

income statement totals EUR 11,226 thousand. The effective tax rate fell from 24.4% for the same period last year, to 20.4%.

Property, plant and equipment
EUR 635,355 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Property	29,029	29,097	100
Plant	293,252	297,214	99
Equipment	259,422	262,430	99
Property, plant and equipment under construction	53,652	46,509	115
Total property, plant and equipment	635,355	635,250	100

Property, plant and equipment represented half of the Group's total assets. Krka's major investments

are described in the chapter "Investments" in the business report.

Intangible assets
EUR 128,153 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Goodwill	42,644	42,644	100
Trademark and customer list	42,028	42,403	99
Proprietary rights	38,386	38,390	100
Intangible assets in progress	5,095	5,543	92
Total intangible assets	128,153	128,980	99

The value of intangible assets remained practically unchanged since the start of 2009.

Long-term industrial property rights and intangible assets in acquisition constitute software and market authorisation documentation for new medicines.

Loans
EUR 5,669 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Long-term loans	3,880	3,892	100
Short-term loans	1,569	1,144	137
Short-term interest receivable	220	249	88
Total loans	5,669	5,285	107

Investments
EUR 6,187 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Non-current investments	5,548	6,343	87
- financial assets available for sale	5,548	6,343	87
Current investments, including derivatives	639	743	86
- instruments held for trading	35	128	27
- derivatives	0	190	0
- other current investments	604	425	142
Total investments	6,187	7,086	87

The financial assets available for sale include shares and stakes worth EUR 887 thousand in Slovenia, and EUR 4,661 thousand in shares and stakes held abroad.

Other current financial investments comprise assets

under the management of the controlling company in the amount of EUR 233 thousand, and Slovenian mutual fund units in the amount of EUR 192 thousand, and investments by the subsidiary Krka Farma Zagreb worth EUR 79 thousand.

Inventories
EUR 195,825 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Material	62,247	68,593	91
Work in progress	57,236	55,360	103
Products	65,749	76,264	86
Merchandise	17,218	18,159	95
Allowances and write-off of inventories	-6,625	-7,029	94
Total inventories	195,825	211,347	93

Trade and other receivables
EUR 267,724 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Short-term trade receivables	248,354	218,448	114
Other short-term receivables	19,370	22,427	86
Total receivables	267,724	240,875	111

Cash and cash equivalents
EUR 9,278 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Cash in hand	92	70	131
Bank balances	9,186	7,534	122
Total cash and cash equivalents	9,278	7,604	122

Equity
EUR 818,935 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind, 09/08
Share capital	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	138,301	146,454	94
– share premium	120,992	120,992	100
– legal reserves	14,990	14,990	100
– statutory reserves	17,184	17,184	100
– fair value reserve	1,991	2,620	76
– translation reserves	-16,856	-9,332	181
Retained earnings	639,179	595,382	107
Equity holders of the parent	817,117	781,473	105
Minority interest	1,818	1,823	100
Total equity	818,935	783,296	105

Borrowings
EUR 167,202 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind, 09/08
Long-term borrowings	83,726	83,734	100
– borrowings from domestic banks	83,307	83,306	100
– borrowings from foreign banks	419	428	98
Short-term borrowings	83,476	100,111	83
– current portion of long term borrowings	17,729	29,542	60
– borrowings from domestic banks	54,899	57,000	96
– borrowings from foreign banks	9,553	10,007	95
– borrowings from other entities	445	372	120
– interest payable	850	3,190	27
Total borrowings	167,202	183,845	91

Provisions
EUR 150,208 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind, 09/08
Provisions for retirement benefits and anniversary bonuses	49,954	49,182	102
Other provisions	100,254	100,481	100
– provisions for lawsuits	95,531	95,747	100
– other provisions	4,723	4,734	100
Total provisions	150,208	149,663	100

Government grants and EU grants

EUR 5,302 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind, 09/08
Government grants	4,667	4,714	99
Grants by the European Regional Development Fund	33	34	97
Free receipt of property, plant and equipment	602	605	100
Total grants received	5,302	5,353	99

Trade payables

EUR 61,474 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind, 09/08
Payables to domestic suppliers	30,293	37,863	80
Payables to foreign suppliers	30,398	31,739	96
Payables from advances	783	394	199
Total trade payables	61,474	69,996	88

Other current liabilities

EUR 50,097 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind, 09/08
Accrued contractual discounts on products sold to other customers	18,018	18,517	97
Payables to employees – gross wages, other charges	19,722	18,555	106
Other	12,357	12,502	99
Total other current liabilities	50,097	49,574	101

