



PRESS RELEASE

Krka's business performance in 2014

Novo mesto, 26 February 2015 – The Management Board of Krka, d. d. held a press conference today presenting to the public the unaudited performance results of the Krka Group and the Krka Company for 2014, which the Krka Supervisory Board had discussed at its yesterday's meeting. President of the Management Board Jože Colarič told the press the Group had sold EUR 1,191.6 million worth of products and services in the reported period, which is 0.8% less than in 2013 measured in EUR. Sales growth in terms of the quantity of products was 10%. Unaudited Group profit for the year totalled EUR 166.2 million, down EUR 6.6 million, or 4%, from the year before. Krka Company sales amounted to EUR 1,134.2 million (up 2%), generating an unaudited profit for the year of EUR 144.4 million (down 12%). Krka's 2014 annual report will be released on Thursday, 2 April 2015.

Sales

Krka Group product and service sales in 2014 amounted to EUR 1,191.6 million, down 0.8%, from 2013. Sales in markets outside Slovenia totalled EUR 1,113.6 million, which is more than 93% of total sales and on the same level as in 2013.

Krka Company sales amounted to EUR 1,134.2 million, up EUR 17.8 million, or 2%, from 2013.

Krka Group sales by Region

The Group's leading sales region was Region East Europe, which contributed 34.3%, or EUR 408.7 million, of overall sales, which is a 4% decrease compared to previous year's sales. In the Russian Federation, one of Krka's key markets and its largest individual market, sales totalled EUR 282.1 million, down 5% from 2013. The lower euro sales value resulted from the depreciation of the local currency in the third and especially fourth quarter, with sales value growth in Russian roubles having continued in 2014, as did sales volume growth.

Krka's second largest sales region was Region Central Europe, where sales were EUR 273.0 million, representing 22.9% of overall Group sales and decreasing by 4% from 2013. Region West Europe was third in terms of sales in 2014, contributing EUR 251.1 million, which is 21.1% of total Krka Group sales and represents an increase by 11% from the year before. In Region South-East Europe Krka sold EUR 155.3 million worth of products, which represents 13.0% of Group sales and is an increase by 7% from 2013. In the new sales region Overseas Markets Krka sold EUR 25.5 million of products (down 18% compared to 2013), which represents 2.1% of Group sales. Product and service sales in Slovenia were down one tenth from 2013, to EUR 78.0 million, which is 6.6% of Group sales.

Krka Group sales by product and service group

Krka's most important group of products in terms of sales remain prescription pharmaceuticals, which contributed EUR 990.6 million in the reported period, representing 83.1% of Krka Group sales and increasing by 1% from 2013.

Atoris (atorvastatin) remained the leading prescription pharmaceutical in terms of sales in 2014, with the other top ten best-selling prescription pharmaceuticals being Lorista (losartan), Enap (enalapril), Prenessa (perindopril), Nolpaza (pantoprazole), Emanera (esomeprazole), Zyllt (clopidogrel), Roswera (rosuvastatin), Valsacor (valsartan) and Karbis (candesartan). Products are marketed under different brand names in individual markets.

Non-prescription product sales amounted to EUR 122.0 million, down 16% year-on-year, with their share in overall sales at 10.3%. The decrease was mainly the result of less frequent cold and flu conditions, and of the depreciation of the local currencies in the Russian Federation and Ukraine, Krka's largest individual markets for products available without prescription. Animal health product sales, which represented 3.9% of total sales, amounted to EUR 46.5 million, up 9% from 2013. Health resort and tourist services generated EUR 30.0 million of sales, a

decrease by 1% compared to the year before, and represented 2.5% of overall 2013 Krka Group sales. Other sales revenues amounted to EUR 2.5 million and contributed 0.2% of Krka Group sales.

Operating result

The Group recorded EUR 277.0 million of operating profit, up EUR 49.4 million, or 22%, compared to 2013. Group EBITDA totalled EUR 374.5 million, up EUR 52.8 million, or 16%.

Other operating income totalled EUR 70.7 million, up EUR 64.9 million from 2013. The increase is attributable mainly to reversed provisions and received damages, the latter in the amount of EUR 20.8 million. Damages were received in the dispute with AstraZeneca over the unjust preliminary injunction that had prevented Krka from marketing its esomeprazole in the UK from mid-2010 to mid-2011. Because AstraZeneca had appealed the court's decision Krka formed EUR 20.0 million provisions for lawsuits.

