

EXPLANATION OF PROPOSED RESOLUTIONS

for the 27th Annual General Meeting of Krka, d. d., Novo mesto due on 8 July 2021.

At several meetings, the Management and Supervisory Boards of Krka, d. d., Novo mesto (also Krka, company or the controlling company) reviewed the materials for the call of the 27th Annual General Meeting, 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 Annual 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 Krka's Annual General Meetings (AGM) for years.

Add 2.

The Supervisory Board reviewed the *2020 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 *2020 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 *2020 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 2020 distributable profit in total of €337,519,831.00. 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. The proposal is based on the strategic guidelines of the company regarding the dividend policy. In addition to this, the two Boards propose that the AGM discharge the Management and the Supervisory Boards of Krka, d. d., Novo mesto from their liabilities.

Remuneration paid to Management Board members in 2020

In line with good practice, the company briefed the 26th AGM held on 9 July 2020 about the Management Board remuneration policy, which has not changed since.

Below we present remuneration of the Management Board members in 2020 and the related information.

		Salary – fixed part			Salary – variable part ¹		Total	
		Gross	Net payout	Net fringe benefits and other earnings	Gross	Net	Gross	Net
€ thousand								
Jože Colarič	President of the Management Board	432	177	8	800	313	1,232	498
Aleš Rotar	Member of the Management Board	347	141	13	517	202	864	356
Vinko Zupančič	Member of the Management Board	290	119	13	430	168	720	300
David Bratož	Member of the Management Board	281	119	10	422	166	703	295
Milena Kastelic	Member of the Management Board – Worker Director	169	78	6	80	32	249	116
Total Members of the Management Board		1,519	634	50	2,249	881	3,768	1,565

Source: 2020 Annual Report

¹ In 2020, 61.8% of the variable part of remuneration was determined based on quantitative performance criteria and 38.2% based on qualitative performance criteria.

The fixed part of the Management Board members' remuneration is determined as a multiple of the average salary at Krka. These multiples are determined by the Supervisory Board based on the scope of tasks and areas of work each member of the Management Board covers. Multiple four (4) was determined for Milena Kastelic, Management Board member – Worker Director, acting as a workers' representative and represents their interests in human resources and social issues; multiple seven (7) was determined for: David Bratož, Management Board member responsible for corporate performance management, finance, IT, and certain administrative services; Vinko Zupančič, Management Board member responsible for API R&D and production, and supply chain management; multiple eight (8) was determined for Aleš Rotar, Management Board member responsible for R&D and production of finished products, new products, quality management, and health and safety at work; and multiple ten (10) was determined for Jože Colarič, President of the Management Board also responsible for marketing, sales, human resources, investments, industrial property, and certain administrative services. Members receive the seniority allowance in accordance with the same criteria as all employees.

The Supervisory Board members are not entitled to receive deferred or retained remuneration. Remuneration that has already been paid is not returned.

At the end of 2020, the Krka Group consisted of the controlling company Krka, d. d., Novo mesto in Slovenia, 30 subsidiaries outside Slovenia, and a health resort and tourist services company Terme Krka in Slovenia. The controlling company Krka owns a 100% stake in all subsidiaries except in the subsidiary in China, where it holds a 60% stake. Krka also has representative offices abroad, which are legally part of Krka.

In 2020, the average monthly salary of employees calculated based on employee benefits from the annual report (gross wages and salaries and continued pay) and the number of hours worked totalled €3,382.42 gross in Krka and €2,479.61 gross in the Krka Group. In 2019, it amounted to €3,324.77 gross in Krka and €2,441.80 gross in the Krka Group. In 2020, excluding performance, Christmas, and other bonuses to which the employees are entitled, the average monthly salary totalled €2,896.36 gross in Krka (excluding representative offices abroad) and €2,082.53 gross in the Krka Group. In 2019, using the same methodology, it amounted to €2,874.41 gross in Krka and €2,061.18 gross in the Krka Group.

The table below includes a breakdown of net fringe benefits and other earnings, which are shown as totals in the previous table.

€ thousand	Executive life insurance	Supplementary pension insurance	Anniversary bonuses	Other bonuses ¹	Refund of work-related costs	Pay for annual leave	Total
Jože Colarič	0.00	2.82	0.00	3.41	0.03	1.81	8.06
Aleš Rotar	0.00	2.82	1.86	5.32	1.12	1.81	12.93
Vinko Zupančič	0.00	2.82	0.00	7.87	0.99	1.81	13.48
David Bratož	0.00	2.82	0.00	4.13	1.06	1.81	9.82
Milena Kastelic	0.00	2.82	0.00	0.05	1.04	1.81	5.71
Total Members of the Management Board	0.00	14.10	1.86	20.78	4.23	9.04	50.00

Source: 2020 Annual Report

¹ The use of company cars for private purposes accounts for 90% of the amount. All Management Board members except for the Worker Director have company cars. Preventive medical check-ups for two of the Management Board members comprise 7% of this amount and other bonuses account for 3% of the amount.

