

# **ARTICLES OF ASSOCIATION**

## **I.**

### **NAME AND HEADQUARTERS OF THE COMPANY**

1. Name of the Company in Hungarian: **EGIS Gyógyszergyár  
Nyilvánosan Működő Részvénytársaság**

Abbreviated name of the Company: **EGIS Nyrt.**

Name of the Company in foreign languages:

in English: **EGIS Pharmaceuticals Public Limited Company**

abbreviated: **EGIS PLC**

in German: **EGIS Pharmazeutische Werke Offene Aktiengesellschaft**

abbreviated: **EGIS Offene AG**

in Russian: **Открытое Акционерное Общество**

**Фармацевтический Завод ЭГИС**

abbreviated: **ОАО ЭГИС**

in French: **EGIS Laboratoires Société Anonyme Publique**

abbreviated: **EGIS S.A. Publique**

2. The headquarters of the Company: 1106 Budapest, Keresztúri út 30-38.

The sites of the Company:

1165 Budapest, Bökényföldi út 116.

1165 Budapest, Bökényföldi út 118.

1165 Budapest, Bökényföldi út 120.

The branch of the Company: 9900 Körmend, Mátyás király utca 65.

The Company may set up or establish branches, representative offices or agencies both in Hungary and abroad in accordance with resolution of the Board of Directors. Notification to and publication by the Court of Registration thereof shall be the responsibility of the Board of Directors or a person authorized by it.

**II.**

**FOUNDATION AND DURATION OF THE COMPANY**

3. The Company shall be established for an indefinite period of time.

The Company is the general legal successor of EGIS Pharmaceuticals; the date of transformation is December 31, 1991.

**III.****ACTIVITY OF THE COMPANY**

4. The Company is established to pursue the activities defined in the present Articles of Association.
5. Scope of activities of the Company:
  - 21.20 ('08) Production of pharmaceutical products (main activity)
  - 21.10 ('08) Production of bulk pharmaceutical chemicals
  - 20.59 ('08) Production of other chemicals not listed elsewhere
  - 46.46 ('08) Wholesale trade in pharmaceuticals, health care products
  - 72.19 ('08) Other research and technical development on natural sciences
  - 71.11 ('08) Architectural activities
  - 71.12 ('08) Engineering activities and related technical consultancy
  - 74.90 ('08) Other professional, scientific, engineering activity not listed elsewhere
  - 71.20 ('08) Technical inspection, analysis
  - 85.32 ('08) Professional secondary education
  - 85.59 ('08) Other education not listed elsewhere
  - 86.21 ('08) General out-patient health service
  - 86.23 ('08) Dentist's out-patient service
  - 86.90 ('08) Other human health service
  - 37.00 ('08) Sewage gathering and treatment
  - 38.11 ('08) Collection of non-hazardous waste
  - 38.12 ('08) Collection of hazardous waste
  - 38.21 ('08) Treatment and disposal of non-hazardous waste
  - 38.22 ('08) Treatment and disposal of hazardous waste
  - 38.32 ('08) Waste recycling
  - 39.00 ('08) Decontamination, treatment of other waste

**IV.**

**SHARE CAPITAL AND SHARES**

6. Share capital of the Company is HUF 7,785,715,000 (seven billion seven hundred and eighty-five million seven hundred and fifteen thousand Forints).

7. Shares of the Company:

The share capital of the Company consists of 7,785,715 dematerialized ordinary shares each representing identical rights and having the face value of HUF 1,000 (one thousand Forints).

The Company shall not issue shares with different nominal values if such shares belong to the same class of shares. In one series, the shares are of the same nominal value.

8. The shares shall be issued in dematerialized form in accordance with the provisions of law on the capital market. The Board of Directors shall issue ordinary shares only upon full nominal value having been paid in.

9. The Board of Directors shall issue a security document on the dematerialized shares which shall contain the following information:

- a) the name and the seat of the Company;
- b) the total nominal value of the shares issued;
- c) the rights attached to the category, class and the series of shares as defined in the Articles of Association;
- d) the date of the issue, the registered capital and the number of shares issued;
- e) signature of two members of the Board of Directors;
- f) the security code;
- g) provisions, if any, on restriction of transfer of the shares;
- h) the resolution on the issue of shares.