In 2014 the Group's net financial result deteriorated compared to 2013, attributable to EUR 100.1 million of negative net exchange rate differences. This is an increase by EUR 72.5 million from 2013 when the Group had recorded EUR 27.6 million of negative net exchange rate differences. One third of exchange rate differences arose from payments, and two thirds from the revaluation of receivables and loan. A major proportion of negative exchange rate differences resulted from the depreciation of the Russian rouble and mostly occurred at the end of the year.

The Group recorded EUR 166.2 million of profit for the year, down EUR 4% compared to the year before. The Krka Company profit for the year totals EUR 144.4 million, down 12%.

The Krka Group 2014 profit margin is 13.9% (Krka Company 12.7%), its EBIT margin 23.2% (Krka Company 22.7%) and its EBITDA margin 31.4% (Krka Company 29.0%). ROE at the level of the Group was 12.4% (Krka Company 10.6%), with ROA at 9.3% (Krka Company 8.3%).

Research and development

In 2014 Krka obtained marketing authorisations for 19 new products (13 prescription pharmaceuticals and six animal health products) in 47 different pharmaceutical dosage forms and strengths. Applying different European and national marketing authorisation procedures they obtained 460 new approvals in the reported period for prescription pharmaceuticals, non-prescription products and animal health products.

New prescription pharmaceuticals were: antipsychotics **Aryzalera/Aripipan** (aripiprazole fumarate) in the form of tablets in four dosage strengths and **Kventiax/Quentiax** (quetiapine) in the form of prolonged-release tablets in three strengths, antidepressant **Elicea/Escitalex** (escitalopram) in the form of 15 mg film-coated tablets, antiepileptic **pregabalin** in the form of capsules in eight strengths, medicines used to lower blood pressure **Tenloris/Alortia** (losartan and amlodipine) in the form of film-coated tablets in four strengths, **Sobycombi** (bisoprolol and amlodipine) in the form of tablets in four strengths and **Riksila** (aliskiren) in the form of tablets in two strengths, medicine for diseases of the heart and circulation **Bravadin** (ivabradine hydrobromide) in the form of tablets in two strengths, cholesterol-lowering medicinal product **Vasitimb** (ezetimibe and simvastatin) in the form of tablets, antibiotics **Moloxin/Moflaxa/Moxibiot** (moxifloxacin) in the form of 400 mg film-coated, **Azibiot** (azithromycin) in the form of 250 mg film-coated tablets and **Betaklav** (amoxicillin and clavulanic acid) in the form of film-coated tablets in three strengths, and oncology medication **imatinib**, in the form of film-coated tablets in two strengths.

New animal health products were **Fypryst Combo** (fipronil and S-methoprene) spot-on solution for dogs and cats. **Milprazon/Milquantel**, **Milprazon/Milquantel** (milbemycin oxime and praziquantel) flavoured tablets in two strengths for dogs and film-coated tablets for cats and **Tolzesya/Toltranil/Tratol/Toltarox** (toltrazuril) oral suspension for sheep and cattle.

By obtaining different new approvals for its non-prescription products, Krka consolidated the status of its key brands Septotele, Bilobil, Herbion, Pikovit and Duovit in various markets.

Investments

In 2014 the Krka Group allocated EUR 173.7 million to investments, of which the controlling company invested EUR 137.5 million and subsidiaries EUR 36.2 million. Investments were primarily increasing and modernising the Group's production, and research and development infrastructure.

The construction of a production plant for solid dosage pharmaceuticals, Notol 2, is finished after works at Krka's pivotal location in Ločna, Novo mesto, Slovenia had started back in June 2012. This is the largest investment in Krka's history, with an estimated investment value of EUR 200 million. Systems (the logistical system, technological equipment, technological media) were qualified and validated in 2014, which was a challenging task due to the factory's complexity and high level of automation. Once it is fully fitted with all technological equipment, the plant will have the target capacity of 4.5 billion finished products per year. Production in the 55,000 m² plant started at the beginning of 2015.

The construction of the new complex for the production of active pharmaceutical ingredients in Krško, Slovenia with which Krka has increased its production capacity, took two years to complete. In the first stage they had built the Sinteza 1 production plant and the related infrastructure, and fitted the first of the two production modules with technological equipment. At the end of July 2014 Sinteza 1 had manufactured the first active ingredient batch, with the facility also having successfully passed an inspection by the Public Agency for Medical Products and Medical Devices of the Republic of Slovenia. The investment is estimated at EUR 85 million, and production has now started on three lines. The second production module will be furnished in 2015.

