

# Articles of Association of ČEZ, a. s.

*Draft of modified wording of the Articles of Association submitted by the Board  
of Directors to the Company's  
General Meeting taking place June 21, 2017*

# I. PRINCIPAL PROVISIONS

## Article 1

### Corporate Name, Registered Office and Internet Website of the Company

1. The company's corporate name is ČEZ, a. s.
2. The company's registered office is at Prague 4, Duhová 2/1444, 140 53.
3. The company's internet website is available at [www.cez.cz](http://www.cez.cz).
4. The company chooses to be governed entirely by Act No. 90/2012 Sb., on Commercial Companies and Cooperatives (the Business Corporations Act).

## Article 2

### Scope of Business

1. The scope of the company's business is as follows:
  - a) power generation
  - b) power trading
  - c) thermal energy generation
  - d) thermal energy distribution
  - e) gas trading
  - f) production, business and services not stated in annexes 1 to 3 of the Trade Licensing Act
  - g) electronic equipment installation and repairs
  - h) electrical equipment and devices installation and repairs
  - i) reserved electrical equipment installation, repairs, reviews, and testing
  - j) testing, measuring, and analyses
  - k) reserved pressure equipment, boilers, and pressure vessels installation, repairs, reconstruction, reviews, and testing, periodical testing of gas vessels
  - l) metal working
  - m) hazardous waste management business
  - n) plumbing trade
  - o) insulation installations
  - p) catering
  - r) production and import of chemicals and chemical agents classified as explosive, oxidizing, extremely combustible, highly combustible, highly toxic, toxic, carcinogenic, mutagenic, teratogenic, environmentally hazardous, and sale of chemicals and agents classified as highly toxic and toxic
  - s) production and import of chemicals and chemical agents classified as combustible, harmful to health, caustic, irritating, and sensibilizing
  - t) psychological advisory services and diagnostics
  - u) services in the area of occupational health and safety and health
  - v) technical-organizational activities in the area of fire protection
  - w) acting as accountants, bookkeeping, tax recordkeeping
  - x) provision of technical services to protect property and individuals

y) security of property and individuals

### **Article 3**

#### **Registered Capital of the Company**

1. The company's registered capital amounts to CZK 53,798,975,900 (in words: fifty-three billion seven hundred and ninety-eight million nine hundred seventy-five thousand and nine hundred Czech crowns).

### **Article 4**

#### **Company Shares**

1. The company's registered capital is divided into 537,989,759 shares (in words: five hundred thirty-seven million nine hundred eighty-nine thousand seven hundred and fifty-nine shares), each with a nominal value of CZK 100 (in words: one hundred Czech crowns). All the shares are issued as book-entered shares.
2. All company shares are bearer shares. All company shares have been admitted for trading on the European regulated market.
3. Company shares may be acquired by company employees subject to the Supervisory Board's consent and the conditions listed in Section 258(2) of the Business Corporations Act, with the company employees not being required to pay the full issue price of the shares subscribed for or the full price for which the company purchased the shares for the employees, if the difference is covered out of the company's own funds. The aggregate of the portions of the issue price or purchase price of all shares not being paid for by employees may not exceed 5% of the registered capital at the time of the decision on the subscription of shares by employees or sale of the shares thereto.

### **Article 5**

#### **Issue of Bonds**

1. Pursuant to the general meeting's decision, the company may issue bonds with the attached right to exchange the same for the company's stocks (convertible bonds) or with the attached preferable right to subscription of shares (priority bonds). The issue of such bonds is subject to the company's concurrent decision on a conditional increase in the registered capital, unless, where convertible bonds are involved, it is subject to conversion for company shares that have already been issued.

## **II. COMPANY'S BODIES**

### **Article 6 Structure of Company's Bodies**

1. The company has a two-tier internal structure.
2. The company has the following bodies:
  - a) general meeting
  - b) board of directors
  - c) supervisory board
  - d) audit committee

## **III. GENERAL MEETING**

### **Article 7 Status and Dates of the General Meeting**

1. The general meeting is the company's supreme body.
2. The general meeting is held at least once per accounting period, at all times within six months following the last day of the previous accounting period.