Notes to the table on fringe benefits and other earnings the Management Board members receive in accordance with their contracts:

- use of a company car for private purposes in line with internal rules on company cars;
- increased daily allowance for business trips abroad in line with internal rules;
- reimbursement of mobile phone-related costs in line with internal rules;
- payment of memberships for professional manager associations and clubs;
- annual medical check-ups, depending on health conditions also biannual;
- benefits to which all Krka employees are entitled, under the same conditions – except for performance bonuses, which are assessed and determined for the Management Board by the Supervisory Board (variable part of the Management Board remuneration)

None of the members received termination benefit in 2020. If a member of the Management Board is dismissed or removed from their office, if this is done not by their own will, not through their own fault, and not because of retirement, they are entitled to a termination benefit in the amount of twelve monthly salaries. If the termination is due to economic and business reasons, and they continue their employment with Krka, they are entitled to receive their salary for another six months (members of the Management Board) or another eighteen months (President of the Management Board) in addition to their termination benefit.

Remuneration paid to Supervisory Board members in 2020

Remuneration of Supervisory Board members is determined in accordance with the resolution adopted at the 16th Annual General Meeting held on 7 July 2011.

€ thousand	Function	Basic pay for exercising the function ³		Attendance fees		Commuting allowances		Total	
		Gross	Net	Gross	Net	Gross	Net	Gross	Net
Remuneration of Members of the Supervisory Board – shareholder representatives									
Jože Mermal	President of the Supervisory Board	22.85	16.62	2.10	1.53	0.00	0.00	24.95	18.15
Matej Lahovnik ¹	Deputy President of the Supervisory Board, Member of the Audit Committee	7.31	5.31	0.77	0.56	0.22	0.16	8.30	6.03
Borut Jamnik	Member of the Supervisory Board, President of the Audit Committee	21.31	15.50	3.25	2.36	0.00	0.00	24.56	17.86
Julijana Kristl	Member of the Supervisory Board, Member of the Human Resource Committee	19.17	13.95	2.37	1.72	0.44	0.32	21.98	15.99
Mojca Osolnik Videmšek	Member of the Supervisory Board, Member of the Audit Committee	19.37	14.09	3.25	2.36	0.54	0.39	23.16	16.84
Boris Žnidarič	Member of the Supervisory Board, President of the Human Resource Committee	19.78	14.38	3.03	2.20	0.42	0.31	23.23	16.89
Andrej Slapar ²	Member of the Supervisory Board, President of the Human Resource Committee	14.57	10.59	1.68	1.22	0.00	0.00	16.25	11.81
Remuneration of Members of the Supervisory Board – employee representatives									
Franc Šašek	Deputy President of the Supervisory Board, Member of the Audit Committee	20.92	15.22	3.25	2.36	0.00	0.00	24.17	17.58
Tomaž Sever	Member of the Supervisory Board, Member of the Human Resource Committee	19.37	14.09	2.15	1.56	0.52	0.38	22.04	16.03
Mateja Vrečer	Member of the Supervisory Board, Member of the Human Resource Committee	19.37	14.09	2.37	1.72	0.00	0.00	21.74	15.81
Total remuneration paid to Members of the Supervisory Board		184.02	133.84	24.22	17.59	2.14	1.56	210.38	152.99

Source: 2020 Annual Report

¹ Member of the Supervisory Board since 21 August 2020

² Member of the Supervisory Board until 20 August 2020

³ Basic pay for exercising the function comprises:

- €15,500 gross for the annual membership on the Supervisory Board;
- the remaining difference to the gross amount recorded in the table comprises additional compensation for exercising the function of the President of the Supervisory Board, the Deputy President of the Supervisory Board, and for membership in Supervisory Board committees and presiding over committees in accordance with the resolution of the 16th AGM;
- the above AGM resolution does not allow for any additional compensation for special tasks or any other additional compensation.

All committee members are Supervisory Board members, except for the independent expert in the Audit Committee, who is mandatory under Paragraph 1, Article 280 of the *Companies Act* (ZGD-1). In accordance with the Supervisory Board resolution, the independent expert receives a basic pay, attendance fees, and reimbursement of costs in an equal amount as other Audit Committee members who are Supervisory Board members.

€	Function	Basic pay for exercising the function		Attendance fees		Commuting allowances		Total		
		Gross	Net	Gross	Net	Gross	Net	Gross	Net	
Remuneration paid to external members of Supervisory Board committees										
	Borut Šterbenc		External expert on the Audit Committee	3,674	2,672	1,320	960	0	0	4,995 3,633

Add 3.

Proposal of the following

CHANGES AND AMENDMENTS TO ARTICLES OF ASSOCIATION

1. Proposed resolution

Adding a new activity to **Item 3.1**:

“C/32.500 Manufacture of medical and dental instruments and supplies”

Explanation: A proposal was made to add a new registered activity: C/32.500 Manufacture of medical and dental instruments and supplies. The additional activity is proposed in compliance with the changes made in the area of medical devices. This will allow Krka to manufacture and sell products with the status of a medical device.