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

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

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Assets			
Property, plant and equipment	476,256	472,875	101
Intangible assets	28,346	28,137	101
Investments in subsidiaries	225,329	225,054	100
Deferred tax assets	28,797	28,732	100
Long-term loans	6,842	4,633	148
Non-current investments	5,339	6,134	87
Other non-current assets	310	308	101
Total non-current assets	771,219	765,873	101
Inventories	158,315	169,939	93
Trade and other receivables	282,472	255,711	110
Short-term loans	35,068	31,832	110
Current investments, including derivatives	560	743	75
Cash and cash equivalents	1,991	294	677
Total current assets	478,406	458,519	104
Total assets	1,249,625	1,224,392	102
Equity			
Share capital	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	155,157	155,786	100
Retained earnings	643,934	601,780	107
Total equity	838,728	797,203	105
Liabilities			
Long-term borrowings	81,209	81,209	100
Provisions	140,083	139,309	101
Government grants and grants by the European Union	838	853	98
Deferred tax liabilities	530	696	76
Total non-current liabilities	222,660	222,067	100
Trade payables	71,467	73,237	98
Short-term borrowings	72,839	88,752	82
Income tax liabilities	10,185	9,105	112
Other current liabilities	33,746	34,028	99
Total current liabilities	188,237	205,122	92
Total liabilities	410,897	427,189	96
Total equity and liabilities	1,249,625	1,224,392	102

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

in EUR thousand	1-3/2009	1-3/2008	Ind. 09/08
Revenues	216,220	210,123	103
Production cost of goods sold	-75,884	-72,942	104
Gross profit	140,336	137,181	102
Other operating income	2,165	268	808
Distribution expenses	-49,997	-47,516	105
R&D costs	-20,651	-17,082	121
Administrative expenses	-13,245	-14,600	91
Result from operating activities	58,608	58,251	101
Financial income	554	2,036	27
Financial expenses	-5,758	-7,188	80
Net financial expenses	-5,204	-5,152	101
Profit before tax	53,404	53,099	101
Income tax expense	-11,215	-11,681	96
Profit for the period	42,189	41,418	102
Basic earnings per share (in EUR)	1.25	1.23	102
Diluted earnings per share (in EUR)	1.25	1.23	102

* 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 comprehensive income of Krka, d. d., Novo mesto

In EUR thousand	1-3/2009	1-3/2008	Ind. 09/08
Net profit for the period	42,189	41,418	102
Other comprehensive income for the period:			
Changes in fair value of financial assets available for sale	-796	-1,151	69
Deferred tax effect - change in fair value of financial assets available for sale	167	253	66
Deferred tax effect and tax effect of transition to IFRS	-35	-87	40
Total other comprehensive income for the period	-664	-985	67
Total comprehensive income for the period	41,525	40,433	103

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

in EUR thousand	Share capital	Own shares	Reserves			Retained earnings			Statutory reserves	
			Share premium	Legal reserves	Statutory reserves	Share capital	Own shares	Share premium		Legal reserves
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
Comprehensive income for the period	0	0	0	0	0	-898	0	41,418	-87	40,433
Formation of statutory reserves	0	0	0	0	0	0	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	0	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	0	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	0
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
Balance at 1 Jan 2009	59,126	-19,489	120,992	14,990	17,184	2,620	450,417	108,130	43,233	797,203
Comprehensive income for the period	0	0	0	0	0	-629	0	42,189	-35	41,525
Formation of statutory reserves	0	0	0	0	0	0	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	0	0	0
Transfer of previous period's net profit to retained earnings	0	0	0	0	0	0	0	-108,130	108,130	0
Transfer to other revenue reserves under the resolution of the Annual Meeting	0	0	0	0	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	0
Balance at 31 Mar 2009	59,126	-19,489	120,992	14,990	17,184	1,991	450,417	42,189	151,328	838,728

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

in EUR thousand	1–3/2009	1–3/2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	42,189	41,418
Adjustments for:	25,780	26,853
– amortisation/depreciation	14,074	11,472
– foreign exchange gain	-2,608	-698
– foreign exchange loss	741	2,577
– investment income	-692	-2,188
– investment expense	1,446	2,120
– interest expense and other financial expense	1,604	1,889
– income tax	11,215	11,681
Operating profit before changes in net operating current assets and provisions	67,969	68,271
Change in trade receivables	-24,409	-14,576
Change in inventories	11,625	-11,988
Change in operating debts (liabilities)	-2,161	11,490
Change in provisions	774	3,683
Change in grants received from the government and the European Union	-15	-15
Change in other current liabilities	-268	-1,057
Income taxes paid	-10,235	-10,634
Cash generated from operations	43,280	45,174
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	543	471
Dividends received	0	1
Proceeds from sale of property, plant and equipment and intangible assets	2,399	2,580
Purchase of intangible assets	-1,627	-556
Purchase of property, plant and equipment	-18,505	-29,355
Acquisition of subsidiaries and minority interest net of cash	-275	-5,775
Long-term loans	-2,326	-320
Proceeds from repayment of long-term loans	306	260
Acquisition of non-current investments	-2	0
Proceeds from sale of non-current investments	0	70
Acquisition of current investments and loans	-6,086	-7,661
Proceeds from sale of current investments and repayment of short-term loans	2,593	9,158
Payments in connection with derivative financial instruments	-1,035	-36
Proceeds from derivative financial instruments	0	1,599
Net cash used in investing activities	-24,015	-29,564
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-3,942	-1,772
Repayment of long-term borrowings	-11,536	-5,362
Repayment of short-term borrowings	-97,130	-52,744
Acquisition of short-term borrowings	95,092	46,002
Dividends paid	-14	-22
Net cash used in financing activities	-17,530	-13,898
Net increase in cash and cash equivalents	1,735	1,712
Cash and cash equivalents at beginning of period	294	2,340
Effect of exchange rate fluctuations on cash held	-38	-3
Net cash and cash equivalents at end of period	1,991	4,049