10. The Board of Directors of the Company or its proxy assigned according to the rules of the law on capital market shall keep a share ledger containing at least the following information:

- a) shareholder's, nominee's name (company);
- b) shareholder's, nominee's address (headquarters);

- c) number of shares, interim shares of shareholder (shareholder's stake) as per type and series of shares.

The share ledger shall be accessible to anyone for inspection.

- 11. Ordinary shares of the Company may be freely transferred without any restriction. The shares shall be transferred in accordance with the provisions of law on the capital market. The transfer of a share shall come into effect in respect of the Company upon the registration of the new shareholder or the nominee in the share ledger.

Change in ownership shall be settled by the securities account keeper who simultaneously notifies the Board of Directors, or entrusted organisation to register the shareholder in the share ledger, unless otherwise provided by the shareholder.

A shareholder whose name does not appear in the share ledger may not exercise shareholder's rights.

- 12. If shares are in joint ownership, the name of the common representative shall also be entered in the share ledger. The provisions of the Articles pertaining to the registration into the share ledger shall apply even if change in the ownership occurred not by virtue of transfer but by another mode of acquisition.
- 13. The Company is entitled to terminate the rights of a shareholder failing to pay his contribution if the shareholder has been requested by the Board of Directors to fulfill his obligation warned about the consequences, and a deadline of 30 days has expired.
- 14. In case of a capital increase through the issuance of new shares, the shareholders of the Company have a subscription priority in proportion to the shares they hold. The General Meeting of the Company may, without modifying these Articles of Association, declare with respect to any given capital increase that the shareholders waive this subscription priority regarding the new shares. The General Meeting is authorized to designate legal or natural person(s) to subscribe for new shares issued pursuant to a capital increase.
- 15. The Company may reduce its share capital by withdrawing shares.

**V.**

**GENERAL MEETING**

16. The supreme organ of the Company is the General Meeting consisting of all the shareholders.

The following matters are within the exclusive competence of the General Meeting:

- a) adoption and modification of the Articles, with the exception of the subjects listed in clause 34 n) hereof;
- b) decision on the change of the operational form of the company, transformation or termination of the company without legal successor;
- c) increase and reduction of share capital with the exception of the authorization granted by the General Meeting to the Board of Directors pursuant to clause 34. l) hereof;
- d) changes in the rights related to different series of shares and conversion of different types and classes of shares;
- e) election and dismissal of the members of the Board of Directors and the Supervisory Board, the Auditor and the Audit Committee, as well as determination of their remuneration. The General Meeting is obliged to elect the employee members designated by the Factory Council as members of the Supervisory Board if reason for exclusion defined by law is not applicable to them;
- f) acceptance of the report, division of the profit after taxation, and issuance of end-of-period clearance to executive officers concerning their indemnification responsibility to verify that services have been carried out in view of the priority interest of the Company;
- g) decision on issuing convertible bonds or bonds offering a right of subscription;
- h) definition of the conditions of issuing, purchasing and transferring employees' shares;
- i) decisions on all issues falling under the exclusive competence of the General Meeting by law, the Articles or the resolutions of the General Meeting;
- j) acquisition of treasury shares, decision on the acceptance of public bid made for treasury shares;
- k) decision on taking defensive measures against a takeover bidding procedure;
- l) approval of the Rules of Procedures of the Supervisory Board;

m) decision on listing shares on and removal of shares from the Exchange Trading List.

17. Annual regular General Meeting shall be held every year within 150 days reckoned from the end of the business year.

Agenda of an annual regular General Meeting must include the following issues:

- a) report of the Board of Directors on the Company's activities carried out in the previous business year;
- b) annual report of the Board of Directors on the annual balance sheet and the earnings statement and its proposal for division of the profit after taxation and determination of dividend;
- c) report of the Supervisory Board and the auditor on the annual report and the earnings statement;
- d) discussion of the balance sheet and the earnings statement, approval of the balance sheet, resolution on division of the profit after taxation and determination of dividends, discussion and acceptance of the report on corporate governance.

