



PRESS RELEASE

Krka's business performance in 2015

Novo mesto, 3 March 2016 – The Management Board of Krka, d. d. held a press conference today presenting to the public the unaudited performance results of the Krka Group and the Krka Company for 2015, which the Krka Supervisory Board had discussed at its yesterday's meeting. President of the Management Board Jože Colarič told the press that the Group had sold EUR 1,164.6 million worth of products and services in the reported period. Sales growth in terms of volume was 3.3%. The highest sales growth (EUR 55 million, up 22%) was recorded in Region West Europe. Unaudited Group net profit totalled EUR 158.2 million. Krka Company sales totalled EUR 1,086.5 million and led to an unaudited net profit of EUR 146.3 million. Krka's 2015 annual report will be released on Thursday, 7 April 2016.

Sales

The Krka Group sold EUR 1,164.6 million worth of products and services, which is 2% less than in 2014, while sales growth in terms of volume was 3.3%. More than 93% of total sales, which is EUR 1,084.7 million, came from markets outside Slovenia.

Krka Company sales amounted to EUR 1,086.5 million, down 4% compared to 2014.

Krka Group sales by Region

The highest absolute sales growth was recorded in Region West Europe with EUR 306.1 million of sales, representing 26.3% of overall Group sales. Overall sales in the Region were thus up 22%, while the sales of Krka's brand products were up more than 35%. In Germany, Krka's largest market in this Region, product sales totalled were up 27% compared to 2014. Krka's leading sales region was Region East Europe, sales value there amounting to EUR 327.5 million, which is 28.1% of overall sales. In both Krka's key markets, the Russian Federation and Ukraine, euro-denominated sales did not match those of 2014, which caused overall sales in the Region to decline by 20%. In the Russian Federation product sales in 2015 were EUR 224.7 million, down one fifth compared to the previous year. The lower euro-denominated sales value resulted from the lower average value of the Russian rouble in 2015 as compared to 2014. Sales value as denominated in roubles increased by 6.5%.

Region Central Europe was next, sales there totalling EUR 279.9 million; this represents 24% of Krka Group sales and is an increase by 3% from 2014. In Poland, one of the Krka key markets and the largest market in region, sales were up 8% compared to the year before. In Region South-East Europe Krka sold EUR 139.6 million worth of products, which represents 12% of Group sales and is a decrease by 10% compared to 2014. Sales in the Overseas Markets totalled EUR 31.7 million, which represents 2.7% of Group sales. In relative terms, sales growth in this Region was the highest at 24% among all Krka's sales regions. In Slovenia Krka sold EUR 79.9 million worth of products and services (health resort and tourist services contributed EUR 31 million), which is 6.9% of Group sales. Compared to the result for 2014, total sales in Slovenia increased by 2%.

Krka Group sales by product and service group

The most important group of products in terms of sales remain prescription pharmaceuticals, which contributed EUR 971.5 million in the reported period, representing 83.4% of Krka Group sales. Compared to 2014 their sales decreased by 2%.

Atoris (atorvastatin) remained the leading prescription pharmaceutical in terms of sales in 2015, with the other top ten best-sellers including Lorista (losartan), Nolpaza (pantoprazole), Prenessa (perindopril), Enap (enalapril), Emanera (esomeprazole), Valsacor (valsartan), Roswera (rosuvastatin), Zyllt (clopidogrel), and Arylazera (aripiprazole). Certain products are marketed under different brand names in individual markets.

Non-prescription product sales amounted to EUR 107.8 million, down 12% year-on-year, with their share in overall sales at 9.3%. The decline in sales was predominantly the result of the economic situation and the weaker purchasing power of users of non-prescription product on Eastern European markets. Animal health product sales amounted to EUR 52.1 million, which represented 4.5% of Group sales and is an increase by 12% from 2014. Health resort and tourist services were up 3% to EUR 31 million, which is 2.6% of Krka Group sales. Other sales revenues amounted to EUR 2.1 million, or 0.2% of Group sales.

Operating result

The Group recorded EUR 199.4 million of operating profit in the reported period, which is down 28% compared to 2014. Group EBITDA totalled EUR 306.7 million, down 18%. The decrease in operating results was primarily due to lower sales than planned as a result of unfavorable movements in exchange rates of certain currencies (the Russian Federation, Ukraine), as well as lower sales in some major markets (Romania, Czech Republic).

The Krka Group net profit totalled EUR 158.2 million, down 5% from 2014. The Krka Company net profit totalled EUR 146.3 million, up 1% from 2014.

The Krka Group 2015 profit margin was 13.6% (Krka Company 13.5%), its EBIT margin 17.1% (Krka Company 15.3%) and its EBITDA margin 26.3% (Krka Company 22.9%). ROE at Group level was 11.5% (Krka Company 10.4%), with ROA at 8.8% (Krka Company 8.3%).

From occasional hedges against volatility of the Russian rouble, the Group generated EUR 16.5 million net financial income. This largely neutralised the effect of foreign exchange losses, which for all currencies amounted to EUR 35.0 million, so that the total negative financial result from foreign currency exchange rate fluctuations amounted to EUR 18.5 million.

