



PRESS RELEASE

Krka's business performance in 2013

Novo mesto, 27 February 2014 – 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 2013, which the Krka Supervisory Board had discussed at its yesterday's meeting. President of the Management Board Jože Colarič told the press the Group had sold EUR 1,200.8 million worth of products and services in 2013, up 5% compared to 2012. Unaudited Krka Group profit for the year totals EUR 172.8 million, an increase by EUR 12.9 million, or 8%, from 2012. Krka Company sales amounted to EUR 1,116.3 million (up 8%), the Company generating an unaudited profit of EUR 164.7 million (up 7%). Krka's 2013 annual report will be released on Thursday, 3 April 2014.

Sales

Krka Group sales in 2013 amounted to EUR 1,200.8 million, an increase by EUR 57.5 million, or 5%, from 2012. Amounting to EUR 1,114.2 million, sales in markets outside Slovenia represented almost 93% of the Krka Group's total sales, and were up EUR 61.9 million, or 6%, compared to 2012.

Krka Company sales amounted to EUR 1,116.3 million, up EUR 81.1 million, or 8%, compared to the year before.

Krka Group sales by Region

The Group's leading sales region was Region East Europe, which contributed 35.6%, or EUR 427.8 million, of Krka Group sales, exceeding the previous year's sales by 21%. In the Russian Federation, one of Krka's key markets as well as its largest single market, product sales reached EUR 298.0 million, a 22% increase from 2012.

Krka's second largest sales region was Region Central Europe, where sales were EUR 282.9 million, representing 23.6% of Krka Group sales and remaining on the level from 2012. Third in terms of sales was Region West Europe and Overseas Markets, where sales amounted to EUR 257.7 million, which is 21.5% of total Group sales and represents a 4% decline from the 2012 sales. In Region South-East Europe Krka sold EUR 145.8 million worth of products, which represents 12.1% of Group sales and is a decrease by 2% compared to 2012. Product and services sales in Slovenia were down 5% from 2012, to EUR 86.6 million, which is 7.2% of Group sales.

Krka Group sales by product and service group

Krka's most important group of products in terms of sales remain prescription pharmaceuticals, which contributed EUR 980.9 million of overall sales in the reported period, up 4% from 2012. The sales of prescription pharmaceuticals represented 81.7% of total 2013 sales.

The ten leading prescription pharmaceuticals in terms of sales were Atoris (atorvastatin), Lorista/Lavestra (losartan), Enap (enalapril), Prenessa/Perineva (perindopril), Nalpaza/Nalpaza control/Appryo (pantoprazole), Zyllit/Kardogrel (clopidogrel), Emozul/Emanera/Escadra (esomeprazole), Valsacor (valsartan), Roswera/Roxera/Sorvasta (rosuvastatin) and Karbis/Candecor/Canocord (candesartan).

Non-prescription product sales amounted to EUR 145.3 million, up 18% year-on-year. Their share in Krka Group sales was 12.1%. Animal health product sales, which represented 3.6% of total sales, amounted to EUR 42.6 million and thus remained on the level from 2012. Health resort and tourist services generated EUR 30.5 million of sales, a decrease by 4% compared to the year before, and represented 2.5% of overall 2013 Krka Group sales. Other Krka Group sales revenues amounted to EUR 1.6 million, which contributed 0.1% of Krka Group sales.

Operating result

The Krka Group recorded EUR 227.6 million of operating profit in 2013, an increase by 18% from 2012. Profit before tax amounts to EUR 201.3 million, up 6% compared to 2012.

Krka Group profit for 2013 amounts to EUR 172.8 million, up 8% from the year before. Krka Company profit for the year totals EUR 164.7 million, up 7%.

The Krka Group 2013 profit margin is 14.4% (Krka Company 14.8%), its EBIT margin 19.0% (Krka Company 18.9%) and its EBITDA margin 26.8% (Krka Company 25.4%). ROE at the Krka Group level is 13.4% (Krka Company 12.8%), with ROA at 10.2% (Krka Company 10.1%).

