



Krka, d. d., Novo mesto, Šmarješka cesta 6, 8501 Novo mesto, pursuant to the Rules of the Ljubljana Stock Exchange and Securities Market Act (ZTVP-1, Official Gazette of RS No. 56/99) releases the following

RELEVANT BUSINESS RESULTS OF THE KRKA GROUP AND KRKA COMPANY FOR THE PERIOD JANUARY–SEPTEMBER 2005

Krka Group

Krka, d. d., Novo mesto is the controlling company of the Krka Group which comprises the following companies-subidiaries: Krka Zdravilišča, d. o. o., Novo mesto, Krka-Farma d. o. o., Zagreb, Krka-Farma Dooel, Skopje, Krka-Polska, Sp. z o. o., Warsaw, Krka Aussenhandels GmbH, Germany, OOO Krka-Rus, Istra, OOO Krka Farma Sergijev posad, Krka ČR, s. r. o., Prague, Krka Pharma Dublin Limited, Dublin, Krka Sverige AB, Stockholm, Krka Magyarorszag Kft, Budapest, Krka-Farma d. o. o., Novi Sad, DP Krka Ukraina, Kiev, and Helvetius, s. r. l. Trieste.

The Krka Zdravilišča company has a 51% ownership in Krka Zdravilišče Strunjan, d.o.o. Krka ČR and DP Krka Ukraina are dormant companies, whereas the Helvetius company will be closed down, presumably in the first half of 2006.

Krka Group sales

Krka Group sales in the first nine months of this year were SIT 97.8 billion, representing 76% of the annual sales plan. Compared with the same period last year, the Group sales grew by 15%. With SIT 87.7 billion, the Krka Company sales, represented 90% of the overall Group sales. Krka Zdravilišča achieved sales of SIT 4.4 billion, while the largest subsidiary abroad, Krka Polska – selling products produced by the parent Krka company as well as products of own production – recorded sales of SIT 12.9 billion.

Sales by regions

In the first nine months, Krka Group sales in Slovenia were SIT 18.2 billion, which is 18.6% of the overall sales. The value of exports to the markets of Eastern Europe was SIT 24.9 billion and grew by 63% over the same period last year. In the same period the sales in Central Europe increased by 35% to SIT 23.7 billion and represent almost one fourth of the overall sales. The value of exports to the markets of South-Eastern Europe was SIT 16.4 billion and the sales in West Europe & overseas markets amounted to SIT 14.6 billion. The most significant sales growth among the key Krka's markets was achieved in the Russian Federation (64%), whereas Slovenia remained the largest single market.

Sales by product groups

The prescription pharmaceuticals have the largest share in the overall Group sales (79%). The self-medication products share is 11% and the animal health products share is 4%. The cosmetic products



share in overall sales is 1%, the sales of Krka Zdravilišča represent 5% in overall sales. Compared with the same period last year, the sales of prescription pharmaceuticals increased by SIT 10.9 billion or by 16%, the sales of self-medication products increased by 29%, the animal health products sales by 16%, whereas cosmetic products and health resorts & hotel business sales decreased.

Krka Company sales

The Krka company sales for the January–September 2005 period were SIT 87.7 billion, representing 79% of the annual sales plan. Compared to the same period last year the sales increased by 17%.

Krka Company exported products & services in the value of SIT 74 billion, representing 84% of the overall sales. The exports are continuously increasing within the total sales of the company.

Sales by regions

Compared with the same period last year, a sales growth was achieved in the regions of South-Eastern Europe, Eastern Europe and Central Europe. The sales slightly decreased in Slovenia and in Western Europe & overseas markets (by 17 percentage points), which is a consequence of high sales expansion last year – before Slovenia joined the EU. The highest sales growth was achieved in Eastern Europe, where sales increased by 57% compared to the same period last year. In this region, the highest sales growth was achieved in Ukraine (94%), whereas in the Russian Federation, with sales amounting to SIT 17.2 billion and representing the largest single market, the sales growth was 56%. Eastern Europe is the largest sales region, having a 28% share in overall sales.

Sales by product groups

Within the product groups, the prescription pharmaceuticals are the most important as they account for SIT 72.6 billion of sales and 83% of overall sales. For the first nine months, the self-medication products sales were SIT 10.1 billion (representing 12% of overall sales), animal health sales SIT 3.5 billion and cosmetic product sales SIT 1.4 billion. Compared to the same period last year, the prescription pharmaceuticals sales increased by 18%, self-medication products sales by 35% and animal health products sales by 17%, whereas the cosmetic products sales decreased.

Performance information and ratios

The financial statements of the Krka Company and the Krka Group for the period from January to September 2005 and the corresponding period in 2004 were prepared in accordance with the Slovenian Accounting Standards.

