



PRESS RELEASE

Krka presented its operating results for the first half of 2015

Novo mesto, 26 August 2015 – The Management Board of Krka, d. d. held a press conference today presenting to the public the performance results of the Krka Group and the Krka Company for the first half of 2015, which the Krka Supervisory Board had discussed at its yesterday's meeting. The Krka Group sold EUR 599.9 million worth of products and generated EUR 112.3 million of net profit (up 5%) in the six months to June. The Krka Company sold EUR 569.9 million worth of products and generated EUR 108.5 million of net profit (up 10%).

Sales

The Group's six-month sales were up 5% from the same period last year in terms of the quantity of products sold. However, because of the declining prices of pharmaceuticals and certain key currencies' depreciation relative to their values in the first half of last year, the value of sales totalling EUR 599.9 million, up EUR 0.5 million compared to the same period last year. Sales in markets outside Slovenia represented 94% of the Group's total sales.

Krka Company sales amounted to EUR 569.9 million, down 2% compared to last year's six months to June.

Krka Group sales by Region

The leading sales region, where Krka generated EUR 185.9 million of revenues, which represents 31.0% of overall sales, is Region East Europe. It includes the Russian Federation, Krka's largest individual market, where rouble-denominated sales were up 13% in the reported period, totalling EUR 134 million.

The second largest region in terms of sales is West Europe, where Krka generated EUR 162.7 million, which is 27.1% of total Group sales. Compared to the same period last year, sales there increased by EUR 40.4 million, or 33%, which is the highest absolute as well as relative sales growth among all Krka's sales regions. The largest individual market in the region is Germany, where the sales were up 52%, followed by Great Britain (up 94%), Nordic countries (up 74%) and Spain (21%).

Product sales in Region Central Europe represented 22.8% of overall Group sales, and amounted to EUR 137.2 million, up 5%. In Poland, the largest market in region, Krka exceeded last year's six-month sales by 10%. Sales in Region South-East Europe amounted to EUR 60.5 million, which is 10.1% of Group sales and a decrease by one fifth from the same period last year. Sales in the domestic market totalled EUR 38.7 million, up 1%, and represent 6.5% of total sales. Six-month product sales in Region Overseas Markets totalled EUR 14.7 million (2.5% of overall sales), up one fifth compared to the same period last year.

Krka Group sales by product and service group

The Krka Group sold EUR 507.9 million worth of prescription pharmaceuticals, 1% more than in the same period last year. Prescription pharmaceuticals represent 84.7% of Krka Group sales. Their sales increased in regions West Europe (up 34%), Central Europe (up 4%), Slovenia (up 3%) and also the smallest sales region, Overseas Markets (up 23%). With respect to large markets for Krka's prescription pharmaceuticals, year-on-year sales were up the most in Germany (up 55%), Spain (up 22%), Hungary (up 10%), Poland (8%) and Slovenia (up 3%).

The ten leading prescription pharmaceuticals in terms of sales are Lorista (losartan), Atoris (atorvastatin), Prenessa (perindopril), Enap (enalapril), Nolpaza (pantoprazole), Emanera (esomeprazole), Valsacor (valsartan), Aryzalera (aripiprazole), Roswera (rosuvastatin) and Zyllt (clopidogrel). Products are marketed under different brand names in individual markets.

Non-prescription product sales were down 14% compared to the same period last year, to EUR 50.9 million, which represents 8.5% of Krka Group sales. Animal health product sales were up 15% to EUR 26 million, which is 4.3% of overall Group sales. Health resort and tourist services totalled EUR 14 million in revenues, down 3% compared to the same period last year (2.3% of total sales), and other sales revenues amounted to EUR 1.1 million (0.2% of total Group six-month sales).

Operating result

The Group's results for the first half year were again influenced by Russian rouble exchange rate movements. After having depreciated at the end of last year, the rouble rose over the initial months of 2015 relative to the euro, but it nevertheless averaged almost 26% below its last year's six-month average level. Rouble-denominated sales in the Russian market were up 13% from last year's, with euro-denominated sales down 15%. The rouble's appreciation relative to its 2014 year-end value resulted in positive net exchange rate differences, which increased financial income and thus upped the Group's profit for the period.

Due to the negative oil price trend, which has a strong impact on the rouble exchange rate, Krka has hedged the risk of the weakening rouble exchange rate with forwards.

The Krka Group recorded EUR 104.3 million of operating profit, down 17% compared to the same period last year.