2. Proposed resolution

Amending **Item 4.4**:

“Shares are transferred through reposting between the accounts of holders in the central register of dematerialised securities in the custody of the central clearing and depository company.”

Explanation: The text of the *Articles of Association* has been harmonised with the *Companies Act* (ZGD-1).

3. Proposed resolution

Paragraph 2 of Item 6.21 is deleted and replaced with the following text:

“The AGM is generally held at the Šport Hotel in Otočec. For valid reasons, the Management Board may decide to host the AGM in another place in the Republic of Slovenia.

With the consent of the Supervisory Board, the Management Board may determine in the AGM notice that the shareholders may participate in and vote at the AGM remotely via electronic means

(electronic AGM). Members of the Management and Supervisory Boards may participate in the AGM via image and sound broadcast if the electronic meeting is held in accordance with Paragraph 4, Article 297 of the *Companies Act* (ZGD-1) and in other events defined by the *Rules of Procedure for General Meetings*.

The following requirements should be met when hosting an electronic AGM:

- The technical solution has to ensure full image and sound broadcast of the entire AGM in real time.
- The company has to ensure the conditions and methods for identification of shareholders or their proxies in a manner that corresponds to the objectives of an electronic AGM, which is to facilitate the shareholders' execution of the voting right in a secure manner.
- The technical solution must enable the shareholders to vote on AGM proposals, make counter proposals (including procedural), and announce challenging of resolutions in real time.
- The technical solution has to allow the shareholders to ask questions and participate in discussions in real time. In the rules of procedure from the below paragraph of this article from *Articles of Association*, the Management Board may condition exercising the rights from this point by requiring that the shareholders announce to the company that they will exercise these rights at least one day prior to the AGM.
- The technical solution must provide secure electronic communication.

The Management Board of the company is authorised to determine detailed rules of procedure for participation in and voting at the electronic AGM and other aspects of the electronic AGM; the Management Board shall publish these on the Krka website or in the AGM notice.”

Explanation: The Management Board proposes that the *Articles of Association* are changed so as to allow for the AGM to be held not only at the Šport Hotel in Otočec, but for justified reasons also in another place in the Republic of Slovenia. *Articles of Association* are to be amended with a provision, which based on Paragraph 4, Article 297 of the *Companies Act* (ZGD-1) allows the Management Board to call an electronic AGM with the consent of the Supervisory Board. In this way, the shareholders may participate in and vote at the AGM remotely, using electronic means. The Management Board adopts and publishes detailed rules for participation in and voting at an electronic AGM.

4. Proposed resolution

Paragraph 1 of Item 6.22 is amended as follows:

“The AGM notice shall be published at least thirty (30) days before the AGM on the website of the Slovenian business register AJPES. It shall also be published in the printed or electronic newsletter of the company if available at the time of the notice, and on the company's website. The AGM notice shall also be published in accordance with the law governing the financial instruments market.”

Explanation: The text is harmonised with the provisions of the *Companies Act* (ZGD-1); the deadline for calling the AGM is changed from one month to thirty (30) days. In accordance with the *Companies Act* (ZGD-1), the manner in which the AGM notice should be published is determined as follows: the AGM notice is published on the AJPES website, in the company's printed or electronic newsletter, and on the company website. The notice is also published as per the law governing the financial instruments market, i.e. through the Ljubljana Stock Exchange electronic information dissemination system (SEOnet).

5. Proposed resolution

Item 7.1 is amended as follows:

“The company publishes information material to the company and the shareholders through the SEOnet of the Ljubljana Stock Exchange or the information system that might replace it, and on the company's website.”

Explanation: In accordance with the *Companies Act* (ZGD-1), it is proposed that the data material to the company and the shareholders are published in the SEOnet system of the Ljubljana Stock Exchange and on the company's website.

Add 4.

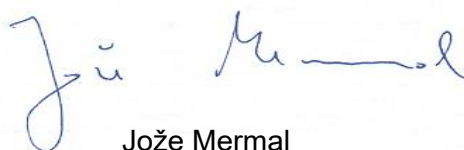
Compared to the AGM resolution of 7 July 2011, the Supervisory Board is now authorised to decide on additional compensation of the Supervisory Board members for special tasks, whereby the additional compensation may not exceed 50% of the basic annual pay for exercising the function of a Supervisory Board member. Additional compensation is granted for the period when the special tasks are performed. The amounts of additional compensation are reported in annual reports and in disclosures of remuneration of Supervisory Board members.

Compared to the AGM resolution of 7 July 2011, the basic annual pay for exercising the function of a Supervisory Board member is changed from €15,500.00 gross to €15,000.00 gross per member.

Novo mesto, 21 May 2021



Jože Colarič
President of the Management Board and CEO



Jože Mermal
President of the Supervisory Board