



## EXPLANATION OF PROPOSED RESOLUTIONS

**For the 19<sup>th</sup> Annual General Meeting of KRKA, d. d., Novo mesto on 3 July 2014**

Add 1)

According to the Rules of Procedure for General Meetings, the Chair of the General Meeting is elected for each meeting separately. The company *Ixtlan FORUM, d. o. o., Ljubljana* is proposed as the vote enumerator based on its good references. This company successfully performed the voting and vote enumerating procedures at Krka's General Meetings in the past.

Add 2)

The Supervisory Board verified the Annual Report of Krka, d. d., Novo mesto and of Krka Group for 2013, had no comments or reservations in that regard, and approved the Annual Report unanimously. By this approval the Annual Report of Krka, d. d., Novo mesto and the Krka Group for 2013 was adopted. The Supervisory Board also discussed the Auditor's Report and the work of the Certified Auditor. The Supervisory Board expressed no comments concerning the Certified Auditor's work and the performed audit.

The Management Board prepared a proposal for the allocation of the 2013 accumulated profit in total of EUR 179,352,421.39. The Supervisory Board adopted the motion, and the Management and Supervisory Boards jointly propose to the General Meeting to pass the resolution on the allocation of the accumulated profit. In addition to this, both Boards propose that the General Meeting discharged the Management and the Supervisory Boards of Krka, d. d., Novo mesto from their liabilities. The proposal is based on successful business results and implementation of changed dividend policy guidelines.

Add 3)

The resolution regards the decrease in share capital by cancelation of treasury shares to increase the shareholder value and return on equity. Cancelled treasury shares represent 7.431% of all issued shares. The cancelation will be executed according to the simplified procedure.

Add 4)

The Management Board believes that, primarily due to stable operating cash flow, it would be reasonable to establish a share buyback programme according to which treasury shares may be used for merger-and-acquisition activities. The Management



Board proposes to the General Meeting to authorise the Management Board to buy back shares in total of up to 10% of all shares issued (after the completion of the cancellation of existing treasury shares), according to which in case of treasury share disposal the pre-emptive rights of the existing shareholders shall be excluded. The arguments for the exclusion of pre-emptive rights are presented in the prepared Report on reasons for total exclusion of pre-emptive rights in case of treasury shares disposal. The Supervisory Board has approved the proposal.

### **Report on reasons for total exclusion of pre-emptive rights in case of treasury shares disposal**

One of the key strategic objectives of Krka, which is supported by joint venture projects and acquisitions, is to achieve a five-per-cent growth on average. The authorisation to purchase and dispose of treasury shares would provide the company with an additional source for financing acquisitions, and enable the company to utilize the consolidation processes in the generic industry faster and more efficiently. The Management Board intends to employ a case-by-case assessment whether the market conditions support the financing of acquisitions with treasury shares.

In accordance with the granted authorisation, the treasury shares shall only be offered to owners of companies acquired by Krka, or to strategic partners. The main objective of treasury share disposal is to gain an ownership share in another company, or to secure a capital tie with a strategic partner. Therefore, in business or legal terms, the pre-emptive right of existing shareholders is not feasible.

The company shall disclose any change in the number of treasury shares according to the applicable regulations, so that shareholders are promptly informed at all times. At the upcoming General Meetings, the Management Board shall report on transactions with treasury shares with reference to achieving the long-term strategic objectives of the company, thus summarising interim public releases regarding treasury shares.

The objective of purchasing and disposing of treasury shares is to promote the adopted Krka Group development strategy and to enable Krka to achieve its main goal of maximizing the company value. In accordance with the stated facts, the Management Board believes that the exclusion of pre-emptive rights is legitimate and will serve to the best interest of the company and its shareholders.

Add 5)

The term of office of the workers' representatives of the Supervisory Board expired, so the Workers' Council has elected three workers' representatives to the Supervisory Board for a five-year term of office. These are:

Franc Šašek,  
Tomaž Sever and  
Mateja Vrečer.



Add 6)

Also in 2014, business performance of Krka, d. d., Novo mesto shall be audited by the certified auditor, who shall prepare a report on the examination and audit of the financial statements and business report. The Supervisory Board proposes that *Ernst & Young Revizija, poslovno svetovanje, d. o. o., Ljubljana, Dunajska cesta 111, 1000 Ljubljana* be appointed as the auditor for 2014.

Novo mesto, 28 May 2014

Jože Colarič  
President of the Management Board and  
Chief Executive

Jože Lenič MSc  
President of the Supervisory Board