

Krka, d.d., Novo mesto

A.

Pursuant to the Articles 298 and 300 of the Companies Act and Ljubljana Stock Exchange Rules, the Management Board of KRKA, tovarna zdravil, d.d., Novo mesto, publishes in accordance with Article 296 of the Companies Act

**REQUEST FOR AMENDMENT OF THE AGENDA OF THE GENERAL MEETING OF
SHAREHOLDERS**

and

COUNTERPROPOSAL

On 23 May 2013 KRKA, d.d., Novo mesto received request for amendment of the Annual General Meeting Agenda and counterproposal from shareholders SOCIETE GENERALE – SPLITSKA BANKA d.d. and HYPO-ALPE-ADRIA BANK d.d. (transcript of the request):

The shareholders of Krka, tovarna zdravil, d.d., Novo mesto, Šmarješka cesta 6, Novo Mesto (hereinafter referred to as Krka, d.d.) stated herein below with regard to the Notice of the General Meeting of Krka's shareholders published on 16 May 2013 on the Internet pages of the Ljubljana Stock Exchange (SEOnet) to be held on 4 July 2013 pursuant to Article 298 of the Companies Act (hereinafter referred to as ZGD-1) file a

**REQUEST FOR AMENDMENT OF THE AGENDA OF THE GENERAL MEETING
OF SHAREHOLDERS**

and

COUNTERPROPOSAL

**1. REQUEST FOR AMENDMENT OF THE AGENDA OF THE GENERAL MEETING
OF SHAREHOLDERS**

I. Compliance with the conditions from Paragraph 1, Article 298 of ZGD-1

SOCIETE GENERALE – SPLITSKA BANKA d.d., Ruđera Boškovića 16, 21000 Split, represented by Nelsi Rončević, Member of the Management Board, and Zvonimir Akrap, Member of the Management Board, whose ownership of 1,078,633 shares of Krka, d.d. represents 3.0447% of Krka's share capital, herewith submits the amendment to the Agenda as follows herein below.

HYPO-ALPE-ADRIA BANK d.d., Slavonska avenija 6, Zagreb, represented by Markus Ferstl, Chairman of the Management Board, and Tea Martinčić, Member of the Management Board, whose ownership of 875,152 shares of Krka, d.d. represents 2.4704% of Krka's share capital, herewith submits the amendment to the Agenda as follows herein below.

The shareholders stated above hold together at least 1,953,785 shares of Krka, d.d. representing 5.5151% of share capital of Krka, d.d., and comply with the stipulation from Paragraph 1, Article 298 of ZGD-1. They propose that Krka, d.d. in compliance with Article 298 of ZGD-1 in the same way and within the period determined by law publishes this request for amendment of the Agenda.

II. Subject of Request for Amendment of the Agenda

The shareholders request that the Agenda of the General Meeting of Krka, d.d. published on 16 May 2013 on the Internet pages of the Ljubljana Stock Exchange (SEOnet) be amended by new items 4, 5, and 6, which read as follows:

4. Cancellation of Treasury Shares

2,389,513 treasury shares bearing the symbol KRKG, presenting 6.745% of all issued shares shall be cancelled, and thus share capital of the company is reduced from current EUR 59,126,194.28 by EUR 3,988,097.20, so that from now on share capital would total EUR 55,138,097.08.

The cancellation of 2,389,513 treasury shares of the company shall be carried out based on the reduction of share capital by cancellation of shares according to the simplified procedure pursuant to Paragraphs 3 and 4 of Article 381 of ZGD-1.

Share capital of the company shall be reduced upon the entry of the Resolution into the Register of companies by a total of EUR 3,988,097.20, so that after the reduction share capital of the company shall total EUR 55,138,097.08.

5. Revocation of the Resolution Adopted at the 16th General Meeting on Authorisation for the Acquisition of Treasury Shares and the Replacement Thereof by a New Resolution

The Resolution adopted at the 16th General Meeting regarding the authorisation for the acquisition of treasury shares shall be revoked and replaced with a new Resolution.

General Meeting authorises the Management Board of the company to acquire treasury shares:

The Management Board shall be authorised to acquire treasury shares under the provision that the total holding of treasury shares, including the treasury shares already acquired by the company, does not exceed 10% of share capital of the company, or 3,303,660 company shares.

The authorisation for the acquisition of treasury shares shall remain valid 36 months from the date of adoption of this Resolution.

