

PRESS RELEASE

Krka has presented its operating results for the first quarter of 2013

Novo mesto, 16 May 2013 – The Management Board of Krka, d. d. held a press conference today presenting to the public the results of the Krka Group and the Krka Company for the first quarter of 2013, which the Krka Supervisory Board had discussed at its yesterday's regular meeting. The Group sold EUR 294.4 million worth of products and services in the reported period, up 8% compared to the same period last year, and generated EUR 51.4 million of profit, an increase by 6% compared to the first quarter last year. The Krka Company sold EUR 284.4 million worth of products (10% increase) and generated a profit of EUR 50.0 million (4% increase).

Sales

Krka Group sold EUR 294.4 million worth of products and services in the first three months, up EUR 20.9 million, or 8%, compared to the same period last year. Sales in markets outside Slovenia, which represent 93% of the Krka Group total sales, were up EUR 22.7 million, or 9%, compared to last year.

Krka Company sales amounted to EUR 284.4 million, up EUR 25.4 million, or one tenth, compared to the same period last year.

Krka Group sales by Region

Krka's leading sales region is Region East Europe, where Krka generated 34% of its total sales. This is where Krka recorded the highest relative as well as absolute sales growth among all its regions, sales there amounting to EUR 100.5 million in the first quarter of 2013, an increase by 28%. Region East Europe includes Krka's largest individual market, the Russian Federation, where sales amounted to EUR 70.3 million, up 30% compared to the same period last year.

On EUR 75.1 million of sales, which is one quarter of total sales, the second largest sales region is Region West Europe and Overseas Markets. Sales there increased by 6% compared to the same period last year. Contributing EUR 63.5 million, Region Central Europe is third in terms of sales value. Sales there were down 4% and represent 22% of total sales. Sales in Region South-East Europe amounted to EUR 34.2 million, which is 12% of Krka Group sales and a decrease by 3% compared to sales in first quarter of 2012. Having amounted to EUR 21.1 million, sales in the domestic market decreased by 8% compared to the first quarter last year and represent 7% of Krka Group sales.

Sales by product and service group

The Krka Group sold EUR 242.8 million worth of prescription pharmaceuticals, 5% more than in the first quarter last year. Prescription pharmaceuticals represent over 82% of Krka Group sales. Their sales increased the most in Region East Europe (up 22%) and Region West Europe and Overseas Markets (up 6%). In Regions South-East Europe, Central Europe and Slovenia sales were down compared to the same period last year.

Non-prescription products, the sales of which increased by 41% compared to the same period last year, generated EUR 33.9 million, which represents 12% of Krka Group sales. The sales of animal health products contributed EUR 10.9 million, which is the level of sales recorded in the first quarter last year and which represents 4% of overall Krka Group sales. Health resort and tourist services contributed EUR 6.5 million, which is a decrease compared to the same period last year and represents 2% of total Krka Group sales.

Operating result

The Krka Group recorded EUR 58.4 million of operating profit, an increase by 7% compared to the first quarter last year. Profit before tax amounted to EUR 60.7 million, up 1% compared to the same period last year.

The Krka Group generated EUR 51.4 million of profit for the period, up 6% compared to the same period last year, and the Krka Company generated EUR 50.0 million of profit for the period, up 4%.

The Krka Group's profit margin for the first quarter of 2013 was 17.4% (Krka Company 17.6%), the EBIT margin 19.9% (Krka Company 19.3%) and the EBITDA margin 27.6% (Krka Company 25.6%). ROE at the Krka Group level was 16.2% (Krka Company 15.9%), with ROA at 12.4% (Krka Company 12.5%).

Research and development

In the first quarter of 2013 Krka received first marketing authorisations for four new products in seven different dosage forms and one notification for a new veterinary biocidal product. They obtained 169 new marketing authorisations for 50 products in different markets.

In the area of treatments for cardiovascular diseases, Krka supplemented their established medicine Atoris (atorvastatin) with the new product Amaloris (fixed-dose combination of atorvastatin and amlodipine), for which they obtained a first marketing authorisation. Amaloris film-coated tablets contain 10 mg of each of the two active substances. The fixed-dose combination of substances from different indication areas the medicine allows for the holistic treatment of patients with cardiovascular conditions and efficiently reduces cardiovascular risks.

