

Half-year operating results for the Krka Group and Company

Novo mesto, 30 July 09 — The Management Board of the Krka public limited company today held a press conference to present the business results of the Krka Company and Krka Group for the first half of 2009, which were also discussed by the Supervisory Board at its meeting yesterday. The Chief Executive and President of the Management Board Jože Colarič announced that the results were good for both the Krka Group and the Krka Company. In the first half of 2009 the Krka Group sold products and services worth EUR 477.8 million and generated a net profit of EUR 78.1 million. The Krka Company generated a profit of EUR 82.8 million over the period. Supervisory board named Management for the new mandate.

Sales

The Krka Company generated sales of EUR 477.8 million, which is EUR 8.6 million or 2% more than for the first six months of last year. The Group generated over 89% of its sales on markets outside Slovenia.

Krka Company sales totalled EUR 420.8 million and were EUR 4.6 million or 1 % higher than the figures for the first half of 2008.

Krka Group sales by region

The leading Krka region by sales, with 29% of total Group sales, is Region Central Europe, where product sales in the first six months grew by 10% compared to the same period last year, reaching EUR 136.3 million. The second-ranking region by sales, which totalled EUR 117.3 million (2% decrease), was Region East Europe with a 25% share. Krka's largest individual market, the Russian Federation, is in this region; product sales in the Russian Federation were worth EUR 86.6 million, 10% up on the same period last year.

It is followed by Region Western Europe and Overseas Markets, where sales were worth EUR 107.6 million (1% growth), 22% of overall Group sales. Krka sales on the markets of Region South-East Europe were worth EUR 63.9 million (7% decrease), representing 13% of Group sales, while sales on the Slovenian market were up by 3% to EUR 52.7 million, representing 11% of total Krka Group sales.

Krka Group sales by product and service group

The Krka Group's sales of prescription pharmaceuticals generated EUR 403.6 million, exceeding last year's half-year sales figures by EUR 16.7 million or 4%. The highest growth in prescription pharmaceutical sales on the larger markets compared to the equivalent period in 2008 was achieved in the UK (up 93%), the Czech Republic (36%), the Russian Federation (19%), and Hungary (15%). The leading prescription pharmaceuticals by sales are Enap®, Atoris®, Lanzul®, Zyllt®, Lorista®, Vasilip®, Nolpaza®, Prenessa®, Fromilid® and Nolicin®. The highest sales growth was achieved by Nolpaza® (192%), Zyllt® (181%), Alventa® (114%), Prenessa® (30%) and Lorista® (27%).

Self-medication product sales fell by 14% and were worth a total of EUR 40.7 million. The lower sales have largely been due to the state of the economy and therefore lower purchasing power in countries that are key to sales of Krka self-medication products. Sales of cosmetics were down by 29% to EUR 3.9 million, for similar reasons. Animal health product sales were down by 1% to EUR 12.7 million. The value of health and tourism services was EUR 16.2 million, which is 7% higher than sales in the first half of last year.

Business results

The Krka Group's operating profit of EUR 117.5 million represents an increase of 6%, compared to the same period last year. The pre-tax profit was EUR 102.7 million, which was about the same level as last year's first-half profit, while the net profit of the Krka Group totalled EUR 78.1 million, which was also similar to the net profit for the first half of last year. The net profit of the Krka Company was EUR 82.8 million and was 2% higher than last year's half-year figure.

The Krka Group's net profit margin was 16.3% (Krka Company: 19.7%), the EBIT margin was 24.6% (Krka Company: 24.9%), and the EBITDA margin 32.4% (Krka Company: 31.7%). The Krka Group's ROE was 19.0%

(Krka Company: 19.7%), and the ROA was 12.2% (Krka Company: 13.3%).

Research and development

During the first six months of 2009, Krka obtained market authorisations for 7 new pharmaceuticals in 14 forms. A further 269 new market authorisations were acquired for existing products in 671 pharmaceutical forms.

Over the period Krka successfully concluded numerous centralised procedures (CP) with the European Medicine Agency (EMA), which provides market authorisation for all 27 EU states. The most important achievement has been acquiring of market authorisation for a pharmaceutical with the API clopidogrel hydrogen sulphate (Zyllt®) and one based on clopidogrel hydrochloride as an alternate salt. Nine market authorisations were acquired, which will enable the product to be marketed on all EU markets. Clopidogrel is an important anti-coagulant that reduces clotting and hence the occurrence of strokes and heart attacks.

An EMA CP was also used to acquire market authorisation in the EU for Nimvastid®, which contains the API rivastigmine. The product is for treatment of Alzheimer's disease. It was registered in 2 pharmaceutical forms: capsules and orodispersible tablets (ODT). Krka is the only company to have developed this pharmaceutical as an ODT. A CP was also successfully concluded for Vizarsin®. This is a generic version of tablets with the API sildenafil, which has an effect on erectile dysfunction and is intended to treat impotence.

A number of other European decentralised procedures (DCP) and national market authorisation procedures have been carried out, adding new pharmaceuticals to the Krka portfolio. Market authorisation was gained for the Doreta® product in tablet form, which contains the APIs paracetamol and tramadol, and is intended to ease the symptoms of moderate to serious pain. The first market authorisation was acquired for Ezoleta®, newly registered pharmaceutical containing the API ezetimibe, which reduces blood fat levels by preventing the absorption of cholesterol, and for the product Co-cazaprol®, with the APIs cilazapril and hydrochlorothiazide, which is used to treat high blood pressure in patients for whom monotherapy is insufficient. Various market authorisation procedures were concluded in most western European states for 3 pharmaceuticals in 9 new forms and strengths to expand the sartan portfolio.

