

PRESS RELEASE

Krka presented its operating results for the first nine months of 2013

Novo mesto, 14 November 2013 – 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 2012, which the Krka Supervisory Board had discussed at its yesterday's regular meeting. The Group sold EUR 857.8 million worth of products and services in the reported period, up 5% compared to the same period last year, and generated EUR 124.9 million of profit, an increase by 12% compared to the same period last year. The Krka Company sold EUR 835.3 million worth of products and services, up 11%, and reported EUR 116.9 million of profit (up 9% compared to the same period last year).

Sales

Krka Group sales amounted to EUR 857.8 million in the first nine months of 2013, up EUR 43.9 million, or 5%, compared to the same period last year. Sales in markets outside Slovenia amounted to EUR 792.7 million, which is more than 92% of the Group's total sales, and were up EUR 48.0 million, or more than 6%, compared to the same period last year.

Krka Company sales totalled EUR 835.3 million, an increase by EUR 83.0 million, or 11%, compared to the same period last year.

Krka Group sales by Region

The leading sales region is Region East Europe, where Krka generated 34.7% of its total sales. This is where Krka recorded the highest relative as well as absolute sales growth among all regions, sales there in the nine months to September amounting to EUR 297.3 million, up 24%. Region East Europe includes Krka's largest individual market, the Russian Federation, where sales amounted to EUR 209.6 million, up 29% compared to the same period last year.

Representing 23.7% of total Krka sales, which is EUR 203.7 million, the second largest sales region is Region Central Europe. Sales there were down 1% compared to the same period last year. Contributing EUR 193.1 million, Region West Europe and Overseas Markets is third in terms of sales value. Sales there were down 2% and represent 22.5% of total sales. Sales in Region South-East Europe amounted to EUR 98.6 million, which is 11.5% of Group sales and a decrease by 4% compared to last year's sales. Sales in the domestic market decreased by 6% compared to the same period last year, to EUR 65.1 million, representing 7.6% of Krka Group sales.

Krka Group sales by product and service group

The Krka Group sold EUR 711.7 million worth of prescription pharmaceuticals in the reported period, 5% more than in the same period last year. Prescription pharmaceuticals represent 83.1% of Krka Group sales. A substantial sales increase was recorded in Region East Europe (up 28%).

The ten leading prescription pharmaceuticals in terms of sales are Atoris (atorvastatin), Lorista/Lavestra (losartan), Enap (enalapril), Prenessa/Perineva (perindopril), Zyllit (clopidogrel), Nolpaza (pantoprazole), Emozul/Emanera (esomeprazole), Valsacor (valsartan), Roswera/Roxera (rosuvastatin) and Karbis/Candecor (candesartan).

Non-prescription products, the sales of which increased by 14% compared to the same period last year, generated EUR 89.9 million, which represents 10.5% of Krka Group sales. Animal health products contributed EUR 31.7 million of sales, which is 1% less than in the same period last year, and represents 3.7% of total Group sales. Health resort and tourist services were down 6% to EUR 23.1 million, and represented 2.7% of total Krka Group sales.

Operating result

The Krka Group recorded EUR 167.0 million of operating profit, up 21% compared to the same period last year. Profit before tax amounted to EUR 146.6 million, up 7%.

The Krka Group reported EUR 124.9 million of profit for the period, up 12% compared to the same period last year, and the Krka Company generated EUR 116.9 million of profit for the period, up 9%.

The Krka Group profit margin for the period January–September 2013 was 14.6% (Krka Company 14.0%), its EBIT margin 19.5% (Krka Company 18.7%), and its EBITDA margin 27.6% (Krka Company 25.1%). ROE at the Group level was 13.1% (Krka Company 12.4%), with ROA at 10.0% (Krka Company 9.7%).

Research and development

In the nine months of 2013 Krka Group obtained first marketing authorisations for 13 new products (9 prescription pharmaceuticals, 3 non-prescription products and 1 animal health product) in 22 different dosage forms and strengths. They obtained a total of 382 new marketing authorisations for 110 different products in all Krka's markets.

Approvals were obtained for the new medicine Amaloris (fixed-dose combination of atorvastatin and amlodipine) in the form of film-coated tablets. The medicine contains 10 mg of each of the two active substances and supplements Krka's range of products indicated in the treatment of cardiovascular diseases. Krka's group of products used to lower blood pressure was supplemented with the new medicinal product Tolucombi (fixed-dose combination of telmisartan and hydrochlorothiazide) in the form of tablets, for which marketing authorisations were granted in all European countries. This has successfully completed the development of Krka's first medicine in the form of bilayer tablets, which enable the incorporation of 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.