As to Krka's products used to lower blood pressure, approvals were obtained in all European countries for the new product Tolucombi (fixed-dose combination of telmisartan and hydrochlorothiazide) in the form of bilayer tablets, indicated in patients whose blood pressure is not adequately controlled on one product alone. By having obtained the marketing authorisation for Tolucombi, Krka successfully completed the development of their first product in the form of bilayer tablets, additionally confirming their mastery of the new technology in production. Bilayer tableting enables additional options of incorporating several active substances into one tablet, even with substances that are not well compatible on account of their physical and chemical properties and mutual interactions. The bilayer form also allows for different releases of one or more active substances incorporated into various layers. With Tolucombi, the bilayer tablet form enabled Krka to reach adequate stability and thus quality of the product faster.

In the area of oncology medications, the marketing authorisations granted to Krka last year for capecitabine, letrozole and exemestane have been joined by approvals for two new products. One of them is Meaxin (imatinib) film-coated tablets, which was approved in EU markets and Croatia, and the other is Tolnexa (docetaxel), a concentrate for solution for infusion. Meaxin is used to treat chronic myeloid leukaemia, and Tolnexa is used either separately or in combination therapy to treat breast cancer, locally advanced or non-small cell metastatic lung cancer, metastatic prostate cancer, metastatic stomach cancer, and locally advanced head and neck cancer. Krka has also entered the area of oncology medications in the Russian Federation, where they were granted the marketing authorisation for a product, Neopax (imatinib) hard gelatin capsules.

An important achievement for Krka is the approval they obtained in Russia for their new product Dalneva (fixed-dose combination of perindopril and amlodipine). Dalneva contains two active substances that supplement each other to enable a safer and more effective lowering of high blood pressure. It is also an excellent choice for cardiac patients, because it reduces the risk of cardiovascular complications. In Ukraine, Turkmenistan, Kazakhstan and Kyrgyzstan we obtained new marketing authorisations for Roxera (rosuvastatin), while in Uzbekistan and Ukraine we also received approvals to market our ACE inhibitors Zonixem (lisinopril), and Zonixem H and Zonixem HD (fixed-dose combination of lisinopril and hydrochlorothiazide).

With respect to non-prescription products, Krka completed the marketing authorisation procedures for Septotele plus honey/lime and Septotele plus menthol lozenges in Austria, and thus expanded the products' marketing authorisations to the markets of Western Europe. They also expanded national marketing authorisations for the Herbion Iceland moss syrup to the additional markets of Hungary and Macedonia.

In Slovenia they obtained the first notification for their new veterinary hygiene biocidal product Ecocid Advanced in the form of water-soluble powder. It is an all-purpose highly active disinfectant intended for the disinfection of surfaces and equipment in veterinary health and contemporary animal breeding. The release of peracetic acid decontaminates from viruses, bacteria and their spores, from yeasts and moulds. Krka successfully completed the DCP for the toltrazuril oral suspension, expanding its applicability to bovine animals. The product is used to prevent coccidiosis and the related diarrhoea in neonatal calves.

Investments

In the first three months of 2013 the Krka Group allocated EUR 30.0 million to investments, of which the controlling company invested EUR 15.5 million and subsidiaries EUR 13.5 million. Investments are primarily increasing and modernising Krka's production capacity and research and development infrastructure.

In June 2012 construction works started at Krka's central location at Ločna in Novo mesto, Slovenia for Noto 2, a production plant for solid dosage pharmaceuticals. This is the largest investment in Krka's history. The estimated investment value of the 55,000 m² plant is EUR 200 million, and its target capacity is 4.5 billion finished products per year. The construction of the building, incorporation of technological and other equipment, qualification, and equipment and system start-ups will last to the second half of 2015. The fitting of technological equipment is planned to start at the end of 2013.

Also ongoing is the investment into Krka's subsidiary Farma GRS, d. o. o., a company Krka founded together with partners in a project aimed at advancing the pharmaceutical industry. The project is worth EUR 45 million and is being co-funded by the European Union, contributing over EUR 10 million from the European Regional Development Fund. The Production centre for the final processing of active ingredients is already operating at full capacity. The building of the Chemicals development centre is currently undergoing finishing works, technological and laboratory equipment start-ups, and system and equipment validations. The facility underwent the technical inspection in April 2013 and its handover will take place in the summer 2013, after the operating permit is obtained and a quality inspection carried out.

