



PRESS RELEASE

Krka presented its first quarter 2015 operating results

Novo mesto, 14 May 2015 – 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 quarter of 2015, which the Krka Supervisory Board had discussed at its yesterday's meeting. The Krka Group sold EUR 289.3 million worth of products and services and generated EUR 55.1 million of profit for the period (up 30%). The Krka Company sold EUR 260.8 million worth of products and generated EUR 49.6 million of profit for the period (up 19%).

Sales

The Group's first quarter sales in terms of the quantity of products sold were up almost 3% compared to the same period last year. However, the declining prices of pharmaceuticals and the depreciation of certain key currencies relative to the first quarter last year drove the value of sales down 3%, to EUR 289.3 million. Sales in markets outside Slovenia represent more than 93% of the Group's total sales.

Krka Company sales amounted to EUR 260.8 million, down one tenth compared to last year's first quarter.

Krka Group sales by Region

The leading sales region is Region West Europe, where Krka generated EUR 82.1 million, which represents 28.4% of overall sales. Compared to the same period last year, sales there increased by EUR 22.3 million, or 37%, which is the highest absolute as well as relative sales growth among all Krka's sales regions. The second largest region in terms of sales is Region East Europe, where Krka generated EUR 81.5 million (down 30%), which is 28.2% of total Group sales. This region includes the Russian Federation, Krka's largest individual market, where rouble-denominated sales were up 1% in the reported period. However, since the rouble averaged more than 30% below its last year's first quarter level, euro-denominated sales were down 27% compared to the same period last year, totalling EUR 61.5 million.

Product sales in Region Central Europe represented 23.6% of overall Group sales, and amounted to EUR 68.4 million (up 10%). Sales in Region South-East Europe amounted to EUR 30.6 million, which is 10.6% of Group sales and a decrease by one tenth compared to last year's first quarter sales. Sales in the domestic market were EUR 19.2 million, which is on the same level as in the comparable period last year and represents 6.6% of total sales. Three-month product sales in Region Overseas Markets totalled EUR 7.5 million (2.6% of overall sales), up 15% compared to the same period last year.

Krka Group sales by product and service group

The Krka Group sold EUR 243.2 million worth of prescription pharmaceuticals in the reported period, 2% less than in the same period last year. Prescription pharmaceuticals represent 84.1% of Krka Group sales, their sales having increased in regions West Europe (up 42%), Central Europe (up 8%) and Overseas Markets (up 19%). With respect to large markets, prescription pharmaceutical sales were up the most compared to the same period last year in Germany (up 68%), the Czech Republic (up 58%), Spain (43%) and Poland (7%).

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

The sales of non-prescription product were down 12% compared to the same period last year, to EUR 27.2 million, which represents 9.4% of Krka Group sales. The sales of animal health products were up 8% to EUR 11.7

million, which is 4.1% of overall Group sales. Health resort and tourist services totalled EUR 6.6 million in revenues, down 5% from the same period last year (2.2% of total sales), and other sales revenues amounted to EUR 0.7 million (0.2% of total Group three-month sales).

Operating result

The Group's results for the first quarter were again largely influenced by the Russian rouble's exchange rate movements. After having depreciated at the end of last year, the rouble was up in the three months to March, the most at the end of the quarter, but it nevertheless averaged more than 30% below its last year's first quarter average level. This is why euro-denominated first quarter sales in the Russian market decreased compared to the year before – even though rouble-denominated sales increased – and drove Krka Group's operating profit down. At the same time, the rouble's appreciation relative to its 2014 year-end value resulted in net foreign exchange gains, which increased financial income and thus upped the Group's profit for the period.

The Krka Group recorded EUR 43.1 million of operating profit, down 32% compared to the same period last year.

Krka Group profit for the period amounts to EUR 55.1 million, up 30% compared to the same period last year, with the Krka Company profit for the period totalling EUR 49.6 million, up 19%.

The Krka Group profit margin for the three months to March 2015 was 19.1% (Krka Company 19.0%), its EBIT margin 14.9% (Krka Company 13.1%) and its EBITDA margin 24.0% (Krka Company 20.9%).

ROE at the level of the Group was 15.9% (Krka Company 14.1%), with ROA at 12.1% (Krka Company 11.1%).

Research and development

In the first quarter of 2015 Krka obtained marketing authorisations for six new products in 15 pharmaceutical dosage forms and strengths, and acquired 178 new marketing authorisations for 67 products in different markets.

Approvals were granted in 13 countries under the decentralised procedure for duloxetine gastro-resistant capsules in two strengths. Duloxetine is an antidepressant from the group of serotonin and noradrenaline reuptake inhibitors (SNRIs). It is used to treat depression and generalised anxiety disorder.

