



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

## **JANUARY – MARCH 2006 BUSINESS RESULTS OF THE KRKA GROUP AND KRKA COMPANY**

### **Profile of the Krka Group**

Krka d. d., Novo Mesto is the controlling company of the Krka Group, which includes the following subsidiaries: Krka Zdravilišča, d.o.o. Novo Mesto (Slovenia), Krka-Farma d.o.o., Zagreb (Croatia), Krka-Farma DOOEL, Skopje (Macedonia), Krka-Polska, Sp. Z.o.o., Warsaw (Poland), Krka Aussenhandels GmbH, Munich (Germany), Krka-Rus, Istra and Krka Farma, Sergijev posad (both Russia), Krka ČR, s.r.o., Prague (Czech Republic), Krka Pharma Dublin Limited, Dublin (Ireland), Krka Sverige AB, Stockholm (Sweden), Krka Magyarorszag Kft, Budapest (Hungary), Krka-Farma d.o.o., Novi Sad (Serbia) and Helvetius, s.r.l., Trieste (Italy).

The Krka Zdravilišča company holds a 51-per cent participating interest in the company Krka Zdravilišče Strunjan, d.o.o. and a 43.8-per cent participating interest in the company Golf Grad Otočec d.o.o. The Krka Aussenhandels in Krka ČR companies are not currently operating, while the Helvetius company is expected to go into final liquidation during 2006.

### **Krka Group Sales**

In the first three months of the year the Krka Group sales were SIT 43,4 billion, growing 32% over the same period in 2005. Considering seasonality of the first quarter business operations, the achieved sales performance was to certain extent above expected sales dynamics. The Krka Zdravilišča company generated SIT 1.4 billion in sales, while the largest subsidiary abroad, Krka Polska, which sells products made by the controlling company as well as products it produces itself, generated sales of SIT 5.9 billion, while the Krka Farma Zagreb generated sales worth SIT 2.4 billion and Krka Rus SIT 1.8 billion.

### **Sales by Region**

In the first quarter of 2006, the Krka Group sold products and services on the Slovenian market worth SIT 6.1 billion, representing 14% of group sales. It exported SIT 12.8 billion worth of products to countries in its East European sales region, an increase of 45% compared to the same period last year. With 30% of overall sales, Eastern Europe is the Krka company's largest sales region. Sales in Central Europe were up 31%, reaching SIT 10.6 billion, almost a quarter of the Group's overall sales. Exports to South-East Europe were SIT 6.5 billion, 15% of overall sales, while sales of SIT 7.4 billion were recorded in the countries of Krka's West Europe and Overseas Markets region representing 17% of overall sales. Krka's largest single market is the Russian Federation, where sales for the first quarter reached SIT 9.9 billion.

## **Sales by Product Group**

Prescription pharmaceuticals represented the largest proportion of Group sales (82%), followed by self-medication products with 10%, then veterinary products (3%), and health resort & tourist services and cosmetic products with one per cent of group sales. Compared to the same period last year, sales of prescription pharmaceuticals increased by SIT 9.8 billion (38%), sales of self-medication products increased by 7%, veterinary products by 18%, cosmetic products by 28%, and health & tourist services by 8%.

## **Krka Company Sales**

The Krka Company sold products worth SIT 39 billion, a growth of 28-per cent compared to the same period last year. Sales on markets outside Slovenia were worth SIT 34.4 billion, which represents 88% of overall sales. The proportion of exports in overall Krka company sales increased by over 3 percentage points compared to the same period last year.

## **Sales by Region**

Compared to the same period last year, sales in the East Europe, Central Europe, and the West Europe and Overseas Markets regions all grew, while sales were slightly down in Slovenia and South East Europe. Sales on the markets of East Europe represent just under a third of the company's sales, and were 47% up on the same period last year. Meanwhile, 22% of sales were recorded in Central Europe, and 19% on the markets of the West Europe and Overseas Markets region. The highest growth in sales for an individual region was recorded in the West Europe and Overseas Market region, up 80% compared to last year.

## **Sales by Product Group**

The most important product group is prescription pharmaceuticals, with sales of SIT 32.6 billion, which represents 84% of the company's overall sales. The company's self-medication product sales reached SIT 4.4 billion in the first quarter of 2006, veterinary product sales were worth SIT 1.3 billion, and cosmetics sales SIT 0.6 billion. Compared to the same period last year, sales were up in all product groups, with the highest growth being for pharmaceutical products (32%).

## **Performance**

The financial statements of the Krka Group and Company for the first quarter of 2006 and the comparative figures for 2005 were prepared in accordance with the International Financial Reporting Standards (IFRS). All the major performance ratios of the Krka Group and company improved compared to the previous year. The net profit was 50% higher for the Group and 23% higher for the company, compared to the first three months of last year.