Research and development

In 2015 the Krka Group obtained marketing authorisations for 24 new products (19 prescription pharmaceuticals, three non-prescription products and two animal health products) in 58 different dosage forms and strengths. Applying different European and national marketing authorisation procedures Krka obtained 560 new approvals for prescription pharmaceuticals, non-prescription products and animal health products.

Krka submitted patent applications for two inventions and four international patent applications on the basis of prioritised applications from 2014. It registered 62 trademarks in Slovenia, and submitted 47 international and 20 national trademark applications.

Krka obtained new marketing authorisations for the following prescription pharmaceuticals:

- Rosmela/Rosudapin/Rosvaden (amlodipine and rosuvastatin), a treatment for diseases of the heart and circulation in a new fixed-dose combination, in the form of film-coated tablets in six strengths,
- Amlodipin/Valsartan Krka, a fixed-dose combination treatment for high blood pressure in the form of film-coated tablets in five strengths,
- Tenlisa (amlodipine and lisinopril), an ACE inhibitor and calcium channel blocker fixed-dose combination treating high blood pressure, in the form of tablets in two strengths,
- Atorvastatin-K, a treatment for hypercholesterolemia and for the prevention of cardiovascular conditions, with a new form of atorvastatin calcium, in the form of film-coated tablets in six strengths (10 mg, 20 mg, 30 mg, 40 mg, 60 mg and 80 mg),
- Bloxazoc (metoprolol succinate), a cardioselective beta blocker treatment for high blood pressure and cardiac conditions, in the form of extended-release tablets in four strengths,
- Dulsevia (duloxetine), an antidepressant in the form of 30 mg and 60 mg gastro-resistant capsules, treating depression, generalised anxiety disorder and neuropathic pain in diabetes,
- Ralago/Rasagea (rasagiline), a treatment for Parkinson's disease in the form of 1 mg tablets with the active ingredient from the class of monoamine oxidase-B inhibitors, which has a different mechanism of action from other Krka's antiparkinsons,
- Oprymeia (pramipexole), a treatment used in independent or combination therapy of the signs and symptoms of Parkinson's disease, in the form of extended-release tablets in the additional strengths of 2.62 mg and 3.15 mg,

- Kventiax/Quentiax (quetiapine), an antipsychotic in the form of extended-release tablets in the new strength of 50 mg,
- Loxentia (duloxetine), a treatment for urinary stress incontinence in women, in the form of 20 mg and 40 mg gastro-resistant capsules,
- Doreta (tramadol and paracetamol), a well-established combination of two analgesics in the form of 75 mg/650 mg extended-release tablets,
- Levalox/Levaxela/Levnibiot/Leviaben (levofloxacin), a quinolone antibiotic in the form of film-coated tablets in two strengths and in the form of solution for injection, treating sinusitis and infections of the lungs, urinary tract, kidneys and bladder, long-term prostate infections, and infections of the skin and subcutaneous tissue,
- Furocef/Ricefan (cephuroxime), a cephalosporin antibiotic in the form of film-coated tablets in two strengths, treating infections of the oesophagus, sinuses, middle ear, lungs or chest, urinary tract and skin,
- Linezolid Krka, an oxazolidinone antibiotic in the form of 600 mg film-coated tablets, treating severe pneumonias and severe infections of the skin and subcutaneous tissue,
- Betaklav (amoxicillin and clavulanic acid), a first-line treatment for respiratory tract infections, in the new form of powder for the preparation of oral suspension in the concentration 400 mg/57 mg,
- Tezalom (temozolomide), an oncology treatment in the form of capsules, treating brain tumours and metastatic melanomas,
- Gliclada (gliclazide), a type 2 diabetes treatment, in the form of modified-release tablets in the new strength of 90 mg,
- Pragiola (pregabalin), an antiepileptic in the form of capsules in eight strengths, treating epilepsy and generalised anxiety disorder,
- Imatinib Krka, an oncology treatment in the form of film-coated tablets in two strengths.

In selected European countries, and in the Russian Federation, Serbia, Macedonia, and Bosnia and Herzegovina, Krka obtained marketing approvals for its non-prescription products Septabene/Septotele total (cetylpyridinium chloride and benzydamine chloride) lozenges and spray, which have anti-inflammatory properties and are analgesics and antiseptics. The gastrointestinal disorder treatment Ulcavis/Ulcamed (bismuth subcitrate) in the form of film-coated tablets was approved in the Russian Federation as a non-prescription product, and in the European Union as a prescription pharmaceutical.

As to animal health products, Krka obtained new marketing authorisations for Ataxxa (imidacloprid and permethrin) in the form of spot-on solution in four strengths, used to treat and prevent flea and tick infestations in dogs, and for Amatib (amoxicillin), treating infections of the respiratory and gastrointestinal tract, meninges, joints and secondary infections in pigs, and respiratory and gastrointestinal tract infections in chickens.