Krka obtained approvals for memantine film-coated tablets in two strengths, used to treat patients with moderate to severe Alzheimer's disease. In 15 European countries they obtained marketing authorisations for Elernap (fixed-dose combination of enalapril and lercanidipine) in two strengths, a product intended for the treatment of essential hypertension.

Krka's offer of products for the treatment of the central nervous system was supplemented with the antidepressant Elicea Q-Tab (escitalopram) in the form of orodispersible tablets in four strengths, which was approved in nine European countries. The new form of the medicine is appropriate for patients that have difficulty swallowing a tablet. The U.S. Food and Drug Administration approved Krka's proton pump inhibitor lansoprazole in the form of capsules in two strengths.

In the Russian Federation they obtained marketing authorisations for the new product Naklofen Protect dual pack, which contains capsules with 75 mg of diclofenac and 15 mg of lansoprazole in the same pack. It is used to alleviate pain and treat all forms of rheumatic diseases that require long-term treatment with diclofenac.

Krka has also introduced new products in the oncology area. Approvals were granted for Meaxin (imatinib) film-coated tablets and for the Tolnexa (docetaxel) concentrate for the preparation of solution for infusion. Imatinib is used to treat chronic myeloid leukaemia, and Tolnexa is used in treating breast cancer, locally advanced or non-small cell metastatic lung cancer, metastatic prostate cancer, metastatic stomach cancer, and locally advanced head and neck cancer. In the Russian Federation they obtained new marketing authorisations for Neopax (imatinib) hard gelatin capsules, and for Balutar (bicalutamide) film-coated tablets in two strengths, used in the treatment of prostate cancer.

This year's important acquisition was the marketing authorisations obtained for their new medicine Dalneva/Amlessa (fixed-dose combination of perindopril and amlodipine) in the form of tablets in four strengths. It enables a safer and more effective lowering of high blood pressure, and reduces the risk of cardiovascular complications. The product was approved in the Russian Federation, Ukraine, Kazakhstan, Uzbekistan, Georgia, and Bosnia and Herzegovina.

With respect to non-prescription products, Krka obtained marketing authorisations for their new pain reliever Nalgesin 220 mg (naproxen sodium) in seven European countries. Approvals were also granted for their Septanazal nasal spray for adults and Septanazal nasal spray for children, both intended to relieve breathing problems with nasal congestion during colds. Additional marketing authorisations were obtained in different

countries for Krka's key brands Bilobil, Herbion and Septotele, and for the Septoaqua nasal spray for children and the Septoaqua nasal spray for adults.

In Slovenia, the Russian Federation, Lithuania, Slovakia and the Czech Republic they obtained the certificate of the first notification for their new veterinary hygiene biocidal product Ecocid Advanced in the form of water-soluble powder. In different countries they obtained marketing authorisations for the toltrazuril oral suspension, for the Enrox/Enroxal (enrofloxacin) solution for injection for cattle and pigs, for the Marfloxin (marbofloxacin) solution for injection for calves and pigs, for the Fypryst spot on (fipronil) solution and the Fypryst (fipronil) cutaneous spray, for the Flimabend (flubendazole) oral suspension for pigs and poultry, and for tiamulin granules for the preparation of drinking water for pigs and poultry.

Investments

In the first nine months of the year the Krka Group allocated EUR 109.2 million to investments, of which the controlling company invested EUR 76.9 million and subsidiaries EUR 32.3 million. Investments are primarily increasing and modernising their production infrastructure, and research and development infrastructure.

In June 2012 construction works started at Krka's central location at Ločna in Novo mesto, Slovenia for the Notol 2 production plant for solid dosage pharmaceuticals. The estimated value of the largest investment in Krka's history is EUR 200 million. The 55,000 m² plant will have the target annual production capacity of 4.5 billion finished products. Production will start by the end of 2015.

The investment into Farma GRS, d. o. o., a subsidiary Krka had founded together with partners in a project aimed at advancing the pharmaceuticals industry, is in its final stage. At the location in Ločna they are setting up new research and development, and production facilities. The project's investment value is EUR 45 million, and it is being co-funded by the European Union, contributing over EUR 10 million from the European Regional Development Fund.

The construction of a new complex for the production of active pharmaceutical ingredients in Krško, Slovenia began in July 2012. In the first stage they are building the Sinteza 1 production plant and the related infrastructure. The investment is worth an estimated EUR 85 million, and production will start by the end of 2014.

The Sterile product production plant is gradually increasing ampoule production to 130 million per year. The entire project's estimated investment value is EUR 22 million.