The Krka Group net profit amounts to EUR 112.3 million, up 5% from the same period before, with the Krka Company net profit totalling EUR 108.5 million, up 10%.

The Krka Group profit margin for the six months to June 2015 is 18.7% (Krka Company 19.0%), its EBIT margin 17.4% (Krka Company 17.3%) and its EBITDA margin 26.2% (Krka Company 24.4%).

ROE at the level of the Group was 15.9% (Krka Company 15.1%), with ROA at 12.2% (Krka Company 12.0%).

Research and development

In the first six months of 2015 Krka obtained marketing authorisations for 13 new products in 25 dosage forms and strengths. They acquired 315 new marketing authorisations for 84 products in different markets.

Approvals were granted in 25 countries under the decentralised procedure for Loxentia/Dulsevia (duloxetine) gastro-resistant capsules in four strengths. Duloxetine is an antidepressant from the group of serotonin and noradrenaline reuptake inhibitors (SNRIs), used to treat depression and generalised anxiety disorder.

Under the decentralised procedure Krka obtained marketing authorisations for the new medicinal product Rasagea (rasagiline) in the form of tablets. It represents an important addition to their range of products for central nervous system diseases, and is used to treat Parkinson's disease.

Applying the European decentralised procedure Krka obtained approvals for Levalox (levofloxacin) in the form of film-coated tablets in two strengths and in the form of solution for infusion. It is a quinolone, broad-spectrum antibiotic used to treat sinus, lung, urinary tract, kidney and bladder infections, long-term prostatitis, and infections of the skin and subcutaneous tissue.

A new medicine was added to Krka's range of oncology medications after approvals had been granted for Tezalom (temozolomide) capsules in the Russian Federation. It is an alkylating cytostatic used to treat brain tumours and metastatic melanoma. It prevents the division of cancer cells, thus slowing tumour growth and prolonging survival time.

A new hypertension medicinal product was also approved, the fixed-dose combination Tenliza (amlodipine and lisinopril) in the form of tablets in two strengths being authorised in the Russian Federation. The medicine contains a fixed-dose combination of two active ingredients tested to reduce blood pressure, a calcium channel blocker and an ACE inhibitor, which complement each other and provide for an efficient blood pressure control.

New products were registered under the Oprymeia (pramipexole) brand, with prolonged-release tablets in the additional strengths of 2.62 mg and 3.15 mg approved under the centralised procedure. The medicine is to be taken once a day, and is used either in mono- or combination therapy to treat signs and symptoms of Parkinson's disease.

Krka's range of antibiotics was supplemented after approvals had been issued for the cephalosporin Furocef (cefuroxime) and the fixed-dose combination Betaklav (amoxicillin and clavulanic acid). The Furocef film-coated tablets in two strengths were authorised in 15 countries under the European decentralised procedure. The medicine is used to treat infections of the oesophagus, sinuses, middle ear, lungs or chest, urinary tract and skin, and Lyme disease.

Under the European decentralised procedure Krka acquired marketing authorisations in 13 countries for Betaklav in the new form of powder for oral suspension in the concentration 400/57 mg. The product, which medical guidelines rank a first-line treatment for respiratory tract infections, is to be taken twice a day. Applying the European decentralised procedure Krka additionally obtained marketing authorisations in 20 countries for Betaklav film-coated tablets in two strengths.

The antiepileptic Pragiola (pregabalin) in the form of capsules in eight strengths was launched on new European markets. Krka was the first to obtain marketing authorisations for it in all European countries applying decentralised procedures. The product is used to treat epilepsy and generalised anxiety disorder.

Investments

In the first half of 2015 the Krka Group allocated EUR 45.4 million to investments, of which the controlling company invested EUR 37.8 million and subsidiaries EUR 7.6 million. Investments are primarily increasing and modernising their production capacities, and research and development capacities.

The construction of the new production plant for solid dosage pharmaceuticals – Notol 2, which had started back in June 2012 at Krka's pivotal location in Ločna, Novo mesto, Slovenia, is now complete. The 55,000 m² plant has been the largest investment in Krka's history, its estimated investment value EUR 200 million. In November 2014 Krka obtained the decision issuing an operation permit to Notol 2 for the trial period of one year. After being successfully verified by the Agency for Medicinal Products and Medical Devices of the Republic of Slovenia, production started this February. Production lines will gradually be added to Notol 2 to increase its production capacity to the target 4.5 billion tablets and capsules per year.

