

ARTICLES OF ASSOCIATION

of the public limited company
KRKA, tovarna zdravil, d.d., Novo mesto
July 2008

Clean copy of the Articles of Association dated 13.9.1996,
1st amendments adopted at the General Meeting of shareholders on 19.6.1997,
2nd amendments adopted at the General Meeting of shareholders on 29.7.1998,
3rd amendments adopted at the General Meeting of shareholders on 29.7.1999,
4th amendments adopted at the General Meeting of shareholders on 27.7.2000,
5th amendments adopted at the General Meeting of shareholders on 19.6.2001,
6th amendments adopted at the General Meeting of shareholders on 4.7.2003,
7th amendments adopted at the General Meeting of shareholders on 5.7.2007,
8th amendments adopted at the General Meeting of shareholders on 3.7.2008, and
9th amendments adopted at the General Meeting of shareholders on 17.6.2010.

1. CONTENTS

1.1.

These Articles of Association contain the provisions on:

- contents,
- name and registered office,
- activities of the company,
- share capital,
- reserves,
- company bodies,
- informing shareholders,
- duration and termination of the company.

2. NAME AND REGISTERED OFFICE

2.1.

The name of the Company is: KRKA, tovarna zdravil, d.d., Novo mesto (hereinafter called the Company).

2.2.

The shortened name of the Company is: KRKA, d.d., Novo mesto.

2.3.

The registered office of the Company is: Novo mesto, Šmarješka cesta 6.

2.4.

The Company's symbol and logo are integral parts of its name.

2.5.

The Company's seal shall bear the Company's full or shortened name, in addition to its symbol.

3. ACTIVITIES OF THE COMPANY

3.1.

The activities of the Company include:

A/01 CROP AND ANIMAL PRODUCTION, HUNTING AND RELATED SERVICE ACTIVITIES

A/ 01.110 Growing of cereals (except rice), leguminous crops and oil seeds

A/ 01.130 Growing of vegetables and melons, roots and tubers

A/ 01.190 Growing of other non-perennial crops

A/ 01.210 Growing of grapes

A/ 01.240 Growing of pome fruits and stone fruits

A/ 01.250 Growing of other tree and bush fruits and nuts

A/ 01.270 Growing of beverage crops

A/ 01.280 Growing of spices, aromatic, drug and pharmaceutical crops

A/ 01.290 Growing of other perennial crops

A/ 01.490 Raising of other animals

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C/ 10.840 Manufacture of condiments and seasonings

C/ 10.860 Manufacture of homogenised food preparations and dietetic food

C/ 10.890 Manufacture of other food products n.e.c.

C/ 10.910 Manufacture of prepared feeds for farm animals

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3.2.

In addition to activities under previous paragraph, the Company may also engage in other activities, necessary for its existence and the performance of its activities, which however do not involve direct performance of activities, particularly the acquisition of real estate, setting up of branches and subsidiaries at home and abroad, and equity participation in other companies.

The basic objective of the company is to perform profitable activities to maximise the value of the company and to achieve profit and operate to the benefit of the company, employees, shareholders, and the community.

4. SHARE CAPITAL

4.1.

The share capital of the company shall amount to € 59,126,194.28 and is divided into 35,426,120 ordinary no-par value bearer shares. Each share shall represent a proportionally equal value of equity.

No par-value shares are shares that give their bearer:

- the right to participate in governance of the company;

- the right to participate in the profit (dividend);
- the right to a corresponding part of the assets remaining following the company's liquidation or bankruptcy.

Each share shall entitle the holder to one vote.

4.2.

All shares have been paid up in full.

4.3.

The share register of the Company shall be kept by KDD The Central Securities Clearing Corporation Inc., Ljubljana.

4.4.

The transfer of registered shares by endorsement and entry of the transfer in the share register shall be valid unless otherwise provided by law or implementing regulations.

INCREASE AND DECREASE IN SHARE CAPITAL

4.5.

Any increase in the share capital by means of a new issue of shares, and the types and classes of shares, shall be decided by the General Meeting with a 3/4 (three-quarters) majority vote of share capital represented in the voting.

The existing shareholders shall have the pre-emptive right of subscription to new shares in proportion to their holdings in the share capital of the Company. The pre-emptive right may be excluded only on the basis of a decision of the General Meeting adopted with a 3/4 (three-quarters) majority of the share capital represented in the voting.

4.6.

