Share split

At the annual general meeting of shareholders, which was held on 5 July 2007, the Management Board brought forward its proposal to split the shares at a ratio of 1 : 10. This means one existing share will be divided into ten new shares. The aim is to increase trading liquidity and accessibility of shares to a broader investor base.

Krka will split shares at the beginning of September this year at the latest. All efforts will be made for minimum disturbance in share trading and Krka will also make sure that shareholders and general public are properly informed.

The share split means that the company will divide one share into several shares. Krka will split each share into 10 shares. Accordingly, the number of shares will be increased ten times. After the share split each shareholder will have ten times more shares than before, while the value of one share will be ten times lower than before. This means that due to the share split the value of shareholder investments in Krka shares will remain unchanged. The legal basis for the share split was adopted at the 12th annual general meeting of shareholders convened for 5 July 2007. On the basis of the resolutions adopted Krka will replace the existing nominal shares with no-par-value shares, at a ratio of 1 : 10. The share split will be carried out within two months after 10 July 2007 at the latest. The public will be informed of the exact date later.

Reasons for share split

The value of Krka share on the stock exchange is over EUR 900, which is a substantial sum for individuals representing the major group of Krka's investors. The average net salary in Slovenia is actually lower than the price of one Krka share.

An individual who saves EUR 500 and decides to invest this savings into Krka shares cannot do this, as it is not possible to buy just half a share. After share split investor will be able to buy Krka shares as one share will represent a ten times lower ownership stake at Krka, and accordingly the value of one share will be about ten times lower.

A similar situation happens when a shareholder needs e.g. EUR 500. This is an awkward situation, as shareholder is forced to sell the whole share worth over EUR 900, although shareholder would be anxious to keep the amount which is not needed, in shares.

The share split will create a broader investor base, and it will also make it easier to manage investments in Krka shares.

Frequently asked questions

1. Why will Krka shares after the share split at the ratio of 1 : 10 be ten times cheaper? Does this mean that after the split they will become undervalued and it will be worth buying them?

After the share split each individual share will represent a ten times lower stake at Krka, therefore its value will be ten times lower. The reasons for purchasing Krka shares after the split will be the same as before.

2. What will happen after the share split?

Currently, the total number of Krka shares issued is 3,542,612. One Krka share therefore represents an ownership stake of 0.000028 % or $\frac{1}{3.542.612}$.

After the split the total number of Krka shares issued will increase tenfold – to 35,426,120 shares. One Krka share will represent a ten times lower ownership stake at Krka; i.e. 0.0000028 % or $\frac{1}{35.426.120}$.

3. Why has Krka decided for the split ratio of 1 : 10?

There are two reasons for this:

- The split ratio of 1 : 10 will provide for better accessibility of Krka shares to the widest circle of investors, particularly to small investors. Should Krka decide for a lower split ratio, share accessibility would be lower, as share price would be higher.

- The second reason is that investors might more easily adjust to changed number of shares, as the round split ratio makes the calculation of share number and share price easy. Each investor can quickly calculate how many shares he will have after the split and how much is the value of one share.

4. What do I have to do as a shareholder when Krka splits the shares? Do I have to pay for new shares?

Krka's shareholders do not need to do anything. Krka will give an order to the Central Securities Corporation (KDD) to multiply the number of shares on each shareholders' account by ten times. After the split the increased number of Krka shares will be at disposal to the shareholders and shareholders will be able to trade with these shares, however they will have to take in account that each share will have a lower value.

The shareholders will not need to pay anything for new shares created by share split. They will be entitled to these shares on the basis of the resolution passed by the general meeting.

Krka will adequately inform its shareholders and the general public about this process via the SEOnet system of the Ljubljana Stock Exchange or via other media.

5. Which pharmaceutical companies have already split their shares?

It is quite usual worldwide that rapidly growing companies split their shares, and pharmaceutical companies are no exception. Let us mention some major pharmaceutical companies which have already split their shares, some of them several times already: Novartis, Pfizer, Teva, Bristol Myers Squibb, AstraZeneca, Schering Plough, and Wyeth.

6. What are the tax consequences of share split?

There are no tax consequences of share split.

7. Where could I obtain additional information about share split?

For additional information send an e-mail to finance@krka.biz or call the Finance division on phone number + 386 7 33 12 109.

Practical example:

I have 20 Krka shares. Taking in account the current price on the market, i.e. approx. EUR 900 per share, my shares are worth ca. EUR 18,000. What they will be worth after the share split?

The share split will not have a direct impact on the value of your investment in Krka shares. After the split the number of your shares will be ten times higher, and the value of one share ten times lower.

	PRIOR TO SHARE SPLIT	AFTER SHARE SPLIT
Number of shares	20 shares	20 shares $\times$ 10 $=$ 200 shares
Price of 1 share	EUR 900	$\frac{\text{EUR 900}}{10} = \text{EUR 90}$
Value of investment	20 $\times$ EUR 900 $=$ EUR 18,000	200 $\times$ EUR 90 $=$ EUR 18,000