



## **PRESS RELEASE**

### **Krka presented its operating results for the first nine months of 2015**

**Novo mesto, 19 November 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 nine months of 2015, which the Krka Supervisory Board had discussed at its yesterday's meeting. The Krka Group sold EUR 863.3 million worth of products and generated EUR 133.3 million of profit for the period (up 5%). The Krka Company sold EUR 827 million worth of products and generated EUR 134.9 million of profit for the period (up 12%).**

#### **Sales**

The Group's sales in terms of the quantity of products sold were up 6% compared to the same period last year. However, the value of sales increased by 1%, or EUR 5.3 million, which was due to the declining prices of pharmaceuticals and certain key currencies' depreciation. The value of sales totalled EUR 863.3 million. Sales in markets outside Slovenia represented 93% of the Group's total sales.

The Krka Company sales amounted to EUR 827 million, and also increased by 1% relative to the same period last year.

#### **Krka Group sales by Region**

The leading sales region, where Krka generated EUR 242.3 million, which represents 28.1% of overall sales, is Region East Europe. It includes the Russian Federation, Krka's largest individual market, where rouble-denominated sales were up 7% in the reported period and totalled, in EUR, 168.7 million.

The second largest region in terms of sales was Region West Europe with EUR 237.3 million of sales, which is 27.5% of total Group sales. Compared to the same period last year, sales there increased by EUR 60 million, or 34%, which is the highest absolute as well as relative sales growth among all Krka's sales regions. The Region's largest individual market is Germany, where sales were up 46%. The other largest markets in terms of sales growth in the Region are the Nordic countries with a 75% increase, Spain with a 26% increase, France with a 5% increase and the UK with a 90% increase in sales.

Product sales in Region Central Europe represented 24% of Group sales, and amounted to EUR 207 million, up 5%. In Poland, the largest market in the Region, sales were up 11%. In Region South-East Europe sales totalled EUR 95.4 million, which is 11% of Krka Group sales and a decrease by 11% compared to last year's sales in the same period. Sales in the domestic market were up 2% to EUR 59 million, which represents 6.8% of total sales. Nine-month product sales in Region Overseas Markets totalled EUR 22.4 million, which represents 2.6% of overall sales and was an increase by 26% compared to the same period last year.

#### **Krka Group sales by product and service group**

The Krka Group sold EUR 725.3 million worth of prescription pharmaceuticals in the reported period, 2% more than in the same period last year. Prescription pharmaceuticals represent 84% of Krka Group sales. Their sales increased in regions West Europe (up 34%), Central Europe (up 4%), Slovenia (up 2%) and the smallest sales region, Overseas Markets (up 28%). With respect to large markets for Krka's prescription pharmaceuticals, year-on-year sales were up the most in Germany (up 48%), Hungary (up 25%), Spain (up 24%), Poland (up 9%) and Slovenia (up 2%).

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

Aryzalera (aripiprazole), Roswera (rosuvastatin) and Zyllt (clopidogrel). Products are marketed under different brand names in individual markets.

Non-prescription product sales were down 13% compared to the same period last year, to EUR 74.5 million, which represents 8.6% of Krka Group sales. Animal health product sales were up 18% to EUR 39.1 million (4.5% of overall Group sales). Health resort and tourist services totalled EUR 23.1 million in revenues, up 2% from the same period last year (2.7% of total sales), and other sales revenues amounted to EUR 1.4 million (0.2% of total Group nine-month sales).

## Operating result

As in previous periods, the Group's results in the third quarter were largely influenced by the Russian rouble exchange rate movements. After having appreciated from the beginning of the year, the trend turned for the rouble in mid-May, when it started to depreciate and reached its low in mid-August. Rouble-denominated sales in the Russian market were up 7% from the same period last year, with euro-denominated sales down 21%. Due to the rouble's depreciation, the Group is reporting negative exchange rate differences for the nine months to September. In the third quarter Krka used foreign exchange hedges against rouble-related currency risk, which resulted in net financial income.

The Krka Group recorded EUR 157.8 million of operating profit, a decrease by 6% relative to last year's comparable period. Profit before tax amounted to EUR 154.4 million, up 5% compared to the same period last year.

Krka Group profit for the period amounts to EUR 133.3 million, up 5% from the year before, with the Krka Company profit totalling EUR 134.9 million, up 12%.

The Krka Group profit margin in the period January–September 2015 was 15.4% (Krka Company 16.3%), its EBIT margin 18.3% (Krka Company 17.4%) and its EBITDA margin 27.5% (Krka Company 24.8%).