Applying the European decentralised procedure Krka obtained approvals for Levalox (levofloxacin) in the form of film-coated tablets in two strengths and in the form of solution for infusion. Both forms are quinolones, broad-spectrum antibiotics used to treat sinus, lung, urinary tract, kidney and bladder infections, long-term prostatitis, and infections of the skin and subcutaneous tissue.

A new medicine was added to Krka's range of oncology medications after approvals had been granted for Tezalom (temozolomide) capsules in the Russian Federation. It is an alkylating cytostatic used to treat brain tumours and metastatic melanomas. It prevents the division of cancer cells, thus slowing tumour growth and prolonging survival time.

A new product was added to Krka's range of antihypertensives, with Tenliza (amlodipine and lisinopril) tablets approved in the Russian Federation. The medicine contains a fixed-dose combination of two active ingredients tested to reduce blood pressure, a calcium channel blocker and an ACE inhibitor, whose complementary mechanism of action provides for efficient blood pressure control.

Marketing authorisations were obtained for new products of the Oprymea (pramipexole) brand, with prolonged-release tablets in the strengths of 2.62 mg and 3.15 mg approved under the centralised procedure. The medicine is used either in mono- or combination therapy to treat the signs and symptoms of Parkinson's disease. It can be taken once a day.

The antiepileptic Pragiola (pregabalin) in the form of capsules in eight strengths was launched on new European markets. The product is used to treat epilepsy and generalised anxiety disorder, and applying decentralised procedures Krka was the first to obtain its marketing authorisations in all selected European countries.

In different eastern European markets marketing authorisations were obtained for certain key non-prescription products for the treatment of cold and flu symptoms, and for herbal products of the Bilobil and Herbion brands.

Applying the decentralised procedure Krka obtained marketing authorisations in 27 European countries for the new veterinary product Milprazon/Milquantel (milbemycin oxime and praziquantel) in the form of film-coated flavoured tablets for small cats and kittens. The product is a state-of-the-art intestinal wormer used to treat intestinal parasites, lung worms and eye worms, and due to its systemic mode of action it also prevents the development of heart worms.

Investments

In the first quarter of 2015 the Krka Group allocated EUR 20.3 million to investments, of which the controlling company invested EUR 17.5 million and subsidiaries EUR 2.8 million. Investments are primarily increasing and modernising production capacities, and research and development capacities.

The construction of the new production plant for solid dosage pharmaceuticals – Notol 2, which had started back in June 2012 at Krka's pivotal location in Ločna, Novo mesto, Slovenia, is now complete. The 55,000 m² plant has been the largest investment in Krka's history, its estimated investment value EUR 200 million. In November 2014 Krka obtained the decision issuing an operation permit to Notol 2 for the trial period of one year. After being successfully verified by the Agency for Medicinal Products and Medical Devices of the Republic of Slovenia, production started in February 2015. Production lines will gradually be added to increase its production capacity to the target 4.5 billion tablets and capsules per year. The transport system connecting Notol 2 and the end-products warehouse has also been completed. It was fitted with logistical equipment required to increase its capacity and fluidity after production in Notol 2 is launched, with the investment totalling EUR 2.6 million.

The construction of the new complex for the production of active pharmaceutical ingredients in Krško, Slovenia with which Krka has increased its production capacity, took two years to complete. In the first stage they had built the Sinteza 1 production plant and the related infrastructure, and fitted the first of the two production modules with technological equipment. Production has now started on three lines. In order to secure the required amount of raw material, the second production module will also be fitted in 2015. The entire project's estimated investment value is EUR 85 million.

Krka is building an extension next to its existing plant in Ljutomer, Slovenia to increase its production capacity. Construction works started during the New Year holidays, with the 3,943 m² facility completed at the end of February 2015. Installation works are currently ongoing, and the delivery of the lozenges production line is expected in May. The project's estimated investment value is EUR 11.5 million, and it should be completed by the autumn of 2015 when they plan to start manufacturing a new product there, Septolete Total.

Krka's key new investment of 2015 that will support development activities and quality assurance is the new development and control centre RKC 4 in Ločna. The 18,000 m² complex will cost EUR 54 million, and will connect to the existing RKC 2 and RKC 3 buildings. Project documentation and basic designs have been completed.

Two investments are in the design phase in the sterile product production plant. The investment into increasing the production of sprays is estimated at EUR 8 million, while the purchase and preparation of a small scale lyophilisate production line will cost EUR 6 million.

In Ločna Krka is also increasing the capacity of the boiler room and upgrading the biological treatment plant. The two investments are estimated at EUR 1.9 million, with the related project documentation and basic designs now completed.

