

EXPLANATION OF PROPOSED RESOLUTIONS

for the 26th Annual General Meeting of Krka, d. d., Novo mesto due on 9 July 2020

At several meetings, the Management and Supervisory Boards of Krka, d. d., Novo mesto reviewed the materials for the call of the 26th AGM, prepared the motion of the Agenda and the proposal of the resolutions as follows:

Add 1.

According to the *Rules of Procedure for General Meetings*, the Chair of the General Meeting is elected for each meeting separately. IXTLAN FORUM, d. o. o., Ljubljana is proposed as the vote enumerator based on its good references. This company has successfully performed the voting and vote enumerating procedures at General Meetings of Krka for years.

Add 2.

The Supervisory Board reviewed the *2019 Annual Report* of Krka, d. d., Novo mesto and the Krka Group. There were no comments or reservations regarding the report, therefore the Board approved it unanimously. By this approval, the *2019 Annual Report* of Krka, d. d., Novo mesto and the Krka Group was adopted. The Supervisory Board also discussed the auditor's report and the work of the certified auditor. The Supervisory Board had no comments about either of the two documents.

The *2019 Annual Report* also discloses the remuneration of members of the Management and Supervisory Boards.

The Management Board has prepared a proposal for the allocation of the 2019 distributable profit in total of €270,870,010.09. The Supervisory Board agreed with the proposal. The Supervisory and Management Boards jointly propose that the AGM adopt the resolution on the allocation of distributable profit. In addition to this, the two Boards propose that the AGM discharge the Management and the Supervisory Boards of Krka, d. d., Novo mesto of their liabilities. The proposal is based on the strategic guidelines of the company regarding dividend policy.

Remuneration of the Management Board in 2019

Table 1: Remuneration of Krka Management Board members in 2019

€ thousand	Salary – fixed part			Salary – variable part		Total	
	Gross payment	Net and other receipts	Net benefits	Gross	Net	Gross	Net
Jože Colarič, President of the Management Board	424	173	8	718	280	1,142	461
Aleš Rotar	337	138	11	481	188	818	337
Vinko Zupančič	288	117	14	400	156	688	287
David Bratož	276	117	9	393	154	669	280
Milena Kastelic, Worker Director	166	77	5	78	31	244	113
Remuneration Management Board members – Total	1,491	622		47 2,070	809 3,561	1,478	

Table 2: Net benefits and other receipts in 2019

€ thousand	Managerial insurance	Supplementary pension insurance	Other benefits	Reimbursement of expenses	Vacation bonus	Total
Jože Colarič, President of the Management Board	0.83	2.82	2.92	0.06	1.17	7.80
Aleš Rotar	0.00	2.82	5.57	0.95	1.19	10.53
Vinko Zupančič	1.87	2.82	7.45	0.86	1.20	14.20
David Bratož	0.00	2.82	4.45	0.96	1.20	9.43
Milena Kastelic, Worker Director	0.00	2.82	0.12	1.05	1.25	5.24
Remuneration Management Board members – Total	2.70	14.10	20.51	3.88	6.01	47.20

Management Board members receive fixed and variable remuneration and benefits in accordance with their individual employment contracts. These include the use of a company car. The total remuneration and benefits for 2019 are listed in Tables 1 and 2.

The fixed part of the salary of a Management Board member is determined as a multiple of the average salary at Krka. These multiples are included in individual employment contracts concluded with the Management Board members upon their appointment. They are determined by the Supervisory Board based on the scope of tasks and areas of work each member of the Management Board covers. These multiples range between four (4) for the Management Board member – Worker Director, and ten (10) for the President of the Management Board. The average monthly salary at Krka in 2019 was €2,874 gross, not including vacation, Christmas, business success, and performance bonuses received by Krka employees for their successful work. The actual gross average monthly salary is therefore higher.