### **Article 8 Powers of the General Meeting**

1. The exclusive powers of the general meeting include the following:
  - a) decisions on amendments to these Articles of Association, unless such change results from an increase in the registered capital by the board of directors authorized to do so by the general meeting, or unless such change occurred in consequence of other legal facts;
  - b) decisions on changing the amount of the registered capital and on the board of directors' authorization to increase the registered capital or on the possibility to set-off a monetary claim due to the company against a claim for the payment of the issue price, including approval of a draft offset agreement;
  - c) decisions on issuing convertible or priority bonds;
  - d) election and removal of two-thirds of supervisory board members and approval of supervisory board members' service contracts and any amendments thereto;
  - e) approvals of the ordinary or extraordinary financial statements and consolidated financial statements and, where interim financial statements are required by law, of interim financial statements, decisions on distribution of profits or other resources of the company or coverage of losses;

- f) decisions to provide consideration pursuant to Section 61 of the Business Corporations Act to members of the supervisory board and members of the audit committee;
- g) decisions on submitting a request on accepting the company's participating securities for trading on the European regulated market and on their exclusion from trading on such market;
- h) decisions on terminating the company with liquidation, appointment and removal of a liquidator, and approval of the proposed structure of liquidation balance distribution;
- i) decisions on a company transformation – not necessary if not required by law;
- j) approval of transfers of, pledges over or usufructuary leases of the enterprise or any part thereof which would mean a substantial change of the enterprise's structure or a substantial change of the company's business operations or activities;
- k) approvals of silent partnership agreements, including approval of amendments thereto and cancellation of obligations arising therefrom;
- l) decisions on funds available to the company for donations within a stipulated period;
- m) decisions on changing the class or type of shares and on changes to the rights related to specific share classes;
- n) exclusions or restrictions of priority rights to acquisitions of convertible and priority bonds or to subscription of new shares,
- o) decisions on stock mergers or splits;
- p) decisions on the company's business concept and changes thereto;
- q) discussions on the board of directors' report on the company's business and its assets;
- r) decisions on appointing the auditor to perform the statutory audit;
- s) election and removal of the members of the audit committee and approval of audit committee members' service contracts;
- t) decisions on other matters covered by the powers of the general meeting by law or pursuant to these Articles of Association.

## **Article 9 Convening the General Meetings**

1. The general meeting is convened by the board of directors, or, if applicable, any director if the board of directors has failed to convene the general meeting without undue delay and the law requires that the general meeting be convened, or if the board of directors does not constitute a quorum on a long-term basis, unless the law sets forth otherwise.
2. If the company's interests so require, or if the board of directors fails to discharge its duties on a long-term basis and a director does not convene the general

meeting, the supervisory board convenes the general meeting and proposes the measures to be taken. If the supervisory board fails to convene the general meeting, any member thereof may do so.

3. Subject to the terms and conditions set forth by law, the shareholders specified in Section 365 of the Business Corporations Act may apply to the court to grant the power to convene the general meeting.
4. The body convening the general meeting is required to have a notice of such general meeting published no later than 30 days prior to the meeting on the company's internet website and on a notice board in the company's registered office. The deadline is reduced to 15 days where a substitute general meeting is convened and to 21 days where a general meeting is convened upon the request of the shareholders specified in Section 365 of the Business Corporations Act. Instead, the notices are published in the Commercial Bulletin (Obchodní věstník).
5. Each notice contains at least the following:
  - a) company's business name and registered office;
  - b) place, date, and time of the general meeting;
  - c) information on whether an annual or substitute general meeting is being convened;
  - d) agenda of the general meeting, including individuals who are nominated as directors/officers/members of the company bodies;
  - e) record date for attendance of the general meeting and explanation of its meaning for voting at the general meeting;
  - f) conditions for exercising shareholders' rights at the general meeting;
  - g) a draft resolution of the general meeting and its rationale; if no draft resolution concerning proposed matters is presented to the general meeting, the notice shall include the opinion of the board of directors on the proposed matters;
  - h) if the agenda requires the general meeting to approve financial statements or consolidated financial statements, the notice will also inform shareholders that the full version of the financial statements or consolidated financial statements is available on the company's website; the financial statements or consolidated financial statements are to be made available on the website at least 30 days before the general meeting is held (no later than on the date the notice of the general meeting is published) and for 30 days after they are approved or disapproved;
  - i) should the agenda of the general meeting include amendments to the company's Articles of Association, the notice of the general meeting must inform the shareholders that the proposed amendments to the Articles of Association are available to the shareholders in the company's offices at no charge during the period set forth in the notice of the general meeting; the proposed amendments to the Articles of Association must also be available on the company's website and the notice must inform about such availability of the proposed amendments to the Articles of Association, including a link to the website;
  - j) other particulars required by law or by a decision of the body convening the general meeting.

6. Any general meeting may be cancelled or postponed. Such cancellation or postponement must be notified in the same manner as the convocation of the general meeting by no later than the time specified for commencement of the general meeting. Unless such notice is issued at least one week prior to the date of the general meeting, the shareholders arriving according to the original notice of the general meeting are entitled to reimbursement of purposefully incurred costs. Any general meeting convened upon the request of the shareholders specified in Section 365 of the Business Corporations Act may only be cancelled or postponed if such shareholders so agree.
7. Subject to the conditions imposed in Section 369(1) of the Business Corporations Act, the board of directors will, upon the request of the shareholders specified in Section 365 of the Business Corporations Act, amend the agenda of the general meeting by a matter specified by such shareholders and publish the updated agenda.

