



## **PRESS RELEASE**

### **Krka presented its operating results for the half year ended 30 June 2018**

**Novo mesto, 26 July 2018 – The Krka Group sales in the first six months of 2018 totalled €680.5 million, an increase of 4% over the same period last year, resulting in €101.7 million of net profit or an 11% year-on-year increase. The interim report of the Group and the Company for January–June 2018 was discussed by the Krka Supervisory Board at its yesterday's regular meeting.**

#### **Sales**

In the first half of 2018, the Krka Group sold €680.5 million worth of products and services, up €25.4 million or 4% more than in the same period last year. This is Krka's best half-year sales result to date. In terms of volume, sales were up 6% over the same period last year. All sales regions recorded an increase in sales. Sales in markets outside Slovenia totalled €636.1 million and constituted 93% of Krka Group total sales.

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

Accounting for a 32.1% share in total sales, the Group's largest sales region was Region East Europe. The sales there reached €218.4 million, up €4.4 million or 2% over year-to-date. In the Russian Federation, the largest single market in Krka, the value of sales, expressed in local currency, increased by 12%. They sold €153.2 million worth of products, which is 2% less than in the same period last year due to the depreciation of the Russian rouble. Sales growth was recorded in most other markets of Eastern Europe and Central Asia.

In terms of sales, second largest region was Region Central Europe, where sales reached €161.5 million or 23.7% of total Group sales. Product sales in this region amounted to €7.1 million or 5% more than in the same period last year. In Poland, the largest market in the region, Krka sold €74.7 million worth of products, recording a 2% year-on-year increase.

Product sales in Region West Europe totalled €146 million, accounting for a 21.5% share of the Krka Group sales, up €2.8 million or 2% compared to the same period last year. The highest growth was recorded in the Scandinavian countries, Italy, Spain and the Benelux countries.

In Region South-East Europe, product sales amounted to €88.4 million, constituting 13% of Krka Group total sales. They sold €8.6 million worth of products or 11% more than in the same period last year. The highest sales growth was recorded in Serbia, Bosnia and Herzegovina, Croatia, Bulgaria and the Republic of Macedonia.

In Slovenia, sales saw a 3% growth and totalled €44.4 million. Sales in the Slovenian market constituted a 6.5% share of total sales.

Product sales in Region Overseas Markets amounted to €21.8 million (up 6%), accounting for 3.2% of total Group sales.

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

Sales increased in all product and service groups. The Krka Group sold €568.3million worth of prescription pharmaceuticals, an increase of 4% or €20.1 million compared to the same period last year. Prescription pharmaceuticals represented 83.5% of total Krka Group sales.

As to the largest markets, sales went up in Poland, by 3%, but saw a 2% decline in the Russian Federation (expressed in the Russian rouble, sales there increased by 12%). Compared to the same 2017 period, the sales of prescription pharmaceuticals in other major markets went up by: 28% in the Scandinavian countries, 22% in

Ukraine, 20% in Italy, 18% in the Czech Republic, 11% in Croatia, 11% in Spain, 3% in Slovakia and 1% in Slovenia.

The medium-sized markets recorded sales increases as follows: 40% both in Serbia, and in Bosnia and Herzegovina, 35% in Uzbekistan, 20% in Bulgaria and 10% in the Republic of Macedonia. Among the small markets, sales of prescription pharmaceuticals recorded the steepest growth in Finland, where it doubled. It went up by 62% in Mongolia, 57% in Montenegro, 35% in Tajikistan, 26% in Georgia, 19% in Armenia, 13% in Belarus, 11% in Moldova, 9% in Austria and 8% in Estonia.

The ten leading prescription pharmaceuticals in terms of sales included medicines containing perindopril (Prenessa, Co-Prenessa, Amlessa, Co-Amlessa), losartan (Lorista, Lorista H, Tenloris), atorvastatin (Atoris, Atordapin), valsartan (Valsacor, Valsacombi, Vamloset, Co-Vamloset, Valarox), pantoprazole (Nolpaza), rosuvastatin (Roswera, Rosudapin), esomeprazole (Emanera), enalapril (Enap, Enap H, Elernap), clopidogrel (Zyllt) and candesartan (Kabis, Karbicombi). These products may have different brand names in individual markets.