In Ločna Krka constructed a new water preparation plant to ensure sufficient capacity for the preparation of purified waters and tower feedwaters, and to provide for a secure supply after production is launched in Notol 2. The operating permit for the EUR 12 million investment was obtained at the end of December 2014.

A new headquarters building was opened in November 2014 in Ločna, forming a functional and aesthetic whole with the existing headquarters building.

One of the Group's more important ongoing investments is the Krka-Rus 2 project, the construction of a new plant and expansion of Krka's logistics centre in the Russian Federation. The new facilities will cover a total surface area of 34,500 m², with the entire investment estimated at EUR 135 million. In the first stage of the project, in which they invested EUR 96 million, the target capacity of the plant has increased to 1.2 billion tablets and capsules per year. Preparations for the implementation of the second stage are under way, including the procurement of technological and warehousing equipment to support production. They are planning to complete the second stage of the project by December 2016. The fully technologically fitted plant with which Krka is consolidating its status of a domestic pharmaceuticals producer in this country, will have the total target capacity of 1.8 billion tablets and capsules per year. In mid-December 2014 – thus within one year of production – Krka-Rus reached the one billion tablets mark.

With Krka launching new Septotele product, the Group is increasing its production facilities in Ljutomer, Slovenia. A building permit for the construction of an extension was issued in December 2014. The project's estimated investment value is EUR 9.5 million, and the facility should be completed in August 2015.

Due to the expansion of Krka's production programme in the Jastrebarsko centre which operates under the subsidiary Krka Farma Zagreb, the warehousing and distribution segment of the facility will be converted into production, and the production segment renovated. The project's estimated investment value is EUR 20 million.

The subsidiary spa resort group Terme Krka opened a small hotel pool next to Hotel Šport in Otočec, Slovenia at the end of December. The investment, which includes an energy overhaul of the hotel and is estimated at EUR 2.8 million.

Employees

At the end of 2014 the Krka Group had 10,499 employees, of which 4,887 (46.5%) worked in Slovenia and 5,612 (53.5%) abroad. Compared to the figures for 2013, the number of employees at Group level increased by 451, or 4%. The number of Krka's employees outside Slovenia increased by 410, or 8%, while in Slovenia it rose by 41, or 1%.

Krka Group staff with a university level education or higher represent 55% of the entire team, which is 5,771 employees.

Share and investor information

On the final trading day in 2014 Krka's share traded at EUR 59.60 on the Ljubljana Stock Exchange, down 0.7% from the year-end of 2013 when it traded at EUR 60.00. In the same period the Ljubljana Stock Exchange blue-chip index SBI TOP rose by 20%. Krka's market capitalisation totalled EUR 1.95 billion at the end of last year.

Krka's share is the most traded security on the Ljubljana Stock Exchange. Its average daily trading volume on the Ljubljana Stock Exchange in 2014 was EUR 0.7 million. The trading volume on the Warsaw Stock Exchange, where Krka has been listed since April 2012, was higher in the first half of the year although always remaining under the trading volume levels recorded on the stock exchange in Ljubljana.

Pursuant to the resolution adopted by Krka's 19th AGM as at 3 July 7 2014, Krka reduced its share capital by cancelling 2,632,672 treasury shares, which represented 7.431% of all issued shares. Following the cancellation, Krka's share capital is now distributed into 32,793,448 shares. The 19th AGM had authorised the Company Management Board to acquire treasury shares up to the amount of 10% of share capital in the period of 36 months. Krka thereupon repurchased 173,279 treasury shares worth a total of EUR 10,659,136. As at 31 December 2014 Krka held 173,279 treasury shares, which represents 0.528% of its share capital.

At the end of 2014 Krka had 61,449 shareholders. Due to the 2014 cancellation of treasury shares, the ownership structure and shares in equity at the year-end of 2014 are not directly comparable to those from previous periods.

In 2014 Krka appropriated 40% of the 2013 profit for dividends, the gross dividend per share growth rate exceeding 30%.

Plans for 2015

Krka Group sales in 2015 are planned to amount to EUR 1.26 billion, with sales outside Slovenia expected to represent 94% of total sales. Profit is planned at the level of the profit reported for 2014.

The estimated value of investments is EUR 165 million, to be allocated mainly to expanding and modernising production facilities, research and development facilities, and infrastructure. The number of employees is planned to increase in 2015 both in Slovenia and abroad, together by 4%.

The operating plan for 2015 has been drawn up by taking into account certain assumptions, such as price fluctuations, currency fluctuations, and conditions in individual markets. In the event of major deviations, the Company Management Board will revise the annual plan and adjust it to new circumstances.