

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 CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP FOR 2006

Significant data on the Krka Group

Krka, d.d., Novo mesto (the Krka Company) is the controlling company of the Krka Group, which includes the following subsidiaries:

	Ownership share as at 31 December 2006
TERME KRKA, d. o. o., Novo mesto	100 %
KRKA-FARMA d. o. o., Zagreb, Croatia	100 %
KRKA-FARMA d. o. o., Novi Sad, Serbia	100 %
KRKA-FARMA DOOEL, Skopje, Macedonia	100 %
OOO"KRKA-RUS", Istra, Russian Federation	100 %
OOO "KRKA FARMA", Sergiev posad, Russian Federation	100 %
KRKA-POLSKA, Sp. z o. o., Warsaw, Poland	100 %
KRKA Magyarország Kft, Budapest, Hungary	100 %
KRKA CR, s. r. o., Prague, Czech Republic*	100 %
KRKA Pharma Dublin Limited, Dublin, Ireland	100 %
KRKA Sverige AB, Stockholm, Sweden	100 %
KRKA Aussenhandels GmbH, Munich, Germany*	100 %
HELVETIUS-S.R.L., Trieste, Italy**	80 %

* company not operating

** company in liquidation

This year the controlling company paid the founding capital for two new companies – KRKA FARMACEUTICA, LDA, Estoril, Portugal and KRKA USA, LLC, Delaware, United States, in which it has 100% ownership.

The subsidiary Terme Krka, d.o.o., Novo mesto has a participating interest in Terme Krka – Strunjan, d. o. o. (51%) and Golf Grad Otočec, d. o. o. (49.71 %).

Abbreviated company names are used in the text below.

Sales

In 2006 the Krka Group generated sales of products and services worth SIT 160.1 billion (EUR 667.4 million), which was 21% more than in 2005. The proportion of exports in the Krka Group continues to increase. Krka exported products worth SIT 135.0 billion (EUR 563.4 million), which is 84.3 % of overall Group sales. Group sales were SIT 19.6 billion (EUR 81.9 million) or 14% higher than sales by the Krka Company.

Sales by Region

Compared to 2005 figures, the largest increase in sales (32%) was recorded in Region East Europe, where Group product sales were worth SIT 43.3 billion (EUR 180.6 million). The largest market in the region is the Russian Federation, which generated SIT 31.1 billion (EUR 129.8 million) in net sales revenue, making it Krka's largest single market. This Krka region represents 27% of overall sales. The next ranking region in terms of growth and sales was Region Central Europe where the company achieved sales of SIT 40.9 billion (EUR 170.8 million), which is 22% more than in 2005, and represents 26% of overall sales. Region South-East Europe returned 18% growth and represented 16% of overall sales, while sales in Slovenia grew 4% and also represented 16% of company sales. Krka made 15% of overall sales in its Region West Europe and Overseas Markets, growing 22%.

Sales by Product Group

The most important product group is prescription pharmaceuticals, with sales worth SIT 128.4 billion (EUR 535.5 million), representing 80% of overall sales. Krka's 2006 sales of self-medication products were worth SIT 17.0 billion (EUR 71.0 million) generating 11% of overall sales, while cosmetics sales were worth SIT 2.3 billion (EUR 9.6 million), and animal health product sales were worth SIT 5.5 billion (EUR 22.8 million). Sales of health tourism services were worth SIT 6.7 billion (EUR 28.0 million). Compared to the previous year, Krka increased sales in every product group, with both the pharmaceutical product and self-medication product groups up by 21%, cosmetics by 13% and animal health products by 13%, while sales of health tourism services increased by 15%.

Performance Indicators

The Krka Group's unaudited consolidated 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 General Meeting of Krka, d.d., Novo mesto held on 6 July 2006, from 1 January 2006 onwards the financial statements of the Group and the Company will be prepared in accordance with the IFRS.

Sales grew by 21% while the Krka Group operating profit increased by 26%, the profit before tax by 21%, and the profit for the period increased by 15% to SIT 26 756 million (EUR 111.6 million). The Group formed additional provisions of SIT 5.0 billion (EUR 21.0 million) for intellectual property-related lawsuits currently in course.