The variable part of the remuneration of Management Board members is determined each year based on the policy and rules adopted by the Supervisory Board, the methodology of which is described below. The sum of the variable part of remuneration paid to all Management Board members should not exceed 5% of the value of dividends paid in the year. In 2019, the sum of the variable part of remuneration paid to all Management Board members amounted to 1.55% of the proposed dividends for 2019.

The Supervisory Board uses seven (7) quantitative and four (4) qualitative criteria in its assessment of the performance of the Management Board. The former constitute eleven (11) points or weighted criteria, and the latter six (6).

Quantitative criteria (maximum number of assigned points or weights is given in brackets) include:

- growth in terms of sales revenue (2);
- growth in terms of sales volume (2);
- growth of sales revenue compared to competitors (1);
- increase in cash flows from operating activities (1);
- increase in operating profit (3);
- return on equity compared to competitors (1);
- dividend payments (1).

Qualitative criteria:

- social responsibility, reputation of the company, public relations, investor relations (1);
- activities in new indication areas (2);
- implementation of new requirements, entry into new markets, new product launches (2);
- investments, human resources and information technology (1).

Each point translates to one (1) average fixed salary of a member.

The total remuneration calculated for the current financial year comprises the weight of the current financial year (60%) and the weight of business performance over the past 10 years (40%), assessed using the same methodology as for the current financial year. This method is used for assessing long-term success of the Management Board.

Currently, the same assessment criteria and methodology apply to all members of the Management Board. In the past, these could vary for newly appointed members.

The Supervisory Board has the right to adjust the bonus at its discretion. The Supervisory Board may adjust the calculated bonus either up or down for a maximum of three (3) points in the case of unexpected factors that may have an impact on business results in the relevant financial year. In duly justified cases, the Supervisory Board may determine the entire variable part at its discretion by means of a resolution. However, even in these cases, the sum of the variable part of remuneration paid to all Management Board members should not exceed 5% of the value of dividends paid in the year.

The Supervisory Board regularly updates its criteria for determining the variable part, especially upon changes to the Krka Group Development Strategy or the company's business environment.

The variable part is paid out in two parts. Based on the interim results a partial payment is calculated and made, and based on the audited annual performance the final variable part is determined in consideration of the payment already made.

Individual Management Board members are also members of the supervisory boards or boards of directors of Krka subsidiaries, but are not additionally paid for their function.

If a member of the Management Board is dismissed unfairly, not by their own will, and not because of retirement, they are entitled to a termination benefit in the amount of twelve (12) salaries. If their dismissal is due to economic and business interests, and they continue their employment at Krka, they are entitled to receive their salary for another 6 (members of the Management Board) or 18 (President of the Management Board) months in addition to their termination benefit.

Remuneration of Directors of Krka's largest subsidiaries in 2019

Based on sales revenue, the top three Krka subsidiaries are OOO KRKA FARMA, Russian Federation, OOO KRKA-RUS, Russian Federation, and TAD Pharma GmbH, Germany.

The Directors of these companies receive a fixed monthly salary as per their individual employment contracts, which are signed by the President of the Management Board as the representative of the sole owner.

The performance bonus, which is paid twice per year (in April and September), is also specified in the employment contracts. Its amount depends on the business performance of the subsidiary and the results of its Director.

The semi-annual performance bonus is stipulated in the internal rules on the remuneration of managers in Krka's work units abroad (Remuneration Rules for Krka's detached employees and for local executive officers in Krka's companies and representative offices abroad), which apply to all Directors of subsidiaries abroad.

The calculation of the performance bonus includes consolidated net sales realised in the market where the company operates (in line with the plan), and realisation of expenses (consolidated expenses) of the market covered by the subsidiary (in line with the plan). Costs include promotional and non-promotional expenses and labour costs.

The performance bonus is calculated based on these costs, but it may also depend on criteria such as market complexity, achieved sales growth rate, absolute sales growth, marketing authorisations, and other objective reasons.

The Directors of subsidiaries abroad may be entitled to some bonuses, such as the use of a company car for private purposes, reimbursement of apartment rent (e.g. Krka employees assigned to work in a subsidiary abroad), and vacation or Christmas bonus if their individual employment contracts, the sole owner of the relevant subsidiary, or the local legislation foresees such bonuses.