18. An extraordinary General Meeting may be convened by the Board of Directors, the Supervisory Board and the auditor as well as by the Court of Registration in cases determined by the Company Act; furthermore, shareholders representing at least five per cent of the share capital, indicating cause and purpose in writing and providing evidence that they are shareholders, may request the Board of Directors to convene an extraordinary General Meeting.

19. Invitations to the General Meeting are to be publicly announced in the same manner as is required for announcements of the Company 30 days prior to the planned General Meeting by the Board of Directors or other authorized persons according to the previous section. Separate notification of the General Meeting shall be sent to the members of the Board of Directors and the Supervisory Board, as well as to the auditor of the Company.

All invitations to, and announcements of, the General Meeting must indicate the name and headquarters of the Company, the venue and date of the General Meeting, its agenda, the conditions of exercising voting rights, the venue and the date of the reconvened meeting if the General Meeting fails to achieve a quorum, method of the holding of the General Meeting, the information on the latest date until which the shareholder needs to have itself registered in the share ledger in order to participate on the General Meeting (Section 304 (2) of the Companies Act), information on the consequences of the registration in the share ledger (Section 304 (3) of the Companies Act), the conditions, if any, laid down in these Articles of Association for exercising the right to request information (Section 214 of the Companies Act) and the right to supplement the agenda of the General Meeting (Section 300 of the Companies Act) as well as the date, place and way of accessing the proposals on the agenda and the proposed resolutions (including the website of the Company).

- The General Meeting may adopt a resolution on issues not included in the published agenda if all the shareholders are present and unanimously approve.
20. The General Meeting has a quorum if more than half of the shareholders entitled to vote are either present in person or represented by proxy. Authorization for such representation shall be included in a notarial document or a private document of full force which shall be presented not later than at the beginning of the General Meeting to the person keeping the minutes at the place and date indicated in the invitation to the General Meeting. Authorization for representation is valid for one General Meeting, including the General Meeting reconvened due to failure to achieve a quorum.
  21. In case the General Meeting fails to achieve a quorum within 30 minutes the appointed time, the General Meeting shall be reconvened with the identical agenda between the 11<sup>th</sup> and the 21<sup>st</sup> day from the date of the original General Meeting.  
Such a reconvened General Meeting shall have a quorum with respect to the issues included in the original agenda irrespective of the number of shareholders present.
  22.
    - a) Shareholders whose names appear in the share ledger on the closing date specified by the convening announcement of the General Meeting are entitled to participate and vote at the General Meeting. This date shall not be earlier than the seventh working day preceding the General Meeting. On the basis of the information in the share ledger, the Board of Directors of the Company shall ensure the ability of shareholders to vote according to their shares at the place of the General Meeting.
    - b) The certificate of deposit issued by "Központi Elszámolóház és Értéktár Rt." (KELER – Central Clearing House and Treasury Co.) as depository or the certificate of deposit issued on the basis of the KELER-certificate shall be accepted by the Company as evidence of a shareholder's ownership.
  23. The method of voting – open or secret – shall be determined by the General Meeting. In case the General Meeting desires secret voting, the General Meeting shall elect an election committee at the recommendation of the chairman. The committee shall consist of 3 members. The committee shall prepare a report in writing on the results of the voting that shall be announced by the chairman of the General Meeting and attached to its minutes.
  24. The resolutions of the General Meeting must be adopted by at least a three-fourths majority of the votes cast for issues listed in clauses 16.a)-d), k) and m), and by a simple majority of votes for other issues.
  25. With reference to point 16.m) the General Meeting may only pass resolution that culminates in the delisting of the equities, including decisions triggering a sanction to remove the security series from the Trading List, if any investor(s) made prior commitment to make a bid in respect of the de-listing in accord with the the stock exchange rules.
  26. Each share is permitted one vote.

27. On the basis of the joint recommendation of the Board of Directors and the Supervisory Board, the chairman of the General Meeting shall be elected by the General Meeting with a simple majority of votes from among those present. Opposing nominations are permitted. In every case, the candidate must declare prior to the voting whether he/she is ready to undertake the office. The same procedure is to be followed in electing the members of the election committee and the person authenticating the minutes of the General Meeting, provided that only shareholders or their representatives may be elected to authenticate the minutes.
28. The chairman of the General Meeting shall appoint the person keeping the minutes, conduct the meeting on the basis of the agenda, order voting and announce results of voting and the resolutions of the General Meeting.
29. In accordance with the provisions of the Company Act, minutes must be kept of the General Meeting.