New products were added to the range of self-medication and food supplement products Pikovit®, Duovit®, Bilobil® and Herbion®.

In the field of animal health products, the first half of the year was marked by the expansion of the product range with products containing enrofloxacin, colistin sulphate and florfenicol on the markets of the EU and East Europe. In the cosmetics field, they developed six new products in the Sun Mix® product line.

Investments

In the first half of 2009 investment spending in the Krka Group totalled EUR 48.3 million, EUR 44.0 million of which within the Krka Company. Krka's largest investment project at the moment is the construction of the production plant for solid pharmaceutical forms, which has been planned to ensure that the majority of capacity is dedicated to production of tablets and coated tablets, with some capacity for capsules. Construction work on the facility started in June.

The investment in the Bršljina plant, where construction is now underway on a modern new syrup production plant, will expand production capacity and optimise material throughput. At the Sinteza 4 plant, the technological equipment has been installed and installation works on Line 5 have been finished. The additional line was needed to meet the demand to produce increasing quantities of new APIs for new strategic products. The reconstruction will increase production at the Specifika plant to put the conditions in place to ensure the timely launch of capsules to market. The work includes the preparation and equipping of the plant, installing a line for pellet coating and/or producing granulates. The construction of a packaging line at the production plant in Ljutomer increased pastille production capacity, while the construction of a business facility in Gotna vas has expanded warehouse capacity in Novo mesto.

The need to increase production capacity in Poland means the existing small packaging line will be replaced with a new system offering greater capacity. The line started-up in February 2009 and is operating at full strength. Preparations are in the final phase for the strategically important investment project to build additional capacity in the Russian Federation. Plans are in preparation to acquire the building permit.

The Otočec golf course, which comes under the Terme Krka Group and has been voted best golf course in Slovenia for two years running, has been expanded with an additional nine holes. One quarter of funds for the investment project was provided by the European Regional Development Fund.

Workforce

The Krka Group is continuing to recruit, especially in the fields of marketing and sales in its subsidiaries and representative offices abroad, and in research and development in Slovenia. At the end of June, Krka had 7839 employees, which is 3% higher than at the start of the year.

At present, more than 47% of Krka Group employees are employed in companies and representative offices abroad, and almost 52% of employees hold at least university level qualifications.

At present 90 Krka employees are involved in specialist, master's and doctoral studies, while a total of 426 employees have been involved in part-time studies alongside their work. During the first six months of the year 39 people completed their studies. At present there are 112 Krka scholarships, largely in the fields of pharmacy and chemistry, though scholarships are also available to outstanding students in other fields of interest to Krka.

Investor information

The first half of 2009 saw the Krka share price rally strongly, and the number of shareholders exceeded 80,000. At the end of June 2009 Krka had 80,811 shareholders, which is 5% more than at the end of 2008. In the first half of the year, the numbers increased largely due to an increase in individual investors and international investors, with both groups their ownership share. Over the period the ownership share of Slovenian investment companies and funds, and other Slovenian companies, fell.

The Krka share price rallied significantly during the first half of 2009, up 45% from the start of the year to EUR 69.94 at the end of June. The Slovenian Stock Exchange Index (SBI 20) grew 15% over the same period. Krka's market capitalisation as at 30 June 2009 was EUR 2,477.7 million, while the average daily trading in Krka shares over the first half of 2009 was EUR 898 thousand.

At the 14th Annual General Meeting, held on 2 July 2009, shareholders passed, inter alia, a resolution authorising the management board to acquire treasury shares, up to 10% of share capital. A resolution was passed at the same General Meeting on the use of the 2008 accumulated profit, paying shareholders a dividend of EUR 1.05 gross per share. Dividend payouts will start 60 days after the General Meeting.

Appointment of new Management Board of the Krka Company

The term-in-office of Jože Colarič, Janez Poljanec, Aleš Rotar and Zvezdana Bajc, current members of the Krka Management Board expires on 31 December 2009, while the worker director was appointed by the Supervisory Board on 7 November 2007 for a mandate lasting until 31 December 2012.

At a meeting in January 2009 the Supervisory Board decided to reappoint Jože Colarič as President of the Management Board and Chief Executive for a six-year term-in-office, starting 1 January 2010. At its meeting on 29 July 2009 the Supervisory Board decided that the next term-in-office for the management board of Krka, d. d., Novo mesto, would last from 1 January 2010 to 31 December 2015, and that Aleš Rotar, Zvezdana Bajc in Vinko Zupančič would be appointed as members, in addition to the President of the Management Board and Chief Executive Jože Colarič and worker director Danica Novak Malnar. New member of Management board became Vinko Zupančič, who graduated from the Faculty of Pharmacy, Ljubljana, in 1996 and joined Krka in January 1997. At Krka he has had a number of different roles, including director of the Krka representative office in Bangalore, India. Since his return to Slovenia in mid-2005, he has managed Supply Chain in Product Supply and in December 2008 was appointed as deputy director of Product Supply.

European patent for atorvastatin revoked and action withdrawn

In May this year, the company Krka informed the interested public that the European Patent Office revoked also the second of the two patents referring to the active ingredient atorvastatin. Companies Warner Lambert Company LLC and Pfizer H.C.P. Corporation, both from the USA, have filed against Krka, d. d., Novo mesto a motion for alleged infringement of both patents at the District Court in Ljubljana. After revocation of both patents the plaintiffs informed the District Court in Ljubljana about withdrawal of the action against Krka. When invited by the Court, Krka as the defendant, consented to withdrawal of the action in a statement presented to the Court. The Court has not yet made any ruling in the matter.