Research and development

In 2013 the Krka Group obtained marketing authorisations for 17 new products (13 prescription pharmaceuticals, three non-prescription products and one animal health product) in 35 different dosage pharmaceutical forms and strengths. They obtained 515 new approvals under different marketing authorisation procedures in all Krka's markets.

In 2013 Krka submitted patent applications for ten inventions and two international patent applications on the basis of prioritised applications from 2012. They registered 45 trademarks in Slovenia, and submitted 38 international and 32 national trademark applications.

They were the first pharmaceutical company in Europe to obtain a marketing authorisation for the fixed-dose combination of three active substances Co-Amlessa/Co-Dalnessa (perindopril, indapamide and amlodipine) in the form of tablets in three strengths. The product is used to control high blood pressure, and enables the simultaneous use of all three active substances with complementary mechanisms of action.

Krka's range of products used to lower blood pressure was further supplemented with approvals obtained in all European countries for the new product Tolucombi (telmisartan and hydrochlorothiazide) in the form of tablets. It is indicated in patients whose blood pressure is not adequately controlled on one product alone. 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 active substances that are not well compatible on account of their physical and chemical properties and mutual interactions. The innovation won Krka the Gold Innovation Award bestowed by the Chamber of Commerce and Industry of Slovenia.

Krka also obtained approvals for Opryme (pramipexole) prolonged-release tablets in five strengths, used to treat signs and symptoms of Parkinson's disease.

Approvals were obtained for the new medicine Amaloris (atorvastatin and amlodipine) in the form of film-coated tablets, thereby supplementing Krka's range of products for the treatment of cardiovascular diseases.

As the first generic company Krka obtained in 15 European countries marketing authorisations for Elernap (enalapril and lercanidipine) tablets in two strengths. The product is intended for the treatment of essential hypertension.

They also obtained approvals for Sobycor (bisoprolol) tablets in three strengths. This adrenoceptor antagonist with once-daily dosing efficiently reduces blood pressure in patients with mild to moderate hypertension and improves cardiac performance in patients with angina pectoris.

In Europe they acquired marketing authorisations for memantine film-coated tablets in two strengths, used to treat patients with mild to moderate Alzheimer's disease. Having obtained approvals for memantine, Krka has supplemented its range of medicines to treat Alzheimer's disease to now include all active substances used in clinical practice.

Also in Europe Krka obtained approvals to market their new product Aclexa (celecoxib), consolidating their range of nonsteroidal anti-inflammatory products. This pain reliever and inflammation reducer is indicated in various rheumatic diseases, including rheumatoid arthritis, osteoarthritis and ankylosing spondylitis.

Krka's range of products for the treatment of the central nervous system was supplemented with the antidepressant Elicea Q-Tab (escitalopram) in the new form of orodispersible tablets in four strengths.

In the Russian Federation they obtained marketing authorisations for the new medicine 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 also completed marketing authorisation procedures for their first group of neoplasm medications. Applying the decentralised procedure they obtained approvals for Meaxin (imatinib) film-coated tablets and for the Tolnexa (docetaxel) concentrate for solution for infusion. Meaxin is used to treat chronic myeloid leukaemia, and Tolnexa is used for 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 approvals under the national procedure for Balutar (bicalutamide) film-coated tablets in two strengths, used to treat prostate cancer.

Krka's group of pain relievers was supplemented with Nalgesin (naproxen) film-coated tablets in the new strength of 220 mg.

As to cold remedies, approvals were granted to Krka for the new products Septanazal (fixed-dose combination of xylometazoline and dexpanthenol) nasal spray for adults and Septanazal nasal spray for children. Both are intended to relieve breathing problems with nasal congestion during colds.

In 2013 Krka obtained the first notification for their new veterinary hygiene biocidal product Ecocid Advanced in the form of water-soluble powder. The first notification was granted in Slovenia, while additional notifications were subsequently also issued in Lithuania, Slovakia and the Czech Republic, with a marketing authorisation being granted for the product in the Russian Federation.