The Management Board of the Company shall announce the issue of new shares in daily newspaper and invite the existing shareholders to subscribe and pay for the new shares in proportion to their existing shareholdings, latest within thirty days from issuing the relevant decision on the increase of share capital adopted by the General Meeting. The existing shareholders must subscribe the newly issued shares not later than thirty (30) days after the announcement of share issue in a daily newspaper, unless otherwise provided in the relevant decision on the issue of shares for each separate case.

4.7.

Shareholders shall exercise their pre-emptive right by sending a written statement to that effect to the Management Board of the Company within the time limit specified in the decision on share issue.

If the existing shareholders do not exercise their pre-emptive rights within the specified time limit and do not subscribe the issued shares, the Management Board shall be free to call on third parties to subscribe and pay for the shares.

4.8.

The share issue procedure and the conditions for share subscription and payment are laid down by law or a relevant decision on the issue of new shares adopted by the General Meeting for each separate case.

4.9.

The increase of share capital shall take effect on the date of its entry in the court register.

4.10.

The General Meeting may decide with an ordinary majority that the share capital of the Company shall be increased from the Company's reserves or its profit. The decision on the increase of share capital referred to in the previous paragraph shall be based on the last audited annual balance sheet.

In the case of increase of share capital referred to in this paragraph the nominal value of an individual share may be increased or new shares may be issued. If new shares are issued the existing shareholders shall be entitled to new shares in proportion to their holdings in the Company's share capital.

In the case of increase of share capital from the Company's reserves, the value of the reserves must not fall below the legally determined minimum level.

4.11.

The Company may decrease the share capital if so required by law or by decision of the General Meeting adopted with a 3/4 (three-quarters) majority. The decision shall state the reasons for and the purpose of the decrease, as well as the manner in which the share capital is to be decreased.

5. RESERVES

5.1.

The Company ~~has formed~~ forms legal ~~and capital~~ reserves in the amount ~~of maximum~~ up to ~~20 (twenty)~~ 30 (thirty) percent of the share capital, ~~including the general equity revaluation adjustment.~~

Apart from legal reserves the Company has also formed statutory reserves in the amount up to EUR 30 (thirty) million. ~~of 20 (twenty) percent of share capital, including the general equity revaluation adjustment.~~

The statutory reserves are formed by using up to 30 (thirty) percent of net profit left after covering any loss carried forward from previous periods and after forming legal reserves and reserves for own shares, until they reach the level referred to in the previous paragraph.

The statutory reserves ~~are~~ may be used to form reserves for own shares, to cover net loss for the financial year, to cover loss carried forward from previous periods, to decrease share capital by withdrawing the shares, to pay out dividends pursuant to the decision of the General Meeting if other sources do not suffice, to cover the difference in share values arising from share option programs, to cover revenue fall-out exceeding 3 (three) percent of planned revenues and if total value of liabilities payable due to indemnity claims arising from Company's liability reach, in a financial year, 3(three) percent of planned revenues.

6. COMPANY BODIES

MANAGEMENT BOARD

6.1.

The Management Board shall manage the Company independently and at its own responsibility and shall represent and act on behalf of the Company towards third parties without limitations. The President of the Management Board shall represent and act on behalf of the Company in all matters without limitations, whereas other members will represent it within the scope of competences defined for each member in the Rules of Procedure regulating the Board's functioning. Each member of the Management Board has a right to transfer authorization from his/her field of activity to the Company's employees who manage individual divisions within the Company or other employees of the Company.

6.2.

The Management Board shall be appointed and removed by the Supervisory Board.

6.3.

The Management Board of the company shall comprise four members and a worker director.

One of the four members shall be both the President of the Management Board and the Chief Executive.

The term-in-office for members of the Management Board shall be six years, with the possibility of reappointment.

6.4.

The Workers' Director is a member of the Management Board and is appointed by the Supervisory Board upon prior consent by the President of the Management Board. The Workers' Director shall represent and act in the interest of employees relating to personnel and social issues. The Workers' Director is not authorized to represent the Company.

6.5.

The Supervisory Board may early remove the members of the Management Board.

6.6.

The Management Board shall adopt the Rules of Procedure to regulate its functioning; the decisions are adopted with an ordinary majority.

6.7.

Mutual rights and obligations between members of the Management Board and the Company shall be set out in detail by a separate agreement signed on behalf of the Company by the President of the Supervisory Board.

