

PRESS RELEASE

Krka presented its first quarter 2014 operating results

Novo mesto, 15 May 2014 – 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 three months of the year, which the Krka Supervisory Board had discussed at its yesterday's regular meeting. The Group sold EUR 298.0 million worth of products and services in the reported period, up 1% compared to the same period last year, and generated EUR 42.5 million of profit. The Krka Company sold EUR 288.6 million worth of products and services, up 1%, and reported EUR 41.8 million of profit.

Sales

Krka Group sales amounted to EUR 298.0 million in the first three months of 2014, up EUR 3.6 million, or 1%, compared to the same period last year. Sales in markets outside Slovenia amounted to EUR 278.7 million, which is 94% of the Group's total sales and an increase by EUR 5.4 million, or 2%, compared to the same period last year.

Krka Company sales totalled EUR 288.6 million, up EUR 4.1 million, or 1%, compared to the same period last year.

Krka Group sales by Region

The leading sales region is Region East Europe, where Krka generated 39.0% of its total sales. This is where Krka recorded the highest absolute as well as relative sales growth among all regions, its sales in the three months to March amounting to EUR 116.2 million, up 16%. Region East Europe includes Krka's largest individual market, the Russian Federation, where sales totalled EUR 84.6 million, up one fifth from the same period last year. Given the Russian Federation's slowing economic growth and the depreciation of the rouble, Krka estimates that annual sales growth in the Russian Federation will be lower than in the past two years. In Ukraine, Krka's second largest market in the Region, order placement, product supply and payments have been normal so far despite the difficult situation in the country.

Representing 20.8% of total Krka sales, which is EUR 62.1 million, the second largest sales region is Region Central Europe. Sales there were down 2% compared to the same period last year. Contributing EUR 59.8 million, Region West Europe is third in terms of sales value. Sales there were down 8% compared to the same period last year, and represent 20.1% of total sales. Sales in Region South-East Europe amounted to EUR 34.2 million, which is on the same level as last year's first quarter sales, and represents 11.4% of total Group sales. Product sales in the newly established Region Overseas Markets amounted to EUR 6.5 million, which is a decrease by 36% from last year's sales, and represents 2.2% of overall sales in the period. Sales in the domestic market decreased by 9% compared to the same period last year, to EUR 19.3 million, representing 6.5% of Krka Group sales.

Krka Group sales by product and service group

The Krka Group sold EUR 248.3 million worth of prescription pharmaceuticals in the reported period, 2% more than in the same period last year. Prescription pharmaceuticals represent 83.3% of Krka Group sales. A substantial sales increase was recorded in Region East Europe (up 22%).

The ten leading prescription pharmaceuticals in terms of sales were Atoris (atorvastatin), Enap (enalapril), Prenessa (perindopril), Nolpaza (pantoprazole), Lorista (losartan), Zyllt (clopidogrel), Emanera (esomeprazole),

Roswera (rosuvastatin), Valsacor (valsartan) and Gliclada (gliclazide). Products are marketed under different brand names in individual markets.

Non-prescription products, the sales of which decreased by 9% compared to the same period last year, generated EUR 31.0 million, which represents 10.4% of Krka Group sales. Animal health product sales contributed EUR 10.9 million, which is on the same level as last year, and represents 3.7% of total Group sales. Health resort and tourist services were up 4% to EUR 6.8 million, and represent 2.3% of overall Krka Group first quarter sales. Other sales contributed slightly less than EUR 1 million (0.3 of total Group sales).

Operating result

The Krka Group recorded EUR 63.0 million of operating profit in the three months to March, up 8% compared to the same period last year. Profit before tax amounted to EUR 48.9 million, down 19%.

The Krka Group reported EUR 42.5 million of profit for the period, down 17% compared to the same period last year, and the Krka Company generated EUR 41.8 million of profit for the period, down 16%. Lower profit of both the Krka group and the Krka Company is mainly the result of EUR 14 million of net negative foreign exchange differences, while in the same period last year both the Krka Group and the Krka Company recorded EUR 2 million of net positive foreign exchange differences.

The Krka Group profit margin for the period January–March 2014 was 14.3% (Krka Company 14.5%), its EBIT margin 21.1% (Krka Company 21.3%) and its EBITDA margin 29.1% (Krka Company 27.4%). ROE at the level of the Group was 12.6% (Krka Company 12.4%), with ROA at 9.6% (Krka Company 9.7%).

Research and development

In the three months of 2014 the Krka Group obtained first marketing authorisations for five new products in 12 dosage forms and strengths, and they obtained a total of 119 new marketing authorisations for 50 products in different markets.

Krka was the first generic producer to obtain marketing authorisations for Tenloris (losartan and amlodipine) in the form of film-coated tablets in four strengths, a new medicine used to lower blood pressure. The two active substances complement each other and reduce high blood pressure via two different mechanisms of action. Tenloris enables patients to take one tablet with a fixed-dose combination of both active substances instead of having to take two tablets with one substance each. This reduces the number of tablets to be taken daily, improving patient cooperation in the treatment.

