



PRESS RELEASE

22nd Annual General Meeting of Krka, d. d., Novo mesto

Otočec, 7 July 2016 – Krka, tovarna zdravil, d. d., Novo mesto held its 22nd Annual General Meeting today in Hotel Šport in Otočec, Slovenia. Shareholders were acquainted with the Management Board annual report for the business year 2015, including remuneration of the Management Board (MB) and Supervisory Board (SB), the auditor's report, and the report of the SB on its verification and approval of the 2015 annual report. In addition to other business, shareholders deliberated on the allocation of accumulated profit for 2015, deciding to pay a gross dividend of €2.65 per share, which is an increase by 6% from last year. They also elected a new SB member, Dr Boris Žnidarič, his term-in-office having commenced as at the day of election at the AGM.

Krka's President of the Management Board and Chief Executive Jože Colarič opened the AGM by presenting Krka's operations highlights for 2015 and some of the Group's already known operating results for the first half of 2016.

Krka Group operations in the first half of 2016

Krka Group sales by Region

The Krka Group sold €603.8 million worth of products and services in the first half of 2016, up €4 million or 1% compared to the first half of last year. Sales in markets outside Slovenia totalled €562.6 million, which represents over 93% of the Group's total sales. Production and sales volumes in the first half of 2016 increased by 12% from the same period last year.

The highest relative as well as absolute growth, of 27%, or €16.3 million, was recorded in Region South-East Europe, where sales totalled €76.8 million, which represents 12.7% of Group sales. Sales in the domestic market were up 6% to €41.2 million, which represents 6.8% of Group sales. In Region Overseas Markets six-month product sales totalled €18.5 million (25% increase), which represents 3.1% of Group sales. Krka's largest sales region was Region East Europe, where sales totalled €175.5 million, which represents 29.1% of Group sales and a year-on-year decrease by 6%. The second largest region in terms of sales was Region West Europe, where Krka generated €150.4 million of sales (down 8%), which represents 24.9% of Group sales. Product sales in Region Central Europe represented 23.4% of Group sales and amounted to €141.4 million, up 3%.

Krka Group sales by product and service group

The Krka Group sold €499.4 million worth of prescription pharmaceuticals, down 2% compared to the same period last year. Prescription pharmaceuticals represent 82.7% of Group sales. Non-prescription product sales were down 1% compared to the same period last year, to €50.3 million (8.3% of Group sales). The sales of animal health products were up 44% to €37.3 million, which is 6.2% of Group sales. Health resort and tourist services totalled €15.4 million in revenues, up 10% from the same period last year (2.6% of Group sales), and other revenues amounted to €1.3 million (0.2% of Group sales).

Investments

According to the plan, The Krka Group has allocated €162 million for this year's investments, which are primarily increasing and modernising Krka's production capacities, and research and development capacities. There are several currently ongoing investment projects.

A plant for solid dosage pharmaceuticals, Noto 2 had been officially opened at Krka's main location in Ločna, Novo mesto, Slovenia in November 2015. The investment is worth €200 million and provides new capacities for implementing the vertically integrated business model, with which Krka controls the entire process of development and production of both raw materials and finished products. Approximately one third of technological equipment was installed at the start-up in February 2015. New production lines will gradually be added by the end of next year to increase the plant's production capacity to the target 4.5 billion tablets and capsules per year.

Krka's key investment supporting development activities and quality assurance in the following years is the Development and Control Centre (RKC) 4, located in the group of production facilities in Novo mesto. 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. Preparatory work started in June 2015, and by the end of this year the facility's stage of construction will allow equipment installation to begin in early 2017. The construction of the new 18,000 m² plant worth €54 million will be completed in 2017.

As to Krka's subsidiaries, the most important ongoing investment is Krka-Rus 2 in Istra, the Russian Federation. The first stage of the project had included building a new plant and logistics centre, and in 2015 they started fitting additional technological and logistics equipment. This will increase the Krka-Rus 2 plant's production capacity to two thirds of its planned target capacity, which will total 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 total value of additional equipment, which will be installed by the end of the year, is estimated at €30 million.

Due to the expansion of the production programme in the Jastrebarsko distribution and production centre in Croatia, the warehousing and distribution segments of the facility are being converted to acquire new laboratory and production facilities for solid dosage pharmaceuticals. Laboratories and warehouses have already been renovated, while the production facility is currently witnessing installation works and the gradual fitting of the main production equipment. The start-up of production on the new technological equipment is planned for the first quarter of 2017. The investment is estimated at €31 million.

Employees

At the end of June the Krka Group had 10,821 employees, an increase by 257, or 2.4%, compared to the beginning of the year. 54% of employees work outside Slovenia, and 56% of the Krka team have university degree or higher.

Investor and share information

At the end of June 2016 Krka had 57,420 shareholders, which is 2.3% fewer than at the end of 2015. On 30 June 2016 Krka's share traded at €57.15 on the Ljubljana Stock Exchange, down 12% from the year-end of 2015 when it traded at €65.20.

In the first half of the year Krka repurchased 39,803 treasury shares. At the end of June 2016 Krka thus held 366,080 treasury shares, which represents 1.116% of the value of its share capital.

Resolutions passed by the Annual General Meeting

The Krka shareholders passed the resolution to allocate €186,908,421.49 of the 2015 accumulated profit as follows:

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| • for dividends (€2.65 gross per share) | €85,932,525.20, |
| • for other profit reserves | €50,487,948.14, |
| • for retained earnings | €50,487,948.15. |

Dividend pay-outs will commence within 30 days of the AGM, to shareholders recorded in the share register of the Central Securities Clearing Corporation (KDD – Centralna klirinško depotna družba, d. d., Ljubljana) as at 12 July 2016.

The shareholders approved and gave their consent to the work of the Management Board and Supervisory Board for the financial year 2015, and discharged them from liability for performance of their duties.

The AGM took note of the termination of Matej Pirc's status of Supervisory Board member and President of Supervisory Board of Krka, d. d., Novo mesto due to his resignation. Shareholders elected Dr Boris Žnidarič the new member of the Supervisory Board and shareholder representative, his term-in-office effective from the day of election until 19 August 2020 inclusive.

Shareholders approved at the AGM proposed amendments of the Articles of Association, which will take effect as at the day they are entered into the court register.

The shareholders appointed Ernst & Young Revizija, poslovno svetovanje, d. o. o., Ljubljana as the auditor for the business year 2016.

The Krka Management Board will publish the adopted resolutions in the Saturday edition of the Delo newspaper, in the Ljubljana Stock Exchange electronic information dissemination system SEOnet, and in the Polish electronic information dissemination system ESPI.