



PRESS RELEASE

Krka presented its operating results for the nine months of 2014

Novo mesto, 6 November 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 January–September 2014, which the Krka Supervisory Board had discussed at its yesterday's meeting. The Group's nine-month sales in terms of the quantity of products sold were up 9% compared to the same period last year. Due to the decreasing prices of pharmaceuticals and the depreciation of certain key currencies, however, the value of sales did not increase accordingly, remaining on the level of last year's at EUR 858.0 million. The Group generated EUR 127.4 million of profit for the period (up 2%). The Krka Company sold EUR 815.4 million worth of products (down 2%) and generated EUR 120.8 million of profit for the period (up 3%).

Sales

Krka Group sales amounted to EUR 858.0 million in the nine months to September 2014, which is on the same level as the result reported for the comparable period last year. Sales in markets outside Slovenia represent more than 93% of the Group's total sales, and have increased by EUR 7.3 million, or 1%, compared to the same period last year.

Krka Company sales amounted to EUR 815.4 million, down 2%, compared to the same period last year.

Krka Group sales by Region

The leading sales region was Region East Europe, where Krka generated EUR 301.6 million, which represents 35.1% of overall sales. Compared to the same period last year, sales there increased by EUR 4.3 million, or 1%. In the Russian Federation, Krka's largest individual market, they achieved 2% growth, 15% growth in the Russian rouble. The second largest region in terms of sales was Region Central Europe, where Krka generated EUR 196.4 million (down 4%), which is 22.9% of total Group sales. Product sales in Region West Europe represented 20.7% of overall Group sales, and amounted to EUR 177.3 million (up 4%).

The highest relative sales growth, of 8%, was recorded in Region South-East Europe, where sales totalled EUR 107.0 million, which represents 12.5% of overall Group sales. Sales in the domestic market were down 11% to EUR 58.0 million, which represents 6.8% of total sales. In the newly founded Region Overseas Markets, nine-month product sales totalled EUR 17.7 million (2% of Group sales), down 11% compared to the same period last year.

Krka Group sales by product and service group

The Krka Group sold EUR 714.3 million worth of prescription pharmaceuticals in the reported period, 0.4% more than at the same period last year. Prescription pharmaceuticals represent 83.3% of Krka Group sales, their sales having increased in Region South-East Europe (up 10%), Region West Europe (up 5%) and Region East Europe (up 3%).

With respect to large markets, sales of prescription pharmaceuticals were up the most compared to the same period last year in Germany (up 32%), Romania (up 27%), the Russian Federation and Poland (both up 2%). A substantial sales increase was also recorded in Spain (up 47%).

The ten leading prescription pharmaceuticals in terms of sales are Atoris (atorvastatin), Lorista (losartan), Enap (enalapril), Nolpaza (pantoprazole), Prentessa (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 4% compared to the same period last year, to EUR 86.0 million, which represents one tenth of Krka Group sales, while animal health product sales were up 5% to EUR 33.2 million, which is 3.9% of overall Group sales. Health resort and tourist services totalled EUR 22.7 million in revenues, down 2% from the same period last year (2.6% of total sales), and other sales revenues amounted to EUR 1.8 million (0.2% of total Group nine-month sales).

Operating result

The Group recorded EUR 167.3 million of operating profit, which is a result comparable to the one reported in the nine months to September last year. Profit before tax amounted to EUR 146.4 million, also on the same level as last year.

Krka Group profit for the period amounts to EUR 127.4 million, up 2% compared to the same period last year, with Krka Company profit for the period totalling EUR 120.8 million, up 3%.

The Krka Group profit margin for the nine months to September 2014 was 14.8% (for the Krka Company likewise 14.8%), its EBIT margin 19.5% (Krka Company 18.7%) and its EBITDA margin 27.9% (Krka Company 25.1%).

ROE at the level of the Group was 12.5% (Krka Company 11.9%), with ROA at 9.5% (Krka Company 9.4%).

Research and development

In the nine months to September 2014 Krka obtained marketing authorisations for 11 new products in 24 dosage forms and strengths, and acquired 340 new marketing authorisations for 97 products in different markets.

As the first generic producer they obtained marketing authorisations for the new product Tenloris (losartan and amlodipine) in the form of film-coated tablets in four strengths, a pharmaceutical 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 tolerability in patients by enabling them to take a single tablet with a fixed-dose combination of both active substances.

They obtained approvals for another blood pressure medicine, 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. In the Russian Federation Krka obtained marketing authorisations 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 likewise lower blood pressure.

As to cholesterol-lowering medicinal products, Krka obtained for the first time marketing authorisations for the fixed-dose combination Vasitimb (ezetimibe and simvastatin) in the form of tablets. It increases responsiveness in reaching and maintaining target cholesterol levels.

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

Another new product added to Krka's group of pharmaceuticals for diseases of the heart and circulation is Bravadin (ivabradine hydrobromide) in the form of tablets in two strengths. It is indicated in the treatment of coronary artery disease and chronic heart failure. Krka was the first generic producer to obtain marketing approvals for the medicine in the Russian Federation.