In the summer of 2012 Krka started constructing the Sinteza 1 plant in Krško, Slovenia, which will increase their API and intermediates production capacity. The investment, worth an estimated EUR 85 million, will provide for the highest possible level of production flexibility, and will facilitate a transfer to large scale production of complex APIs and intermediates in the shortest possible time. The plant will enable production in a controlled environment, consistent with the European Community Regulation on chemicals and their safe use (REACH). Construction is going according to plans, with the construction of the production facility and the outbuilding having been completed in March 2013. Manufacturing equipment will be fitted in the second half of 2013, while testing and equipment and system start-ups will follow in 2014. Production will start by the end of 2014.

The Sterile product production plant will gradually increase ampoule production to 130 million ampoules per year. By the end of 2012 Krka had fitted the new ampoule facility with the main technological equipment: two injection filling lines, two injection solution preparation lines and one ampoule packaging line. Process qualifications and gradual transfers of technologies from existing lines will continue until autumn 2013, when production is planned to start on the new equipment. The estimated value of the entire investment is EUR 22 million.

Cogeneration, i.e. the simultaneous generation of useful heat and electricity, increases the recovery of energy conversion and enables an efficient use of primary energy. At the central location in Ločna, they are setting up a natural-gas-powered gas engine cogeneration system. The project will increase the economic efficiency of their generation of electricity and utilisation of heat energy. The investment will be completed this year and is worth an estimated EUR 1.7 million.

One of the most important ongoing investments in the Krka Group is Krka Rus 2, the construction of a new plant and expansion of their logistics centre in the Russian Federation. The plant, with the target production capacity of 1.8 billion tablets and capsules per year, and a total surface area of 36,000 m², is consolidating Krka's status as a domestic pharmaceuticals producer in this country. Construction is going according to plans, with the logistics centre including the high-bay warehouse completed, and the manufacturing facility undergoing finishing works. Technological equipment has been fitted, while system and equipment qualifications are ongoing. The investment is estimated at EUR 135 million and will be completed in this year.

In April the subsidiary Terme Krka opened the Otočec Adventure Park. The Adventure Park is diversifying Krka's tourist offer, increasing the area's tourist appeal, and providing an innovative form of recreation to families and the youth who wish to be active outdoors in their free time. The project was partly co-funded by the European Agricultural Fund for Rural Development (EAFRD) under Axis 4: LEADER.

Employees

At the end of March 2013 the Krka Group had 9,654 employees, an increase by 193, or 2%, from the beginning of the year. The number of employees in subsidiaries and representative offices abroad has exceeded the number

of employees in Slovenia for the first time in Krka's history. Among all Krka Group employees 52% have a university level education or higher.

Currently there are 52 employees enrolled into postgraduate studies with Krka's support, towards obtaining a specialisation, master's degree or doctoral degree, and 178 are enrolled into part time graduate studies. Nine employees completed their studies in the first quarter of 2013.

Investor and share information

At the end of March 2013 Krka had a total of 66,491 shareholders, just over 2% less than at the end of 2012. The decrease in the total number of shareholders was mainly due to individual Slovenian investors. In the first quarter of 2013 international investors slightly increased their holdings, while the holdings of individual Slovenian investors, investment companies and funds were slightly down.

At the end of March 2013 Krka held 2,353,706 treasury shares, which is 6.6% of the value of its share capital. In the first quarter of 2013 Krka repurchased 45,967 treasury shares via the Ljubljana Stock Exchange, worth a total of EUR 2,467,166.

Krka's share price decreased by 7% in the first quarter of 2013, and stood at EUR 46.37 at the end of March. In the same period, the Slovenian blue-chip index SBI TOP also dropped 7%. Krka's market capitalisation as at 31 March 2013 amounted to EUR 1.6 billion. In the first quarter of 2013 deals in Krka's share contributed an average of EUR 0.6 million of daily trading volume on the Ljubljana Stock Exchange, making Krka the most traded share.

Since April 2012 Krka has also been listed on the Warsaw Stock Exchange. During the initial months of the listing trading in Warsaw was scarce but in September, October and December it stepped up considerably. This trend was continued in first days of January 2013 and after that the trading volume decreased. Towards the end of March the trading volume was increasing again.