

Explanation of the proposed resolutions for the Annual General Meeting of Krka, d. d., Novo mesto on 7 July 2016

At several meetings, the Management and Supervisory Boards of Krka, d. d., Novo mesto discussed the material for the 22nd Annual General Meeting (AGM) of the shareholders and prepared a proposal of the agenda and resolutions.

Add 1

According to the *Rules of Procedure* for the AGM, the Chair of the AGM 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 has successfully performed the voting and vote enumerating procedures at Krka's General Meetings for years.

Add 2

The Supervisory Board reviewed the annual report of Krka, d. d., Novo mesto and the Krka Group for 2015, had no comments, and approved them unanimously. With this approval, the *2015 Annual Report* of Krka, d. d., Novo mesto and the Krka Group 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 *2015 Annual Report* also discloses the remuneration of members of the Management and Supervisory Boards.

The Management Board prepared a proposal for the allocation of the 2015 accumulated profit in total of €186,908,421.49. The Supervisory Board adopted the motion, and the Management and Supervisory Boards jointly propose to the AGM to pass the resolution on the allocation of the accumulated profit. In addition to this, both Boards propose that the AGM discharge the Management and the Supervisory Boards of Krka, d. d., Novo mesto from their liabilities. The motion is based on successful business performance and implementation of the stable dividend policy.

Add 3

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 AGM of Shareholders of Krka, d. d., Novo mesto. According to the financial calendar, the AGM will be held on 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 Dr. 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.

Add 4

The following

CHANGES AND AMENDMENTS TO THE *ARTICLES OF ASSOCIATION*

were proposed:

1. Item 4.1.: A new sentence is to be added at the end of the text:
All shares shall be of the same class and issued in the dematerialized form.

Explanation: According to this amendment, the company does not have various classes of shares. All shares are issued in the dematerialized form.

2. Item 4.10.: The complete second paragraph should be deleted:
In case of an increase in share capital referred to in this item, the nominal value of an individual share may be increased, or new shares may be issued. If new shares are issued, the existing shareholders shall be entitled to new shares in proportion to their holdings in the company's share capital.

Explanation: The deletion of the paragraph is proposed in order to follow the real situation, because the company has par value shares only.

3. Item 6.1.: This item is to be amended as follows:

The Management Board shall manage the company independently and at its own responsibility and shall represent and act on behalf of the company towards third parties without limitations. The President of the Management Board shall represent and act on behalf of the company in all matters without limitations, whereas other members will represent it within the scope of competences defined for each member in the *Rules of Procedure* regulating the Board's functioning. The worker director shall represent the company jointly with another board member.

Explanation: The amendment of this item refers to the definition of the responsibilities of the worker director.

4. Item 6.3.: This item is to be amended by adding a new sentence after the first sentence:

Any board member must have at least a university degree and no less than five years of professional experience in managerial positions. Only the requirement relating to education applies to the worker director.

Explanation: In accordance with the international and local good practices in large corporations, members of the management boards, among other references, also have appropriate formal education, i.e. mostly at least a university degree.

5. Item 6.4.: This item is to be amended as follows:

The worker director is a member of the Management Board and is appointed by the Supervisory Board. In the context of general rights and obligations applicable to all the members of the Management Board in accordance with the law and the *Articles of Association*, the worker director represents the interests of employees with regard to personnel and social issues.

Explanation: The stipulation regarding the prior consent of the President of the Management Board for the appointment of the worker director has been deleted and worker director's competences are more clearly defined.

6. Item 6.11.: The following sentence is to be added at the end of 4th paragraph:

The President of the Supervisory Board also represents the company when concluding the contract with the auditor of the annual and consolidated annual reports.

Explanation: The proposal aims for better compliance with the *Companies Act*.

7. Item 6.18.: This item is new and reads as follows:

The Supervisory Board shall give the Management Board their prior consent for the adoption of annual business and financial plans of the company and for the adoption of the company's strategy.

Explanation: This amendment takes into account the established practice of the corporate governance in Slovenia.

8. The previous items from 6.18. to 6.24. are to be renumbered to items from 6.19. to 6.25.

9. Item 9.2.: The last paragraph is to be deleted:

A clean copy of the *Articles of Association* will enter into force on the date of entry of amendments adopted at the 19th (nineteenth) Annual General Meeting.

Explanation: This paragraph should be deleted because it is redundant.

10. A new, 10th, item is to be added:

10. TRANSITIONAL AND FINAL CLAUSES

10.1.

The Supervisory Board shall be authorized to amend the text in the *Articles of Association* so that it agrees with the resolutions passed by the company's Annual General Meeting.

10.2.

Changes to the *Articles of Association* shall become effective on the day when the adopted resolutions are entered in the court register.

Explanation: In compliance with the *Companies Act* Annual General Meeting provides authorization to the Supervisory Board in order to adapt the *Articles of Association* to the adopted resolutions on the Annual General Meeting.

Add 5

Also in 2016, 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 2016.

Novo mesto, 18 May 2016

Jože Colarič
President of the Management Board
and Chief Executive