

Pursuant to the Rules of the Ljubljana Stock Exchange and the Securities Market Act (ZTVP-1, Official Gazette of the Republic of Slovenia, no 56/99), Krka d.d., Novo Mesto, Šmarješka cesta 6, 8501 Novo Mesto, hereby issues the following

IMPORTANT NOTES TO THE UNAUDITED UNCONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA, D.D., NOVO MESTO FOR 2006

Sales

In the 2006 financial year Krka, d. d., Novo Mesto (the Krka Company) achieved sales of SIT 140.5 billion (EUR 586.1 million), an increase of 20% on 2005. The proportion of exports in overall Krka sales continues to increase. Krka exports were worth SIT 122.4 billion (EUR 510.8 million), which is 87% of overall company sales.

Sales by Region

Compared to the 2005 figures, the largest increase in sales was recorded in Region East Europe, where Krka achieved 35% growth. The largest market in the region is the Russian Federation, which generated SIT 30.4 billion (EUR 126.9 million) in net sales, making it Krka's largest single market. Krka recorded growth of 41% on the Russian market. Region East Europe meanwhile represents 30% of Krka's overall sales. The next ranking region in terms of growth and sales was Krka's Region Central Europe where the company achieved sales of SIT 32.6 billion (EUR 136.1 million), which is 22% more than in 2005, and represents 23% of overall sales. Growth of 20% was recorded in Region West Europe and Overseas Markets, representing 17% of overall sales, while Region South-East Europe returned 17% growth and also represented 17% of overall sales. Sales in Slovenia represented 13% of the overall total.

Sales by Product Group

The most important product group is prescription pharmaceuticals, which generated sales of SIT 115.7 billion (EUR 482.7 million) representing 82% of overall sales. Krka's 2006 sales of self-medication products were worth SIT 17.1 billion (EUR 71.3 million) representing 12% of overall sales, while cosmetics sales were worth SIT 2.2 billion (EUR 9.3 million), and animal health product sales were worth SIT 5.3 billion (EUR 22.2 million). Compared to the previous year, Krka increased sales in every product group, with pharmaceutical products up by 21%, self-medication products by 24%, cosmetics by 13% and animal health products by 16%.

Performance Indicators

The Krka Company's unaudited financial statements for 2006 and the comparative figures for 2005 were prepared in accordance with the International Financial Reporting Standards (IFRS). In line with a resolution of the 11th Annual General Meeting of 6 July 2006 from 1 January 2006 onwards all Krka Company financial statements will be prepared in accordance with the IFRS.

The Company's sales grew by 20% while the operating profit increased by 22%, the profit before tax by 24%, while the profit for the period increased by 21% and amounted to SIT 27,086 million (EUR 113.0 million). The Company formed additional provisions of SIT 5.0 billion (EUR 21.0 million) for intellectual property-related lawsuits currently in course.

In accordance with the provisions of the Companies Act on appropriation of the net profit, the Krka Management Board allocated SIT 500 million (EUR 2.1 million) of the 2006 net profit to the formation of statutory reserves and SIT 8,800 million (EUR 36.7 million) to the formation of other revenue reserves. The Company's unaudited accumulated profit for 2006 amounts to SIT 24,764 million (EUR 103.3 million). The final proposal on the profit for appropriation will be reached when the Krka Supervisory Board discussed and approves the annual report.

	2006		2005	
	SIT million	EUR thousand	SIT million	EUR thousand
Net sales	140,454	586,102	116,570	486,569
Operating profit (EBIT)	35,219	146,966	28,801	120,217
EBITDA	43,892	183,158	37,180	155,191
Profit for the period	27,086	113,028	22,459	93,745
Balance sheet items (as per 31 December)				
Non-current assets	134,446	561,033	116,589	486,648
Current assets	70,275	293,252	65,351	272,778
Equity	136,575	569,917	114,141	476,430
Non-current liabilities	36,030	150,351	33,058	137,986
Current liabilities	32,116	134,018	34,741	145,011

INDICATORS	2006	2005
ROS	19.3 %	19.3 %
EBIT margin	25.1 %	24.7 %
EBITDA margin	31.3 %	31.9 %
ROE	21.6 %	21.3 %
ROA	14.0 %	13.5 %
Number of employees (year end)	4 272	3 978
Earnings per share (in SIT) ¹	8,014	6,645
Earnings per share (in EUR) ¹	33.4	27.7
Book value per share (in SIT) ²	38,552	32,219
Book value per share (in EUR) ²	160.9	134.5

1 – Profit for the period / average number of shares outstanding excluding treasury shares

2 – Equity / average number of shares outstanding for the period

Note: The 2005 EUR translation exchange rate is 1 EUR = 239.5756 SIT. The 2006 EUR translation exchange rate is 1 EUR = 239.640 SIT.