**VI.****BOARD OF DIRECTORS**

The Company shall be managed by the Board of Directors.

30. The Board of Directors shall consist of at least five (5) and at most eleven (11) natural person members (directors). The General Meeting shall elect the members of the Board of Directors for a definite period of at most five (5) years. Following the expiration of their mandate, the members of the Board of Directors can be re-elected.
31. The Board of Directors shall elect its chairman and the Managing Director from among its members with a simple majority of votes. If the chairman of the Board of Directors also holds the office of managing director, he is entitled to bear the title of "Elnök-vezérigazgató".

The Board of Directors shall exercise the employer's rights over the Managing Director. In case the Managing Director's membership in the Board of Directors is terminated, his office of managing director is terminated as well.

32. The Board of Directors may establish its own Rules of Procedure provided, however, that the Board of Directors has a quorum if 2/3 of the directors in office are present.
33. A meeting of the Board of Directors may be convened by the chairman of the Board of Directors or a member of the Board of Directors indicating the reason and purpose of the meeting. Minutes shall be kept of the meeting.
34. The following activities are within scope of authority of the Board of Directors:
- a) acceptance of the annual budget and the three-year plan of the Company;
  - b) convening regular and extraordinary General Meetings of the Company, except for the cases defined in the Company Act;
  - c) preparation, acceptance and submission to the General Meeting of proposals falling within the scope of authority of the General Meeting;
  - d) preparation of the report on the management, the financial conditions and business policy of the Company and submission thereof to the regular annual General Meeting;
  - e) decision on transactions pertaining to loans, guarantees and other financial obligations, acquisitions of interest in another company or any investments, sale of assets of the Company or interest owned in another company including the purchase or sale of any patent, trade mark and license;
  - f) definition of the Managing Directors's scope of activity, labor contract and remuneration;
  - g) approval of the Company's Rules of Organization and Operation;

- h) approval of the Company's internal rule for signing procedure;
  - i) definition of detailed conditions of the rules defined in point 16.h);
  - j) definition of the terms of bonds as per point 16.g), decision on the conditions and rules of transformation of convertible bonds into shares;
  - k) compliance with disclosure obligations stipulated by law;
  - l) increase of share capital by annual 25 per cent of the share capital for a renewable period of five years including the amendment to the Articles of Association accordingly;
  - m) decision on entering into research and development cooperation with companies operating in the same field as the Company;
  - n) decision on changes in the company name, in the address of the headquarters, branch offices and scope of activities, except for the main activities.
35. The chairman of the Board of Directors shall convene and conduct the meeting of the Board of Directors, appoint the person keeping the minutes of the meeting, order voting and announce its results.
36. The mandate of a director elected as member of the Board of Directors in a by-election lasts until the expiration of the mandate of the Board of Directors.
37. The Board of Directors shall adopt resolutions by a simple majority of votes. The members of the Board of Directors shall vote by show of hands. In case of a tie vote, the vote of the chairman shall be decisive.
38. In special cases, when there is no possibility to convene a meeting, the chairman of the Board may offer an option for decision making by written votes. The relevant conditions are stated in the Rules of Procedure of the Board of Directors.

