



PRESS RELEASE

Krka has presented its operating results for the first nine months of 2012

Novo mesto, 15 November 2012 – The Management Board of Krka, d. d. held a press conference today presenting to the public the results of the Krka Group and the Krka Company for the first nine months of 2012, which the Krka Supervisory Board had discussed at its yesterday's regular meeting. The Group sold EUR 813.9 million worth of products and services in the reported period, up 6% compared to the same period last year, and generated EUR 111.5 million of profit. The Krka Company sold EUR 752.3 million worth of products (up 7%) and generated EUR 107.6 million of profit.

Sales

The Group sold EUR 813.9 million worth of products and services in the first nine months, up EUR 45.8 million, or 6%, compared to the same period last year. Sales in markets outside Slovenia, which represent 91% of the Group's total sales, were up EUR 54.0 million, or 8%, compared to last year.

The Krka Company sales amounted to EUR 752.3 million, up EUR 47.1 million, or 7%, compared to the same period last year.

Krka Group sales by Region

Krka's leading sales region is Region East Europe, where Krka generated 29% of its total sales. This is where Krka recorded the highest relative as well as absolute sales growth among all its regions, as sales in the nine months to September amounted to EUR 239.1 million, up 26%. Region East Europe includes Krka's largest individual market, the Russian Federation, where sales amounted to EUR 162.4 million, up 27% compared to the same period last year.

On EUR 205.9 million of sales, which is one quarter of total sales, the second largest sales region is Region Central Europe. Sales there decreased by 5% compared to the same period last year. Contributing EUR 196.9 million, Region West Europe and Overseas Markets is third in terms of sales value. Sales there were up 12% and represent 24% of total sales. Sales in Region South-East Europe amounted to EUR 102.9 million, which is 13% of Group sales and a decrease by 4% compared to the same period last year. Having amounted to EUR 69.3 million, sales in the domestic market decreased by 11% compared to the same period last year and represent 9% of Krka Group sales.

Krka Group sales by product and service group

The Krka Group sold EUR 677.1 million worth of prescription pharmaceuticals, 8% more than in the same period last year. Prescription pharmaceuticals represent 83% of Krka Group sales. The sale of prescription pharmaceuticals increased the most in Region East Europe (up 32%) and Region West Europe and Overseas Markets (up 11%), while in Region South-East Europe it remained at the same level as last year. In Regions Central Europe and Slovenia sales were down compared to the same period last year.

The top 10 best-selling prescription pharmaceuticals are Enap (enalapril), Atoris (atorvastatin), Lorista/Lavestra (losartan), Prenessa/Perineva (perindopril), Nalpaza (pantoprazole), Zyllt (clopidogrel), Emozul/Emanera (esomeprazole), Valsacor (valsartan), Lanzul/Lansoptol (lansoprazole) and Zalasta/Zolrix (olanzapine).

The sale of non-prescription products was down 3% compared to the same period last year, to EUR 79.1 million, which represents one tenth of Group sales. On sales worth EUR 32.2 million, an increase by 13%, animal health products contributed 4% to total Group sales. Health-resort and tourist services contributed a further EUR 24.7 million, which is a decrease by 9% compared to the same period last year and represents 3% of total Krka Group sales.

Operating results

The Group recorded EUR 143.4 million of operating profit. Pre-tax profit amounted to EUR 136.5 million, down 7% compared to the same period last year.

The Group generated EUR 111.5 million of profit in the period January–September 2012, a decrease by 3% compared to the same period last year, and the Krka Company generated EUR 107.6 million of profit for the period, down 1%.

The Group's profit margin was 13.7% (Krka Company 14.3%), the EBIT margin 17.6% (16.3%) and the EBITDA margin 25.9% (23.2%). ROE at Group level was 12.7% (Krka Company 12.3%), with ROA at 9.5% (9.7%).

Research and development

In the nine months of 2012 Krka acquired first marketing authorisations for 11 new products in 20 dosage forms and strengths, and obtained 455 new marketing authorisations for 97 products in different markets.

