

Krka presented its business results for the first nine months of 2010

Novo mesto, 25 November 2010 – At a press conference today the Krka Management board presented the business results of the Krka Group and Krka Company for January to September 2010 and plans for 2011, which were discussed by the Company's Supervisory board at its meeting yesterday. In the first nine months the Krka Group sold products and services worth EUR 726.6 million, 5% more than for the same period in last year. They generated a net profit of EUR 120.9 million, which is 12% more than for the same period last year. The Krka Company achieved sales of EUR 692.8 million (growth of 13 %) and a net profit of EUR 132.0 million, representing growth of 17%. The Krka Group is planning 6% growth of sales for the next year.

Sales

Krka Group sales in the first nine months of the year totalled EUR 726.6 million, an increase of EUR 36.8 million or 5% on the same period last year. Sales on markets outside Slovenia constituted 89% of total sales.

Krka Company sales were worth EUR 692.8 million, which is EUR 78.1 million or 13% higher than last year's sales figures for the period.

Due to changes in legislation on market authorisation for pharmaceuticals in the Russian Federation, which came into force on 1 September 2010, till the end of August the Krka Company sold some of its product inventories intended for Russian consumers to its subsidiary OOO KRKA FARMA Sergijev Posad. As a consequence the Krka Company recorded a higher level of sales, and the Group a lower level, since the subsidiary has not yet sold all the products it acquired to final users.

Krka Group sales by region

Region Central Europe was Krka's leading sales region, with a 31% share of total Group sales. Product sales in the region over the period were worth EUR 223.9 million, growth of 11%. The second-ranking region by sales with a 23% share of total sales worth EUR 167.4 million, was Region East Europe. Sales growth in this region was 14% compared to the same period last year (the highest of any region). Region East Europe includes Krka's largest single market, the Russian Federation, where product sales were worth EUR 122.9 million, up 11%.

It is followed by Region West Europe and Overseas Markets, where sales were worth EUR 154.3 million, a 21% share of total Group sales. Sales in this region were 8% down on the figure for the comparable period last year. On the markets of Region South-East Europe Krka sold products worth EUR 102.9 million, representing a 14% share of total sales, and growth of 8% compared to the first nine months of 2009. Sales on the domestic market fell by 1%, compared to the same period last year, to EUR 78.2 million and represented 11% of total Group sales. The reason for the fall in sales in Slovenia was the reduced sale of health and tourism services by the Terme Krka Group, as at the beginning of this year the Talaso Strunjan business unit was closed for almost four months due to renovation work.

Krka Group sales by product and service group

The Krka Group achieved prescription pharmaceutical sales of EUR 601.5 million, an increase of 4% on the same period last year. Prescription pharmaceutical sales increased most in Regions Central Europe (up 12%) and South-East Europe (9%). In Region East Europe sales grew by 4%, and in Slovenia by 3%. On Krka's larger markets, the highest growth in prescription pharmaceuticals compared to the same period in 2009 was achieved in Hungary (24% growth), and Poland (19%). The bestselling prescription pharmaceuticals are Enap (enalapril), Atoris (atorvastatin), Zyllt (clopidogrel), Lorista (losartan), Nolpaza (pantoprazole), Prenessa (perindopril), Lanzul (lansoprazole), Vasilip (simvastatin), Zalasta (olanzapine) and Glyclada (gliclazide). The highest relative growth by individual product was achieved with Prenessa (perindopril), Lorista (losartan), Nolpaza (pantoprazole) in Glyclada (gliclazide).

Self-medication product sales increased by 31% compared to the same period last year, reaching EUR 75.4 million. Animal health products sales were worth EUR 21.1 million, growth of 12%. Sales of health and

tourism services were worth EUR 23.4 million, representing a fall of 9% on the same period last year. The fall in services was caused by the need to close the Talaso Strunjan business unit during renovation work at the start of the year.

Business results

The Krka Group's operating profit of EUR 154.6 million was around the same as last year's three-quarter figure. The pre-tax profit was EUR 155.6 million, an increase of one tenth on the same period last year, while the Group's net profit was EUR 120.9 million, which is 12% higher than the net profit for the first nine months of last year. The Krka Company's net profit of EUR 132.0 million was 17% higher than the profit for the same period last year.