Investments

In 2015 the Krka Group allocated EUR 95.9 million to investments, of which the controlling company invested EUR 69.6 million and subsidiaries EUR 26.3 million. Total investments, which also include commitments under existing contracts, amounted to EUR 158.5 million. Investments were primarily increasing and modernising their production capacities, and research and development capacities.

At Krka's pivotal location in Ločna, Slovenia, they completed the construction of the production plant for solid dosage pharmaceuticals – Notol 2. The EUR 200 million investment provides new capacities for implementing the vertically integrated business model with which Krka controls the entire development and production process from raw materials to finished products. The construction of four buildings that spread over a total surface area of 55,000 m² and connect with bridges to the solid dosage forms production plant Notol and the Finished Products Warehouse, started in June 2012 and lasted just over two and a half years. Preliminary production in the plant started at the beginning of 2015. Approximately one third of technological equipment was installed at the start-up. 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. Notol 2 was officially opened at the beginning of November 2015.

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. The EUR 85 million investment gives Krka new capacities for maintaining the entire process from development to production of raw materials and finished products. The 5,529 m² plant was officially opened at the beginning of October 2015.

The construction of the production plant for a new generation of lozenges in Ljutomer, Slovenia, worth EUR 11.5 million, is also complete. The plant with the total surface area of 3,943 m² was built at the end of February 2015. They passed the technical inspection in May and thereafter took over the production line for the manufacture of hard candy lozenges. Preliminary production had started in June, and regular production commenced after the facility was successfully verified by the Agency for Medicinal Products and Medical Devices of the Republic of Slovenia at the end of August.

Krka's key investment in the following years, which will support development activities and quality assurance, is the new Development and Control Centre (RKC) 4 to be located within the group of production facilities in Ločna. RKC 4 will be located in the immediate vicinity of the other three development and control centres and will connect to RKC 2 and RKC 3. Site preparation work started at the end of June 2015, and the construction of the facility with the total surface area of 18,000 m² will take two years. The investment is worth EUR 54 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 building a new plant and logistics centre, while in 2015 Krka started fitting in the additional technical and logistics equipment. This will increase the plant's production capacity to two thirds of its planned target capacity of 1.8 billion tablets and capsules per year. When the remaining logistics equipment is fitted, the warehouse and logistics systems will also reach full capacity. The value of the entire additional equipment is estimated at EUR 30 million.

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. After being granted the building permit, works started during the New Year holidays. The start-up of production on the new technological equipment is planned for the first quarter of 2017. The investment is estimated at EUR 31 million.

Employees

At the end of 2015 the Krka Group had 10,564 employees, of which 4,907 (46.5%) worked in Slovenia and 5,657 (53.5%) abroad. The number of employees at Group level increased by 65 (1%) from 2014, i.e. by 20 in Slovenia and by 45 abroad.

Krka Group staff with a university level education or higher represent 55% of the entire team, which is 5,792 employees; 152 of them have a doctoral degree and 349 have master's degrees or postgraduate specialisations.

Share and investor information

On the final trading day in 2015 Krka's share traded at EUR 65.20 on the Ljubljana Stock Exchange, up 9% on the year-end of 2014 when its closing price was EUR 59.60. In the same period the Slovene blue-chip index SBITOP declined by 11%. Krka's market capitalisation totalled EUR 2.14 billion at the end of last year.

Krka's share is the most traded security on the Ljubljana Stock Exchange. The average daily trading volume in Krka's share on the Ljubljana Stock Exchange in 2015 was EUR 0.5 million. The trading volume on the Warsaw Stock Exchange, where Krka has been listed since April 2012, was higher in the second half of the year although always remaining under the trading volume levels recorded on the stock exchange in Ljubljana.

In 2015 the Krka Company repurchased 152,998 treasury shares on the regulated market, worth a total of EUR 9,378,878, and thus held 326,277 treasury shares as at 31 December 2015. At the end of 2015 Krka had a total of 58,765 shareholders.

In 2015, 49% of the 2014 Group profit attributable to majority owners was appropriated for dividends. The gross dividend per share growth rate was 19%. In line with the five-year strategy adopted at the end of 2015, up to 50% of the Group's profit for the previous year attributable to majority owners will be allocated to dividends in the said period, whereby Krka's financial requirements related to investments and acquisitions will also be considered.

Plans for 2016

The Krka Group plans its sales next year to total EUR 1.210 billion and profit for the year to amount to EUR 160 million.

The estimated value of investments is EUR 162 million, which Krka will allocate mainly to expanding and modernising production facilities, research and development facilities, and infrastructure. The number of employees is planned to increase in 2016 both in Slovenia and abroad, by a total of more than 4%.

The plan for 2016 results from the Krka Group 2016–2020 development strategy and was prepared in October 2015. It was prepared with taking into account certain assumptions, such as price levels, foreign currency exchange rates, conditions on certain markets etc., which were applicable at that time. If operating conditions in 2016 are very different from assumptions, operations results may also differ from plans.