

PRESS RELEASE

Krka presented its operating results for the first half of 2014

Novo mesto, 24 July 2014 – The Management Board of Krka, d. d. held a press conference today presenting to the public the operating results of the Krka Group and the Krka Company for the first half of 2014, which the Krka Supervisory Board had discussed at its yesterday's meeting. The Group had sold EUR 599.4 million worth of products and services in the reported period, up 0.4% compared to the same period last year, and had generated EUR 106.6 million of profit (up 6%). The Krka Company had sold EUR 582.6 million worth of products (down 0.8%) and had generated EUR 98.8 million of profit for the period (up 6%).

Sales

Krka Group sales amounted to EUR 599.4 million in the six months to June 2014, up EUR 2.3 million, or 0.4%, compared to the same period last year. Sales in markets outside Slovenia represent 94% of the Group's total sales, and have increased by EUR 7.1 million, or 1.3%, compared to the same period last year.

Krka Company sales amounted to EUR 582.6 million, down EUR 4.9 million, or 0.8%, compared to the same period last year.

Krka Group sales by Region

The leading sales region was Region East Europe, where Krka generated EUR 220.8 million of revenues and which represents 36.8% of overall sales. Compared to the same period last year, sales there increased by EUR 9.6 million, or 5%. In Ukraine, one of Krka's key markets in this Region, they have not witnessed any major problems related to their positioning in the market. The second largest region in terms of sales value was Region Central Europe, where Krka generated EUR 130.2 million (down 3%), which is 21.7% of total Group sales. Product sales in Region West Europe represented 20.4% of overall Group sales, and amounted to EUR 122.3 million (down 3%).

The highest relative growth, of 11%, was recorded in Region South-East Europe, where sales totalled EUR 75.3 million, which represents 12.6% of overall Group sales. Sales in the domestic market were down 11% to EUR 38.4 million, which represents 6.4% of total sales, and in the newly founded Region Overseas Markets product sales amounted to EUR 12.3 million (2.1% of overall Krka Group sales).

Krka Group sales by product and service group

The Krka Group sold EUR 502.1 million worth of prescription pharmaceuticals in the reported period, just over 1% more than in the same period last year. Prescription pharmaceuticals represent 83.8% of Krka Group sales, their sales having increased in Region South-East Europe (up 13%) and Region East Europe (up 8%).

With respect to large markets, the sale of prescription pharmaceuticals was up the most compared to the same period last year in Romania (up 37%), Germany (up 26%), the Russian Federation (up 9%) and Poland (up 4%).

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

Non-prescription product sales were down 9% compared to the same period last year, to EUR 58.8 million (9.8% of total Group sales), while animal health product sales were up 3% to EUR 22.7 million, which is 3.8% of overall Group sales. Health resort and tourist services totalled EUR 14.4 million in revenues, up 1% from the same

period last year (2.4% of total sales), and other sales revenues amounted to EUR 1.4 million (0.2% of total Group six-month sales).

Operating result

The Group recorded EUR 125.7 million of operating profit, down 5% compared to the same period last year. Profit before tax amounted to EUR 124.3 million, up 6% compared to the same period last year.

The Group reported EUR 106.6 million, and the Company EUR 98.8 million of profit for the period, both up 6% from the first half year of 2013.

The Krka Group profit margin for the six months to June was 17.8% (Krka Company 17.0%), its EBIT margin 21.0% (Krka Company 19.6%) and its EBITDA margin 28.9% (Krka Company 25.6%).

ROE at the level of the Group was 15.4% (Krka Company 14.3%), with ROA at 11.7% (Krka Company 11.2%).

Research and development

In the first six months of 2014 Krka obtained marketing authorisations for nine new products in 20 dosage forms and strengths, and acquired 219 new marketing authorisations for 83 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, for which approvals were granted under the European Decentralised Procedure (DCP). The complementary effect of the product's two active substances reduces the likelihood of adverse effects and improves treatment tolerability in patients, by enabling them to take one tablet with a fixed-dose combination of both active substances.

Further in the group of antihypertensives, approvals were granted for Sobycombi (bisoprolol and amlodipine) in the form of tablets in four strengths, which efficiently controls blood pressure and is also used to treat stable ischemic heart disease, and in the Russian Federation for Riksila (aliskiren) in the form of tablets in two strengths. The medicine is a renin inhibitor, used either independently or in combination treatment to lower blood pressure.

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 combination of these two active substances increases responsiveness in reaching and maintaining target cholesterol levels.

European approvals were obtained for the new strength of Amaloris (amlodipine and atorvastatin) film-coated tablets, containing 5 mg of amlodipine and 10 mg of atorvastatin, thereby supplementing Krka's range of products for the treatment of cardiovascular diseases.

In the group of antidepressants, Krka obtained marketing authorisations for the new 15 mg strength of Elicea/Escitalex (escitalopram) film-coated tablets. This additional strength enables single-dosage treatment even for patients in which the other strengths of the medicine do not have the adequate effect. Krka also expanded marketing opportunities for the other strengths of escitalopram in Western European markets.

New products were added to Krka's offer of antibiotics. Marketing authorisations were issued for Moloxin (moxifloxacin) 400 mg film-coated tablets used to treat paranasal sinus infections, inflammation of the respiratory tract, pneumonia, and the pelvic inflammatory disease, and for Azibiot (azithromycin) 250 mg film-coated tablets used to treat infections of the respiratory tract, the skin and subcutaneous tissue, and genitals, with its new strength enabling a five-day dosage schedule.