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

Sales revenues

EUR 216,220 thousand

Sales revenues include revenues from the sale of products, services and goods on the domestic market in the amount of EUR 19,300 thousand (8.9% of net sales revenues) and revenues from

sales on foreign markets in the amount of EUR 196,920 thousand (91.1% of net sales revenues). Sales revenues were 3% higher than for the first three months of last year.

Production cost of goods sold

EUR 75,884 thousand

The Group's production costs of goods sold increased by 4% compared to the same period last year.

Their ratio to sales revenues was 35.1%.

Sales and marketing

EUR 49,997 thousand

Sales and marketing expenses comprise the costs of the Slovenian and foreign marketing sales networks. Sales and marketing expenses increased

by 5% on the same period last year, and their ratio to sales revenues was 23.1%.

R&D costs

EUR 20,651 thousand

The Company does not capitalise R&D costs, so they are fully disclosed in the current income statement. R&D costs were 21% higher than for the

comparable period last year, and their ratio to sales revenues was 9.6%.

Administrative expenses

EUR 13,245 thousand

Administrative expenses decreased by 9% on the same period last year, and their ratio to sales revenues was 6.1%.

Costs by type

EUR 159,777 thousand

in thousand EUR	1-3/2009	1-3/2008	Ind. 09/08
Cost of goods and materials	51,073	59,369	86
Cost of services	46,165	43,941	105
Employee benefits cost	41,263	40,404	102
Depreciation/amortisation	14,074	11,472	123
Provisions formed	0	3,000	0
Other operating expenses	3,081	2,879	107
Total costs in terms of type	155,656	161,065	97
Changes in the value of inventories	4,121	-8,925	-46
Total	159,777	152,140	105

Employee benefit cost
EUR 41,263 thousand

in EUR thousand	1-3/2009	1-3/2008	Ind. 09/08
Gross wages and salaries and continued pay	33,926	33,076	103
Social security contributions and payroll tax	5,409	5,338	101
Other employee benefits cost	977	874	112
Retirement benefits and anniversary bonuses	951	1,116	85
Total employee benefits cost	41,263	40,404	102

Other operating expenses
EUR 3,081 thousand

in EUR thousand	1-3/2009	1-3/2008	Ind. 09/08
Grants and assistance for humanitarian and other purposes	507	311	163
Environmental levies	390	434	90
Other levies	554	185	299
Loss in the sale of property, plant and equipment and intangible assets	207	657	32
Write-offs and allowances for inventories	730	533	137
Other costs	693	759	91
Total other operating expenses	3,081	2,879	107

Finance income and financial expenses

in EUR thousand	1-3/2009	1-3/2008	Ind. 09/08
Interest income	532	436	122
Change in fair value of investments through profit or loss	22	0	0
Income from derivative financial instruments, thereof:	0	1,599	0
– inflows	0	1,599	0
Dividend income	0	1	0
Total financial income	554	2,036	27
Exchange differences	-2,837	-3,321	85
Interest expense	-1,587	-1,803	88
Change in fair value of investments through profit or loss	-15	-225	7
Expenses from derivative financial instruments, thereof:	-1,225	-1,236	99
– outflows	-1,035	-36	2,875
– changes in fair value	-190	-1,200	16
Other financial expenses	-17	-88	19
Write-offs and allowances for receivables	-77	-515	15
Total financial expenses	-5,758	-7,188	80
Net financial income/expenses	-5,204	-5,152	101

Income tax expenses
EUR 11,215 thousand

The corporate income tax levied amounts to EUR 11,315 thousand, which is 21.2% of the pre-tax profit. Taking into account the deferred tax of EUR 100 thousand, the income tax expense in the

income statement totals EUR 11,215 thousand. The effective tax rate was 21.0% a reduction of one percentage point on the rate for the same period last year.