They obtained marketing authorisations for seven new prescription pharmaceuticals in 16 pharmaceutical dosage forms and strengths. The range of products for the treatment of high blood pressure was supplemented with the fixed-dose combination of olmesartan and the diuretic hydrochlorothiazide, in the form of film-coated tablets in four strengths, which was approved in nine European countries. In 17 European countries they obtained marketing authorisations for Karbis (candesartan) tablets in four strengths, and acquired marketing authorisations for valsartan film-coated tablets in four strengths. Prenessa Q-Tab (perindopril) in two strengths, in the new form of orodispersible tablets, which makes the medicine easier to take, was approved in nine European countries, and Atoris (atorvastatin), a medicine treating cardiovascular diseases, was authorised in the form of film-coated tablets in three strengths in 12 European countries.

In all the markets of West Europe they acquired marketing authorisations for sildenafil orodispersible tablets in three strengths, a medicine for erectile dysfunction, and they also acquired new marketing authorisations for the antidiabetic pioglitazone, which treats type-2 diabetes.

Having obtained marketing authorisations for the new medicines capecitabine and exemestane, Krka entered the area of oncology medications. Capecitabine in the form of film-coated tablets in three strengths is a substance treating different kinds of cancer, including colon and stomach cancer, and breast cancer. Exemestane in the form of 25 mg film-coated tablets is used to treat early and advanced hormone-dependant breast cancer in postmenopausal women.

As to antipsychotics, they obtained additional marketing authorisations in seven European countries for ziprasidone capsules in four strengths, and with respect to proton pump inhibitors, pantoprazole was authorised in the form of gastro-resistant tablets in six European countries.

New marketing authorisations were also obtained in the reported period for key non-prescription product brands: for Herbion Iceland Moss syrup, for Herbion Ivy syrup in Ukraine, Kazakhstan, Macedonia, Bosnia and Herzegovina, Belarus and Moldova, for Bilobil 120 mg capsules in Estonia, for herbal Palprostes soft gel capsules in the Russian Federation, for the analgesic Nalgesin in six countries of West Europe and in Croatia, Albania, Moldova and Serbia, for Septotele plus spray in Belarus, Serbia, Kyrgyzstan and Turkmenistan, and for Septotele plus honey and lime lozenges in the Russian Federation, Ukraine, Turkmenistan, Armenia and Romania. New marketing authorisations were also acquired for products of the Duovit and Pikovit brands in South Africa.

With respect to animal health products, they obtained a first marketing authorisation for the new product Misoxin (doxycycline) in the form of oral powder, which was approved in the Russian Federation. Fypryst (fipronil) was authorised in the new form of cutaneous spray, treating and preventing flea, tick and lice infestations in cats and dogs, and in 11 countries of Western Europe Krka also obtained marketing authorisations for the fipronil spot-on solution in five strengths. In Germany they obtained a marketing authorisation for their new product florfenicol minidose for cattle in the form of solution for injection 450 mg/1 ml, which is a new strength that allows for an easier administration of the medicine. The probiotic product Animavit in the form of water soluble granules was approved in 27 European countries. In Azerbaijan they obtained the marketing authorisation for Giraxa (colistin), a water soluble powder for the preparation of oral solution, treating bacterial infections in farm animals, in Croatia they acquired the marketing authorisation for Toltarox (toltrazuril) in the form of oral suspension, preventing and treating coccidiosis in newborn pigs, while in Serbia and Kazakhstan they secured a new marketing authorisation for Rycarfa (carprofen), which is used as a pain reliever and in degenerative changes of the musculoskeletal

system as well as after operations. In the Russian Federation they also acquired the marketing authorisation for Tiavalt (tiamulin) water soluble granules 450 mg/g for the preparation of medicated drinking water, preventing and treating chronic respiratory disease in poultry and treating the gastrointestinal and respiratory infection complex in pigs. The Kvestigin (amoxicillin) oral powder, treating infections in pigs and broilers, was authorised in Slovenia.

Investments

In the first nine months of 2012 the Krka Group allocated EUR 95.2 million to investments, of which the controlling company invested EUR 41.3 million and subsidiaries EUR 53.9 million. The majority are increasing and modernising Krka's production capacity and research and development capacity. Investments of the highest value are expected in the final quarter, while the actual full-year investment spending will presumably be lower than planned, a result of good pricing conditions negotiated with suppliers and contractors.

In June this year work started on the largest investment in Krka's history – the new oral solid dosage pharmaceutical production plant called Notol 2, which is being built at Krka's central location in Novo mesto, Slovenia. The 55,000 m² plant is worth EUR 200 million and will have the target capacity of 4.5 billion finished products per year.

