

PRESS RELEASE

Krka presented its January–September 2011 results

Novo mesto, 17 September 2011 – The Management Board of pharmaceutical company Krka held a press conference today presenting the results of the Krka Group and Krka Company for the nine months to September, which the Krka Supervisory Board had discussed at its yesterday's meeting. The Group sold EUR 768.2 million worth of products and services during the nine months of 2011, up 6% compared to the same period last year, while the Group's net profit of EUR 115.4 million was down 4%. The Krka Company sold EUR 705.2 million worth of products (up 2%) and generated a net profit of EUR 109.2 million.

Sales

The Group sold EUR 768.2 million worth of products and services during the first nine months of 2011, up EUR 41.5 million or 6% compared to the same period last year. Krka generated 90% of total sales in markets outside Slovenia.

The Krka Company sales amounted to EUR 705.2 million, up EUR 12.4 million or 2% compared to the same period last year.

Krka Group sales by region

Krka's leading sales region was Central Europe, which contributed 28% to overall sales. Krka sold EUR 217.1 million worth of products there in the reported period, down 3% compared to the same period last year. Contributing 25% to the total Krka sales, the runner-up in terms of sales value was Region East Europe, where Krka sold EUR 189.6 million worth of products, up 13%. Region East Europe includes Krka's largest individual market, the Russian Federation, where sales during the nine months of 2011 reached EUR 127.5 million, up 4% compared to the same period last year.

Contributing 23% to overall sales Region West Europe and Overseas Markets generated an additional EUR 176.5 million, up 14%. On a 4% sales growth rate, Krka sold EUR 107.5 million worth of products in the markets of Region South-East Europe, which stands for 14% of the total Group sales. Sales in Slovenia were down 1% to EUR 77.5 million, which is 10% of the total Group sales.

Krka has continued to develop its marketing and sales network outside Slovenia: in August Krka registered a new subsidiary, KRKA FARMACEUTICA, S.L., Madrid, in Spain, and in October another one, KRKA Farmaceutici Milano, S.r.l., unico socio, in Italy. Both companies are wholly-owned by Krka, d. d., Novo mesto.

Krka Group sales by product and service groups

The Krka Group sold EUR 629.7 million worth of prescription pharmaceuticals, up 5% compared to the same period last year. Prescription pharmaceuticals generate 82% of the total Group sales. Sales increased most in Region East Europe (up 16%), Region West Europe and Overseas Markets (up 12%) and Region South-East Europe (up 6%). Sales in Region Central Europe and Slovenia were slightly lower compared to the same period of 2010.

Among larger individual markets, Krka recorded the highest sales growth in prescription pharmaceuticals in Germany (up 49%), while sales were also up in the Czech Republic and the Russian Federation (up 4% in both). Krka's 10 leading prescription pharmaceuticals in terms of sales value are Atoris (atorvastatin), Enap (enalapril), Lorista/Lavestra (losartan), Prenessa/Perineva (perindopril), Nolpaza (pantoprazole), Zyllt (clopidogrel),

Emozul/Emanera (esomeprazole), Zalasta/Zolrix (olanzapine), Lanzul/Lansoptol (lansoprazole) and Valsacor (valsartan).

The sales of self-medication products were up 4% to EUR 78.1 million, which is 10% of total Group sales. Animal health products, which stand for 4% of total Group sales, contributed EUR 28.4 million, up 35%. The sales of cosmetic products were worth EUR 3.5 million and their share in total Group sales was under 1 %. On a sales growth rate of 16%, health-resort and tourist services contributed EUR 27.1 million, which is 4% of total Group sales.

Operating results

The Group recorded EUR 169.0 million of operating profit, up 9% compared to the same period in 2010. This increase was generated mainly due to the favourable product mix. In most markets of all its sales regions, however, Krka continues to face severe pressure to lower its prices of pharmaceuticals.

Pre-tax profit for the nine months amounted to EUR 147.1 million, down 5% compared to the same period in 2010. Lower profit before tax is mainly the result of negative foreign exchange differences in the amount of EUR 15.8 million net (over the same period in 2010 Krka recorded positive foreign exchange differences worth EUR 3.7 million).

The Group generated EUR 115.4 million of net profit, down 4% compared to the same period in 2010, of which the Krka Company generated EUR 109.2 million of net profit, down 17%.

