

EXPLANATION OF PROPOSED RESOLUTIONS

For the 23rd Annual General Meeting of Krka, d. d., Novo mesto due on 6 July 2017

At several meetings, the Management and Supervisory Boards of Krka, d. d., Novo mesto, reviewed the materials for the call of the 23rd AGM, prepared the motion of the Agenda and the proposal of the resolutions as follows:

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 has successfully performed the voting and vote enumerating procedures at Krka's General Meetings for years.

Add 2

The Supervisory Board reviewed the 2016 Annual Report of Krka, d. d., Novo mesto and the Krka Group. The Supervisory Board had no comments or reservations in that regard, and approved the Annual Report unanimously. By this approval, the 2016 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 had no comments about the two documents. The 2016 Annual Report also discloses the remuneration of members of the Management and Supervisory Boards.

The Management Board has prepared a proposal for the allocation of the 2016 accumulated profit in total of €142,658,499.48. The Supervisory Board has passed the proposal, so 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, the two Boards propose that the AGM discharge the Management and the Supervisory Boards of Krka, d. d., Novo mesto from their liabilities. The proposal follows the implementation of the stable dividend policy.

Add 3

Primarily because cash flows are stable, the Management Board estimates it would be reasonable to form a treasury share fund for appropriation in M&A activities. It proposes that the AGM issue an authorisation to the Management Board to form a treasury share fund in total of up to 10% of all issued shares. The Management Board also proposes the preferential rights of the existing shareholders be excluded upon a disposal of treasury shares. Its proposal is based on a report on justifiable grounds for the complete exclusion of the preferential right upon a disposal of treasury shares. The Supervisory Board passed the proposal.

The report on justifiable grounds for the complete exclusion of the preferential right upon a disposal of treasury shares

One of Krka's strategic objectives is to attain at least a 5% sales growth in terms of quantities on average supported by joint venture and M&A projects. The authorisation to acquire and

dispose of treasury shares will provide additional sources for M&A funding and provide more opportunities in the consolidation process of the generic pharmaceutical industry. When financing M&A with treasury shares, the Management Board shall consider any investment on a case-to-case basis and take the financing decision by regarding circumstances on the market.

In compliance with the authorisation the Management Board shall offer treasury shares only to those owners whose companies it intends to take over, or to a potential strategic partner. Any disposal of treasury shares aims to acquire a stake in another company or establish a capital link with a strategic partner, so it would not be economically or formally feasible to grant the preferential right to the existing shareholders.

The company shall report on any change in treasury shares in accordance with the applicable laws and regulations, and inform shareholders promptly on their treasury share balances. The Management Board shall report at the upcoming AGM meetings about treasury share transactions from perspective of achieving company's long term strategic objectives.

The Management Board aims to pursue the adopted development strategy of Krka with acquisitions and disposals of treasury shares. They will allow for attaining the fundamental objective of the company, i. e. to maximise its value. In consideration of all this, the Management Board of the company believes that exclusion of the preferential right of the shareholders upon a disposal of treasury shares is justified and to the interest of the company and its shareholders.

Add 4

Also in 2017, 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 the auditor for 2017.

Novo mesto, 31 May 2017

A blue ink signature of Jože Colarič, consisting of a large, sweeping loop followed by a horizontal line.

Jože Colarič
President of the Management Board and
Chief Executive

A blue ink signature of Jože Mermal, written in a cursive style.

Jože Mermal
President of the Supervisory Board