Property, plant and equipment
EUR 476,256 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Property	17,108	17,108	100
Plant	192,393	193,405	99
Equipment	217,048	220,872	98
Property, plant and equipment under construction	49,707	41,490	120
Total property, plant and equipment	476,256	472,875	101

The value of property, plant and equipment represented 38% of the company's total assets.

Krka's major investments are described in the chapter "Investments" in the business report.

Intangible assets
EUR 28,346 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Proprietary rights	24,496	25,019	98
Intangible assets in progress	3,850	3,118	123
Total intangible assets	28,346	28,137	101

Intangible assets include software and market authorisation documentation for new medicines.

Loans
EUR 41,910 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Long-term loans:	6,842	4,633	148
– long-term loans to subsidiaries	3,159	1,069	296
– long-term loans to other entities	3,683	3,564	103
Short-term loans:	35,068	31,832	110
– short-term loans to subsidiaries	33,985	30,581	111
– short-term loans to other entities	863	1,002	86
– short-term interest receivable	220	249	88
Total loans	41,910	36,465	115

Long-term loans granted represent 16% of all loans granted.

Long-term loans to others includes loans granted by the company to employees, in line with internal acts, primarily to purchase or improve housing.

Investments
EUR 5,899 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Non-current investments	5,339	6,134	87
- financial assets available for sale	5,339	6,134	87
Current investments, including derivatives	560	743	75
- instruments held for trading	135	128	105
- derivatives	0	190	0
- other current investments	425	425	100
Total investments	5,899	6,877	86

The financial assets available for sale include shares and stakes worth EUR 678 thousand in Slovenia, and EUR 4,661 thousand in shares and stakes held abroad.

Other current financial investments comprise Slovenian mutual fund units worth EUR 192 thousand and assets under management worth EUR 233 thousand.

Inventories
EUR 158,315 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Material	54,695	61,154	89
Work in progress	51,451	49,867	103
Products	52,286	58,740	89
Merchandise	5,259	5,865	90
Allowances and write-off of inventories	-5,376	-5,687	95
Total inventories	158,315	169,939	93

Trade and other receivables
EUR 282,472 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Short-term receivables due from subsidiaries	132,710	128,650	103
Trade receivables	138,260	112,821	123
Receivables due from other entities	11,502	14,240	102
Total trade and other receivables	282,472	255,711	110

Cash and cash equivalents
EUR 1,991 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Cash in hand	43	10	430
Bank balances	1,948	284	686
Total cash and cash equivalents	1,991	294	677

Equity
EUR 838,728 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Share premium	59,126	59,126	100
Own shares	-19,489	-19,489	100
Reserves	155,157	155,786	100
– share premium	120,992	120,992	100
– legal reserves	14,990	14,990	100
– statutory reserves	17,184	17,184	100
– fair value reserve	1,991	2,620	76
Retained earnings	643,934	601,780	107
Total equity	838,728	797,203	105

Borrowings
EUR 154,048 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Long-term borrowings	81,209	81,209	100
– borrowings from domestic banks	81,209	81,209	100
Short-term borrowings	72,839	88,752	82
– current portion of long-term borrowings	16,536	28,073	59
– borrowings from Group companies	120	131	92
– borrowings from domestic banks	54,900	57,000	96
– borrowings from other entities	445	372	120
– interest payable	838	3,176	26
Total borrowings	154,048	169,961	91

Provisions
EUR 140,083 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Provisions for retirement benefits and anniversary bonuses	45,903	45,120	102
Other provisions	94,011	94,011	100
– provisions for lawsuits	93,989	93,989	100
– other provisions	22	22	100
Long-term deferred revenue	169	178	95
Total provisions	140,083	139,309	101

Provisions for lawsuits comprise 67% of all provisions. These increased compared to the start of 2009, largely due to the formation of new

provisions retirement severance pay and loyalty bonuses.

Government grants and EU grants

EUR 838 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Government grants	203	214	95
Grants by the European Regional Development Fund	33	34	97
Property, plant and equipment received free-of-charge	602	605	100
Total grants received	838	853	98

Trade payables

EUR 71,467 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Payables to subsidiaries	17,605	14,074	125
Payables to domestic suppliers	28,029	33,066	85
Payables to foreign suppliers	25,533	25,970	98
Payables from advances	300	127	236
Total trade payables	71,467	73,237	98

Other current liabilities

EUR 33,746 thousand

in EUR thousand	31 Mar 2009	31 Dec 2008	Ind. 09/08
Accrued contractual discounts on products sold to other customers	14,897	14,897	100
Payables to employees – gross wages, other charges	17,358	16,783	103
Other	1,491	2,348	64
Total current liabilities	33,746	34,028	99