All important performance ratios of Krka Company and Krka Group have improved compared to the same period last year. Compared to the same period last year the profit from ordinary activities of Krka Company increased by 64% and of Krka Group by 50%. The Krka Group net profit for 2005 is expected to reach SIT 20 billion.

SIT Millions

Performance information	Krka Group		Krka Company	
	1 - 9 / 2004	1 - 9 / 2005	1 - 9 / 2004	1 - 9 / 2005
Net sales	85,076	97,835	74,680	87,745
Operating profit	13,481	19,143	13,057	20,918
Profit from ordinary activities	13,158	19,685	12,708	20,878
Net profit for the period	11,027	14,321	10,589	15,449
Fixed assets (end of period)	102,011	108,469	101,090	109,192
Current assets (end of period)	48,904	67,794	47,808	64,536
Capital (end of period)	102,318	115,767	102,829	117,296
Provisions (end of period)	13,487	12,131	13,322	11,982
Financial and operating liabilities (end of period)	34,747	47,601	32,397	43,421
Headcount (end of period)	4 750	5 137	3 644	3 952

Performance ratios*	Krka Group		Krka Company	
	1 - 9 / 2004	1 - 9 / 2005	1 - 9 / 2004	1 - 9 / 2005
Return on revenues (%)	12.8	14.2	13.7	16.9
ROE (%)	14.9	17.2	14.2	18.4
ROA (%)	9.9	11.5	9.6	12.7
EPS (SIT)**	4,150	5,390	3,985	5,814
Book value per share (SIT)***	28,882	32,678	29,026	33,110

* annualised

** according to overall number of shares issued

*** capital as per 30 September 2005 / overall number of shares issued

Investments

The Krka Group capital expenditures in Slovenia and abroad amounted to SIT 13.1 billion. The Krka Company capital expenditures amounted to SIT 10.4 billion, where the largest investment is the construction of the new chemical synthesis facility for the production of pharmaceutical ingredients. Among the subsidiaries, Krka Zdravilišča capital expenditures were most significant (SIT 1.2 billion) followed by Krka Farma Zagreb with capital expenditures of SIT 0.9 billion.

Important events

As of 1 January, Mr Jože Colarič took over the management of the company. On 1 April Ms Zvezdana Bajc joined the Management Board of the company.

At the beginning of April, we received a lawsuit from the Ljubljana District Court, which was filed against Krka by the US companies Warner Lambert Company LLC and Pfizer H.C.P. Corporation, due



to alleged infringement of two patents covering the production process of two forms of the active substance atorvastatin. Krka's assessment is that Krka has not infringed the two patents that are subject of the lawsuit and that the charges brought against Krka are unfounded.

In the middle of April, the Ljubljana District Court rejected the charges against Krka, brought by the US company Merck & Co. Inc. Rahway from New Jersey, for alleged infringement of patent covering the active substance simvastatin. Therefore, the patent infringement dispute for simvastatin has finally ended.

On the 10th Annual General Meeting on 17 June 2005, the new Supervisory Board was elected comprising 6 shareholders' representatives and 3 employees' representatives. The 4-year mandate of all Supervisory Board's members started on 21 June 2005. On the constitutive Supervisory Board meeting, Dr. Gregor Gomišček and Dr. Marko Kranjc were elected the Supervisory Board President and the Deputy to the Supervisory Board President. On 15 September 2005, Dr Gregor Gomišček handed in the resignation statement which will be included on the next AGM agenda in the middle of 2006.

In the first and second half of the year, Krka again organised investor roadshows across the financial centres in West Europe. The share price has significantly increased over the last months and has reached the highest levels so far. The Krka's share price at the end of September stood at SIT 85,896 SIT. On 10 November 2005 the share price reached SIT 100,000 for the first time. The maximum price of SIT 107,502.60 was reached on 15 November. In the last months, the shareholder structure changed where shareholdings of international investors increased. At the beginning of this year, the international investors' shareholdings were 2.8%, at the end of September 4.7% and in November the international shareholdings reached 6.1%. Compared to the beginning of the year, the largest drop has been seen in other domestic companies' holdings and the holdings of individuals, and domestic investment funds also decreased slightly.

On 17 November, the President of the Management Board and CEO of Krka, Mr Jože Colarič, received the award for exceptional achievements in business from the Finance newspaper for his important contribution to the economic development and to the recognition and reputation of Slovenia. The award was handed to him on the 7th Business Conference in Portotož.

The Krka's business performance in the January–September 2005 period was discussed at the 3rd Supervisory Board meeting on 23 November 2005. The Supervisory Board assessed the business performance as very successful.

Novo mesto, 24 November 2005

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