

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

**Counter proposals to individual items contained in the proposal to convene the 15th Annual General Meeting of the public limited company Krka, d.d., Novo mesto which will be held on 17 June 2010 at 13.00 in Hotel Šport at Otočec:**

1.

The counter proposal which the company Krka received on 17 May 2010 from Društvo – Mali delničarji – Skupaj smo močnejši (Minor Shareholders Society – Together we are stronger) from Ljubljana, Dalmatinova 10

**Counter proposal to item 2.2., reading as:**

*The accumulated profit for 2009 in the amount of EUR 161,749,148.26 is allocated as follows:*

|                                            |                                                     |
|--------------------------------------------|-----------------------------------------------------|
| <i>- for dividends</i>                     | <i>EUR 61,177,095.00 (EUR 1.81 gross per share)</i> |
| <i>- to other profit reserves</i>          | <i>EUR 50,286,026.13,</i>                           |
| <i>- to carry forward to the next year</i> | <i>EUR 50,286,026.13.</i>                           |

*The consent for allocation of assets to other reserves and to carry forward to the next years should be given by the company's Supervisory Board, while the company's Management Board is obliged to make a relevant public announcement via the SEONET system.*

*The payout of dividends will start within 30 days of the General Meeting conclusion. The shareholder records in the share register at the KDD – Central Securities Clearing Corporation, Ljubljana on 21 June 2010 (record date 2) will apply for dividend payment.*

**Shareholder's substantiation of the counter proposal:**

In view of the net profit growth in the financial years 2008 and 2009 and particularly considering the fact that the profit carried forward has represented, for several subsequent years in the past, a multiple of proposed dividends, we as the shareholder, suggest the payout of dividends follows the trend of profit growth. Net profit recorded almost 39% growth in 2008 and 2009.

In view of the above mentioned facts, we believe that the company could allocate higher dividends to shareholders; i.e. in the amount of EUR 1.81 per share, meaning that the shareholders would be allocated just 37.82% of net profit for 2009. Consequently, the shareholders would still leave 62.18% of profit in the company within the scope of the plans confirmed by the Supervisory Board through adopting the company's strategic business plan.

This payout would be an award for loyal shareholders who represent an important defence wall against possible takeovers and it might even incite higher interest in purchasing the company's shares. The assets carried forward to the next year, as adopted by the company's General Meetings held in the past, might be used for the payout of these dividends.

The suggested dividend also does not considerably deviate from the policy presented by KAD (Pension Fund Management) and SOD (Restitution Fund) announcing, as regards the allocation of profits in public limited companies, that they expect allocation of at least 1/3 of generated profit and our proposal is just slightly higher, as we believe risk represented by investing in shares, must be rewarded. We therefore hope that our resolution will be supported by the two para-state funds, being the biggest individual owners of Krka, d.d.

2.

The counter proposal which the company Krka received on 20 May 2010 from Društvo – Mali delničarji – Skupaj smo močnejši (Minor Shareholders Society – Together we are stronger) from Ljubljana, Dalmatinova 10

**The counter proposal to item 3, reading as:**

*The following persons are elected as the Supervisory Board members for the period of 5 years:*

- Adolf Zupan, M.Sc.
- Stojan Auer,
- Sergeja Slapničar, Ph.D., Assistant Professor
- Jože Lenič, M.Sc.
- Vincenc Manček,
- Prof. Julijana Kristl, Ph.D.

*They will start their term-in-office on 21 June 2010.*

**Shareholder's substantiation of the counter proposal:**

Društvo - Mali delničarji - Skupaj smo močnejši (Minor Shareholders Society – Together we are stronger) (hereafter: MDS Society) submitted a proposal to the Nomination Committee of Krka, d.d. already on 19 March 2010 regarding the evaluation of several candidates for members of the Supervisory Board. Zavod za izobraževanje in zastopanje malih delničarjev (Institute for training and representing minor shareholders), Maribor did the same within the specified time-limit. All proposed candidates have presented the required statements and their CVs. At the last year's General Meeting of Krka, d.d., which was attended by the MDS Society for the first time since its formation, the latter represented as an organised group in its own arrangement the enviable 3.02% of capital present, and was the 3<sup>rd</sup> largest shareholder attending the General Meeting. We therefore expected that the responsible persons from the Nomination Committee would admit at least some of several proposed competent candidates from the MDS Society as well as

from Zavod za izobraževanje in zastopanje malih delničarjev (Institute for training and representing minor shareholders), Maribor also in view of the fact that small shareholders hold slightly over 44% ownership share in the company. As this did not happen, it is our sole chance to submit a counter proposal and try to obtain the required majority to vote for it at the General Meeting.

3.

The counter proposal that the company Krka received on 20 May 2010 from Vseslovensko združenje malih delničarjev VZMD (All-Slovenian association of minor shareholders – VZMD) from Ljubljana, Salendrova 4

**The counter proposal to item 2.2., reading as:**

*The accumulated profit for 2009 in the amount of EUR 161,749,148.26 is allocated as follows:*

|                                     |                                              |
|-------------------------------------|----------------------------------------------|
| - for dividends                     | EUR 50,699,250.00 (EUR 1.50 gross per share) |
| - to other profit reserves          | EUR 62,284,849.13,                           |
| - to carry forward to the next year | EUR 48,765,049.13.                           |

*The payout of dividends will start within 60 days of the General Meeting conclusion. The shareholder records in the share register at the KDD – Central Securities Clearing Corporation, Ljubljana on 21 June 2010 (record date 2) will apply for dividend payment.*

**Shareholder's substantiation of the counter proposal:**

The company Krka, d.d. has over 82,000 small shareholders to whom – in this more difficult time and fierce economic conditions – any remuneration in the form of dividends is even more welcome than usually. In the past years Krka paid out relatively low dividends, and transferred and allocated other generated profits – or their considerable portion – to reserves for the realisation of its development plans.