The Group's net margin was 15.0% (Krka Company 15.5%), the EBIT margin 22.0% (21.0%) and the EBITDA margin 30.3% (27.9%). ROE at Group level was 14.3% (Krka Company 13.5%), with ROA at 10.3% (10.1%).

Research and development

In the first nine months of 2011 Krka acquired first marketing authorisations for 16 new products in 37 pharmaceutical dosage forms and strengths. Krka expanded its markets in all regions. In various countries we were granted 728 new marketing authorisations. Krka was granted market authorisations for seven new prescription pharmaceuticals in 22 dosage forms and strengths. They also acquired marketing authorisations for 4 self-medication products and 3 animal health products and they supplemented the portfolio of cosmetic products marketed under its brand name Fitoval.

Within the group of prescription pharmaceuticals Krka was granted the marketing authorisation for Galsya/Galnora (galantamine), which is used for symptomatic treatment of mild to moderate Alzheimer's disease. Krka was granted the market authorisation for antiepileptic levetiracetam in the form of film-coated tablets, in four strengths, which may be used independently or to support other treatment of epileptic seizures. They expanded portfolio of sartans and they were granted marketing authorisations for the products, based on two key molecules irbesartan and candesartan. The combinations of candesartan and irbesartan with diuretic hydrochlorothiazide (Candecombi/Karbicombi and Ifirmacombi) supplement and consolidate the established Krka brands Candecor, Karbis and Ifirmasta. Under the decentralised procedure Krka acquired marketing authorisation for atorvastatin (Atoris) in film-coated tablet form, in three new strengths. They also obtained the market authorisation for the fixed-dose combination of perindopril and amlodipine in tablet form, in four strengths, which due to the synergies and complementation of both active ingredients has a strong anti-hypertension effect, offers better protection for the target organs, minimises adverse effects and ensures improved patient compliance during treatment. In the entire European Union Krka also obtained the market authorisation for its new product desloratadin in the form of 5 mg film-coated tablets. Desloratadin alleviate the symptoms of allergic rhinitis and urticaria, whereby it does not cause sleepiness. In the countries of West Europe Krka registered pioglitazone in tablet form, in three strengths. The product treats type 2 diabetes.

With respect to self-medication products Krka was granted marketing authorisations for four new products: in the Russian Federation for Orlistat 60 mg capsules (Orsoten slim), which is recommended to adults as an aid in weight control, in Slovenia for Herbion ivy syrup, which dilutes thick mucus in the respiratory tract, and for chewable tablets Pikoplus 11+ for girls and Pikoplus 11+ for boys, and in Ukraine for Palprostes in the form of soft gel capsules, recommended to alleviate the symptoms of benign prostatic hyperplasia.

Krka obtained market authorisations for three new animal health products: Dehinel plus XL and Dehinel plus flavour tablets, both treating internal parasite infestations in dogs, marbofloxacin (Marfloxin/Quiflox), treating bacterial infections in cattle and pigs, and fipronil (Fypryst) in the form of pour-on skin solution.

Krka supplemented the portfolio of cosmetic products marketed under its brand name Fitoval by adding Fitoval intense and Fitoval maintenance dermatological anti-dandruff shampoo.

Investments

In the first nine months of 2011 the Krka Group spent EUR 76.3 million on investments, of which the controlling company invested EUR 57.9 million and subsidiaries EUR 18.4 million.

Back in 2009 Krka started building the new solid dosage production plant OTO at its production location in Ločna, Slovenia. They increased plant's production capacity to 2.5 billion tablets, coated tablets or capsules per year. The investment is worth EUR 91 million, and regular production on line one started in April this year.

The new development and control centre RKC 3 has facilitated the expansion of Krka's R&D projects, in terms of quantity and quality, as well as fostered the quality and control of incoming materials, semi-products and end products, pursuant to the standards of good laboratory practice of the new production facilities. Migration to the new premises, worth EUR 22 million, has been completed.

Other investments are ongoing: Krka will gradually increase ampoule production to 130 million per year, increase Krka's capacities for the production of animal health tablets to a target 80 million tablets per year in two shifts, as well as increase the flexibility and productivity of its plant Sinteza 4 and expand the range of products the plant can generate simultaneously.

