

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 23rd Annual General Meeting of Krka, d. d., Novo mesto,**

that will take place on 6 July 2017 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 2016 in the amount of €142,658,499.48 shall be allocated as follows:

| | |
|---|-----------------|
| - for dividends (€3.50 gross per share) | €112,881,447.00 |
| - for other revenue reserves | €14,888,526.24 |
| - to be carried forward to next year | €14,888,526.24 |

The payout of dividends shall commence on 20 July 2017. The shareholder records in the share register at KDD – Centralna klirinško depotna družba (Central Securities Clearing Corporation), d. d., Ljubljana as at 19 July 2017 shall apply for the dividend payout.

In accordance with the uniform European Standards for Corporate Actions including also dividend payouts, Krka shall remit funds for all dividend payouts to the account at KDD – Centralna klirinško depotna družba on 20 July 2017, which shall then transfer payouts of dividends through its members to the beneficiaries' accounts on the very same day, provided that all the data required for the payout are available to the KDD's members."

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 €112,881,447.00. With regard to the closing price of Krka's share on 6 June 2017 (€53.70), the dividend in the proposed amount (€3.50) would signify a 6.52% dividend yield, which in our estimate would have positive effects on share trading.

As at 31 December 2016, Krka formed revenue reserves in the amount of €1,102,165.00; therefore the Association is of the opinion that the payout of a higher profit would in no way threaten company's business performance.

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

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 2016 a dividend of €2.75 gross per share shall be paid to shareholders is based on Krka's dividend policy of stable dividend growth and represents almost 4% 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, and acquisitions.

With regard to the closing price of Krka's share as at 6 June 2017, the Management and Supervisory Boards' proposal provides for the dividend yield of 5.12%, which is according to Reuters more than three times the yield of the average dividend yield in the pharmaceutical industry.

Novo mesto, 9 June 2017

Jože Colarič
President of the Management Board and Chief Executive