As to antidepressants, Krka obtained marketing authorisations for the new 15 mg strength of Elicea/Escitalex (escitalopram) in the form of 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. At the same time Krka increased marketing opportunities in the markets of Western Europe for the other strengths of escitalopram.

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. The new strength enables a five-day dosage schedule.

As the first generic producer Krka acquired marketing authorisations for the new veterinary pharmaceutical 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 solution prevents and treats tick, flea and lice infestations in cats, dogs and skunks, and 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.

Applying the DCP Krka obtained marketing authorisations in 27 European countries for the new medicinal product Milprazon/Milquandel (milbemycin oxime and praziquantel) in the form of flavoured tablets in two strengths. This modern intestinal wormer for dogs protects from intestinal worms while at the same time, due to its systemic mode of action, prevents the development of heartworm disease and treats eyeworm disease.

Investments

In the nine months to September 2014 the Krka Group allocated EUR 127.3 million to investments, of which the controlling company invested EUR 112.4 million and subsidiaries EUR 14.9 million. They have started several investment projects related to the production of raw materials and finished products, and directed to upgrading infrastructure, all of which will provide quality support to the business functions of the entire Group.

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, 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 at the beginning of 2015.

The construction of the new complex for the production of active pharmaceutical ingredients in Krško, Slovenia had begun in July 2012. The first stage involves the building of the Sinteza 1 (Synthesis 1) production plant and the related infrastructure. The investment is estimated at EUR 85 million, and production has already started.

In Ločna 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 completed. The project's estimated investment value is EUR 13.7 million, and the facility should be completed by the end of this year.

The Sterile product production plant is undergoing reconstruction and refurbishment with a view to fitting the facility with an additional ampoule packaging line and a new optical inspection machine. The building passed the technical inspection in April 2014 and was thereupon granted the operating permit. The fitting, qualification and start-ups of technological equipment will last until January 2015.

In Ločna Krka has constructed a new headquarters building, which forms a functional and aesthetic whole with the existing headquarters. After the building had passed the technical inspection in August and obtained the operating permit in September, a few departments have already moved to the half of new premises.

One of the most important investments in the Krka Group is Krka-Rus 2. 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 target production capacity of the plant, which will have a total surface area of 34,500 m², is 1.8 billion tablets and capsules per year. 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 started at the end of 2013.

The subsidiary spa resort group Terme Krka is building a small hotel pool next to Hotel Šport in Otočec, Slovenia. The investment, which includes an energy overhaul of the hotel, should be completed by the first quarter of 2015.

Employees

In the nine months to September 2014 the number of Krka Group employees increased by 347. At the end of September the Group had 10,395 employees, of which more than 53% worked in subsidiaries and representative offices outside Slovenia, and almost 55% of them had at least a university level education.

Currently there are 60 employees enrolled into postgraduate studies towards obtaining a specialisation, master's degree or doctoral degree with Krka's support, with a total of 357 Krka employees enrolled into part time studies. At the end of September, the number of employees having completed their studies in 2014 totalled 30.

Investor and share information

At the end of September 2014 Krka had a total of 62,158 shareholders. On 30 September 2014 Krka's share traded at EUR 65.40 on the Ljubljana Stock Exchange, up 9% from the year-end of 2013 when it traded at EUR 60.00. Krka's market capitalisation at the end of September 2014 amounted to EUR 2.1 billion.

Consistent with the resolution adopted by the Company's 19th AGM dated 3 July 2014, Krka reduced its share capital by cancelling 2,632,672 treasury shares, which represented 7.431% of all issued shares. Following the cancellation, Krka's share capital is now distributed into 32,793,448 shares.

The 19th AGM had authorised the Company's Management Board to acquire treasury shares up to the amount of 10% of share capital in the period of 36 months. Krka therefore repurchased 59,962 treasury shares worth a total of EUR 3,893,015. On 30 September 2014 Krka held 59,962 treasury shares, which represents 0.183% of its share capital.

Estimated realisation of operating objectives for 2014

Full-year product and service sales are forecast to match last year's sales of EUR 1.2 billion, which is less than the originally planned EUR 1.245 billion of sales for 2014. The critical cause of such an anticipated sales result is the decreasing prices of pharmaceuticals in all markets and the depreciation of Eastern European currencies, especially the Russian rouble and the Ukrainian hryvnia. Krka is trying to offset these negative effects to the greatest extent possible by increasing sales volume and by intensifying marketing and sales activities via subsidiaries in West Europe and its other sales regions. The 2014 full-year profit is forecast at the level of last year's.

Full-year investment spending is estimated around EUR 176 million.

At the end of 2014 the Krka Group is expected to have more than 10,600 employees (6% increase), of which almost 54% outside Slovenia.

Krka Group plans for 2015

The Krka Group plans to report EUR 1.26 billion of product and service sales for 2015. Profit for the full year 2015 will be at the level of the 2014 full-year profit. They will earmark EUR 165 million for investment projects, primarily invested into increasing and modernising their production capacities and infrastructure. The number of employees is planned to increase in 2015 both in Slovenia and abroad, by a total of more than 4%, to over 11,000. The operating plan for 2015 has been drawn up by taking into account certain assumptions regarding price levels, foreign exchange rates, and conditions in individual markets.