ROE at the level of the Group was 12.9% (Krka Company 12.8%), with ROA at 9.9% (Krka Company 10.1%).

## Research and development

In the period January–September 2015 Krka obtained marketing authorisations for 18 new products in 43 pharmaceutical dosage forms and strengths, and acquired 427 new marketing authorisations for 241 products in different markets.

Applying the European decentralised procedure they obtained marketing authorisations in nine European countries for Rosudapin (amlodipine and rosuvastatin) in the form of film-coated tablets in six strengths. The product unites two much used active substances for the treatment of increased blood pressure and high cholesterol levels. It provides for a comprehensive control of the factors preconditioning the occurrence of cardiovascular diseases and effectively decreases the risk of cardiovascular events.

In the Russian Federation Krka obtained marketing authorisations for Atorvastatin-K (atorvastatin calcium) film-coated tablets in six strengths. The assortment allows for a wide choice of daily dosage in one tablet in the treatment of hypercholesterolemia and in the prevention of diseases of the heart and circulation.

A new hypertension medicinal product was also approved, the fixed-dose combination Tenlisa (amlodipine and lisinopril) in the form of tablets in two strengths being authorised 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, which complement each other and provide for an efficient blood pressure control.

Approvals were granted in 25 countries under the decentralised procedure for Dulsevia/Loxentia/Duloxalta/Dulovesic (duloxetine) gastro-resistant capsules in four strengths. Duloxetine is an antidepressant from the group of serotonin and noradrenaline reuptake inhibitors (SNRIs), used to treat depression and generalised anxiety disorder.

Under the European decentralised procedure Krka obtained marketing authorisations for Ralago/Rasagea (rasagiline) in the form of 1 mg tablets, an important new prescription product for the treatment of diseases of the central nervous system. It is used to treat Parkinson's disease.

Opryme (pramipexole) prolonged-release tablets in the additional strengths of 2.62 mg and 3.15 mg were approved under the centralised procedure. The medicine is to be taken once a day, and is used either in mono- or combination therapy to also treat signs and symptoms of Parkinson's disease.

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

Applying the European decentralised procedure Krka obtained approvals for Levalox/Levaxela/Levnibiot/Leviaben (levofloxacin) in the form of film-coated tablets in two strengths and in the form of solution for infusion. It is a quinolone broad-spectrum antibiotic used to treat sinus, lung, urinary tract, kidney and bladder infections, long-term prostatitis, and infections of the skin and subcutaneous tissue.

By obtaining marketing authorisations for the cephalosporin antibiotic Furocef/Ricefan (cephuroxime), the oxazolidinone antibiotic Linezolid Krka, and the fixed-dose combination Betaklav (amoxicillin and clavulanic acid), Krka supplemented their assortment of antibiotics.

The Furocef film-coated tablets in two strengths were approved for marketing in 15 countries under the European decentralised procedure. The medicine is used to treat infections of the oesophagus, sinuses, middle ear, lungs or chest, urinary tract, skin and Lyme disease.

Linezolid Krka 600 mg film-coated tablets were approved under the decentralised procedure in eight European countries. This is the first oxazolidinone antibiotic in Krka's product assortment. It treats severe pneumonia and severe infections of the skin and subcutaneous tissue.

Under the European decentralised procedure Krka acquired marketing authorisations in 13 countries for Betaklav in the new form of powder for oral suspension in the concentration 400 mg/57 mg. The product is ranked by medical guidelines a first-line treatment for respiratory tract infections. Applying the European decentralised procedure Krka additionally obtained marketing authorisations in 20 countries for Betaklav film-coated tablets in two strengths.

In the Russian Federation Krka expanded their assortment of oncology medications by acquiring marketing authorisations for Tezalom (temozolomide) in the form of capsules. The product is an alkylating cytostatic used to treat brain tumours and metastatic melanoma. It prevents the division of cancer cells, thus slowing tumour growth and prolonging survival time.

In Hungary Krka was granted marketing authorisations under the national procedure for Gliclada (gliclazide) modified-release tablets in the new strength of 90 mg. The new strength of this much used type 2 diabetes treatment allows for more flexibility in finding the right dosage with fewer tablets.

The Septotele total/Septabene (cetylpyridinium chloride and benzydamine chloride) lozenges and spray were approved under the European decentralised procedure in 14 countries and under national procedures in the Russian Federation, Serbia and Macedonia. Both forms of the products have anti-inflammatory properties and are analgesics and antiseptics, and both can be administered to adults and children.