Also ongoing is the investment into Krka's subsidiary Farma GRS, d. o. o., founded together with partners in a project aimed at advancing the pharmaceutical industry. In the project worth EUR 45 million, co-funded by the European Regional Development Fund with just over EUR 10 million, new research and development capacity and production capacity is being set up at Krka's location in Ločna, Slovenia. The newly founded company will set up the infrastructure for developing new products and technologies related to pharmaceutical chemistry and technology.

At Krka's location in Krško, Slovenia work started on the construction of the Sinteza 1 plant, which will increase their API and intermediates production capacity. In the investment worth just over EUR 85 million, they will construct an API production plant and the infrastructure required for production purposes. The Sinteza 1 plant will allow for production flexibility, facilitating a highly time-efficient transfer to the production of new APIs and intermediates, and will foster production in a controlled environment, consistent with the European Community Regulation on chemicals and their safe use (REACH). Production in the new plant will start at the end of 2014.

One of the most important ongoing investments of the Krka Group is the construction of a new plant and the expansion of the logistics centre in the Russian Federation, Krka-Rus 2. The investment is worth an estimated EUR 135 million and will consolidate Krka's position as a domestic producer of pharmaceuticals in the country. The plant's target production capacity is 1.8 billion tablets and capsules per year, and it is planned to be completed at the end of 2013.

Employees

At the end of September 2012 the Krka Group had 9,267 employees, an increase by 319, or 4%, from the beginning of the year. The number of Krka employees increased in the reported period by 126 in Slovenia and by 193 abroad. Krka's subsidiaries and representative offices outside Slovenia employ 49% of the Group's team, with 51% of the Group's employees having university or higher academic degrees.

Currently there are 73 employees enrolled postgraduate studies co-funded by Krka, 339 being enrolled into part-time studies in total. Since the beginning of the year, 33 employees had completed their studies.

Investor and shares information

At the end of September 2012 Krka had a total of 68,898 shareholders. International investors increased their shareholdings the most over the reported period, reaching over 18% of Krka's shares at the end of September, which is their largest stake to date. Individual domestic investors, investment companies, funds, and other domestic companies, on the other hand, have decreased their holdings in the reported period.

In the first nine months of 2012 Krka repurchased 191,414 treasury shares. On 30 September 2012 it thus held a total of 2,215,772 treasury shares, which is 6.25% of its share capital. The Company Management Board will continue repurchasing treasury shares, as the authorisation it was granted by the General Meeting allows for buybacks up to 10% of the Company's share capital.

In the reported period Krka's share price peaked at the beginning of January, when it traded at EUR 52.70, and hit its low in July, when it stood at EUR 41.40. On 30 September 2012 Krka traded at EUR 49.80 and its market capitalisation was EUR 1.8 billion. Deals in Krka generated an average daily trading volume of EUR 0.6 million over the period.

Since April this year Krka has also been listed on the Warsaw Stock Exchange. During the initial months of the listing trading in Warsaw was scarce but in September it stepped up considerably. The Management Board emphasizes that it is not considering selling its treasury shares on the Warsaw Stock Exchange.

Estimated realisation of business objectives for 2012

Full-year sales of the Krka Group are expected to reach the planned EUR 1,134 million, which is up 6% compared to the last year. Given the demanding situation in Krka's sales markets and the volatility of certain foreign currency exchange rates, we estimate that the achieved full-year profit will be slightly lower than the planned EUR 170 million. As a result of good pricing conditions negotiated with equipment suppliers and contractors, actual investment spending is expected to be approximately one fifth lower than the planned EUR 200 million, with the content of the investment plan remaining unchanged. At the end of the year the Group will have an estimated 9,565 employees, 49% outside Slovenia.

Krka Group plans for 2013

The Group plans the 2013 sales to grow 6% to EUR 1,202 million, an increase by EUR 68 million from sales expectations for 2012. Investments are planned to amount to EUR 180 million. Of the ongoing investments that will continue into 2013, the largest are the construction of the Notol 2 plant at the Ločna location in Novo mesto, the expansion of chemical production to the location in Krško, and the construction of the new logistics centre with the new solid dosage forms production plant in Krka's subsidiary Krka-Rus in the Russian Federation. The largest investment project started in 2013 will be the construction of a new water preparation plant in Novo mesto. Both in Slovenia and abroad the number of employees is planned to increase in 2013, together by a total of 6%.