At central location in Ločna they are constructing a new water preparation plant to ensure sufficient capacity for the preparation of purified waters and tower feedwater, and to provide for a secure supply after Notol 2 has been constructed and the existing location has been developed further. The project's investment value is an estimated EUR 13.7 million. After obtaining the building permit at the beginning of October, they started with the preparatory works. The facility will presumably be constructed by the end of 2014.

One of the Group's more important ongoing investments is the Krka Rus 2 project, 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. The project's entire estimated investment value is EUR 135 million, with the first stage, which is to be completed this year, worth EUR 95 million. The new logistics centre with the high-bay warehouse entered into use in July, and the packaging of certain finished products began in the new production plant in October.

In April the subsidiary Terme Krka opened an adventure park in Otočec, Slovenia. In the Dolenjske Toplice health spa resort construction of a new geothermal well is finished, while in another of their health spa resorts, Šmarješke Toplice, enlargement and renovation of the restaurant will be completed soon.

Employees

In the first nine months of the year, the number of employees in the Krka Group increased by 453 (by 82 in Slovenia and by 371 abroad). At the end of September the Krka Group had 9,914 employees, 5% more than at the beginning of the year. Krka's subsidiaries and representation offices outside Slovenia employ 51% of the Group's employees, with 53% of the Krka Group team having at least a university level education.

At the end of September, 408 Krka employees were enrolled into part-time university studies co-funded by Krka, 85 of them postgraduate students. By the end of September, 27 Krka's employees had graduated from university this year.

Investor and share information

At the end of September 2013 Krka had a total of 65,044 shareholders. International investors increased their shareholdings the most in the reported period, to almost 20% at the end of September. The holdings of individual domestic investors as well as domestic investment companies, funds and other domestic companies, on the other hand, decreased.

As at 30 September 2013, the price of Krka's share on the Ljubljana Stock Exchange was EUR 54.95, and Krka's market capitalisation totalled EUR 1.9 billion. Deals in Krka's share on the LJSE generated an average daily trading volume of EUR 0.5 million over the period.

In the first nine months of 2013 Krka repurchased 161,896 treasury shares, worth a total of EUR 8,737,310 (purchases recorded in 2013). As at 30 September 2013 thus Krka held 2,469,635 treasury shares, which is 6.97% of its share capital.

Since April 2012 Krka's shares have also been listed on the Warsaw Stock Exchange. During the initial months of the listing trading in Warsaw had been scarce, but in September, October and December 2012 it stepped up considerably. The positive trend continued in the initial days of January this year, whereupon trading volume first decreased, and then turned upwards again toward the end of March. Trading on the Warsaw Stock Exchange increased again in the second half of May and the last week of September.

Estimated realisation of performance objectives for 2013

Full-year sales of the Krka Group for 2013 will approach to planned value of EUR 1.2 billion, while Krka Group profit is expected to be slightly above the level of last year's (EUR 159.8 million). As a result of good pricing conditions negotiated with equipment suppliers and contractors, actual investment spending is expected to be lower than planned and will presumably total EUR 157 million, with the content of the investment plan remaining unchanged. At the end of 2013 the Krka Group will presumably have over 10,100 employees (7% increase from the year-end of 2012), more than half outside Slovenia.

Krka Group plans for 2014

The Krka Group plans their sales in amount of EUR 1.245 billion for next year. The planned profit for 2014 will be at the level of profit for 2013. With investments of EUR 164 million they will primarily increase and modernise their production facilities and infrastructure. Both in Slovenia and abroad the number of employees is planned to increase in 2014, by a total of more than 4%.

Krka Group development strategy for the period 2014–2018

In November the Company Management Board adopted the Krka Group development strategy for the period 2014–2018, which was presented to the Supervisory Board at it yesterday's meeting. The average minimum organic sales growth anticipated for the new five-year period on a euro basis is 5% per annum. One of the Group's core strategies remains strengthening the pharmaceuticals and chemicals activities, especially products in the key therapeutic areas (medications for the heart and circulation, medications for the alimentary tract and metabolism, medications for the central nervous system), while also entering new therapeutic areas. The Krka Group will generate almost 95% of its sales in markets outside Slovenia, primarily focusing on European and Central Asian markets, from Vladivostok to Lisbon, and the new Overseas Markets sales region is being created to better exploit the sales potential of the area encompassing the Middle East, the Far East and Africa, and the Americas. For investments, which are mainly directed into production facilities and infrastructure, the Krka Group will keep allocating the same average annual amounts as in recent years. As already declared at this year's Annual General Meeting, the new strategy also includes a changed dividend policy. Up to 50% of the Group's profit for the previous year attributable to equity holders of the parent, will now be allocated to dividends, whereby the actual amount of profit allocated to dividends each year will also depend on Krka's financial requirements for investments, major acquisitions and joint ventures abroad.