As to treatments for the alimentary canal, the non-prescription product Ulcavis (bismuth subcitrate) in the form of film-coated tablets was approved in the Russian Federation.

Applying the European decentralised procedure Krka obtained marketing approvals in 21 European countries, and under the national procedure in the Russian Federation, for a new veterinary health product Ataxxa (imidacloprid and permethrin) in the form of spot-on solution in four strengths. It is used to treat and prevent flea infestations and to prevent infestations with three types of ticks in dogs. Ataxxa completes Krka's assortment of products for the protection of companion animals from external parasites.

Applying the European decentralised procedure Krka obtained new marketing approvals in 19 European countries, and under the national procedure in the Russian Federation, for Amatib (amoxicillin) in the form of oral powder for pigs and chickens. It is intended for the treatment of infections of the respiratory and gastrointestinal

tract, meninges, joints and secondary infections in pigs, and for the treatment of respiratory and gastrointestinal tract infections in chickens.

## Investments

In the first nine months of the year the Krka Group allocated EUR 69.7 million to investments, of which the controlling company invested EUR 54.3 million and subsidiaries EUR 15.4 million. Total investments, which also include commitments under existing contracts, amounted to EUR 122 million. Investments are primarily increasing and modernising Krka's production capacities, and research and development capacities.

The construction of the production plant for solid dosage pharmaceuticals – Notol 2, which had started back in June 2012 at Krka's pivotal location in Ločna, Slovenia, is now complete. The plant's total surface area is 55,000 m<sup>2</sup>. Krka's largest investment to date is estimated at EUR 200 million. After being successfully verified by the Agency for Medicinal Products and Medical Devices of the Republic of Slovenia, production started this February. Production lines will gradually be added to Notol 2 to increase its production capacity to the target 4.5 billion tablets and capsules per year. The opening ceremony was at the beginning of November.

The transport system connecting Notol 2 and the end-products warehouse has also been completed. The logistical equipment that will increase the system's capacity and fluidity after production in Notol 2 is launched, cost EUR 2.6 million.

The complex for the production of active pharmaceutical ingredients in Krško, Slovenia has increased Krka's capacity to produce raw material. Its construction took two years and production has already started on all lines. The entire investment is worth EUR 85 million.

The construction of the production plant for a new generation of lozenges in Ljutomer, Slovenia, worth EUR 11.5 million, is now complete. The building with the total surface area of 3,943 m<sup>2</sup> was built at the end of February. After having passed the technical inspection and accepted the production line in May, Krka launched test production in June and started regular production in August.

Krka's key investment in 2015, which will support development activities and quality assurance, is the new Development and control centre RKC 4 in Ločna. The 18,000 m<sup>2</sup> complex will cost EUR 54 million and will connect to RKC 2 and RKC 3. Excavation works are ongoing, the construction pit being dug out and foundations laid. Construction works will take two years.

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, and the purchase and preparation of a small scale lyophilisate production line will cost EUR 6 million. Technological equipment has been ordered, and production lines will be ready for operation by the end of 2016.

In Ločna Krka increased the capacity of the boiler room and upgraded the biological treatment plant. The two investments are estimated at EUR 1.9 million.

One of the most important ongoing investments in Krka's subsidiaries is the Krka-Rus 2 project in Istra, the Russian Federation. The first stage of the project included the construction of a new plant and expansion of the logistics centre. Stage two of the project should be completed by December 2016 and is worth an estimated EUR 30 million. 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 are being converted to acquire new laboratory and production facilities for the production of solid dosage pharmaceuticals. The application for a building permit has been lodged, and project documentation required for the execution of building works is being completed. The collection of bids and selection of technology equipment procurement providers are ongoing. The project's estimated investment value is EUR 30 million.

## Employees

At the end of September the Krka Group had 10,558 employees, of which more than 53% worked in subsidiaries and representative offices outside Slovenia, and 55% of the Krka team had at least a university level degree.

272 Krka employees are enrolled into part-time university studies co-funded by Krka, 52 of them postgraduate students on their way to obtaining a specialisation, master's degree or PhD. In the first nine months of the year, 39 employees completed their studies.