The company may acquire treasury shares by transactions concluded on the organised financial market at currently valid market prices under the provision that the price of shares:

- Is not lower than its book value based on the latest published audited financial statements of the Krka Group
- Is not higher than multiple of 30-times of net profit of majority holders per share based on the latest published audited financial statements of the Krka Group

The company may cancel or dispose of the acquired treasury shares by exchanging them for ownership stakes in other companies pursuant to execution of the M&A strategy, or list them for trading on organised financial markets outside the Republic of Slovenia.

Upon the disposal of treasury shares, the pre-emptive right of the existing shareholders shall be entirely excluded.

6. Amendment to the Articles of Association of Krka, d.d.

The Articles of Association of Krka, d.d. shall be amended by deleting the stipulation of the Paragraph 3 of the Article 6.18.

III. Explanation of the Proposed Amendments to the Agenda

Explanation to Item Number 4

By final withdrawal of 2,389,513 treasury shares, current earnings per share (calculated for the last 12 months) shall increase from EUR 4.59 to EUR 4.92, or by 7.23 per cent. Consequently, the valuation and the attractiveness of shares shall increase. Otherwise, from analytical perspective, treasury shares are not included in calculation of earnings per share. This, however, would change if treasury shares were re-listed on the stock exchange some time later.

Explanation to Item Number 5

According to the analyst target prices, who post their recommendations on Bloomberg, and are less than one year old, the average target price as of 13 May 2013 amounted to EUR 59.6. From that, six analysts issued recommendations to buy, and two analysts to hold. Considering this, we may conclude that on average analysts, who follow KRKG share, think that considering share prices on 10 May 2013 (as of 10 May 2013, the share price amounted to EUR 49.00), the share is cheap and attractive for buying.

Investment bank	Recommendation	Target price	Date of analysis
Alta Invest	Buy	58.00	29 April 2013
KBC Securities	Hold	46.85	22 March 2013
Erste Group	Buy	65.00	20 March 2013
Jefferies	Hold	51.00	14 March 2013
Raiffeisenbank AG	Buy	59.70	3 January 2013
Intercapital Securities Ltd	Buy	63.08	5 October 2012
Nova Ljubljanska Banka	Buy	66.00	19 September 2012
KD Banka d.d.	Buy	67.20	17 May 2012

By acquisition and cancelation of another 10% of treasury shares in total of 3,303,660 shares, current earnings per share (based on the last 12 months) shall increase from current EUR 4.59, or EUR 4.92 under the assumption that until now purchased treasury shares are cancelled, to EUR 5.47, or by a total of 19.15%. The calculation is based on the assumption that Krka, d.d. for the acquisition of treasury shares does not require any financial debt. Consequently, the valuation of the shares shall improve as well as share attractiveness.

The acquisition of treasury shares serves as the alternative to dividend payment. This mode of return to investors or shareholders is more favourable from taxation perspective (double taxation is avoided; tax rate is not fixed but decreases through investment period). Additionally, it offers to all shareholders greater flexibility or several options in comparison with dividend payment (the shareholders may decide whether to hold the share and expect capital return, or sell the share and get cash compensation). Furthermore, it also serves as a positive signal that share is undervalued and, at the same time, the acquisitions of treasury shares can be done over longer time period compared to dividend payments.

Explanation to Item Number 6

The stipulation of Paragraph 3 of the Item 6.18 of the Articles of Association of Krka, d.d., limits a free acquisition of Krka shares. To acquire a stake exceeding 20% of share capital, the acquirer must obtain the Supervisory Board's approval, and to acquire a stake exceeding 25% of share capital of the company, the acquirer must obtain the approval of the General Meeting. According to all this and in consideration of Article 240 of ZGD-1, the acquirer of the said stake would be entitled to the rights arising from the shares only upon the issuance of the permit by the Supervisory Board or General Meeting. This significantly reduces the interest to buy shares and consequently the liquidity on the organised market.

2. Counterproposal

The shareholders of Krka, tovarna zdravil, d.d., Novo mesto, Šmarješka cesta 6, Novo Mesto (hereinafter referred to as Krka, d.d.) stated herein below with regard to the Notice of the General Meeting of Krka's shareholders published on 16 May 2013 on the Internet pages of the Ljubljana Stock Exchange (SEOnet) hereby submit a Counterproposal to Item 2 of the Agenda of the General Meeting to be held on 4 July 2013 and announce that they intend to

counter the proposal of the Management and Supervisory Boards and make other shareholders vote for the counterproposal, which is as follows:

Add 2) Presentation of the Annual Report prepared by the Management Board, including information on remuneration of members of the Management and Supervisory Boards, the Auditor's Report, and the Supervisory Board's report on its verification and approval of the 2012 Annual Report, adoption of the resolution on the allocation of the 2012 accumulated profit and the discharge of liability for the Management and Supervisory Boards for 2012

2.1 The General Meeting is informed on the Management Board's Annual Report for the 2012 financial year, the remuneration of the members of the Management and Supervisory Boards, and the Supervisory Board's Report on its verification and approval of the Annual Report.