	2006		2005	
	SIT million	EUR thousand	SIT million	EUR thousand
Net sales	160,069	667,955	132,758	554,137
Operating profit (EBIT)	36,065	150,495	28,523	119,057
EBITDA	47,497	198,200	39,494	164,849
Profit for the period	26,756	111,649	23,319	97,335
Balance sheet items (as per 31 December)				
Non-current assets	137,651	574,409	120,455	502,785
Current assets	72,918	304,282	68,394	285,480
Equity	136,707	570,467	114,897	479,585
Non-current liabilities	39,286	163,940	36,048	150,467
Current liabilities	34,576	144,283	37,904	158,213

Indicators

	2006	2005
ROS	16.7%	17.6%
EBIT margin	22.5%	21.5%
EBITDA margin	29.7%	29.7%
ROE	21.3%	22.0%
ROA	13.4%	13.5%
Number of employees (year end)	5759	5224
Earnings per share (in SIT) ¹	7,890	6,890
Earnings per share (in EUR) ¹	32.9	28.8
Book value per share (in SIT) ²	38,589	32,433
Book value per share (in EUR) ²	161.0	135.3

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

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

The exchange rate EUR 1 = SIT 239.5756 was used for conversions into euros for 2005, and the exchange rate EUR 1 = SIT 239.640 was used in 2006.

Research and Development

In 2006 there was an increase in the number of new R&D projects and Krka acquired first marketing authorisation for 11 new products in 24 different forms. At the same time 436 market authorisations were acquired for a range of other products. On behalf of Krka, d.d., Novo mesto and Krka Sverige AB – Krka's Swedish based subsidiary – Krka acquired 38 market authorisations for 11 products in 31 forms in western European countries.

Krka protects the results of its work in key R&D fields with own patent applications. In 2006 the company submitted patent applications for 17 pharmaceutical 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 Group allocated SIT 25.7 billion (EUR 107.2 million) for capital expenditures, which is 16.1% of net sales. The major investments of the controlling company 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 started operations in 2006, 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.

The major investments by subsidiaries include: the conclusion of the total renovation of Hotel Krka at Šmarješke Toplice and the first phase of the golf course construction at Struga pri Otočcu within Terme Krka and the associated company Golf Grad Otočec, and increased the capacity of the production plant in the companies Krka-Rus and Krka Polska. Krka Farma Zagreb constructed the central control system for the energy system.

Employees

At the end of the 2006, the Krka Group employed 5759 people, 3016 of which were employed in the Krka Company in Slovenia, 1256 in representative offices outside Slovenia, 857 in companies outside Slovenia, and 630 in the Krka Terme company. Compared to 2005, the number of employees increased by 535 or 10%. A total of 2113 employees worked outside Slovenia, which is 37% of all employees in the Group.

The influx of new employees has increased the proportion of university-educated staff in the Krka Group, which now stands at 46% of all Group employees. At the end of 2006, a total of 2633 employees held at least a university level education. Sixty-nine per cent of university education employees in the Krka Group work in companies and representative offices outside Slovenia.

Plans for 2007

The Group is planning sales of EUR 750 million in 2007. The double digit growth will be based above all on an increase in sales on markets outside Slovenia, which the Group expects to represent over 87% 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. According to the plans, the proportion of health tourism sales in overall sales will be four per cent.

Investment by the Group worth over 130 million euros will be used to increase and modernise R&D and production capacity and infrastructure. The number of Group employees is set to reach over 6300 by the end of 2007, 38% of whom will be employed in representative offices and subsidiaries outside Slovenia.

Other Significant Events

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

Krka 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 releases can also be accessed on Krka's official website (www.krka.si) without restriction, from the day the statement is issued onwards.

Novo mesto, March 2007

Krka, d.d., Novo mesto
Management Board

Unaudited consolidated balance sheet for Krka Group

in thousand SIT	31 December 2006	31 December 2005
Assets		
Property, plant and equipment	121,454,523	108,165,231
Intangible assets	5,657,387	5,058,450
Investments in associates	484,924	270,761
Deferred tax assets	7,525,378	4,778,324
Other non-current assets	2,529,150	2,182,301
Non-current assets	137,651,362	120,455,067
Inventories	27,780,408	28,966,629
Trade and other receivables	36,878,315	33,008,703
Current investments	5,767,420	3,391,005
Cash and cash equivalents	2,491,950	3,027,752
Current assets	72,918,093	68,394,089
Total assets	210,569,455	188,849,156
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	89,065,915	68,131,642
Reserves for fair value	833,938	561,602
Translation reserves	36,962	4,648
Equity holders of the parent	134,822,308	113,083,385
Minority interest	1,884,501	1,813,556
Total equity	136,706,809	114,896,941
Liabilities		
Borrowings	8,287,723	11,669,435
Provisions	29,368,758	23,647,648
Grants received	665,588	445,849
Deferred tax liabilities	964,560	285,236
Total non-current liabilities	39,286,629	36,048,168
Trade payables	14,591,502	14,043,571
Borrowings	11,686,988	9,120,664
Income tax liabilities	1,682,258	6,689,431
Provisions and other liabilities	6,615,269	8,050,381
Total current liabilities	34,576,017	37,904,047
Total liabilities	73,862,646	73,952,215
Total equity and liabilities	210,569,455	188,849,156