Year-on-year comparison shows the sales of non-prescription products were up €4.3 million or 8% and generated €58.5 million (8.6% share of total Group sales). Sales of animal health products increased by 1% to €35.2 million, accounting for 5.2% of Krka Group total sales. The sales of health resort and tourist services totalled €17.3 million, up 5% over the same period last year (2.5% share of total Group sales).

## Operating result

In the first six months of 2018, all performance results improved over the same period last year. The Krka Group recorded €135.5 million of operating profit, a 9% year-on-year increase. Profit before tax amounted to €120.6 million, up 9% compared to the same period last year. Income tax totalled €18.8 million, and the effective tax rate was 15.6%. The Krka Group recorded net profit of €101.7 million, an 11% rise over the same period of 2017.

Net profit margin of the Krka Group in the period January–June 2018 was 15.0%, its EBIT margin 19.9% and EBITDA margin 28.1%.

Annualised ROE at the Group level was 13.3%, with annualised ROA at 10.4%.

## Research and development

In the first half of 2018, Krka received marketing authorisations for 8 new products in 18 pharmaceutical dosage forms and strengths. In the same period, a total of 400 new marketing authorisations were obtained for 84 products in various markets.

Krka was granted marketing authorisations under the European decentralised procedures for Parnido (paliperidone) prolonged release tablets in three strengths. The medicine is an atypical antipsychotic and is taken only once daily. Krka has introduced OROS, the new laser technology for production of tablets from which active ingredients are released by osmosis.

It also expanded its portfolio of oncology medicines. Under the centralised procedure, Krka obtained marketing authorisations for Pemetrexed Krka (pemetrexed) powder for solution for infusion in two strengths. This medicine of choice is used for the treatment of patients with locally advanced or metastatic non-small cell lung cancer.

Marketing authorisation for everolimus tablets was also obtained. The medicine decreases blood supply to tumour and inhibits cancer cell growth and distribution. The product is indicated for the treatment of breast cancer and renal cancer, and is the medicine of choice for the treatment of certain types of neuroendocrine tumours.

Under the European decentralised procedure, relevant marketing authorisations for an antihistamine doxylamine (doxylamine succinate) 15 mg film-coated tablets were obtained in three European countries. Doxylamine is used as a short-term treatment for occasional sleep problems in adults. It helps to reduce difficulty in falling asleep and improves the quality of sleep.

Krka's key therapeutic group are medicines for the treatment of cardiovascular diseases. The range of anti-hypertensives was extended with two new strengths of the perindopril/amlodipine fixed-dose combination in tablet

form. The new 2.85 mg/2.5 mg and 5.7 mg/5 mg tablets are indicated for the initial treatment of hypertension. Marketing authorisations for them were obtained under the European decentralised procedure in 15 countries.

In the Russian Federation, Krka obtained the first marketing authorisation for Co-Vamloset (valsartan/amlodipine/hydrochlorothiazide) film-coated tablets in three strengths. The fixed-dose combination of three active ingredients controls blood pressure in patients with severe hypertension.

The registration procedure for eplerenone film-coated tablets in two strengths has been completed. The medicine is used in combination with other medicines for the treatment of heart failure. The active ingredient is one of the new aldosterone receptor antagonists and reduces the risk of adverse effects compared to the older active ingredient, spironolactone.

Krka also obtained marketing authorisations for an antiviral medicine, Entecavir TAD (entecavir) film-coated tablets in two strengths. It is used to treat chronic hepatitis B virus infection. According to the guidelines, it is one of the medicines of choice for the treatment of this disease.

## Investments

In the first six months of 2018, the Krka Group allocated €43.5 million to investments, of that €34.3 million to the controlling company. Investments primarily increased and modernised their production capacities, and research and development capacities.