2.2 The accumulated profit for 2012 in the amount of EUR 177,930,458.96 is allocated as follows:

- To dividends (EUR 2.5 gross per share) EUR 82,681,035.00
- To other profit reserves EUR 62,341,936.21
- To carry forward to the next year EUR 32,907,487.75

The payout of dividends commences within 60 days after the General Meeting has been concluded. The shareholder records in the share register at KDD – Centralna klirinško depotna družba (Central Securities Clearing Corporation), d. d., Ljubljana, as at 9 July 2013 (record date 2) apply for dividend payment.

2.3 The General Meeting approves and gives its consent to the work of the Management and Supervisory Boards for the 2012 financial year and discharges each of them from liability for performance of their duties.

Explanation:

In consideration of the share price as at 13 May 2013, the dividend of EUR 2.50 per share shall offer a 5.10% dividend yield to shareholders. Considering the stagnation of net profit projected by the Management Board of Krka, d.d., high level of net cash flow from operating activities in 2012 (EUR 278.3 million), and low level of financial debt (EUR 26.3 million), we propose to increase the dividend amount and by that also the dividend yield, as the investment strategy of Krka's share has obviously changed from *growth* to *value*.

Zagreb, 21 May 2013

SOCIETE GENERALE – SPLITSKA BANKA d.d.

HYPO-ALPE-ADRIA BANK d.d.

B.

The positions of the Management Board of KRKA, d.d., Novo mesto

- Regarding Items 4 and 5 and the motion to amend the Agenda

Cancelation of treasury shares and Revocation of the Resolution Adopted at the 16th General Meeting on Authorisation for the Acquisition of Treasury Shares and the Replacement thereof with a New Resolution

Management Board of KRKA, d.d., Novo mesto dissents from the motion to amend the Agenda and the proposed Resolution. The current share buyback programme, which was adopted at 16th General Meeting of shareholders and remains in force until July 2014, gives the Management Board an authorization to acquire treasury shares up to 10% of share capital. In acquisition of shares, the Company complies with the Financial Instruments Market Act, follows the stipulations of Directive 2003/6/EC of the European Parliament and of the Council and Commission Regulation (EC) No 2273/2003 regarding the share buyback programme, and acts cautiously not to cause any market manipulation whatsoever with the acquisitions. Due to set limitations, low liquidity of trading with Krka shares, and the closed periods before the announcements of Company's business results when the Company is not acquiring its treasury shares, the volume of acquisitions is limited. The cancelation of treasury shares and the revocation of the current share buyback programme and its replacement with a new programme would not change the dynamics of the acquisitions of treasury shares.

The cancelation of treasury shares would have no effect on earnings per share and dividend per share, so the attractiveness of Krka's share for investors would not change.

If the Company cancels treasury shares, it would lose the strategic option to use treasury shares in acquisitions and strategic alliances as it was determined by the shareholders at the past General Meetings, and it would take a lot of time (several years) for the Company to acquire the same amount of treasury shares again.

- Regarding Item 6 of the motion to amend the Agenda

Change in Articles of Association of KRKA, d.d., Novo mesto

The Management Board of KRKA, d.d., Novo mesto dissents from the motion to expand the Agenda and from the motion of the Resolution. The stipulation of the Articles of Association in question was adopted at the first General Meeting of shareholders in order to ensure a relatively stable ownership structure of the Company that allows the Management Board to adopt long-term strategic decisions regarding the development of the Company.

- Regarding Item 2.2 of the call of the General Meeting of shareholders

Counterproposal of the 2012 Dividend Payout

The Management Board of KRKA, d.d., Novo mesto dissents from the motion of the Counterproposal. The proposal of the Management and Supervisory Boards that for the year 2012 a dividend of EUR 1.61 per share is paid to the shareholders complies with Krka's dividend policy to allocate one-third of net profit generated in the past year to dividends and two-thirds to further development of the Company. So far, shareholders of Krka approved the Company's dividend policy at every General Meeting as they always passed the Management and Supervisory Boards' dividend proposals with a vast majority of votes.

The dividend proposal of the Management and Supervisory Boards ensures a 3.2% dividend yield. According to the Reuter's data, this is two times of the average dividend yield in the pharmaceutical industry.

C.