**VII.**

**THE MANAGING DIRECTOR**

39. The Board of Directors shall entrust one of the directors to perform tasks of the managing director. The Managing Director is entitled to use the title of General Manager.
40. The operating activities of the Company shall be directed by the Managing Director. The Managing Director shall be personally liable for performing his duties within the framework defined by law, the Articles, the Rules of Procedure of the Board of Directors, as well as the resolutions of the General Meeting and the Board of Directors.
41. The Managing Director may delegate his authority to the Company's managers and employees in accordance with the Rules of Organization and Operation within the limits of the Company's internal regulations by means of defining job descriptions and with general or limited authorizations, but limitations on his scope of authority as a member of the Board of Directors shall have no effect with respect to third parties.
42. The Managing Director shall be entitled to make decisions in all affairs not falling within the scope of authority of the General Meeting or the Board of Directors. The Managing Director shall conclude a labor contract with the Company, signed by the chairman of the Board of Directors. In the event the Managing Director is also the chairman of the Board of Directors, the labor contract shall be signed by the chairman of the Supervisory Board.
43. The Managing Director shall exercise employer's rights with respect to employees of the Company.
44. In order to carry out the business of the Company, the Managing Director shall conclude contracts and represent the firm before third parties, authorities and courts.
45. The Managing Director shall:
  - prepare the agenda of the General Meeting and the meeting of the Board of Directors and submit the proposals for resolutions;
  - carry out the resolutions and decisions that are adopted and direct the carrying out of the tasks falling within the scope of activities of the Company.
46. Except for the employer's rights falling within the scope of authority of the General Meeting, employer's rights are exercised by the Board of Directors with respect to the Managing Director. The Managing Director may not exercise his voting rights as a member of the Board of Directors in the adoption of resolutions relating to such matters and effecting him personally.

47. The Board of Directors may delegate a portion of its authority, with restrictions and conditions determined at its discretion, to the Managing Director, and it may withdraw or change all or any portion of such authority from time to time, but such delegation shall not affect the liability of the Board of Directors.

The Managing Director is entitled to authorize employees to sign for the Company.

**VIII.**

**SUPERVISORY BOARD**

48. The Supervisory Board shall consist of a minimum of three (3) and a maximum of nine (9) members. Its members shall be elected by the General Meeting for a fixed term of a maximum of five (5) years. The mandate of a member of the Supervisory Board elected in a by-election shall last until the expiration of the mandate of the Supervisory Board.
49. One third of the members of the Supervisory Board shall be designated by the Factory Council, following a statement of opinion of the trade unions operating at the Company. The General Meeting is obliged to elect these employee members for the period stipulated in the previous point unless statutory grounds for disqualification exist in respect of the nominees.
50. The members of the Supervisory Board shall elect chairman of the Supervisory Board by a simple majority of votes at their first meeting.
51. The Chairman of the Supervisory Board shall convene and conduct the meeting of the Supervisory Board, appoint the person keeping the minutes, order the voting and announce its results.
52. The meeting of the Supervisory Board may be convened by any member indicating the reason and purpose thereof if his/her request for convening the meeting has not been fulfilled by the chairman within 8 days.
53. The scope of authority of the Supervisory Board is as follows:
  - a) examination of all important reports submitted to the General Meeting as well as of the annual report and utilization of the profit after taxation, and reporting thereon to the General Meeting. Proposals on dividend payment and corporate governance report need to be approved by the Supervisory Board before submitted to the General Meeting by the Board of Directors;
  - b) convening the General Meeting immediately in the event that the Supervisory Board becomes aware of any measures violating the provisions of law, the Articles of Association, the resolutions of the General Meeting or of negligence or misconduct violating the interests of the Company and the shareholders;
  - c) supervision of the management of the Company;
  - d) fulfillment of tasks prescribed by the laws.
54. The Supervisory Board shall define its Rules of Procedure and submit them to the General Meeting for approval. Minutes shall be kept of the meetings of the Supervisory Board.

**IX.**

**AUDIT COMMITTEE**

55. The Audit Committee consists of three members elected by the General Meeting from the independent members of the Supervisory Board.
56. The Audit Committee is competent for
- a) expertise on the report made according to the accounting law;
  - b) proposing the auditor and his/her remuneration;
  - c) preparing the contract to be concluded with the auditor as well as signing the contract on behalf of the public limited company;
  - d) monitoring the auditor's skills and the incompatibility prescriptions, fulfilling tasks related to the cooperation with auditor as well as, if required, making proposals towards the Supervisory Board for taking measures;
  - e) evaluation of financial reporting system and making proposals for measures;
  - f) assisting the Supervisory Board to have due control on the financial reporting system;

**X.**

**AUDITOR**

57. The Company shall have one auditor. The auditor shall always be elected for a one year period ending with the next regular annual General Meeting.
58. The Audit Committee shall make recommendation for the person of the auditor.
59. The auditor shall have the following responsibilities:
  - a) reviewing the books of the Company;
  - b) preparing report for the General Meeting on the annual report of the Company presented by the Board of Directors;
  - c) exercising other rights defined by law.