In view of the fact that the total amount of dividends – from the aspect of generated profit and its capital expenditure – is not high, we, at VZMD, are of the opinion that it would be reasonable to considerably increase dividends in this difficult year. VZMD is making an appeal also to others managers and representatives of companies in the Republic of Slovenia, who are capable, in similar circumstances, of following and exceeding the planned dividend policies and the height of dividend payout in the past years, to act in the same way.

This would mean a lot to shareholders, particularly small ones, and it would also strengthen their belief in that the company Krka understands their position and appreciates their important and stable presence in the company's ownership structure – that is why in this difficult times, the company "stands by them" despite the less favourable results. At VZMD, we would also underline that small shareholders supported the company and its plans in the past; they were always positively inclined to the development-oriented policy with a relatively low dividend.

The fact itself that for increased dividends, as suggested by VZMD, less than one third of accumulated profit from 2009 would be sufficient, clearly shows that Krka has at its disposal more than enough resources for the payout of proposed higher dividends – without any negative effects or hindrances on the company's existing development plans.

Last but not least, VZMD's proposal as regards the allocation of profit in public limited companies is in compliance with the policies of Kapitalska družba, d.d. (KAD) and Slovenska odškodninska družba, d.d. (SOD), therefore, at VZMD, we expect our counter proposal will be firmly supported also by the other two major Krka's shareholders (altogether 24.85%).

4.

The counter proposal received by the company Krka on 20 May 2010 from Vseslovensko združenje malih delničarjev VZMD (All-Slovenian Association of minor shareholders – VZMD) from Ljubljana, Salendrova 4

**Counter proposal to item 3,** reading as:

*The following persons representing the shareholders' interests are elected as the Supervisory Board members for the period of 5 years:*

- *Prof. Julijana Kristl, Ph.D.*
- *Jože Lenič, M.Sc.*
- *Vincenc Manček,*
- *Mojca Osolnik Videmšek,*
- *Alenka Podbevšek and*
- *Sergeja Slapničar, Ph.D., Assistant Professor.*

*They will start their term-in-office on 21 June 2010.*

**Shareholder's substantiation of the counter proposal:**

Summary: VZMD submitted a proposal of candidates for the Supervisory Board of Krka, d.d., Novo mesto to the Nomination Committee already on 25 February 2010 and their proposal included Marjan Česen, Ph.D., Alenka Podbevšek and Ludvik Toplak, Ph.D. The decision of the Supervisory Board of Krka, d.d., Novo mesto, revealed also in the convocation of the 15<sup>th</sup> General Meeting, came as an unpleasant surprise, as among the proposed candidates there is no candidate from the list of Združenje malih delničarjev (Minor Shareholders Society). VZMD does not see any reason that despite the share that small shareholders represent in the company's ownership structure all the time, this shareholders' segment is refused the right of having its representatives in the Supervisory Board. With the counter proposal this society just suggest a replacement of one of the candidates; i.e. Matjaž Rakovec with their candidate Alenka Podbevšek. They are convinced that the candidate Matjaž Rakovec already has a sufficient scope of tasks and responsibilities, and they enumerated the types of functions performed by him.

**Management Board's opinion to the counter proposals:**

**- to item 2.2. of the General Meeting convocation:**

The Management Board of Krka, d.d., Novo mesto does not agree with the suggested counter proposals. The proposal concerning the allocation of accumulated profit as brought forward by the Management and Supervisory Boards, is in compliance with the company's dividend policy and business plan. The Management Board advocates the policy of moderate dividend growth, regardless of profit fluctuations. The shareholders' General Meeting also agreed with such dividend policy in the past years when deciding about the allocation of accumulated profit, as each time it confirmed the allocation of accumulated profit, including the dividend height proposed by the company's Management and Supervisory Boards. It has to be underlined at this point that the General Meeting does not decide about net profit, but about accumulated profit, where the growth is lower compared to the growth of net profit in the past years. The Management Board is of the opinion that with the aim of ensuring the company's long-term success, the profit should be allocated, to a larger extent, to the development projects and capital investments whose scope is rather large this year as well as in the years to come.

The Management Board also does not agree with the suggested time limit for the payout of dividends, since the Management and Supervisory Boards' proposal for the payout within 60 days of the General Meeting is adjusted with the financial plan of Krka's operations.

**- to item 3 of the General Meeting convocation:**

The Management Board of Krka, d.d., Novo mesto does not take any sides as regards the counter proposals, as the body bringing forward the proposal for resolution is, in line with the law, the Supervisory Board.

Counter proposals are available for review at the company's seat and since their publication in the newspaper Delo also on Krka website [www.krka.si](http://www.krka.si).

Novo mesto, 25 May 2010

Jože Colarič  
President of the Management Board  
and Chief Executive