In February 2011 Krka began expanding its facilities in the Russian Federation by building a new distribution centre and a new solid dosage plant with the target capacity of 1.5–1.8 billion tablets and capsules per year. The investment, worth EUR 135 million, is considered an important achievement of the government of the Russian Federation, which has been striving to strengthen domestic pharmaceutical production, since this project is consolidating Krka's status of a domestic producer in the Russian Federation. Production is planned to start in 2013.

The existing and partly refurbished production and distribution centre in Jastrebarsko, which operates under the Group's subsidiary Krka Farma Zagreb, will increase its capacity for semi-products and final products. The investment is worth an estimated EUR 3.8 million and will be finalised in the first quarter of 2012.

Back in 2010 Krka started drawing up the design documentation for a new plant for solid oral dosage forms, Notol 2, with the target capacity of 4.5 billion end products per year.

Employees

At the end of the third quarter the Krka Group employed 8,926 staff, which is an increase of 357 or 4% compared to the beginning of the year. In the first nine months of 2011, 130 new employees joined Krka in Slovenia and 227 abroad. Krka's companies and representation offices outside Slovenia employ 49% of all Group employees. Of all Krka Group employees 52% have a bachelor's degree or higher.

At the end of September, 376 of Krka's employees were enrolled into part-time university studies partly funded by Krka, 74 were postgraduate students. By the end of September, 117 Krka's employees had graduated from university this year.

Shareholder information

At the end of September 2011 Krka had slightly less than 74,000 shareholders. It was international investors who increased their holdings over the reported period most, by 2.5 of a percentage point compared to the beginning of the year, so that at the end of September they held 15.5% of shareholders equity. Slovene retail investors and investment companies, investment funds and other companies, on the other hand, have decreased their holdings.

Pursuant to the authorisation of the AGM, Krka started acquiring own (treasury) shares in the first half of 2010 and has continued the buyback into 2011. In the first nine months of 2011 Krka thus acquired 276,753 own shares at the Ljubljana Stock Exchange. At the end of September 2011 Krka held a total of 1,939,034 own shares, which stands for 5.5% of the value of share capital.

Krka traded at EUR 51.39 at the Ljubljana Stock Exchange at the end of September 2011, having lost 18% since the beginning of the year. Over the same period the Slovene blue chip index (SBI TOP) lost 27%. Krka's market capitalisation on 30 September 2011 was EUR 1.8 billion. With an average daily trading volume of EUR 0.8 million in January to September 2011, Krka was the share that changed hands most often on the Ljubljana Stock Exchange.

Estimated realisation of business objectives for 2011

The Krka Group annual sales in 2011 will reach planned value of EUR 1,070 million, which is up 6% compared to 2010. The planned net profit of EUR 162 million is expected to be realised. Investment spending is estimated to amount to EUR 117 million, which is less than originally planned due to certain investment projects being realised later than planned; however, the planned investment projects have remained unchanged. At the end of the year the Group will have an estimated 9,181 employees, 49% outside Slovenia.

Krka Group plans for 2012

The Group plans its sales in 2012 to grow 6% to EUR 1,134 million, which is an increase of EUR 64 million compared to sales expectations for 2011. Group net profit in 2012 is planned to amount to EUR 170 million, whereby the planned investments are worth EUR 200 million. The largest investment projects started in 2012 will be constructing the Notal 2 plant and expanding Krka's chemical production to its location in Krško, Slovenia, while the largest ongoing investment projects that will continue into next year are the further equipping of the solid dosage production plant OTO in Ločna, Slovenia, and the construction of the new logistical centre along with the new solid dosage forms production plant in Krka's subsidiary Krka Rus in the Russian Federation. The number of employees, both in Slovenia and abroad, is planned to increase by a total of 5% in 2012.

Dual listing on the Warsaw Stock Exchange

By 30 June 2012 Krka will dual list on the Warsaw Stock Exchange. In the event of unfavourable conditions in the international capital markets, the dual listing may be postponed or cancelled. The purpose of Krka's dual listing is to gain access to a wider investor pool and more dynamic trading, thereby enhancing trading liquidity and share price. Krka will undertake several activities related to the dual listing itself and outsource the others. International investors consider the Warsaw Stock Exchange a reputable venue for investing into the markets of Central and East Europe, while domestic demand is provided by Polish pension funds and mutual funds. Krka will use its own (treasury) shares for the dual listing.