



PRESS RELEASE

Krka presented its operating results for the first quarter of 2016

Novo mesto, 12 May 2016 – The Krka Group sold €300.9 million (4% growth) worth of products and services in the reported period, resulting in €40.2 million of net profit. The Krka Company sold €263.4 million worth of products and generated €32.8 million of net profit. The interim report of Krka Group and the Krka Company for the first quarter of 2016 was discussed by the Company's Supervisory Board at its yesterday's meeting.

Sales

The Krka Group's sales totalled €300.9 million, up 4% compared to the first quarter last year. Sales volume increased by more than 12%. Sales in markets outside Slovenia represent over 93% of the Group's total sales.

Krka Company sales, which amounted to €263.4 million, were up 1% relative to the same period last year.

Krka Group sales by Region

Regions West Europe and East Europe contributed 26.6% of overall Group sales each and are thus Krka's largest sales regions.

Three-month sales in West Europe totalled €80.0 million and in the majority of markets in the Region sales volume was up. Sales value is down 3% compared to the same period last year. The decrease is the result of the falling prices of pharmaceuticals. The majority of sales there, 62%, are generated by Krka's subsidiaries. Krka's most important market in the Region is Germany. The value of sales there totalled €27.5 million, up 13% from the comparable period last year.

Sales in East Europe totalled €80.1 million, a 2% decrease to the same period last year. Lower sales were primarily due to sales in the Russian Federation, which amounted to €56.2 million. Due to the lower average rouble rate, euro-denominated sales there were down 9% compared to the same period last year, while at the same time, rouble-denominated sales increased by 9% and sales volume by 10%. The highest sales growth rates were recorded in the Region's second key market, Ukraine, and in certain smaller markets.

Product sales in Region Central Europe, which represents a 24.3% share in overall Group sales, amounted to €73.0 million, which is up 7%. In Poland, a key market and the largest market in the Region, product sales were €36.1 million, a 6% growth to the same period last year.

Sales in Region South-East Europe represent 12.5% of Group sales, as they totalled €37.7 million. This is an increase by 23%, or €7.1 million, relative to the same period last year, and constitutes the highest absolute sales growth among all Krka's sales regions. The growth was mainly due to key market Romania, where year-on-year sales were up 40% to €13.5 million.

Sales in the domestic market totalled €20.2 million, which is an increase by 5% and represents 6.7% of overall Group sales.

In Region Overseas Markets sales totalled €9.9 million (3.3% of overall Group sales), constituting the highest relative sales growth among all regions, of 33%.

Krka Group sales by product and service group

The Group sold €243.9 million worth of prescription pharmaceuticals in the reported period, up 0.3% compared to the first quarter last year. Prescription pharmaceuticals represent 81% of Krka Group sales. Their sales increased

in the regions Overseas Markets (by 28%), South-East Europe (by 25%), Central Europe (by 5%) and East Europe (by 1%).

With respect to large markets for Krka's prescription pharmaceuticals, sales increased in Poland (by 5%). On account of the exchange rate, year-on-year sales were down in the Russian Federation (down 5%), whereas sales denominated in the local currency were up 9% there. As to other large markets, the year-on-year sales of prescription pharmaceuticals were up the most, more than 170%, in Ukraine, Romania (up 45%) and Hungary (up 20%).

The ten leading prescription pharmaceuticals in terms of sales are Atoris (atorvastatin), Lorista (losartan), Nolpaza (pantoprazole), Prenessa (perindopril), Emanera (esomeprazole), Enap (enalapril), Valsacor (valsartan), Roswera (rosuvastatin), Zyllt (clopidogrel) and Dulsevia (duloxetine). Products are marketed under different brand names in individual markets.

Non-prescription product sales were up 1% compared to the same period last year, to €27.4 million, which represents 9.1% of Krka Group sales. The sales of animal health products were up 85% to €21.8 million, which is 7.2% of overall Group sales. Health resort and tourist services totalled €7.2 million in revenues, an 11% year-on-year increase (2.4% of total sales), and other sales revenues amounted to €0.8 million (0.3% of total Group first quarter sales).

Operating result

The Krka Group recorded €50.4 million of operating profit, an increase by 17% relative to last year's comparable period.

Group net profit totals €40.2 million, down 27% compared to the same period last year, with Company net profit totalling €32.8 million, down 34%.

Lower year-on-year net profit at Group and Company level is attributable to increased financial expenses on account of the change in the fair value of derivatives. In the first quarter of 2015 there were also higher exchange rate gains than this year, which resulted from the Russian rouble's appreciation and which had thus increased financial income in that period.

The Krka Group profit margin for the first quarter of 2016 totalled 13.4% (Krka Company 12.4%), its EBIT margin 16.8% (Krka Company 14.9%) and its EBITDA margin 25.5% (Krka Company 22.8%).

ROE at the level of the Group was 11.3% (Krka Company 9.1%), with ROA at 8.7% (Krka Company 7.3%).