As the first generic producer Krka acquired marketing authorisations for the new medicinal product Fypryst Combo (fipronil and S-methoprene) in the form of spot-on solution in five strengths, which was approved in ten countries of the European Union under the DCP. The product prevents and treats tick, flea and lice infestations in cats, dogs and skunks, and it is effective on all life stages of fleas. It provides a modern and wholesome solution for external parasite infestations, and has expanded Krka's offer of products for companion animals.

Investments

In the first half of 2014 the Krka Group allocated EUR 88.7 million to investments, of which the controlling company invested EUR 80.3 million and subsidiaries EUR 8.4 million. Investments are primarily increasing and modernising their production capacity, and research and development infrastructure.

The construction of the 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, with an estimated investment value of EUR 200 million. Production in the 55,000 m² plant with the target annual capacity of 4.5 billion finished products will start in 2015.

The construction of the 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 the facility should be completed by the end of 2014.

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 that 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 had been invested in the first stage of the project, completed in 2013. The new logistics centre with the high-bay warehouse had entered into use in July 2013, and production was launched at the end of last year.

The subsidiary spa resort group Terme Krka is building a small hotel pool at Hotel Šport in Otočec, Slovenia. The investment will include an energy overhaul of the hotel and is estimated at EUR 2.8 million. Works should be completed in the first quarter of 2015.

Employees

At the end of June the Krka Group had 10,298 employees, which is 250, or 2.5%, more than at the beginning of the year. Krka has 54% employees with a university level education or higher, and almost 53% of the Krka team work outside Slovenia.

Currently there are 46 employees enrolled into postgraduate studies towards obtaining a specialisation, master's degree or doctoral degree with Krka's support, with a total of 307 Krka employees enrolled into part time studies. Six employees completed their studies in the first half of 2014.

Investor and share information

At the end of June 2014 Krka had 62,547 shareholders. The proportion of shareholdings held by international investors increased by 0.5 of a percentage point since the beginning of the year, and currently amounts to 20.8%. On 30 June 2014 Krka's share traded at EUR 70.00 on the Ljubljana Stock Exchange, up 17% from the year-end of 2013 when it traded at EUR 60.00. Krka's market capitalisation at the end of June amounted to EUR 2.5 billion.

Consistent with the authority granted by the 14th and 16th Annual General Meeting, and in compliance with the valid regulations, Krka has acquired 71,667 treasury shares on the Ljubljana Stock Exchange in 2014, in the aggregate value of EUR 4,456,126. At the end of June 2014 Krka thus held 2,632,672 treasury shares, which represents 7.431% of its share capital.

Annual General Meeting

Krka's 19th Annual General Meeting of Shareholders was held on 3 July 2014. The Management Board and Supervisory Board proposed to the Annual General Meeting to appropriate the accumulated profit for 2013, in the amount of EUR 179,352,421.39, as follows:

- EUR 68,866,240.80 for dividends (EUR 2.10 gross per share),
- EUR 55,243,090.30 for other revenue reserves, and
- EUR 55,243,090.29 for retained earnings.

The proposal was passed. Dividend payments, in the amount of EUR 2.10 gross per share, will commence within 60 days of the Annual General Meeting, and will be made to those shareholders that are recorded in the share register of the Central Securities Clearing Corporation (KDD) as at 8 July 2014.

The Annual General Meeting approved and gave its consent to the work of the Management and Supervisory Boards in the financial year 2013, and discharged them from liability.

Shareholders also passed a resolution on the reduction of share capital via a cancellation of 2,632,672 treasury shares, which represents 7.431% of the Krka's share capital. In addition, the Management Board was granted a new authorisation to acquire treasury shares, whereby the total volume of treasury shares cannot exceed 10% of the Company's share capital.

The Annual General Meeting was also informed of the elected members of the Supervisory Board – Franc Šašek, Tomaž Sever and Mateja Vrečer –, employee representatives elected by the Krka Company's Worker's Council.

Following the Supervisory Board's proposal, the Annual General Meeting appointed Ernst & Young Revizija, poslovno svetovanje, d. o. o., Ljubljana as the Company's auditor for the financial year 2014.

European Commission's proceedings in the perindopril case

In the first half of July Krka received a decision of the European Commission in the perindopril case.

Krka was imposed a EUR 10,000,000 fine by the Commission for allegedly having breached the provisions of Article 101 of the Treaty on the Functioning of the European Union, thereby distorting competition in the EU's perindopril market.

Krka believes that its actions had not caused a distortion or delay in the launch of perindopril on the EU markets, and that it had not breached competition law.

Krka will appeal / file an action against the Commission's decision at the Court of Justice of the European Union (General Court), however it will also respect the Commission's decision and settle the imposed fine in the set deadline, i.e. within three months.

The decision to withdraw the remaining EUR 37,500,000 of provisions for this matter – the amount remaining after the fine will have been settled –, will be adopted at the end of the business year when additional circumstances are known.

Krka has released communications with respect to the EU Commission's perindopril investigation on 26 November 2008, 6 January 2009, 8 July 2009, 3 July 2014 and 9 July 2014.