Krka's key investment is a €54 million product development and quality control facility, the Development and Control Centre 4 (RKC 4), at the production site in Novo mesto, built in the vicinity of the other three similar laboratories for product development and control. Setting up of the laboratory rooms was finished in the summer of 2017. Additional furnishing of the rooms intended for development is in its final stage. According to the plan, the supply and setting up of the pharmaceutical equipment are due by the autumn of 2018 and the installation and start up by the end of 2018. The completion of facilities for analytics development is due at the end of 2018, and the installation of the equipment is planned for the first half of 2019.

In October 2017, Krka started building a multipurpose warehouse on the same site to ensure additional storage rooms for incoming materials and finished products. This will increase the speed and flexibility of production and improve product availability and market supply. The construction of the building, installation of the logistic and other equipment, qualification and equipment and system start-ups will take two years. The investment is estimated at €36 million.

Notol 2, the advanced facility for manufacturing solid dosage forms, which started running in 2015, is also at this site. Krka has been acquiring additional technological equipment in order to meet the increasing market demand and manufacture new products. It has allocated €10 million for it this year. When the plant is fully equipped, it will be able to operate at its planned volume, i.e. 4.5 billion tablets, film-coated tablets and capsules per year. So far, Krka has invested €202 million in it.

Investing in the new plant in Krško has provided facilities for hydrogenation and further increased capacities for the independent production of pharmaceutical ingredients. Construction of a €4.5 million hydrogenation plant, Hidrogeniranje 2, started in June 2017, and trial production at the beginning of 2018.

The plant for production of animal health products with biocidal effect in Bršljin, Novo mesto, has been extended. The investment is estimated at €4.6 million. Production on the new equipment is due at the end of 2018.

Krka has started constructing a new office building in Ljubljana. The building will be connected to the existing one and ready for use in mid-2019.

Krka-Rus 2 plant in Istra in the Russian Federation is one of the most important investments in Krka's subsidiaries. The second stage of equipping has been completed, which has cost Krka €22 million. All technological and production equipment has been installed and operates. Production capacity has been increased to two thirds of the planned final capacity, a total of 2.5 billion tablets and capsules a year. This autumn, Krka plans to start building a €2.6 million wastewater treatment plant and also to invest €1.8 million in increasing laboratory capacities this year. 64% of products intended for the Russian market are produced by Krka-Rus, giving Krka the status of a domestic producer in the Russian Federation.

Krka completed a €5.5 million investment in its subsidiary, Farma GRS. Additional capacities were arranged for research and development at the Chemical development centre, and capacities increased for the small-scale

production of pharmaceutical ingredients in line with the good manufacturing practice. Production was started in February.

Several low investments are in progress in all business units of the subsidiary Terme Krka, for which more than €3 million will be allocated.

Krka has established a joint venture Ningbo Krka Menovo with its long-term Chinese partner Menovo. The initial share capital of €30 million has been allocated to financing development activities, land purchases and building production capacities. The new company engages in development, production and marketing of finished products. Its first job is to obtain as many marketing authorisations in China for products from Krka's portfolio as possible in the next two to three years and manufacture them there. First sales results in China are expected in three years.

## Employees

At the end of June 2018, the Krka Group had 11,212 employees, which is 380 or 4% more than at the end of 2017. Together with agency workers, Krka employed 12,364 people (2% more than at the end of 2017). 5,758 people were employed abroad, accounting for 51% of the total regular employed in Krka Group.

Of all employees in the Krka Group, 54% have completed at least university level education. Krka has been supporting 55 employees who have enrolled into postgraduate studies (specialist, master's or doctoral degrees), and a total of 151 have enrolled into part-time undergraduate studies. At the end of June 2018, there were 56 Krka scholarship holders. In the first two quarters of 2018, 13 new scholarships were granted.

## Investor and Share Information

In the first half of 2018, the price of Krka's share on the Ljubljana Stock Exchange increased by 0.5% to €57.80. On 30 June 2018, Krka's market capitalisation on the Ljubljana Stock Exchange amounted to €1.9 billion.

At the end of June 2018, Krka had 51,020 shareholders. The shareholder structure, in which individual Slovenian investors (natural persons) account for more than 39% and international investors over 23%, is stable and without major changes.

In the first half of 2018, Krka repurchased a total of 102,396 treasury shares. At the end of June 2018, it held 794,113 treasury shares, accounting for 2.42% of the share capital.