**XI.**

**SIGNATURE FOR THE COMPANY**

60. Authority to sign for the Company is given to the following:
- a) the current Managing Director of the Company individually;
  - b) two other members of the Board of Directors jointly;
  - c) any member of the Board of Directors jointly with an authorized employee of the Company;
  - d) two employees of the Company jointly, authorized by the Managing Director, in respect of particular groups of issues as regulated by the Company's internal rule for signing procedure, approved by the Board of Directors.
61. Signing for the Company shall be completed as follows: the person(s) authorized to sign attach(es) his/their name(s) to the name of the Company, typed, written by hand, or printed, in accordance with the authentic signature specimen.
62. The rules for signing defined above shall apply to the issuance of securities, provided however, that signatures may be placed on securities issued in a large number through duplication.
63. The regulation of signing for the Company under this document does not affect legal representation based upon the laws directly, including the exercise of the right to sign individually.

**XII.**

**APPROVAL OF THE BALANCE SHEET, DIVISION OF PROFIT AFTER  
TAXATION, BUSINESS YEAR**

64. The business year of the Company shall last from October 1 till September 30.
65. At the end of each business year a balance sheet shall be made on the Company's assets. The balance sheet and the calculation of profit after taxation shall be made in accordance with current Hungarian regulations.
66. It is forbidden to pay dividends or interest or make any payment from the registered share capital of the Company.
67. The statute of limitation for the right to dividends shall be five years from their maturity.
68. Shareholders whose names appear in the share ledger on the record date published in the notification of dividend payment, are entitled to dividend.
69. Payment of dividends shall become due on the thirtieth (30) day from the date of the regular annual General Meeting. At least 20 business days shall elapse between the date of the resolution (made by the General Meeting, or Board of Directors) on the initial date of distributing dividends and the initial date of dividend distribution.
70. On determining the share due to the shareholders with rights to dividends, the dividends for treasury shares are disregarded. At least 10 working days shall elapse between the first release date of the publication (containing also the ratio of dividend) of the (General Meeting, Board of Directors) resolution on the initial date and on the ratio of dividend distribution and the initial date of dividend payment.
71. The Company shall pay dividends by transfer or by cash.  
  
The Company as pay-office shall perform transfer by remittance to the bank account indicated by the shareholder (joint representative) or his securities account keeper, or through a postal order to the address of the shareholder indicated in the share ledger (or to any other address indicated by the shareholder).  
  
Cash can be received at the cashier of the Company only in person (or by proxy having an authorization set forth in a public document or private document with full force).
72. The Company is not obliged to pay interest on dividends.

**XIII.**

**ANNOUNCEMENTS**

73. The Company shall publish its announcements on its website.

**XIV.**

**TERMINATION OF THE COMPANY**

74. The Company shall be terminated, if
- a) the General Meeting decides on its termination without any legal successor;
  - b) it merges with another company, is purchased by another company, separates from, or is transformed into another form of corporation;
  - c) the Court of Registration cancels it ex officio;
  - d) the law so provides.
75. In the event the Company is terminated or liquidated, the revenues originating from such termination or liquidation remaining after satisfaction of outstanding claims against the Company shall be divided among the shareholders proportionately.

**XV.**

**MISCELLANEOUS**

76. The Board of Directors may refuse inspection of the company's business records or other business documents, if this represented misappropriation of the company's trade secret.
77. In all matters not regulated by the present Articles of Association, Act on Business Associations, its modifications and the related rules of law in force are authoritative.
78. Any legal dispute from the present Articles of Association among the shareholders or between the shareholders and the Company, in such instances and with such deadlines as are determined by law and under the prevailing Hungarian substantive and procedural law, is subject to the exclusive jurisdiction of the Court of Arbitration of the Hungarian Chamber of Industry and Commerce.
79. The official language of the present Articles of Association is Hungarian.

The present Articles of Association include the amendments accepted by the General Meeting on January 26, 2011, and thus shall supersede the Articles of Association, effective with amendments, approved on December 23, 1991.

Budapest, January 26, 2011

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Dr HODÁSZ István Balázs  
Chief Executive Officer

Countersigned  
on January 26, 2011 by:

.....  
Dr SZIJÁRTÓ Ádám  
Chief Legal Counsel