Employment contracts do not include provisions on termination benefits upon their termination.

Average gross monthly salaries in 2019 amounted to: €1,189.69 at OOO KRKA FARMA, Russian Federation, €1,115.38 at OOO KRKA RUS, Russian Federation, and €3,636.49 at TAD Pharma GmbH, Germany.

Remuneration of Supervisory Board members in 2019

€ thousand	Basic remuneration for the performance of duties		Attendance fees		Travel expenses		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Remuneration of Supervisory Board members – Owner representatives								
Jože Mermal, President of the Supervisory Board	23.25	16.91	1.10	0.80	0.00	0.00	24.35	17.71
Borut Jamnik	21.31	15.50	2.75	2.00	0.00	0.00	24.06	17.50
Julijana Kristl	19.38	14.09	2.53	1.84	0.37	0.27	22.28	16.20
Mojca Osolnik Videmšek*	9.21	6.70	1.27	0.92	0.09	0.07	10.57	7.69
Andrej Slapar, Deputy President of the Supervisory Board	22.86	16.63	2.53	1.84	0.00	0.00	25.39	18.47
Boris Žnidarič	19.38	14.09	2.75	2.00	0.29	0.21	22.42	16.30
Hans-Helmut Fabry**	2.89	2.24	0.00	0.00	1.76	1.37	4.65	3.61
Remuneration of Supervisory Board members – Employee representatives								
Franc Šašek, Deputy President of the Supervisory Board	20.93	15.22	2.75	2.00	0.00	0.00	23.68	17.22
Tomaž Sever	19.38	14.09	2.53	1.84	0.36	0.26	22.27	16.19
Mateja Vrečer	19.38	14.09	2.53	1.84	0.00	0.00	21.91	15.93
Remuneration Supervisory Board members – Total	177.97	129.56	20.74	15.08	2.87	2.18	201.58	146.82

* Member of the Supervisory Board since 5 July 2019

** Member of the Supervisory Board until 13 March 2019

According to the resolution passed at the 16th AGM of 7 July 2011, each Supervisory Board member attending the meeting receives an attendance fee in the amount of €275.00 gross. Each member of the Supervisory Board committees attending a committee meeting receives an attendance fee in the amount of 80% of the attendance fee for attending a Supervisory Board meeting. The attendance fee for a correspondence session amounts to 80% of the attendance fee for attending an ordinary meeting. Each member of the Supervisory Board is entitled to a payment of attendance fees regardless of the above and irrespective of their actual attendance in a single financial year, so long as the total amount of attendance fees received (whether these are Supervisory Board or Committee of the Supervisory Board meetings) does not exceed 50% of the basic remuneration for the performance of duties they receive annually.

Apart from attendance fees, each member of the Supervisory Board receives a basic remuneration for the performance of their duties in the amount of €15,500 gross per year. The President of the Supervisory Board is entitled to an additional payment in the amount of 50% of the basic remuneration for the performance of duties of a member of the Supervisory Board, and the Deputy President of the Supervisory Board is entitled to an additional payment in the amount of 10% of the basic remuneration for the performance of duties of a member of the Supervisory Board. Each member of the Supervisory Board committees is entitled to an additional payment for the performance of their duties in the amount of 25% of the basic remuneration for the performance of duties of a member of the Supervisory Board. Each President of a committee is entitled to an additional payment in the amount of 50% of the additional payment for the performance of duties of a member of the Supervisory Board committee.

Members of the Supervisory Board and Supervisory Board committees are entitled to a basic remuneration and additional payment for the performance of their duties. The remuneration and additional payment are paid proportionally each month during their performance of these duties. The monthly payment amounts to 1/12th of the above-stated annual total. Each Supervisory Board committee member is entitled to receive additional payments regardless of the above and irrespective of the number of committees they are a member of in a single financial year, so long as the total amount of such additional payments received does not exceed 50% of the basic remuneration they receive annually for the performance of duties as a member of the Supervisory Board.