Research and Development

In 2006 the R&D field was characterised by an increase in the number of new development projects. This year the Company was granted the first marketing authorisation for 11 new products in 24 different forms. At the same time 436 market authorisations were acquired for various other products. On behalf of the Krka Company and Krka Sverige AB – Krka's Swedish based subsidiary – Krka acquired 38 market authorisations for 11 products in 31 forms in western European countries.

The results of the Company's work in key R&D fields were protected by patent applications. In 2006 the company submitted patent applications for 17 inventions, and 14 international patent applications on the basis of prioritised applications from 2005.

The company markets its products under its own trademarked brands, which further enhances the added value of Krka products. In 2006 Krka registered 31 trademarks in Slovenia, and seven abroad, and submitted 29 applications for international registration.

Investments

In 2006 the Krka Company allocated SIT 21.3 billion (EUR 88.9 million) to investment. The largest investments by value were the construction of the new Sinteza 4 plant for the production of active pharmaceutical ingredients, one of Krka's largest investments, which is now operating, the construction of a new pellet production plant, a new injection production plant and the reconstruction of the capsule plant – all at the central location in Novo mesto.

Share and Ownership Structure

On the last trading day of the year, 30 December 2006, the share price on the Ljubljana Stock Exchange was SIT 188 057 (EUR 784.7), which is 388% higher than the book value (SIT 38 552 or EUR 160.9). Over 2006 the Krka share price increased by 84%, while the Slovenian Stock Exchange Index (SBI 20) grew 38% over the same period. At the end of 2006 the market capitalisation stood at SIT 666.2 billion (EUR 2.8 billion), which is the highest market capitalisation of any company listed on the Ljubljana Stock Exchange, representing 14.7 % of the stock exchange's total market capitalisation.

The annual trading volume in Krka shares in 2006 was SIT 98 billion (EUR 409 million), an increase of 128% on 2005. The average daily turnover in Krka shares over the past year was SIT 398 million (EUR 1.7 million), an increase of 131% compared to 2005.

At the end of 2006, the Krka Company had 54 555 shareholders (2005: 53 635). The proportion of shares held by international investors increased from 6.1% at year-end 2005 to 8.0%, the proportion held by private investors from Slovenia increased from 39.2% to 41.0%, while the proportion held by the SOD Fund moved from 14.5 % to 15.0%. The proportion held by Slovenian legal entities fell (from 15.2% to 11.0%), while the proportion held by other investor groups remained practically unchanged.

Plans for 2007

Double digit growth will be based above all on an increase in sales on markets outside Slovenia, which the Company expects to represent 90% of overall sales. Prescription pharmaceuticals will remain the most important product group, and are expected to represent over 80% of overall sales. Krka will start to market new prescription pharmaceuticals in key indication groups.

Investment worth over one hundred million euros will be used to increase and modernise R&D and production capacity and infrastructure. The number of employees at the Company is planned to reach over 4600 by the end of 2007, 30% of whom will be employed in representative offices abroad.

Other Significant Events

There were no events after the accounting period that could have an impact on the Company's reported operating performance.

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

Novo mesto, February 2007

Krka, d.d., Novo mesto
Management Board

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

in thousand SIT	31 December 2006	31 December 2005
Assets		
Property, plant and equipment	90,450,247	78,103,851
Intangible assets	5,367,992	4,897,744
Investments in subsidiaries	29,574,248	27,756,710
Deferred tax assets	6,625,469	3,732,861
Other non-current assets	2,428,123	2,097,824
Non-current assets	134,446,079	116,588,990
Inventories	23,839,435	26,883,175
Trade and other receivables	37,739,554	33,774,998
Current investments	7,618,122	3,933,668
Cash and cash equivalents	1,077,973	758,768
Current assets	70,275,084	65,350,609
Total assets	204,721,163	181,939,599
Equity		
Share capital	14,170,448	14,170,448
Own shares	-4,670,280	-4,670,280
Reserves	35,385,325	34,885,325
Retained earnings	90,855,702	69,193,532
Reserves for fair value	833,938	561,602
Total equity	136,575,133	114,140,627
Liabilities		
Borrowings	6,983,844	10,011,560
Provisions	27,991,402	22,692,910
Grants received	107,506	87,605
Deferred tax liabilities	947,465	265,879
Total non-current liabilities	36,030,217	33,057,954
Trade payables	13,492,783	12,713,863
Borrowings	11,288,168	8,495,030
Income tax liabilities	1,604,999	6,598,933
Provisions and other liabilities	5,729,863	6,933,192
Total current liabilities	32,115,813	34,741,018
Total liabilities	68,146,030	67,798,972
Total equity and liabilities	204,721,163	181,939,599