In the field of cholesterol-lowering medicinal products, Krka obtained for the first time marketing authorisations for the new fixed-dose combination Vasitimb (ezetimibe and simvastatin) in the form of tablets. The product's two active substances have different yet complementary mechanisms of action, which increases responsiveness in reaching and maintaining target cholesterol levels.

In the group of antidepressants, Krka obtained marketing authorisations for the new 15 mg strength of Elicea/Escitalex (escitalopram) in the form of film-coated tablets. Escitalopram is a frequently prescribed antidepressant, and this additional strength enables single-dosage treatment even for patients in which the other strengths of the medicine do not provide the desired effect.

They also acquired marketing authorisations for Azibiot (azithromycin) 250 mg film-coated tablets. The new strength enables a five-day dosage schedule, with the medicine used to treat infections of the respiratory tract, the skin and subcutaneous tissue, and reproductive organs.

As the first generic producer Krka obtained marketing authorisations in the first quarter of 2014 for the new animal health product Fypryst Combo (fipronil and S-methoprene) in the form of spot-on solution in five strengths. The product preventing and treating tick, flea and lice infestations in cats, dogs and skunks, was approved in ten countries of the European Union. It enables a modern and wholesome treatment of external parasite infestations, affecting all life stages of fleas with its expanded mode of action. The product is an important member of Krka's growing range of products for companion animals.

Investments

In the first quarter of 2014 the Krka Group allocated EUR 46.2 million to investments, of which the controlling company invested EUR 42.1 million and subsidiaries EUR 4.1 million. Investments are primarily increasing and modernising their production capacities, and research and development capacities.

Over 20 investment projects are currently ongoing in the Krka Group. Environmental standards are taken into account in all of them, as the used equipment corresponds to the best available technology (BAT) in the areas of environmental protection and energy efficiency, while at the same time ensuring safety and efficacy of operations.

The construction of a new production plant for solid dosage pharmaceuticals, Notol 2, has continued at an accelerated pace 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, and has an estimated investment value of EUR 200 million. Production in the 55,000 m² plant with the target annual production capacity of 4.5 billion finished products will start by the end of 2015.

The construction of a new complex for the production of active pharmaceutical ingredients in Krško, Slovenia had begun in July 2012. In the first stage they have been building the Sinteza 1 (Synthesis 1) production plant and the related infrastructure. The project's estimated investment value is EUR 85 million, and production will start by the end of 2014.

At Krka's pivotal location they are constructing a new water preparation plant to ensure sufficient capacity for the preparation of purified waters and tower feedwater, and to provide for a secure supply after Notol 2 is constructed. The project's estimated investment value is EUR 13.7 million, and construction should be completed by the end of 2014.

A new headquarters building is being constructed at Krka's pivotal location in Ločna, Slovenia, which forms a functional and aesthetic whole with the existing headquarters building. The facility will presumably enter into use by the end of this year.

One of the most important investments in the Krka Group is the Krka-Rus 2 project. It features the expansion of Krka's logistics centre and construction of a new plant in the Russian Federation, which will consolidate Krka's status as a domestic pharmaceuticals producer in this country. The new facilities will spread over 34,500 m² of total surface area, and the plant will have a target annual production capacity of 1.8 billion tablets and capsules. The entire investment is estimated at EUR 135 million, of which EUR 95 million was invested in the first stage of the project, completed in 2013. The new logistics centre with the high-bay warehouse entered into use in July 2013. The production started in the last quarter of 2013.

The subsidiary spa resort Group Terme Krka plans to build a small pool in Hotel Šport in Otočec, Slovenia this year. The investment will also include an energy overhaul of the hotel and is estimated at EUR 2.8 million.

Employees

In the first quarter of 2014 the number of Krka Group employees increased by 130 (by 19 in Slovenia and by 111 abroad). At the end of March the Krka Group had 10,178 employees, which is 1% more than at the beginning of the year. Krka's subsidiaries and representation offices outside Slovenia employ 52% of the Group's employees, with 54% of the Krka team having at least a university level education.

Employees show a keen interest in gaining new knowledge and attaining higher academic degrees. Currently there are 50 employees enrolled into postgraduate studies towards obtaining a specialisation, master's degree or doctoral degree, with a total of 174 Krka employees engaged in part time studies.

Investor and share information

At the end of March 2014 Krka had 63,193 shareholders.

The shareholdings of international investors and of domestic investment companies and funds were slightly up in the first quarter, while the shareholdings of individual Slovenian investors and of other domestic legal entities were slightly down.

At the end of March 2014 Krka held 2,612,600 treasury shares, which is 7.4% of the value of its share capital. In the first quarter of 2014 Krka repurchased 51,595 treasury shares on the Ljubljana Stock Exchange in the total value of EUR 3,180,372.

Krka's share price rose by 0.65% in the first quarter, and stood at EUR 60.39 at the end of March. In the same period, the Slovenian blue-chip index SBI TOP rose by 9%. Krka's market capitalisation as at 31 March 2014 totalled EUR 2.1 billion, transactions with Krka's shares generated an average EUR 0.6 million of daily trading volume on the Ljubljana Stock Exchange in the reported period, making it the most traded share on the LJSE.

Krka's ten largest shareholders held a total of 14,053,913 shares at the end of March 2014, which is just over 39.67% of all issued shares.