## Investor and share information

At the end of September 2015 Krka had 59,348 shareholders, which is 3.4% fewer than at the year-end of 2014. International investors increased their shareholdings the most, i.e. by 1.3 of a percentage point to the current 23.6%. The proportion of treasury shares also rose in the reported period, from 0.5% to 0.8%. The holdings of individual and corporate domestic investors and funds, on the other hand, decreased. In the first nine months of 2015 Krka repurchased 96,634 treasury shares worth a total of EUR 5,867,373. As at 30 September 2015 Krka held 269,913 treasury shares, which represents 0.823% of its share capital.

Between January and September 2015, Krka's share price on the Ljubljana Stock Exchange rose by 1.5% and stood at EUR 60.50 at the end of the period. Krka's market capitalisation as at 30 September 2015 totalled EUR 2.0 billion.

## Estimated realisation of Krka Group objectives for 2015

Sales of products and services are expected to be a good two percent less than in 2014. The critical cause of the 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, and consequently lower sales, expressed in euros. Krka is trying to offset these negative effects to the greatest extent possible by boosting sales volume and by intensifying marketing and sales activities via subsidiaries in West Europe and the other sales regions.

East Europe is expected to be Krka's largest sales region, and the Russian Federation our most important individual market. Sales outside Slovenia are expected to account for 93% of total sales. Prescription pharmaceuticals will remain the most important product group, accounting for over 83% of total sales.

The 2015 full-year profit is forecast at the level of last year's.

Over EUR 100 million will be invested in 2015 into our R&D, production and infrastructure capacities included in the plan for 2015; total investments in 2015, which also include commitments under existing contracts, will amount to EUR 182 million.

At the year-end of 2015 the Krka Group is planned to have 10,900 employees, 55% in its companies outside Slovenia.

## Krka Group plans for 2016

The Krka Group plans to report EUR 1.210 billion of product and service sales and a profit of a good EUR 160 million for 2016. They will earmark EUR 162 million for investment projects, primarily invested into increasing and modernising their production capacities and infrastructure. The number of employees is planned to increase in 2016 both in Slovenia and abroad, by a total of more than 4%, to over 11,100. Plans for 2016 have been prepared taking into account certain assumptions such as price levels, foreign currency rates, conditions in individual markets, etc., which were considered during the preparation of the plan. In the event that the actual operating conditions in 2016 significantly deviate from the assumptions, actual results may deviate from the planned.

## Krka strategy for 2016-2020

In November, the Management Board adopted the development strategy for the Krka Group for the period 2016-2020, which the Supervisory Board had been informed at yesterday's meeting. For the new five-year strategic period it is envisaged moderate sales growth, while the net profit, in the case of organic growth, in the first year of the new strategy remained at the current level. In addition to organic growth, the Krka will even more intensively search for takeover opportunities to acquire new markets and products. Investments, mainly aimed to production and research and development capacities and infrastructure are provided at a similar level as in recent years. Employment at home and abroad will be moderate, adjusted provided organic growth. Krka will continue to pursue a dividend increase policy whereby up to 50% of the consolidated net profit from the previous year as attributable to equity owners of the parent is allocated to dividends, and whereby the proportion of each year's profit for the period devoted to dividend payments depends on the Company's financial requirements connected to investments and acquisitions.

## Appointment of the Management Board for a next six-year term-in-office

The term-in-office of Jože Colarič, Zvezdana Bajc, Aleš Rotar PhD, Vinko Zupančič PhD, and worker director Danica Novak Malnar, all current members of the Krka Management Board, expires on 31 December 2015.

At a meeting in January 2015 the Supervisory Board decided to reappoint Jože Colarič as President of the Management Board and Chief Executive for a six-year term-in-office, starting 1 January 2016. The Workers Council at a meeting on 28 September 2015 nominated Milena Kastelic as Worker Director.

At its meeting on 18 November 2015 the Supervisory Board decided that the next term-in-office for the Management Board of Krka, d. d., Novo mesto, would last from 1 January 2016 to 31 December 2021, and that Aleš Rotar PhD, Vinko Zupančič PhD and David Bratož would be appointed as members, in addition to the President of the Management Board and Chief Executive Jože Colarič and Worker Director Milena Kastelic. David Bratož and Milena Kastelic thus became new members of the Management Board.

David Bratož, born in 1976 in Novo mesto, holds a university degree in economics. Through his successful leadership Krka became one of the leading generic pharmaceutical companies in Poland.

Milena Kastelic, born in 1968 in Novo mesto, holds a university degree in food technology. She has successfully worked in Krka since 1992. Throughout her career her work has focused on herbal and OTC medicines. She is Head of Krka's plant in Bršljin, Novo mesto.