In accordance with a proposal of the Supervisory Board and a relevant decision adopted by the General Meeting the Management Board shall be entitled to participate in the Company's accumulated profit, however as a rule only if net profit of the current year to the total equity capital of the Company on the annual account date, gives a return that exceeds the return on one-year deposits.

The amount which may be used for participation of the Management Board in the Company's accumulated profit shall, as a rule not exceed five percent of the accumulated profit allocated for dividend payment to shareholders.

At least two thirds of the Company's accumulated profit allocated for participation of the Management Board in the Company's accumulated profit, is paid out in the form of shares, which are not transferable until expiry of a six-month period upon termination of the Management Board membership function. Only exceptionally the shares from Management Board's participation in the accumulated profit are transferable upon publication of a public offer for the Company takeover exceeding 50 (fifty) percent of the whole Company when the Management Board members are allowed to accept the offer.

SUPERVISORY BOARD

6.8.

The Supervisory Board shall comprise nine members.

6.9.

One third of the Supervisory Board members shall be representatives of the employees of the Company, elected by the Workers' Council.

The provision of the first paragraph applies only for the period while the Worker Participation in Management Act is in force.

6.10.

The Supervisory Board shall be appointed by the General Meeting with an ordinary majority vote of shareholders present, except for members of the Supervisory Board referred to in paragraph 6.9. of these Articles of Association.

6.11.

Members of the Supervisory Board shall be appointed for a period of five years and may be re-appointed.

The Supervisory Board shall elect from its members a President and a Deputy President of the Supervisory Board. The President of the Supervisory Board is always elected from shareholders' representatives.

The President shall convene and head meetings of the Supervisory Board and is authorized to express the will and announce the decisions of the Supervisory Board.

The President of the Supervisory Board shall represent the Company in relations with the members of the Management Board, and the Supervisory Board in relations with the company bodies and third parties, unless otherwise determined in a specific case.

6.12.

Meetings of the Supervisory Board shall be convened by the President at his/her discretion, or on the initiative of any member of the Supervisory Board, or on the initiative of the Management Board.

6.13.

The Supervisory Board shall adopt decisions at its meetings. The Supervisory Board may adopt decisions in writing, by telephone, telegraph or similar technical equipment, provided none of its members oppose such manner of decision-making.

6.14.

The Supervisory Board shall have a quorum if at least half of its members are present in a meeting, of which three on the part of shareholders' representatives and at least one on the part of employees' representatives.

The Supervisory Board may adopt valid resolutions even without the presence of the members who are employees' representatives if the President adopts a resolution that all of employees' representatives have been invited to the meeting in a proper and timely manner.

6.15.

A decision on the early removal of shareholders' representatives shall be adopted with a three-quarters majority of votes present at a General Meeting, while the conditions for the early removal of employees' representatives shall be determined by the Workers' Council in its Rules of Procedure.

~~If the mandate of a Supervisory Board member is terminated for any reason whatsoever, the elections for his/her replacement shall be held latest within the four months.~~

6.16.

~~Supervisory Board members receive attendance fees and are reimbursed relevant expenses as determined by a General Meeting resolution. Supervisory Board members may receive additional payment for performing their tasks, which may be determined by a General Meeting resolution. Such payment should be in appropriate proportion to the tasks of Supervisory Board members and the Company's financial standing.~~

~~Members of the Supervisory Board shall be entitled to payment for performing their work on the Supervisory Board and to a directors' fee. The value of payment and directors' fees shall be determined by the General Meeting. Furthermore, members shall also be entitled to reimbursement of travel expenses and other reasonable expenses for attending and participating in a meeting.~~

~~Pursuant to a General Meeting resolution, the remuneration for the work of members of the Supervisory Board may also be defined as participation in the accumulated profit, however, only in the case that the conditions laid down by these Articles of Association for participation in the accumulated profit have been fulfilled.~~

~~Pursuant to a resolution of the General Meeting, employees of Krka, d.d., Novo mesto may participate in the company's accumulated profit.~~

6.17.

The Supervisory Board shall regulate in detail the manner and conditions of its functioning in its Rules of Procedure.

GENERAL MEETING

6.18.

Shareholders shall exercise their rights relating to the Company at General Meetings, either personally or through their proxies.

A shareholder may attend the General Meeting and exercise his/her voting right if he/she announces his/her participation, and if the proxy presents his/her written Power of Attorney to the Management Board at least ~~three days~~ ~~by the end of day four~~ before the General Meeting date. In the General Meeting convocation notice the shareholders' attention should be drawn to this time limit.