The Krka Group's net margin was 21.3% (Krka Company: 23.0%), its EBITDA margin was 29.7% (Company: 29.6%) and its net margin was 16.6% (Company: Krka 19.1%). The Krka Group's ROE was 16.7% (Company: 18.0%), and its ROA was 11.6% (Company: 12.9%).

Research and development

During the first nine months of 2010 Krka acquired market authorisations for 15 new products in 33 forms. Over the same period 621 new market authorisations were acquired across a range of markets.

Market authorisations for prescription pharmaceuticals alone covered 9 new products in 20 pharmaceutical forms and strengths.

Authorisations were gained for 3 new products from the sartan range, an important pharmaceutical group used to treat cardiovascular disease. A centralised procedure (CP) was carried out with the European Medicine Agency (EMA) to acquire a market authorisation for the entire European Union for the new product Tolura, with the active substance telmisartan, in tablet form with 3 strengths. This is one of more modern sartans. Krka also acquired market authorisations for a new strength of Lorista H, a combination of losartan and hydrochlorothiazide in film-coated tablet form, and for 4 strengths of Candecor, containing the active substance candesartan, in tablet form. A decentralised procedure (DCP) was also used to gain authorisation for a new form of the combined pharmaceutical Co-Prenessa, which contains a combination of the active substances perindopril and indapamide and is prepared using a new technological granulation process.

Three new products were added to the range of gastrointestinal pharmaceuticals from the proton pump inhibitor group. Market authorisations were acquired for esomeprazole in the form of gastroresistant capsules in 2 strengths, rabeprazole in gastroresistant tablet form, and pantoprazole in powder form for preparation as an injection solution, which is a new pharmaceutical form, offering a new method for administering the established active substance, pantoprazole.

A DCP was used to acquire market authorisations for the new product Asolfena, which contains solifenacin, in film-coated tablet form in 2 strengths. Asolfena is used to treat symptoms of an excessively active bladder.

National procedures are also underway. These are important in assuring the supply of a good selection of new products in eastern and southeastern European countries.

Over the period, Krka expanded its self-medication product range with two new products belonging to one of the key Krka brands, Septolete. Market authorisation was acquired for the new strawberry flavour Septolete Plus in pastille form, and for Septolete Plus spray in Slovenia, Estonia and Latvia for the first time. The brand was also expanded with a new pharmaceutical form, a spray, which allows the user to choose a form offering immediate action on the membrane enabling effective mitigation of pain or discomfort.

Notifications were acquired for the products Pikovit Omega 3 and Pikovit Prebiotik in the Russian Federation, which is a key market for both products. In addition to vitamins, the products contain Omega 3 acids (Pikovit Omega 3) and prebiotic fibres (Pikovit Prebiotik). The notification procedures were completed in the Russian Federation and Ukraine for Duovit Elegance and Duovit Sila (Power) in chewable tablet form. Notifications were acquired for the Orsolim capsule product on the key markets of Kazakhstan and Ukraine. The product is aimed

at helping to reduce or regulate body weight. Bilobil Intense capsules were registered in Ukraine.

DCPs were used to gain market authorisation for 5 new animal health products in 11 forms, while in the cosmetics sector the market possibilities of the Fitoval brand were broadened.

Investments

The Krka Group allocated a total of EUR 77.1 million to investment in the first nine months of 2010, with EUR 56.6 million invested by the controlling company, and EUR 20.5 million by subsidiaries.

At the end of April Krka opened a modern plant for syrup production and biocides in Bršljin. The value of this investment was EUR 26 million.

The largest current Krka investment is the construction of a plant for production of solid pharmaceutical forms at the Krka complex in Ločna, which will increase capacity to 2.5 billion capsules, tablets or coated tablets per year. In October, the new transformer station was inspected and the energy systems were switched on. The plant's technical inspection is scheduled for February 2011, with the first production line set for start-up in April 2011. The estimated value of investment is EUR 91 million.

In September 2009 work started to construct the new research and control centre (RKC-3) for research and development and control purposes, which will include state-of-the-art laboratory equipment to monitor and control the quality of input materials, intermediate products and end products. The move to the new premises is planned for the second quarter of 2011. The estimated value of the entire investment is EUR 22 million.

