

## Krka presented January to September operating results and future plans

**Novo mesto, 5 November 2009** — 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 January to September 2009 and plans for next 5 year period, 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 for first nine month were good for both the Krka Group and the Krka Company. Over the period the Krka Group sold products and services worth EUR 689.9 million (nearly EUR 2 million more than on the same period of 2008), and generated a net profit of EUR 108.3 million. The Krka Company sold products worth EUR 614.7 million and generated a net profit of EUR 113.3 million over the period. The Krka Group is planning sales growth of 6% in coming year.

### Sales

The Krka Group generated sales of EUR 689.9 million, which is nearly EUR 2 million more than for the same period last year. Almost 89% of sales were generated on markets outside Slovenia.

Sales data in local currencies, together with the figures on sales volume indicate growth in Krka Group sales of almost one tenth in comparison with the same period last year. The falling value of the local currency on a number of major Krka markets, however, has meant the increase in sales volume has not been reflected in an increase in sales value when expressed in euros.

Krka Company sales totalled EUR 614.7 million and were EUR 9.8 million or 2% higher than the figures for the first nine months of 2008.

### Krka Group sales by region

The leading Krka Group's region, with 29.2% of overall Group sales, is Region Central Europe, where product sales over the first nine months of the year were worth EUR 201.4 million, growth of 7% on the same period last year. The second-ranking region by sales was Region West Europe and Overseas Markets. Sales grew there 6% to EUR 168.0 million over the period, representing 24.3% of overall Group sales.

It is followed by Region East Europe, where sales were worth EUR 146.2 million (an 11% fall) and constitute 21.2% of overall Group sales. This region includes Krka's largest individual market, the Russian Federation, where product sales reached EUR 110.8 million, maintaining the same level as the first three-quarters of 2008. Krka product sales on the markets of Region South-East Europe were worth EUR 95.1 million (a 4% drop), representing 13.8% of Group sales, while sales on the Slovenian market were up by 2% to EUR 79.2 million, which constituted 11.5% of total Krka Group sales.

### Krka Group sales by product and service group

The Krka Group's sales of prescription pharmaceuticals generated EUR 581.0 million, exceeding last year's nine-month sales figures by EUR 13.1 million or 2%. The leading prescription pharmaceuticals by sales are Enap®, Atoris®, Zyllt®, Lanzul®, Lorista®, Nolpaza®, Vasilip®, Prenessa®, Coryol® and Nolicin®, while the highest relative sales growth was achieved with Zyllt® (clopidogrel), Nolpaza® (pantoprazole), Alventa® (venlafaxine), Prenessa® (perindopril) and Lorista® (losartan).

Self-medication product sales fell by 15% compared to the same period last year and were worth a total of EUR 57.8 million. The fall in sales has largely been due to the state of the economy on the larger markets, which are key to sales of Krka self-medication products. For similar reasons, cosmetics sales fell by 30%, and totalled EUR 5.4 million. Animal health products generated sales of EUR 18.9 million, growth of 2%. Sales of health and tourism services were worth EUR 25.9 million, exceeding sales for the first three quarters of last year by 5%.

### Business results

The Krka Group's operating profit was EUR 154.9 million, the same level as for the first nine months of 2008. The pre-tax profit was EUR 140.8 million, 4% down on last year's three-quarter profit, while the net profit of the Krka

Group totalled EUR 108.3 million, which was 3% less than the net profit for the same period last year. The net profit of the Krka Company was EUR 113.3 million, 4% lower than last year's figure for January to September.

The Krka Group's net profit margin was 15.7% (Krka Company: 18.4%), the EBIT margin was 22.5% (Krka Company: 23.2%), and the EBITDA margin 30.6% (Krka Company: 30.2%). The Krka Group's ROE was 17.6% (Krka Company: 18.1%), and the ROA was 11.1% (Krka Company: 12.0%).

## Research and development

In the first nine months of 2009, Krka gained first marketing authorisations for 9 new products in 22 forms. It also acquired 660 new market authorisations across a number of different markets for a wide range of products in 1206 pharmaceutical forms.

Krka successfully concluded numerous centralised procedures (CP) with the European Medicines Agency (EMA), which provide market authorisation for all 27 EU states. The most important achievements were acquiring market authorisations for a pharmaceutical with the API clopidogrel hydrogen sulphate (Zyllt®), and one based on clopidogrel hydrochloride as an alternate salt. Clopidogrel is one of the most important anti-coagulant pharmaceuticals, which reduces clotting and hence the occurrence of strokes and heart attacks. It is one of the best-selling pharmaceuticals in the world.

An EMA CP was also used to acquire market authorisation in the EU for Nimvastid®, which contains the API rivastigmine and it is used for the treatment of Alzheimer's disease. It was registered in two pharmaceutical forms: capsules and orodispersible tablets (ODT). The latter is a unique form for the pharmaceutical, with Krka the only company to have developed this ingredient as an ODT.

Market authorisations were acquired via an EMA CP for repaglinide tablets in three strengths. Repaglinide is a pharmaceutical that treats diabetes patients by balancing blood sugar levels. The same procedure were used to acquire a market authorisation for Vizarsin®, which 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 European decentralised procedures (DCP), mutual recognition procedures (MCP) and national market authorisation procedures were also carried out. Their successful conclusion added new products to Krka's product range of prescription pharmaceuticals on a number of different markets.