Unaudited consolidated income statement for Krka Group

in thousand SIT	2006	2005
Net sales	160,068,654	132,757,626
Production cost of goods sold	59,666,880	51,847,673
Gross profit	100,401,774	80,909,953
Sales and marketing	39,742,948	41,609,639
R&D costs	12,617,134	9,611,856
Administrative expenses	12,831,170	13,386,461
Other operating revenues	854,137	12,221,261
Operating profit	36,064,659	28,523,258
Financial income	3,714,449	3,989,327
Financial expenses	4,131,242	2,982,607
Net financial expenses	-416,793	1,006,720
Profit before tax	35,647,866	29,529,978
Income tax expense	8,892,336	6,210,850
Profit for the period	26,755,530	23,319,128
Equity holders of the parent	26,668,909	23,288,582
Minority interest	86,621	30,546
Earnings per share in SIT	7,890	6,890

Unaudited consolidated statement of changes in equity for Krka Group

in thousand SIT	Share capital	Reserves	Own shares	Retained earnings	Reserves for fair value	Translation reserves	Minority interest	Total
Balance at 1 January 2005	14,170,448	34,085,325	-4,670,280	51,140,710	519,986	59,959	1,819,476	97,125,624
Profit for the period	0	0	0	23,288,582	0	0	30,546	23,319,128
Formation of statutory reserves	0	800,000	0	-800,000	0	0	0	0
Dividends	0	0	0	-4,786,297	0	0	-31,850	-4,818,147
Income and expense recognised directly in equity	0	0	0	-711,352	41,615	-55,311	-4,616	-729,664
Balance at 31 December 2005	14,170,448	34,885,325	-4,670,280	68,131,643	561,601	4,648	1,813,556	114,896,941
Balance at 31 Dec 2005	14,170,448	34,885,325	-4,670,280	68,131,643	561,601	4,648	1,813,556	114,896,941
Profit for the period	0	0	0	26,668,909	0	0	86,621	26,755,530
Formation of statutory reserves	0	500,000	0	-500,000	0	0	0	0
Dividends	0	0	0	-5,631,286	0	0	0	-5,631,286
Income and expense recognised directly in equity	0	0	0	396,649	272,336	32,315	-15,676	685,624
Balance at 31 December 2006	14,170,448	35,385,325	-4,670,280	89,065,915	833,937	36,963	1,884,501	136,706,809

Unaudited consolidated cash flow statement for Krka Group

in thousand SIT	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	26,755,530	23,319,128
Adjustments for:	20,383,925	18,432,818
- amortisation /depreciation	11,431,881	10,970,573
- foreign exchange gains	-470,159	-572,441
- foreign exchange losses	993,772	836,799
- investment income	-2,355,852	-9,694
- financial income	631,681	-70,253
- financial expenses	1,193,527	1,012,153
- income taxes and other taxes not included in operating expenses	8,892,336	6,210,850
- other	66,739	54,831
Operating profit before changes in net operating current assets and provisions	47,139,455	41,751,946
Change in trade receivables	-4,524,385	-8,954,104
Change in inventories	1,186,221	-8,931,557
Change in operating debts (liabilities)	-263,937	3,254,225
Change in other trade payables and provisions	4,733,198	3,662,565
Income taxes paid	-15,699,329	-4,528,103
Cash generated from operations	32,571,223	26,254,972
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	184,159	116,262
Proceeds from sale of investments	243,050	64,744
Dividends received	48,200	40,496
Proceeds from property, plant and equipment disposal	374,982	365,498
Purchase of intangible assets	-1,719,264	-1,847,877
Purchase of property, plant and equipment	-23,013,480	-18,018,146
Acquisition of long-term investments	-281,586	84,621
Acquisition of short-term investments	-1,869,729	-1,820,853
Derivative financial instruments	435,486	-334,251
Net cash used in investing activities	-25,598,182	-21,349,506
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from an increase in short-term financial liabilities	2,514,404	3,965,392
Payment of interest in respect of financing	-1,141,607	-547,754
Payment of long-term financial liabilities	-3,154,116	-3,337,574
Dividends paid	-5,639,582	-4,809,077
Net cash used in financing activities	-7,420,901	-4,729,013
Net increase in cash and cash equivalents	-447,860	176,453
Cash and cash equivalents at beginning of period	3,027,752	2,841,099
Effect of exchange rate fluctuations on cash held	-87,942	10,200
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,491,950	3,027,752