In November the renovated and expanded high-bay packaging warehouse was opened. The EUR 3.4 million worth investment has increased warehouse throughput and reliability and increased capacity by one quarter. Exterior surface of the warehouse has been used to install a solar power plant. Its annual electricity production will reach around 66 500 kWh, the annual consumption of 16 households, while it will also reduce CO₂ emissions.

In the Russian Federation Krka will modernise and expand logistics centre, and construct a new solid dosage pharmaceutical production plant, which will support the flexible and modular development of production capacity in a number of phases. The building permits were acquired and the implementation plans produced during 2010. Production is scheduled to start in 2013.

The tablet and capsule packaging capacity at the TAD Pharma and Krka Rus subsidiaries was increased with the purchase of new packaging lines. Both lines were installed in August 2010 and system testing and commissioning is underway.

Within Terme Krka, the Hotel Strunjan extended accommodation and pool capacity and healthcare facilities. In spring the foyer and rooms in the Svoboda hotel and the health centre with specialist clinics and physical therapy were all renovated, with doors opening over the 1 May holidays to the renovated swimming pools, hydrotherapy facilities and Salia relaxation centre.

New projects currently in the conceptual and planning stage will address the need for new production capacity for active pharmaceutical substances and solid dosage oral pharmaceutical forms. Krka's strategic location for the expansion of chemical production plants in Slovenia is in Krško, where it is building an active substance production plant – Sinteza 1. The construction of the Sinteza 1 plant and the power infrastructure is in the project planning phase. In 2010 preparations started on the project documentation for construction of a new production plant for solid dosage oral pharmaceutical forms – NOTOL 2.

Employees

At the end of September, the Krka Group had 8578 employees, which is 603 employees or 8% more than at the start of the year. The number of employees in Slovenia increased by 211 compared to the start of the year, while the number of employees outside Slovenia increased by 392. In total, 48% of all Krka Group employees are now employed in subsidiaries and representative offices abroad. Fifty-one per cent of employees have at least a university degree.

At present 81 Krka employees are involved in specialisation, master's and doctoral studies with the company's support, while a total of 332 employees are involved in part-time studies alongside their work. In the first nine months of this year, 22 employees completed study programmes. At present there are 106 scholarships, mainly in the fields of pharmacy and chemistry.

Investor information

At the end of September 2010, Krka had 80,270 shareholders, 3% fewer than at the start of the year. In the ownership structure, the share of international investors increased most, while the shares for investment companies and funds and Slovenian individual and business investors fell. The ownership share of Slovenian state financial companies (SOD and KAD with PPS) remained unchanged.

The Krka share price recorded a one-per cent fall in value compared to the end of 2009, while the central Ljubljana Stock Exchange index – the LJSE Composite – fell 19% over the same period. Krka's highest share price this year – EUR 72.38 – was reached at the end of March.

In the first nine months of this year, Krka shares were once more the most traded security on the Ljubljana Stock Exchange, with average daily trading at EUR 672 thousand. The Krka share price as listed on the Ljubljana Stock Exchange on 30 September 2010 was EUR 63.52, while the market capitalisation of Krka at the end of September 2010 was approximately EUR 2.3 billion.

In accordance with the resolution of the 14th Annual General Meeting, Krka will start with acquisition of own shares. The shares will be acquired on the regulated market i.e. on the Ljubljana Stock Exchange. Krka will regularly inform the public about these transactions.

Assessment of the Krka Group's realisation of its 2010 business objectives

Krka Group sales expected to reach EUR 1008 million by the end of 2010, which will constitute growth of 6% compared to 2010. The expected net profit for 2010 is EUR 159 million.

Since some investments have been rescheduled for the first quarter of 2011 and hence also the purchase of equipment representing a considerable proportion of the investment, it is assessed that investment spending this year will reach EUR 127 million. At the end of the year the Krka Group will likely have 8670 employees, 48% of them abroad.

The Krka Group's plans for 2011

The Krka Group is planning sales of EUR 1,069 million, which is EUR 61 million more than the anticipated total sales for this year. The Group's planned net profit for 2011 is EUR 162 million. The planned value of investments is EUR 159 million. The largest investments will be construction of new solid dosage production plant in Novo mesto and construction of the logistics centre and a new solid dosage pharmaceutical production plant in subsidiary Krka Rus in the Russian Federation. An increase of just under 4% overall in the workforce is also planned for 2011, in Slovenia and abroad.