Research and development

In the first quarter of 2016 Krka obtained marketing authorisations for three new products in three dosage forms and four strengths, and acquired 69 new marketing authorisations in different markets.

In Hungary Krka obtained a first marketing authorisation for Bravadin (ivabradine) film-coated tablets in the two strengths of 5 mg and 7.5 mg. Bravadin is a cardiac medication used to treat patients with angina pectoris.

A first marketing authorisation was also obtained for the Moloxin (moxifloxacin) 400 mg/250 ml solution for injection. Having a wide-spectrum antimicrobial action, the product is used to treat pneumonia, dermal infections and soft tissue infections. Together with Moloxin tablets, which were approved last year, it supplements Krka's range of antimicrobial pharmaceuticals. The product was approved for marketing in 14 European countries under the decentralised procedure.

In different Eastern European countries Krka obtained new marketing authorisations for its key pharmaceuticals Roswera (rosuvastatin), Kventiax (quetiapine), Moloxin (moxifloxacin) tablets and Vizarsin QTab (sildenafil) dispersible tablets, and in the area of cancer treatments new marketing approvals were issued for Neopax (imatinib) and Letrozole Krka (letrozole). Additionally in the area of cardiovascular treatments, Krka was granted new marketing authorisations for its fixed-dose combinations Sobycombi and Niperten combi (bisoprolol/amlodipine), and for Telmista H and Telmista HD (telmisartan/hydrochlorothiazide).

In the markets of South-Eastern Europe Krka expanded opportunities for its products from various indication areas. New marketing authorisations were obtained for Furocef (cephuroxime) film-coated tablets and for the Levalox (levofloxacin) solution for injection. They obtained a new marketing authorisation for the fixed-dose combination for the treatment of cardiovascular conditions, Tenloris (losartan/amlodipine), and an approval for the marketing of Pregabalin (pregabalin), a central nervous system treatment.

As to products available without prescription, Krka obtained a first marketing authorisation in the Russian Federation for Flebaven film-coated tablets. The product contains 500 mg of the purified flavonoid fraction, which equals 450 mg of diosmin and 50 mg of flavonoids expressed as hesperidin. It is used to treat symptoms of chronic venous insufficiency, lymphedema and acute hemorrhoidal disease.

In different Eastern European markets Krka obtained new marketing authorisations expanding markets for certain key cold and flu products. The Septanazal nasal spray for adults and the Septanazal nasal spray for children were approved in Azerbaijan, and the Septotele Total spray in Moldova.

As to animal health products, new marketing authorisations were obtained and product brand recognition strengthened. Applying the decentralised procedure Krka was the first generic company to have obtained marketing authorisations in ten countries of Western Europe, and in the Czech Republic and Slovakia, for the Fypryst/Amflee Combo (fipronil/S-methoprene) spot-on solution in five strengths, a product preventing and treating tick, flea and lice infestations in cats, dogs and skunks. The product enables a modern and wholesome treatment of external parasite infestations with an expanded mode of action on all life cycle stages of fleas. In Belgium a new marketing authorisation was granted for the Enrox classic (enrofloxacin) solution for injection treating infections in food-producing animals. In Bosnia and Herzegovina, and Macedonia, Krka obtained approvals to market the Ataxxa (imidacloprid/permethrin) spot-on solution in four strengths, a treatment for dogs. A marketing authorisation was also granted for the Dehelman (levamisole) oral powder, for the treatment of intestinal parasites and lung worms in food-producing animals.

Investments

In the first quarter of 2016 the Krka Group allocated €26.2 million to investments, of which the controlling company invested €18.5 million and subsidiaries €7.7 million. Investments are primarily increasing and modernising their production capacities, and research and development capacities.

A plant for solid dosage pharmaceuticals, Notol 2, was officially opened at Krka's main location in 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 had been installed at the start-up of Notol 2 last February. Production lines will gradually be added over the following two years 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 new Development and Control Centre (RKC) 4, to be located in the group of production facilities in Ločna. RKC 4 will be positioned in the immediate vicinity of the other three development and control centres, directly connected to RKC 2 and RKC 3. Site preparation works for the building worth €54 million had started at the end of June 2015. By the end of March the underground concrete part of the building was completed and the construction of the connecting building between RKC 3 and RKC 4 began. The construction of the new facility with the total surface area of 18,000 m² will take two years.

The €8 million investment into increasing the production of sprays in the sterile product production plant is in its final phase. Production lines will be ready for operation in the autumn 2016.

The €11 million investment into increasing the capacity for the coating of pellets in the solid dosage forms plant (OTO) is in the design phase. Two production lines will be supplied in the autumn and will be made ready for production by the end of June 2017.