Remuneration of members of internal supervisory boards of Krka subsidiaries

The members of supervisory boards of Krka subsidiaries are employees of the Krka Group. They receive a fixed attendance fee for the performance of their duties. Members of the internal supervisory board receive €300 net, and the president of the internal supervisory board receives €400 net. The same payments apply to registered supervisory bodies of Krka subsidiaries.

Add 3.

The Management Board estimates that due to the company's financial stability and its capability to continue to generate a high and stable cash flow from operating activities, a treasury share fund should be formed with the aim of decreasing the company's share capital under a simplified procedure in future periods and in line with Paragraphs 3 and 4 of Article 381 of the *Companies Act* (ZGD-1).

It proposes that the AGM issue an authorisation to the Management Board to form a treasury share fund in total of up to 10% of all issued shares. The Supervisory Board agrees with the proposal.

The company shall perform the repurchase of treasury shares programme in accordance with valid legislation. The company shall report on any change in treasury shares in accordance with the applicable laws and regulations. The Management Board shall report at the upcoming AGM meetings about treasury share transactions as regards attainment of the company's long-term strategic objectives.

Add 4.

On 19 or 20 August 2020, the term of office terminates for the current members of the Supervisory Board: Boris Žnidarič, Andrej Slapar, Jože Mermal, and Julijana Kristl. At its meeting of 18 March 2020, the Supervisory Board of Krka appointed a temporary appointment committee to prepare a proposal, i.e. to find, assess, and propose eligible candidates for members of the Supervisory Board – Shareholder Representatives. During their evaluation of candidates, the members of the committee and the Supervisory Board have taken into account fulfilment of legal requirements and competency criteria as well as requirements determined by the *Rules of Procedure of the Supervisory Board* and *Corporate Governance Code*. The candidates provided the committee the statements and evidence attesting their suitability and references for their membership in the Supervisory Board of Krka. The Supervisory Board accepted the proposal prepared by the appointment committee and proposes the following candidates be appointed as members of the Supervisory Board for a five-year term of office starting on 21 August 2020: Peter Filipič, Boris Žnidarič, Julijana Kristl, and Jože Mermal.

Peter Filipič was born in 1956. He graduated in economics at the School of Economics and Business in Maribor, and acquired his master's degree in business politics and organisation at the Faculty of Economics of the University of Ljubljana. Until his retirement, he served as the President of the Management Board of Pokojninska družba A, d.d. He was in charge of the project team tasked with establishing this pension fund. Under his leadership, the Management Board exceeded the objectives stipulated in its founding charter. Before that, he was employed as Assistant Chief Executive in Autocommerce, d.d., where he was in charge of business development, IT, and tourism. He was employed as Assistant Chief Executive at the Pension and Disability Insurance Institute of Slovenia and was in charge of new pension funds. He served as part of the management team at the Slovenian Institute of Quality and Metrology (SIQ) and focused on the economic field. His first employment was at Iskra Horjul, where he was gradually promoted to a member of the Management Board.

In compliance with the *Corporate Governance Code* criteria, he is not in conflict of interest, is independent with respect to Krka, and has provided a statement certifying this.

He acquired qualifications for performing the duties of a member of the Supervisory Board.

Boris Žnidarič was born in 1948. He holds a doctorate in social sciences and a master's degree in law. Until his retirement, he served on the Management Board of the investment management company, Kapitalska družba, d.d., Ljubljana. Before that, he held various roles at the Triglav Group insurance company. He was the Deputy President of the Management Board at Zavarovalnica Triglav, where, in addition to managing directors of organisational units, he was also responsible for strategic human resource management in subsidiaries. He was on the Management Board of

Triglav Osiguranje in Zagreb, Croatia. He also managed the Celje regional unit of Zavarovalnica Triglav, and led the central department for prevention and detection of insurance fraud. Before taking up that position, he was an adviser to the member of the Management Board for strategic human resource management at the Triglav Group, and Assistant Director for legal affairs, human resources, and general affairs at the Ljubljana unit. He was on the Supervisory Board of Modra zavarovalnica, d.d. insurance company, is currently Deputy Chairman of the Supervisory Board of Kapitalska družba, d.d., and a member of the Supervisory Board of Krka. In addition to his diverse career in insurance, he is also a university lecturer.