Investments

In 2013 the Krka Group allocated EUR 157.3 million to investments, of which the controlling company invested EUR 116.7 million and subsidiaries EUR 40.6 million. Investments were primarily increasing and modernising their production facilities, and research and development facilities.

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

In July 2012 Krka had begun constructing a new active pharmaceutical ingredients production complex in Krško, Slovenia. In the first stage they have been building the Sinteza 1 production plant and the related infrastructure. The project's estimated investment value is EUR 85 million, and production will start by the end of 2014.

At Krka's central location they are also 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 Noto 2 is constructed. The investment is worth an estimated EUR 13.7 million. They obtained the building permit at the beginning of October 2013. The facility is planned to be completed by the end of 2014.

The simultaneous generation of heat and power (cogeneration) increases the recovery of energy conversion and enables an efficient use of primary energy. At Ločna in Novo mesto, Slovenia, Krka has set up a natural-gas-powered engine cogeneration system, increasing the economic efficiency of their generation of electricity and utilisation of heat energy. The project's investment value was EUR 1.7 million.

One of the Group's more important ongoing investments is the Krka-Rus 2 project, the construction of a new plant and expansion of Krka's 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 ca. 36,000 m², is consolidating Krka's status as a domestic pharmaceuticals producer in this country. The project's 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 2013, the packaging of finished products began in October, while in December all formal conditions were also met to launch the production of bulk products.

Krka's health spa resort subsidiary Terme Krka opened an adventure park in Otočec, Slovenia in April 2013, and last year it also constructed a new geothermal well in its Dolenjske Toplice resort, and renovated and expanded the restaurant of the Šmarješke Toplice resort.

The investment into Krka's subsidiary Farma GRS, d. o. o., a company 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 facilities, 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.

Employees

At the end of 2013 the Krka Group had 10,048 employees, of which 4,846 (48.2%) worked in Slovenia and 5,202 (51.8%) abroad. The number of employees at Group level increased by 587, or 6%, from 2012. The number of Krka's employees working outside Slovenia increased by 505, or 11%, while in Slovenia it rose by 82, or 2%.

Krka Group staff with a university level education or higher currently represent 53% of the entire team, which is 5,361 employees; 111 of them have doctoral degrees and 323 have master's degrees or postgraduate specialisations.

Share and investor information

On the final trading day in 2013 Krka's share traded at EUR 60.00 on the Ljubljana Stock Exchange, up 20% on the year-end of 2012 when it traded at EUR 50.00. In the same period the Slovene blue-chip index SBI TOP rose by 3%. Krka's market capitalisation totalled EUR 2.1 billion at the end of last year.

The average daily trading volume in Krka's share on the Ljubljana Stock Exchange in 2013 was EUR 0.5 million, preserving Krka's position as the most actively traded security on the Ljubljana Stock Exchange.

At the end of 2013 Krka had 64,136 shareholders, 6% less than at the end of 2012 when there were 68,026. The shareholdings of international investors increased the most, reaching a total of slightly over 20% of all issued shares. Slovenian shareholders, i.e. investment funds and companies, and other companies and individuals, decreased their shareholdings.

In 2013 Krka appropriated 33% of the 2012 profit for dividends, gross dividend per share exceeding 7%. At the end of the year the company adopted a new Krka Group development strategy for the period 2014–2018, stipulating, among other things, a new dividend policy. It states that in the period 2014–2018, 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 related to investments and major acquisitions.

Since April 2012 Krka's shares have also been listed on the Warsaw Stock Exchange.

Plans for 2014

Krka Group sales are planned to total EUR 1.245 billion in 2014, with profit for the year expected at the level of the profit reported for 2013. The largest sales region will be East Europe.

The estimated value of investments is EUR 164 million, to be allocated mainly to expanding and modernising production facilities, research and development facilities, and infrastructure. The number of employees is planned to increase in 2014 both in Slovenia and abroad, by slightly more than 4% altogether.