EXPLANATION FOR PROPOSED RESOLUTIONS:

Item 1:

The Rules of Procedure for the General Meeting requires the chair and vote enumerators to be appointed for each general meeting separately.

Item 2:

The company's Management Board prepared the 2006 Annual Report, the auditor prepared the Auditor's Report on the Annual Report, while the Supervisory Board discussed both documents and adopted a report on the results of its verification of the annual report and issued their approval to the Annual Report.

The company's Management Board proposed the distribution of the accumulated profit, the Supervisory Board gave its consent to the proposal, as it assessed the proposal as appropriate given the results achieved, and also gave its consent to the amount allocated to dividends, which reflects the company's stable dividend policy.

The Management Board and Supervisory Board propose, on the basis of the results achieved, that the General Meeting discharge them of liability and hence approve their work for 2006.

Item 3:

The Republic of Slovenia adopted the euro as its legal currency, and the Companies Act (ZGD-1) prescribed the method for converting the share nominal value and share capital of the public limited companies. By applying the provisions of Article 693 of the Companies Act (ZGD-1), the converted share capital, which amounts to € 59,126,194.28, while the difference of € 6,037.40 arising in the conversion, will be transferred to the capital reserves, and the share capital reduced by that amount.

Item 4:

The company's Management Board, with the Supervisory Board's consent, prepared a draft amendment to the company's Articles of Association proposing that the company's objectives be written in the Articles of Association. Furthermore, proposed amendments relate to the conversion of the share capital into euros and the replacement of ordinary bearer shares with a nominal value of SIT 4,000 with no par-value shares, where the number of shares is increased by 10 times. The other amendments relate to the provisions concerning the Management Board and remuneration for the Supervisory Board, who according to the new provisions shall be entitled to payment for their work and directors' fees. Based on the General Meeting resolution, Supervisory Board members can also receive remuneration in the form of participation in the accumulated profit.

Item 5:

The company's Management Board assessed that it would be appropriate to replace shares with a nominal value of SIT 4,000 with no par-value shares, increased in number ten times. This would increase the share trading, as the current market value of one share is rather high.

Given the procedures required by the change from nominal shares to no-par value shares, which must be coordinated with relevant capital market institutions, the Management Board proposes the introduction of the no-par value shares within two months after the General Meeting.

Item 6:

The Supervisory Board proposes the appointment of KPMG Slovenija, podjetje za revidiranje, d. o. o., Ljubljana as the company auditor for the 2007 financial year. The Supervisory Board decided on this proposal because it is a well-reputed international auditing company with references for auditing pharmaceutical companies.

Item 7:

A resolution was adopted at the 2006 General Meeting determining payments and directors' fees for the Supervisory Board members for their work. At the beginning of 2007, the Government of the Republic of Slovenia adopted a resolution that defined the criteria for remunerating members of supervisory boards. The Management Board and Supervisory Board propose to the General Meeting that the directors' fees be harmonised with the Government resolution. The Articles of Association retains the possibility of Supervisory Board members being remunerated via participation in the accumulated profit, on the basis of a General Meeting resolution. The adoption of this proposed resolution will replace the General Meeting resolution of 2006, which regulated payment for Supervisory Board work.

Jože Colarič
President of the Management Board