



In accordance with Article 300 of the Companies Act and the Rules of Ljubljana Stock Exchange, the Management Board of Krka, d.d., Novo mesto publishes:

Two counter proposals to individual items contained in the proposal to convene the 16th General Meeting of Krka, d.d., Novo mesto

which will be held on 7 July 2011 at 13.00 in Hotel Šport at Otočec:

The two counter proposals which the company Krka received from Društvo MSD - Mali delničarji – skupaj smo močnejši (MSD Society - Minor Shareholders Society – together we are stronger) from Ljubljana, Dalmatinova 10.

Counter proposal to item 2.2., reading as:

“2.2. The accumulated profit for 2010 in the amount of EUR 168,944,967.18 is allocated as follows:

| | |
|--|--------------------|
| - to dividends (1.60 gross per share)..... | EUR 53,824,457.60 |
| - to other profit reserves | EUR 57,560,254.79 |
| - to carry forward to the next year | EUR 57,560,254.79. |

The payout of dividends is to commence within 60 days after the General Meeting according to the shareholder records in the share register at the KDD – Central Securities Clearing Corporation, Ljubljana on 12 July 2011 (record date 2).

Substantiation: In view of the accumulated profit growth in the financial years 2008, 2009 and 2010 and considering the fact that the profit carried forward represented, for several subsequent years in the past, a multiple of proposed dividends, as well as in view of the newly adopted dividend policy published by the company’s Management Board on Seonet on 7 April 2011 stating that in accordance with the guidelines of the new business strategy, the company Krka would allocate for dividends up to one third of net profit from the previous year, we consider this proposal as justified and fair.

As the company intensively purchases its own shares and announces, in line with the current and future General Meeting’s authorisation to continue doing so until reaching 10% of the statutory determined limit; and considering also the fact that the company has 1,785,834 of own shares or 5.041% as per 17 May 2011, to which we, as the shareholder, have no objection, we suggest the dividend payout follows the newly projected dividend policy already this year.

In view of all the above facts we believe that the company may allocate higher dividends to shareholders, namely in the amount of EUR 1.60 gross per share, meaning that consequently the shareholders would be allocated 31.86% of accumulated profit for 2010, and not the suggested amount of 27.89% or EUR 1.40 gross per share.

Despite the dividend increase to EUR 1.60 gross, we as shareholders still leave 68.14% of accumulated profit to be available to the company for further investments within the



scope of the plans confirmed by the Supervisory Board through adopting the company's strategic business plan.

In the total amount of proposed dividend increase is EUR 6.7 million only, which we believe would not represent a too big burden for a company like Krka. This payout would be a reward to faithful shareholders and would thus stimulate even greater interest in purchasing the company's shares as a long-term investment.

The suggested dividend also does not considerably deviate from the presented policy of KAD and SOD (Pension and Restitution Funds) for the allocation of profits in public limited companies, where they expect allocation of at least 1/3 of generated profit to dividends. Our proposal is even slightly lower, however, we have to take in account that the risk, which investing in shares represents, must be compensated.”

The counter proposal to item 5.1, reading as:

“5.1 The audit company ERNST & YOUNG Revizija, poslovno svetovanje, d.o.o., Ljubljana is appointed as the auditor for the financial year 2011.

Substantiation: In view of the fact that KPMG has been performing audits for over 16 consecutive years, which was also confirmed last year by the company's Management Board upon an explicit question raised by the MSD Society, we believe that changing just the audit performer within the scope of the same audit house or company every 5 years, is not in compliance with the recommendations of the auditing profession. It is stated therein that in order to provide for impartial auditing it would be recommendable to replace the relevant audit house or company with a new one every 5 to 7 years.

In a long period of 16 years some friendly contacts are spontaneously established between the auditor and the auditee and it is in the interest of both, shareholders and the Management Board, that the audit is carried out at the highest professional level and independently, and that the recommendations of good practices or of potential errors elimination are timely and correct.

Let us underline on this occasion that we have no doubts in the professional level of KPMG and its auditors; we are just of the opinion that it is proper and in line with the recommendations of the profession as well as the standpoint of the Slovenian Institute of Auditors that these services are performed, in 2011, by one of the remaining four qualified audit firms in the Republic of Slovenia. We are convinced that the company ERNST & YOUNG Revizija, poslovno svetovanje, d.o.o., Ljubljana, has appropriate knowledge and references. The statement on free capacities for performing this task will be presented later, however before the decision-making at the General Meeting.

In view of the fact that last year some newly appointed members of the Supervisory Board of Krka agreed with our proposal of replacing the auditor, we believe our proposal is sufficiently substantiated. In case the same auditor is confirmed once again, this would



raise the unnecessary doubt of shareholders and investors about the credibility of reports from regular business operations audit in 2011.”

Management Board’s opinion to the two counter proposals:

- to item 2.2. of the General Meeting convocation:

The Management Board of Krka, d.d., Novo mesto does not agree with the suggested counter proposal. The proposal concerning the allocation of accumulated profit brought forward by the Management and Supervisory Boards deviates from the company’s dividend policy practiced so far; it is compliant with the new dividend policy. The proposed dividend is by 27% higher than the last year’s dividend; doing this the company’s Management and Supervisory Boards have also taken in account the planned company’s development and the investments urgently required for maintaining the company’s competitiveness also in the future and, consequently, its long-term successful business performance.

- to item 5.1 of the General Meeting convocation:

The Management Board of Krka, d.d., Novo mesto does not take up any position to the relevant proposal, as it involves the proposal of the Supervisory Board; however, it explains that the Slovenian Auditing Act (ZRev-2) reflects the contents of the European Directive 2006/43/ES saying that the replacement of certified auditor or key audit partner has to be provided latest within 7 years from the date of appointment. Therefore the Directive and ZRev-2 do not request a mandatory replacement of audit company, but replacement of the key audit partner. A similar provision is included in item 18.3 of the Slovene Corporate Governance Code, which defines that the audit partner of the same audit company or the audit company itself is replaced at least once every 5 years. The above stated provisions were fully implemented. The Management Board believes that the resolution brought forward by the Supervisory Board is in compliance with the current legislation.

Novo mesto, 24 May 2011

Jože Colarič
President of the Management Board
and Chief Executive