In compliance with the *Corporate Governance Code* criteria, he is not in conflict of interest, is independent with respect to Krka, and has provided a statement certifying this.

He acquired certification by the Slovenian Directors' Association for performing the duties of a member of the Supervisory Board.

Julijana Kristl, born in 1953, holds a PhD in pharmaceutical sciences. She is a full professor at the Faculty of Pharmacy of the University of Ljubljana, where she holds lectures in pharmaceutical technology, biopharmacy, and nanotechnology. In the course of her career, she has served as head of the Chair of Pharmaceutical Technology, dean of the Faculty of Pharmacy for two terms, and for two terms as vice-rector at the University of Ljubljana in charge of education and quality. She has successfully held numerous scientific, teaching, and management roles. In the meantime, she has continued her studies in the pharmaceutical industry and at the University of Geneva. Her research focuses on biomaterials, modern active substance delivery systems, and nanotechnology. Her research articles have been published in renowned international scientific and peer-reviewed journals, and she also owns three patents. As a university lecturer, she has been passing her knowledge to students in various programmes and education levels, and has been invited as a guest lecturer to universities in Austria, France, Italy, Germany, and elsewhere. She has held roles as a member of numerous prominent commissions and committees. She is the recipient of the Lifetime Achievement Award conferred by the Faculty of Pharmacy, the prestigious Minařik award conferred by the Slovenian Pharmaceutical Society, and the Golden Plaque awarded by the University of Ljubljana. Her in-depth pharmaceutical knowledge has proven valuable in her role as a member of the Supervisory Board of Krka.

In compliance with the *Corporate Governance Code* criteria, she is not in conflict of interest, is independent with respect to Krka, and has provided a statement certifying this.

She acquired certification by the Slovenian Directors' Association for performing the duties of a member of the Supervisory Board.

Jože Mermal, born in 1954, is from Ljubljana. He graduated in economics and in 2019, when the BTC company introduced a one-tier corporate governance system, became the President of its Board. As the President of the Management Board, he has been successfully managing the BTC company for over 26 years. He has worked in many management positions since 1978. He initiated and managed a project to restructure and transform public warehouses into a successful, dynamic, and rapidly expanding company that has also become one of the largest international business, shopping, sports, and entertainment centres: BTC City. Under his management, BTC received numerous awards and prizes for projects carried out in various communities, as he is engaged in cultural, sporting, educational, humanitarian, and scientific areas, which he supports and is personally involved in due to his wide range of interests.

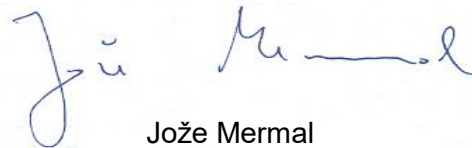
In compliance with the *Corporate Governance Code* criteria, he is not in conflict of interest, is independent with respect to Krka, and has provided a statement certifying this.

He acquired his certification for performing the duties of a member of the Supervisory Board at Nebra, d. o .o., consultants for fiscal and corporate matters, real estate and engineering. He is the President of the Supervisory Board of Krka, and has been included in various management and supervisory bodies during the course of his career. During the time of his Presidency over the Supervisory Board of Krka, the company recorded its strongest business performance.

Novo mesto, 22 May 2020

A handwritten signature in blue ink, consisting of a large, sweeping loop followed by a horizontal line and a small vertical stroke.

Jože Colarič
President of the Management Board and CEO

A handwritten signature in blue ink, written in a cursive style with the first letters of the first and last names being prominent.

Jože Mermal
President of the Supervisory Board