## **Article 10**

### **General Meeting's Quorum and Substitute General Meeting**

1. The general meeting constitutes a quorum if the attending shareholders hold shares whose nominal value exceeds 30% of the company's registered capital.
2. In assessing whether the general meeting is quorate to make resolutions, shares and interim certificates to which no voting right is attached or where the voting rights cannot be exercised in line with law or these Articles of Association will not be taken into account. This does not apply if the voting rights are acquired temporarily.
3. Unless the general meeting constitutes a quorum, the board of directors will convene, if necessary and in a manner set forth by law and these Articles of Association, a substitute general meeting to take place within six weeks following the date of the original general meeting.
4. The substitute general meeting has the same agenda as the original general meeting, unless the law implies otherwise, and constitutes a quorum subject to the terms and conditions imposed in Section 1 above.

## **Article 11**

### **Attendance of the General Meetings**

1. The right to attend a general meeting is vested in each person recorded as a shareholder in the statutory register of investment instruments (Central Securities Depository) as of the record date. The record date for attending the general meeting is the seventh calendar day prior to the date of the general meeting. The general meeting is also attended by directors, supervisory board members and audit committee members. The general meeting may also be attended by persons whose views on the individual items of the agenda of the general meeting may be useful, such as the company's auditors or advisors and persons ensuring due course of the general meeting.

2. Each shareholder will without undue delay notify all changes, if any, in their data entered in the statutory register of investment instruments. Under no circumstances will the company be liable for any consequences of any shareholder's omission to fulfil such duty.
3. Shareholders attend a general meeting in person or by proxy. A power of attorney must be in writing and indicate whether it was granted for representation at one general meeting or several general meetings. To grant a power of attorney, a shareholder can use a form that the company makes available in documentary form at the company's registered office and publishes on the company's website in electronic form no later than on the publication date of the notice of the general meeting.
4. A shareholder may also notify the company of the granting or revocation of a power of attorney in electronic form. Requirements for the form and contents of a notice according to the first sentence shall be specified in the notice of the general meeting.
5. A shareholder may be represented at a general meeting or for the exercise of other rights attached to shares by a person registered in a register of investment instruments or a register of dematerialized securities as an administrator and/or as a person entitled to exercise rights attached to a share. The authority of such an administrator or person to represent the shareholder at the general meeting is evidenced by an extract from the statutory register, which is to be obtained by the company. If the shareholder according to the first sentence of this paragraph wishes to be present at the general meeting in person or represented otherwise than in accordance with the first sentence of this paragraph, the shareholder must submit on registration an extract from the statutory register in which the company's shares are registered evidencing that he/she was the company's shareholder at the record date. This is without prejudice to the satisfaction of the obligations of the shareholder or his/her proxy on registration for the general meeting pursuant to paragraph 7 of this Article.
6. Attending shareholders are entered in the shareholder attendance list specifying the business name or name and registered office of the legal entity or the name and place of residence of an individual person being the shareholder, or, as the case may be, also a proxy of the same, the number and nominal value of shares authorizing such person to vote, or, as the case may be, the information that such share does not authorize its holder to vote. Should the company reject to record a person in the attendance list, such fact will be included in the attendance list, including the reason for such rejection. The accuracy of the attendance list will be confirmed by the signatures of the person who convened the general meeting or a person appointed by him/her.
7. A shareholder that is an individual proves his/her identity on registration by presenting his/her identity card. A member of the statutory governing body of a shareholder that is a legal entity proves his/her identity on registration by presenting his/her identity card and submits an original or an authenticated copy of an extract from the commercial register or other document certifying the existence of the legal entity and the manner in which the statutory governing body acts on behalf of the legal entity. In addition, a shareholder's proxy (other than an administrator and/or person entitled to exercise rights attached to a share registered in a register of investment instruments or a register of dematerialized



securities) is required to submit a written power of attorney with an officially certified signature of the principal unless the company was duly notified of the authorization pursuant to paragraph 4. A representative whose right to represent a shareholder is based on a fact other than authorization is required to present documents attesting such right.

8. Documents authenticated by foreign authorities by virtue of which a shareholder or his/her/its representative proves their identity are to be superlegalized or provided with a stamp of apostille (certification), unless an agreement on legal assistance exists between the Czech Republic and the country where the document was authenticated. If the aforementioned documents or authentication clauses are executed in a foreign language, they must also bear a certified translation into Czech.