Pursuant to Paragraph 4 of the Article 298 of the Companies Act the Management Board of KRKA, d.d., Novo mesto publishes a clean version of the amended Agenda and proposed Resolutions for the 18th Annual General Meeting of KRKA, d.d., Novo mesto, which will be held on 4 July 2013 at 13.00 at Hotel Šport in Otočec:

1 Opening of the company's General Meeting and election of working bodies

Proposed resolution

1.1 The attorney Stojan Zdolšek is appointed as the Chair of the General Meeting, and Ixtlan Forum, d. o. o., Ljubljana as vote enumerator.

2 Presentation of the Annual Report prepared by the Management Board, including information on remuneration of members of the Management and Supervisory Boards, the Auditor's Report, and the Supervisory Board's report on its verification and approval of the 2012 Annual Report, adoption of the resolution on the allocation of the 2012 accumulated profit and the discharge of liability for the Management and Supervisory Boards for 2012

Proposed resolutions

2.1 The General Meeting is informed on the Management Board's Annual Report for the 2012 financial year, the remuneration of the members of the Management and Supervisory Boards, and the Supervisory Board's Report on its verification and approval of the Annual Report.

2.2 The accumulated profit for 2012 in the amount of EUR 177,930,458.96 is allocated as follows:

- To dividends (EUR 1.61 gross per share) EUR 53,246,586.54
- To other profit reserves EUR 62,341,936.21
- To carry forward to the next year EUR 62,341,936.21

The payout of dividends commences within 60 days after the General Meeting has been concluded. The shareholder records in the share register at KDD – Centralna klirinško depotna družba (Central Securities Clearing Corporation), d. d., Ljubljana, as at 9 July 2013 (record date 2) apply for dividend payment.

2.3 The General Meeting approves and gives its consent to the work of the Management and Supervisory Boards for the 2012 financial year and discharges each of them from liability for performance of their duties.

3 Cancellation of Treasury Shares

Proposed resolution

2,389,513 treasury shares bearing the symbol KRKG, presenting 6.745% of all issued shares shall be cancelled, and thus share capital of the Company is reduced from current EUR 59,126,194.28 by EUR 3,988,097.20, so that from now on share capital would total EUR 55,138,097.08.

The cancellation of 2,389,513 treasury shares of the Company shall be carried out based on the reduction of share capital by cancellation of shares according to the simplified procedure pursuant to Paragraphs 3 and 4 of Article 381 of the Companies Act.

Share capital of the Company shall be reduced upon the entry of the Resolution into the Register of companies by a total of EUR 3,988,097.20, so that after the reduction share capital of the Company shall total EUR 55,138,097.08.

4 Revocation of the Resolution Adopted at the 16th General Meeting on Authorisation for the Acquisition of Treasury Shares and the Replacement Thereof by a New Resolution

Proposed resolution

The Resolution adopted at the 16th General Meeting regarding the authorisation for the acquisition of treasury shares shall be revoked and replaced with a new Resolution.

General Meeting authorises the Management Board of the company to acquire treasury shares:

The Management Board shall be authorised to acquire treasury shares under the provision that the total holding of treasury shares, including the treasury shares already acquired by the Company, does not exceed 10% of share capital of the Company, or 3,303,660 Company shares.

The authorisation for the acquisition of treasury shares shall remain valid 36 months from the date of adoption of this Resolution.

The Company may acquire treasury shares by transactions concluded on the organised financial market at currently valid market prices under the provision that the price of shares:

- Is not lower than its book value based on the latest published audited financial statements of the Krka Group
- Is not higher than multiple of 30-times of net profit of majority holders per share based on the latest published audited financial statements of the Krka Group

The Company may cancel or dispose of the acquired treasury shares by exchanging them for ownership stakes in other companies pursuant to execution of the M&A strategy, or list them for trading on organised financial markets outside the Republic of Slovenia.

Upon the disposal of treasury shares, the pre-emptive right of the existing shareholders shall be entirely excluded.

5 Amendment to the Articles of Association of KRKA, d.d., Novo mesto

Proposed resolution

The Articles of Association of KRKA, d.d., Novo mesto shall be amended by deleting the stipulation of the Paragraph 3 of the Article 6.18.

6 Discussion and adoption of the resolution on the appointment of the auditor

Proposed resolution

Ernst & Young Revizija, poslovno svetovanje, d. o. o., Ljubljana, Dunajska cesta 111, 1000 Ljubljana is appointed as the auditor for the 2013 financial year.

Novo mesto, 28 May 2013

Jože Colarič
President of the Management Board and Chief Executive