One of the most important investments in Krka's subsidiaries is Krka-Rus 2 in Istra, the Russian Federation. The first stage of the project had included building a new plant and logistics centre, while in 2015 Krka started fitting in the additional technical and logistics equipment. This will increase the new 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 value of the entire additional equipment, which is expected to be fitted by the end of 2016, 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 segment of the facility are being converted to acquire new laboratory and production facilities for the production of solid dosage pharmaceuticals. Heavy construction and installation works are currently ongoing. Production is planned to start on the new equipment in the first quarter of 2017. The investment is estimated at €31 million.

Employees

In the first quarter of 2016 the number of Krka Group employees increased by 144, or 1.4%, so that at the end of March there were 10,708. Krka's subsidiaries and representation offices outside Slovenia employ more than 54% of the Group's employees, and almost 56% of the entire Krka team have at least a university level degree.

Employees learn about the most demanding topics and most recent discoveries at faculties, institutes and other institutions, both at home and abroad. At the end of March 2016, 219 employees were enrolled into part-time studies, 49 of them postgraduate students obtaining a specialisation, master's degree or doctoral degree. Krka supports them by partly funding their tuitions and by granting study time leaves.

Krka's employees also display social corporate responsibility and responsibility toward their environment. This April they again organised Krka's week of charity and volunteering. It was attended by 1,361 employees, which is one fourth of the entire Krka team in Slovenia, and employees from certain subsidiaries and representative office abroad also joined. As many as 261 donated blood, numerous brought clothes, toys, shoes, foods, books and other consumables for adults and children, and pet food. More than three tonnes of consumables were collected and over 260 kilograms of pet food. Krka employees also kept company with the elderly at 37 retirement homes and with the tenants of eight occupational activity centres, special schools and certain other institutions.

Investor and share information

At the end of March 2016 Krka had 58,012 shareholders. The shareholdings of Krka's shareholders did not change considerably in the first quarter of 2016.

At the end of March 2016 Krka held 356,177 treasury shares, which is 1.1% of its share capital. Krka repurchased 29,900 treasury shares on the Ljubljana Stock Exchange in the first quarter of 2016, worth a total of €1,838,131.

In the first quarter of 2016 Krka's share price on the Ljubljana Stock Exchange decreased by 5.7% to stand at €61.50 at the end of March. In the same period, the Slovenian blue-chip index SBI TOP was up 4.3%. Krka's market capitalisation as at 31 March 2016 totalled €2,0 billion.

With a daily trading volume averaging €0.3 million, Krka was the most traded share on the Ljubljana Stock Exchange in the first quarter of 2016.

Annual General Meeting

The 22nd AGM of Krka, d. d., Novo mesto will be held on 7 July 2016. The Company Management Board has already notified the public that the AGM will receive the proposal of the Company Management Board and the Company Supervisory Board to pay shareholders a gross dividend of €2.65 per share.

Proposal for the AGM for the appointment of a new member of the Supervisory Board

At the meeting of the Supervisory Board of 30 March 2016, Matej Pirc informed members of the Supervisory and Management Boards about his resignation from the post of a member and President of the Supervisory Board of Krka, d. d., Novo mesto. The resignation enters into effect on the date of the first regular Annual General Meeting of Shareholders of Krka, d. d., Novo mesto (AGM). According to the financial calendar, the AGM is planned for 7 July 2016.

At their meeting of 11 May 2016, following the motion put forward by the Human Resource Committee, the Supervisory Board decided to propose to the AGM Boris Žnidarič be elected a Supervisory Board member – shareholder representative, the post vacated by Matej Pirc. The Supervisory Board did not form the Nominations Committee for that purpose. Its function was performed by the Human Resource Committee in accordance with the Rules of Procedure for the Supervisory Board.

Boris Žnidarič, PhD of Social Sciences and Master of Law, is a member of the Management Board of Kapitalska družba. Before that, he successfully worked in many areas of the Triglav Group, an insurance group. He assisted the President of the Management Board of Zavarovalnica Triglav, where he coordinated the work of directors and was in charge of strategic area of HRM in subsidiaries. He was a member of the Management Board of Triglav Osiguranje Zagreb. He was also in charge of the regional unit of Zavarovalnica Triglav in Celje, and led the central department for prevention and detection of insurance fraud. Before that, he was an adviser to the management board member for the strategic area of HRM of the Triglav Group. He also worked as the assistant director for legal, HR and general affairs in the Ljubljana regional unit. He holds a certificate of professional competence for supervisory board memberships. Besides his diverse career in insurance, he is also a habilitated university lecturer.

Appointment of a new President of the Supervisory Board and Deputy President of the Supervisory Board

At their meeting of 11 May 2016, the Supervisory Board appointed Jože Mermal President of the Supervisory Board in place of Matej Pirc, and Anja Stojin Štampar Deputy President of the Supervisory Board, their terms commencing on 7 July 2016.

Today, on 12 May 2016, Krka publicly released the interim report of Krka Group and the Krka Company for the first quarter of 2016 in the electronic information dissemination systems of the Ljubljana Stock Exchange (SEOnet) and the Polish Financial Supervision Authority (ESPI), and on its website www.krka.si.