One of the most important ongoing investments in Krka's subsidiaries is the Krka-Rus 2 project. The first stage of the project included the construction of a new plant and expansion of Krka's logistics centre in Istra, the Russian Federation. Preparations for stage two of the project are ongoing and involve the procurement of additional production, technological and warehousing equipment. Stage two of the project should be completed by December 2016 and is worth an estimated EUR 30 million. When fully technologically equipped, the new plant will have the target production capacity of 1.8 billion tablets and capsules per year.

Due to the expansion of the production programme in the Jastrebarsko distribution and production centre in Croatia, the warehousing and distribution segment of the facility will be converted to accommodate production, and the existing production segment renovated. The preparation of project documentation is ongoing.

The subsidiary spa resort group Terme Krka opened a small thermal-water pool next to Hotel Šport in Otočec, Slovenia at the end of December 2015. Still ongoing is the energy efficiency overhaul of the hotel with the replacement of builders' joinery elements and renovation of the façade. The total investment is estimated at EUR 2.8 million.

Employees

At the end of March the Group had 10,505 employees. Krka's subsidiaries and representation offices outside Slovenia employ almost 54% of the Group's employees, and 55% of the entire Krka team have at least a university level education.

Currently there are 45 employees enrolled into postgraduate studies towards obtaining a specialisation, master's degree or doctoral degree with Krka's support, with a total of 298 Krka employees enrolled into part time studies.

Krka displays social corporate responsibility and responsibility toward the environment. In April they again organised Krka's annual Week of Charity and Volunteering. It brought together 1,179 employees, which is 24% of the entire Krka team in Slovenia; 192 of them participated for the first time. At 14 locations around Slovenia and in large numbers they donated clothes, toys, footwear, food, books and other consumables for adults and children, and pet food, collecting almost 4,100 kg of consumable commodities and 400 kg of pet food. Among the 331 blood donors 69 donated blood for the first time. At the Red Cross and Karitas charities they helped prepare food packages, grouped clothing items and distributed relief, and they also helped out at two animal shelters. Krka's employees took part in creative workshops and kept company with tenants of seven occupational activity centres and other institutions, and with the elderly in 31 retirement homes. In four retirement homes they also prepared performances.

Also in the context of this charity campaign Krka donated a navigational device to the Otorhinolaryngology Department of the Novo mesto General Hospital to help in nose and sinus surgery. The charity week was concluded with an open door day for 56 societies (40 firefighters' and 16 patients' associations) whose members volunteers set an example with their actions to us all. They were taken on a tour of Notol 2.

Investor and share information

At the end of 2015 Krka had 60,605 shareholders, 1.4% less than at the end of 2014. The decrease was mainly due to fewer Slovenian individual investors, legal entities and funds, with the proportion of international investors slightly up in the first quarter.

At the end of March 2015 Krka held 214,344 treasury shares, which is 0.7% of the value of its share capital. In the first quarter Krka repurchased 41,065 treasury shares on the Ljubljana Stock Exchange, totalling EUR 2,378,981.

Krka's share price on the Ljubljana Stock Exchange rose by 3% in the first quarter, and stood at EUR 61.40 at the end of March. In the same period, the Slovenian blue-chip index SBI TOP rose by 1.5%. Krka's market capitalisation as at 31 March 2015 totalled EUR 2 billion.

Annual General Meeting

On 18 June 2015, Krka, d. d., Novo mesto will hold its 20th Annual General Meeting. The notice convening the AGM will be published on 19 May 2015.

The Company Management Board has already notified the public that the AGM will receive the proposal to pay shareholders a gross dividend of EUR 2.20 per share.

At its yesterday's meeting the Krka Supervisory Board discussed and approved the Nomination Committee's proposal concerning new members of the Supervisory Board – shareholder representatives. The proposal will be put forward to the June AGM to vote on, as the current members' terms of office are about to expire. The proposed new members of the Krka Supervisory Board – shareholder representatives – whose five-year terms of office will commence on 21 June 2015, are: Prof. Julijana Kristl PhD, President of the Management Committee at

the Faculty of Pharmacy, University of Ljubljana, Jože Mermal, President of the Management Board at BTC, d. d., Andrej Slapar, President of the Management Board at Zavarovalnica Triglav, d. d., Assoc. Prof. Sergeja Slapničar PhD, Faculty of Economics, University of Ljubljana, Matej Pirc, President of the Management Board at the Slovenian Sovereign Holding, and Anja Strojín Štampar MSc & MBA, Member of the Management Board at Kapitalska družba, d. d. A short presentation of all candidates will be published on the day of the convocation of the AGM.