New products were also added to the range of self-medication and food supplement products under the brand Pikovit®, Duovit®, Bilobil® and Herbion®. The animal health product range was expanded with products containing enrofloxacin, colistin sulphate and florfenicol on the markets of the EU and eastern Europe. In the cosmetics field, 6 products were developed in the Sun Mix® line, while the registration of Fitoval® Plus shampoo enriched the self-medication product range in Ukraine.

## Investments

In the first nine months of 2009, the Krka Group allocated EUR 72.1 million to investment, with EUR 66.0 million invested by the controlling company, and EUR 6.1 million by subsidiaries. At the moment Krka's largest investment project is the construction of the production plant for solid pharmaceutical forms. As planned, 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 Bršljin plant, where construction is now underway on a modern new syrup production plant, will expand production capacity and optimise material flow. Last year a separate biocide production facility was constructed.

The preparation and equipping of facilities for a pellet coating and/or granulate production line ensured an increase in production capacity and the conditions required for the timely launch of capsules to new markets.

The purchase and installation of an additional line has eliminated a bottle neck at the injection production plant, and increased ampoule filling, checking and packaging capacity; the planning of new products in spray form led

to renovation works starting in September of production facilities to ensure the required cleanliness and explosion-proofing standards.

Preparatory works began in September for construction of the new development and control centre. The 13,000 m<sup>2</sup> facility will meet the needs of various users within the Krka system.

Preparations are in the final phase for a strategically important investment project to build additional production capacity in the Russian Federation. Plans are underway to acquire the building permit and other consents. According to Krka's plans, the building permit should be acquired in May 2010.

Terme Krka is planning to reconstruct the swimming pool and roofs, and to increase hotel capacity at Strunjan. An application for approval for funds from the European Regional Development Fund has been submitted for a planned investment of EUR 8.0 million. The response is expected in November.

### **Employees**

The Krka Group has continued 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 September the Krka Group had 7905 employees, 4% more than at the start of the year.

At present, slightly over 47% of Krka Group employees are now employed in companies and representative offices abroad, and a bit more than 51% of employees hold at least university level qualifications.

At the end of September 447 staff members were studying part-time, 94 of whom on postgraduate courses. In 2009, 54 staff concluded their studies. At present there are 98 young people on Krka scholarships, largely in the fields of pharmacy and chemistry.

### **Investor information**

In the first nine months of 2009 the number of Krka shareholders increased by slightly over 5% to 81,449. The ownership share of international investors and individual Slovenian investors grew most, while the share of Slovenian investment companies and funds fell. The ownership share of Slovenska odškodninska družba (SOD) and Kapitalska družba (KAD) with Prvi pokojninski sklad (PPS) has not changed.

In the first nine months of 2009, the Krka share price rallied significantly, increasing by over 49% over the period. The Slovenian Stock Exchange Index (SBI 20) increased 18% over the same period. The Krka share price at 30 September was EUR 72.03, while in June the Krka share price reached its highest value of the year, EUR 75.25.

The average daily turnover in Krka shares in the first nine months of 2009 was EUR 846 thousand. The market capitalisation of Krka as at 30 September 2009 was a bit less than EUR 2.6 billion.

### **Assessment of the Krka Group's realisation of its 2009 business objectives**

The Krka Group assesses that its end-of-year product and service sales figures for 2009 will reach EUR 950 million, maintaining the level achieved in 2008. The planned net profit of EUR 161 million will be achieved. Due to delay of some projects and to the uncertain business conditions, some of the planned investments will be postponed to 2010, so the estimated value of investment in this year is EUR 104 million. At the end of the year, the Group will have 8055 employees.

### **The Krka Group's plans for 2010**

The Krka Group is planning sales growth of 6%, which will mean sales in the coming year of EUR 1,008 million, which is EUR 58 million more than the anticipated total sales for this year. The Group's planned net profit for 2010 is EUR 159 million. The planned value of investments is EUR 176 million, which is two-thirds more than the estimated figure for this year due to some projects planned for 2009 being moved forward to 2010. An increase of just under 5% overall in the workforce is also planned for 2010, in Slovenia and abroad.

### **The 2010-2014 Krka Group development strategy**

The 2010-2014 Krka Group development strategy forecasts average annual sales growth of at least 5%, expressed in euros. The basic strategies still include strengthening the pharmaceutical and chemical activities and, following on from that, products in key therapeutic areas – medicines for treatment of cardiovascular diseases, for treatment of the alimentary tract and metabolism, for treatment of conditions of the central nervous system, and anti-infectives. The Krka Group will generate approximately 90% of sales on markets outside Slovenia, with the focus on European and central Asian markets. Given the adverse business conditions (fall in purchasing power, price reductions, exchange rate fluctuations) it will only be possible to achieve the planned growth in sales value by achieving an even greater increase in the physical volume of sales. Over half of the investments for the next five-year period, which total EUR 182 million per year on average, will therefore be allocated to projects to enhance production capacity for Krka's final products.