



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

**A counter proposal to item 2 of the agenda of
the 24th Annual General Meeting of Krka, d. d., Novo mesto,**

that will take place on 5 July 2018 at 13.00 at Hotel Šport in Otočec.

Krka, d. d., Novo mesto received a counter proposal from the Association of Small Shareholders of Slovenia, Tomšičeva ulica 1, 1000 Ljubljana (hereinafter: the Association).

The counter proposal with clarification to item 2.2. is as follows:

"The accumulated profit for 2017 in the amount of €169,230,538.48 shall be allocated as follows:

- for dividends (€3.50 gross per share)	€112,115,493.00
- for other revenue reserves	€28,557,522.74
- to be carried forward to next year	€28,557,522.74

The payout of dividends shall commence on 19 July 2018. The shareholder records in the share register at KDD – Centralna klirinško depotna družba (Central Securities Clearing Corporation), d. d., Ljubljana as at 18 July 2018 shall apply for the dividend payout.

Proposed resolutions under items 2.1., 2.3. and 2.4. shall remain unchanged.

Clarification of the counter proposal

The Association estimates that the financial position of the company facilitates the payout of higher dividends, and therefore proposes the dividend per share in the amount of €3.50 or €112,115,493.00. With regard to the price of Krka's share on 1 June 2018 (€58.00), the dividend in the proposed amount (€3.50) would signify a 6.03% dividend yield, which in our estimate would have positive effects on share trading.

As at 31 December 2017, Krka formed revenue reserves in the amount of €1,129,172.00; therefore the Association is of the opinion that the payout of a higher profit would in no way threaten company's business performance.

Position of the Management Board

The Management Board of Krka, d. d., Novo mesto does not agree with the counter proposal. The Management and Supervisory Boards' proposal that for 2017 a dividend of €2.90 gross per share shall be paid to shareholders is based on Krka's dividend policy of stable dividend growth and represents 5.5% growth compared to the dividend paid out last year. The proposal takes into account the company's financial requirements for its growth, the development of new products, investments into production and other capacities increase.

With regard to the closing price of Krka's share as at 31 May 2018, the Management and Supervisory Boards' proposal provides for the dividend yield of 5.07%, which is according to Reuters more than three times the yield of the average dividend yield in the pharmaceutical industry.

Novo mesto, 6 June 2018

Jože Colarič
President of the Management Board and Chief Executive