The acquisition of shares exceeding the total of 20 (twenty) percent of share capital, is subject to prior approval by the Supervisory Board, and those exceeding 25 (twenty-five) percent to prior approval by the General Meeting. In both cases this provision also relates to the Company's shares held by affiliated and controlling companies of a shareholder; or companies associated and closely linked to a shareholder. The General Meeting or the Supervisory Board may refuse the authorization for share transfer, if, with the acquisition of shares, the acquirer exceeds the relevant stake in the Company's share capital, defined in the first sentence.

6.19.

A General Meeting shall be convened when this is in the interest of the Company or when so required by law or these Articles of Association.

6.20.

A General Meeting shall be convened by the Management Board of the Company on its own initiative, at the request of the Supervisory Board, or at the request of shareholders of the Company jointly representing at least five percent of the share capital of the Company. The party requesting the convocation of a General Meeting shall submit to the Management Board the explanation and reasoning of the intentions and grounds for the General Meeting convocation. **Such a request may also be sent to the Management Board by fax.**

As a rule, the General Meeting takes place in the hall of hotel Šport in Otočec ob Krki; however, for substantive reasons the Management Board may decide for the meeting to take place at the company's headquarters.

6.21.

The General Meeting is convened at least one month prior to the meeting by a notice published in the newspaper DELO or in any daily newspaper with a large circulation, specifying also the agenda and the time and place of the General Meeting. ~~The General Meeting may also be convened by means of a notice via electronic media, if so enabled by law.~~ The notice convening the General Meeting is also published in the Company's bulletin or via the Company's electronic media, if available at the Company, and in the way as defined by the Financial Instruments Market Act. The notice convening the General Meeting is also published on the Company's website.

It should be stated in the notice convening the General Meeting that the party entitled to propose an extension of the agenda or a counter proposal may send this also by fax. Shareholders may also send to the Management Board by fax their application to the General Meeting and potential Power of Attorney. In the same manner shareholders may at any time revoke such power. In the convocation notice the Management Board may also define other ways of use of electronic media.

6.22.

The shareholders ~~with~~ **each representing** at least 5(five)percent share in the total share capital, shall be informed in writing of the General Meeting convocation together with the agenda and the relevant materials (by registered post with a receipt confirmation slip), twenty-eight days prior to the General Meeting.

6.23.

The General Meeting shall adopt decisions with a majority of votes, unless otherwise provided by law or these Articles of Association. The General Meeting shall adopt decisions with a three-quarters majority, primarily on the following matters:

- amendments to the Articles of Association,
- decrease of share capital (including conditional increase),
- increase of share capital,
- changes in status and the termination of the Company,
- the exclusion of pre-emptive rights of shareholders in a new share issue,
- the early removal of Supervisory Board members,
- other cases determined by law or these Articles of Association.

6.24.

The General Meeting shall adopt its Rules of Procedure with the majority of votes.

The General Meeting shall be chaired by the President elected by the General Meeting with ordinary majority of votes for each meeting separately and for four years respectively.

7. INFORMING SHAREHOLDERS

7.1.

The Company shall announce information important for the Company and shareholders, in the newspaper DELO, the Company's own bulletin, or in other public media.

~~The Company shall inform the shareholders with at least a five percent stake in the total share capital of the Company in writing (by registered post with a receipt confirmation slip).~~

8. EMPLOYEES PARTICIPATION IN PROFIT SHARING

The Company's profit may be allocated for employees participation in profit sharing in accordance with the Employees Participation in the Profit Sharing Act.

9. DURATION AND TERMINATION OF THE COMPANY

9.1.

The Company is established for an indefinite period.

9.2.

The Company shall be terminated for reasons and according to the procedure specified by law.

~~The clean text of the Articles of Association shall come into force on the day when amendments and modifications, adopted at the 8th General Meeting of shareholders, with the exception of the first sentence under paragraph 6.8. and the first sentence under paragraph 6.9., which shall come into force on the date of expiry of the shareholders' representatives mandate in the current Supervisory Board.~~

The clean text of the Articles of Association shall come into force on the day of entry of the amendments and modifications adopted at the 15th General Meeting of shareholders.

Dušan Jenko

President of the ~~13th~~ 15th General Meeting of Shareholders

~~Pursuant to a resolution of the General Meeting:~~

~~Gregor Gomišček, PhD,~~

~~President of the Supervisory Board~~