(SIT millions)

<b>Financial Highlights</b>	<b>Krka Group</b>		<b>Krka company</b>	
	1 – 3 / 2006	1 – 3 / 2005	1 – 3 / 2006	1 – 3 / 2005
<b>Net sales</b>	43,370	32,811	39,049	30,621
<b>Profit before tax</b>	9,806	5,748	9,627	6,853
<b>Profit for the period</b>	7,004	4,670	7,084	5,779
<b>Non-current assets (end of period)</b>	123,539	107,233	120,009	104,732
<b>Current assets (end of period)</b>	78,766	55,232	76,248	54,881
<b>Equity (end of period)</b>	122,142	101,840	121,754	102,916
<b>Non-current liabilities (end of period)</b>	38,379	37,290	35,396	35,402
<b>Current liabilities (end of period)</b>	41,784	23,335	39,106	21,295
<b>Number of employees (end of period)</b>	5 410	4 991	4 098	3 821

<b>Performance Ratios<sup>1</sup></b>	<b>Krka Group</b>		<b>Krka company</b>	
	1 – 3 / 2006	1 – 3 / 2005	1 – 3 / 2006	1 – 3 / 2005
<b>Return on Revenue (%)</b>	15.9	13.9	17.8	18.6
<b>Return On Equity (%)</b>	23.7	18.8	24.0	23.1
<b>Return On Assets (%)</b>	14.3	11.7	15.0	14.9
<b>Earnings per share (SIT)<sup>2</sup></b>	8,293	5,547	8,384	6,839
<b>Book Value per Share (SIT)<sup>3</sup></b>	36,137	30,131	36,022	30,449

- 1) The calculations of all indicators takes into account 3 379 950 shares, excluding the 162 662 treasury shares.
- 2) The calculation includes the net profit of the majority owners calculated at the annual level.
- 3) Equity on 31 March 2006 / number of shares

## Investments

A total of SIT 5 billion was allocated to investment in Slovenia and abroad. The Krka company allocated SIT 4 billion to investment, the largest single investment being the construction of the new chemical synthesis plant for active pharmaceutical ingredient production. The two Krka subsidiaries making the largest investments, at SIT 0.4 billion, were Krka Zdravilišča and Krka Farma Zagreb.

## Employees

At the end of March 2006, the Krka Group had 5410 employees, 4% more than at the start of the year. The Krka company had 4098 employees at home and abroad, while the Krka Zdravilišča company had 628, with foreign subsidiaries employing 684. The total number of employees abroad in companies and representative offices is 1829, which is over one third of all Krka employees; in 2006 there number has increased by 11%.

## Share and Ownership Structure

On 31 March 2006, the share price on the Ljubljana Stock Exchange, was SIT 125 921, which is 250% higher than the book value (SIT 36 022). Since the start of the year the company's share price has grown by 23%. At the end of March, the market capitalisation of the Krka company was SIT 446.1 billion.

Only minor changes occurred in the ownership structure of Krka shares in the January-March 2006 period. The proportion of shares held by international investors rose from 6.2% to 7.6%, the proportion held by investment companies and funds fell from 15.2% to 13.7%, the proportions held by KAD and its funds, the SOD fund and other Slovenian legal entities and individuals remained practically the same (changes less than half a percentage point). The number of Krka shareholders fell over the period from 54 651 to 53 550, while the number of international investors increased from 374 to 391.

## Significant Events

At the beginning of March Krka received a notification from the Ljubljana District Court relating to the dispute between Krka and the company Pfizer Inc, New York, United States, stating that Pfizer had withdrawn the action it filed alleging Krka was guilty of unfair competition relating to Krka gaining a market authorisation for the Yasnal product.

In April Gregor Gomišček, president of the Krka company's Supervisory Board informed the company that he had withdrawn his resignation letter from 14 September 2005 by which he would resign from the Supervisory Board on the Annual General Meeting date, following an announcement issued by the Securities Market Agency on 5 April 2006, stating that the allegation of insider trading in Krka shares in August 2005 was unfounded and that Mr Gomišček had not committed an offence, and that no sentence would therefore be issued against him.

At the start of April the Krka company again organised investor roadshow covering major European financial centres. It also participated in Slovenian Capital Market Day held as part of the Kapital financial conference, which was aimed at increasing awareness in Slovenia of the country's most successful issuers. During the conference Jože Colarič, President of the Krka Management Board and CEO, received a director of the year award, nominated by Slovenian finance journalists.

The company's Supervisory Board held their sixth meeting on 24 April 2006, and assessed the January-March 2006 business results of the Krka Group and company as successful.

Novo Mesto, 26 April 2006

Krka, d. d., Novo Mesto  
Management Board