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

in thousand SIT	2006	2005
Net sales	140,453,546	116,570,332
Production cost of goods sold	51,102,823	45,055,228
Gross profit	89,350,723	71,515,104
Sales and marketing	32,098,091	35,056,183
R&D costs	12,404,660	9,487,512
Administrative expenses	10,108,574	10,050,639
Other operating revenues	479,384	11,880,171
Operating profit	35,218,782	28,800,941
Financial income	3,541,467	3,283,180
Financial expenses	3,473,256	3,734,629
Net financial expenses	68,211	-451,449
Profit before tax	35,286,993	28,349,492
Income tax expense	8,201,153	5,890,302
Profit for the period	27,085,840	22,459,190
Earnings per share	8,014	6,645

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

in thousand SIT	Share capital	Reserves	Own shares	Retained earnings	Reserves for fair value	Total
Balance at 1 January 2005	14,170,448	34,085,325	-4,670,280	53,031,991	519,986	97,137,470
Profit for the period	0	0	0	22,459,190	0	22,459,190
Formation of statutory reserves	0	800,000	0	-800,000	0	0
Dividends	0	0	0	-4,786,297	0	-4,786,297
Income and expense recognised directly in equity	0	0	0	-711,352	41,616	-669,736
Balance at 31 December 2005	14,170,448	34,885,325	-4,670,280	69,193,532	561,602	114,140,627
Balance at 31 December 2005	14,170,448	34,885,325	-4,670,280	69,193,532	561,602	114,140,627
Profit for the period	0	0	0	27,085,840	0	27,085,840
Formation of statutory reserves	0	500,000	0	-500,000	0	0
Dividends	0	0	0	-5,631,286	0	-5,631,286
Income and expense recognised directly in equity	0	0	0	707,616	272,336	979,952
Balance at 31 December 2006	14,170,448	35,385,325	-4,670,280	90,855,702	833,938	136,575,133

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

in thousand SIT	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	27,085,840	22,459,190
Adjustments for:	16,357,653	15,927,547
- amortisation/depreciation	8,673,366	8,378,685
- foreign exchange gain	-361,039	-1,523,964
- foreign exchange loss	1,145,677	842,959
- investment income	-2,788,654	-6,219
- investment expense - subsidiaries	672,973	1,150,399
- financial income	0	-70,253
- financial expense	747,438	1,180,260
- income taxes and other taxes not included in operating expenses	8,201,153	5,890,302
- other	66,739	85,378
Operating profit before changes in net operating current assets and provisions	43,443,493	38,386,737
Change in trade receivables	-4,813,688	-7,785,501
Change in inventories	3,043,741	-8,399,959
Change in operating debts (liabilities)	-376,424	2,504,351
Change in other current liabilities and provisions	4,342,526	3,387,544
Income taxes paid	-15,138,201	-4,085,332
Cash generated from operations	30,501,447	24,007,840
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	215,829	92,450
Proceeds from sale of short-term investments	243,050	64,744
Dividends received	48,200	25,886
Payments received from profits of associated companies	485,751	0
Proceeds from property, plant and equipment disposal	281,907	150,165
Purchase of intangible assets	-1,507,082	-1,853,563
Purchase of property, plant and equipment	-19,138,163	-12,164,575
Acquisition of long-term investments	-1,570,011	-2,378,695
Acquisition of short-term investments	-3,210,646	-2,257,560
Proceeds from derivative financial instruments	435,486	-334,251
Net cash from investing activities	-23,715,679	-18,655,399
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from an increase in short-term financial liabilities	2,764,802	3,993,805
Payment of interest in respect of financing	-721,549	-625,317
Payment of long-term financial liabilities	-2,797,968	-4,264,238
Dividends paid	-5,623,905	-4,809,077
Net cash from financing activities	-6,378,620	-5,704,827
Net increase in cash and cash equivalents	407,148	-352,386
Cash and cash equivalents at beginning of period	758,768	1,100,954
Effect of exchange rate fluctuations on cash held	-87,942	10,200
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,077,974	758,768