They have also set up a transport system connecting Notol 2 and the end-products warehouse. It was fitted with logistical equipment required to increase its capacity and fluidity after production in Notol 2 is launched, with the investment totalling EUR 2.6 million.

The complex for the production of active pharmaceutical ingredients in Krško, Slovenia, with which Krka has increased its production capacity, took two years to complete. Production has already started on all lines. The entire project's value is EUR 85 million.

The investment in a new plant for the production of a new generation of lozenges in Ljutomer, worth EUR 11.5 million, is completed. The construction of the 3,943 m² facility was completed at the end of February 2015. After having passed the technical inspection and accepted the production line in May, Krka launched test production in June and regular production in August.

The Krka's key new investment this year supporting development activities and quality assurance, is the new development and control centre RKC 4 in Ločna. The 18,000 m² complex will cost EUR 54 million and will be connected with RKC 2 and RKC 3. In mid-June they acquired the building permit and started construction, which will last two years.

Two investments are in their design phase in the Sterile product production plant. The investment into increasing the production of sprays is estimated at EUR 8 million, while the purchase and preparation of a small scale lyophilisate production line will cost EUR 6 million.

In Ločna Krka is also increasing the capacity of the boiler room and upgrading the biological treatment plant. The two investments are estimated at EUR 1.9 million. Building permits have been obtained for both projects, and construction and craft works are ongoing. Equipment will be fitted in August, with the installation, qualifications and start-ups to be finished in the autumn of 2015.

One of the most important ongoing investments in Krka's subsidiaries is the Krka-Rus 2 project. The first stage of the project included the construction of a new plant and expansion of Krka's logistics centre in Istra, the Russian Federation. Stage two of the project should be completed by December 2016 and is worth an estimated EUR 30 million. The new plant will have the target production capacity of 1.8 billion tablets and capsules per year.

Due to the expansion of the production programme in the Jastrebarsko distribution and production centre in Croatia, the warehousing and distribution segment of the facility is being converted to acquire new laboratory and production facilities for the production of solid dosage pharmaceuticals. Project documentation are being prepared.

The subsidiary spa resort group Terme Krka opened a small thermal-water pool next to Hotel Šport in Otočec, Slovenia at the end of December 2014. This spring they also completed the energy efficiency overhaul of the hotel, which included the replacement of builders' joinery elements and renovation of the façade. The project's investment value was EUR 2.7 million.

Employees

At the end of June the Krka Group had 10,534 employees, of which 54% worked in subsidiaries and representative offices outside Slovenia, and 55% of the entire Krka team had at least a university level degree.

Currently there are 39 employees enrolled into postgraduate studies towards obtaining a specialisation, master's degree or PhD with Krka's support, with a total of 280 enrolled into part time studies. In the first half of the year, 19 employees completed their studies, and Krka received 42 employee applications for enrolling into various study programmes in the 2015/16 school year, 8 from employees outside Slovenia.

Investor and share information

At the end of June Krka had 59,894 shareholders, 2.5% less than at the end of 2014. International investors increased their shareholdings the most in the reported period, to more than 23%, which is the largest stake in Krka they have held to date. The holdings of individual domestic investors as well as domestic investment companies, funds and other domestic legal entities, on the other hand, decreased.

In the first half of 2015 Krka repurchased 57,092 treasury shares worth a total of EUR 3,450,140. As at 30 June 2015 it thus held a total of 230,371 treasury shares, which is 0.702% of the Company's share capital.

Krka's share price on the Ljubljana Stock Exchange rose by 9% in the first half of the year, and stood at EUR 65.00 at the end of June. The Slovenian benchmark stock index SBI TOP lost 6% in the same period. Krka's market capitalisation as at 30 June 2015 totalled EUR 2.1 billion.

The esomeprazole dispute in the UK over

In 2014 Krka received almost EUR 21 million of damages and reimbursed court fees 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, for alleged infringement of patent EP 1 020 461. The plaintiff AstraZeneca has not filed their request for a review with the Court of Appeal of England and Wales within the requisite deadline with respect to the decision with which the High Court of Justice in London awarded Krka damages and reimbursement of court fees.

All judicial remedies having been exhausted, Krka will release the provisions of EUR 20 million, formed for the esomeprazole case, which will be reported in the financial statements for 2015.

Constitutive meeting of Supervisory Board

The new Krka d. d. Supervisory Board met at its constitutive meeting on 25 August, electing Matej Pirc as the President of the Board, Simona Razvornik Škofič as the President of the Audit Committee, and Andrej Slapar as the President of the Human Resources Committee.