## **Article 12**

### **Transaction of Business and Decision-Making of the General Meeting**

1. The general meeting elects its chairman, minutes clerk, minutes verifying clerk, and a scrutinizer or scrutinizers. If the minutes clerk, minutes verifying clerk, and a scrutinizer are not elected they will be appointed by the party which convened the general meeting. The general meeting may decide that one and the same person will be the chairman of the general meeting and minutes verifying clerk at the same time or, if applicable, that the chairman of the general meeting will be in charge of counting the votes unless it jeopardizes the due course of the general meeting.
2. Before the chairman of the general meeting is elected, the general meeting is chaired by the party which convened the general meeting or person appointed by it. The same applies if the chairman of the general meeting is not elected. Should the general meeting be convened based on a court decision upon the request of the shareholders specified in Section 365 of the Business Corporations Act, the chairman of such a general meeting is the person appointed by the court.
3. The person chairing the general meeting ensures that the general meeting proceeds in a dignified and undisturbed manner. In accordance with the law, the company or persons appointed to perform tasks relating to the organization and arrangement of the general meeting may bar persons whose presence might pose a risk to a dignified and undisturbed course of the general meeting, including but not limited to persons whose dirtiness or behavior is evidently contrary to the principles of decency, or persons carrying a weapon from attending the general meeting.
4. The person chairing the general meeting must make sure that shareholders are informed of all proposals and of counterproposals submitted in a due and timely manner. Additionally, he/she must make sure that at shareholders' request, an explanation is given concerning matters related to the company or parties controlled by the company provided that such explanation is necessary for assessing the matters on the agenda or for exercising shareholder rights at the general meeting; the foregoing does not apply if the law implies that answer does not have to be provided. Explanations may be provided in the form of summarised

answers to several questions of similar content. The company will explain matters regarding the pending general meeting directly at that general meeting. If impossible given the complexity of the explanation, the company will provide the explanation to the shareholder within 15 days following the date the general meeting is held.

5. The general meeting decides by a simple majority of votes of attending shareholders, unless provided otherwise by law or the company's Articles of Association. One vote is attached to each company share with a nominal value of CZK 100 (in words: one hundred Czech crowns). The total number of votes in the company is 537,989,759 (in words: five hundred and thirty-seven million nine hundred and eighty-nine thousand seven hundred and fifty-nine).
6. Save where set forth otherwise by law, the general meeting decides by at least a two-thirds majority of votes of attending shareholders on the following:
  - a) amendments to the Articles of Association or decisions as a result of which the Articles of Association are to be amended;
  - b) authorization of the board of directors to increase the registered capital;
  - c) the possibility to set off a monetary claim due from the company against a claim for payment of the issue price;
  - d) issue of convertible and priority bonds;
  - e) the company's dissolution with liquidation and distribution of the company's liquidation balance;
  - f) approval of transfers of, pledges over or usufructuary leases of the enterprise or any part thereof which would mean a substantial change of the enterprise's structure or a substantial change of the company's business operations or activities.
7. Save where set forth otherwise by law, the general meeting decides by at least a three-fourths majority of attending shareholders on the following:
  - a) exclusion or restriction of the priority right for acquiring convertible and priority bonds;
  - b) making it possible for profit to be distributed to parties other than shareholders in line with law and the Articles of Association;
  - c) exclusion or restriction of the priority right of shareholders during an increase of the registered capital by subscription for new shares;
  - d) increase in the registered capital through in-kind contributions.
8. Decisions of the general meeting on changing the class or type of shares, on changes to the rights related to certain classes of shares, on restricting the transferability of shares and on excluding shares from trading on the European regulated market are subject to the consent of at least three fourths of the votes of attending shareholders holding such shares.
9. General meeting decisions on consolidation of shares are also subject to the consent of all shareholders whose shares are to be so consolidated.
10. A shareholder may not exercise a voting right in cases set forth by law.

11. Matters not included in the published agenda of the general meeting may only be decided in the presence and with the participation of all the company's shareholders.
12. A notarial deed is drawn up on all decisions specified in Article 8 (1) (a), (b), (c), and (i) and also in all cases of decisions on the following:
  - a) winding up the company with liquidation and distribution plan in respect of the liquidation balance;
  - b) change of the class or type of shares;
  - c) change of rights related to certain share classes;
  - d) restriction of transferability of shares;
  - e) increase of the registered capital through in-kind contributions;
  - f) consolidation of shares;
  - g) other circumstances where the law requires that the general meeting's decision take the form of a notarial deed; this is without prejudice to the possibility that the general meeting's decisions on other matters take the form of a notarial deed.
13. Minutes of general meetings, together with notices of general meetings and attendance lists, including all submitted powers of attorney, must be kept in the company's archives for the duration of the company's existence.

### **Article 13**

#### **General Meeting's Rules of Procedure**

1. Shareholders may exercise their rights at the general meeting, i.e., they are entitled, in particular, to vote, to request and receive explanations of matters concerning the company or parties controlled by the company provided that such explanation is needed for reviewing the contents of items on the agenda or for exercising shareholder rights at the general meeting, and to submit proposals and counterproposals under the conditions imposed by the law or the Articles of Association.
2. If a shareholder intends to submit a counterproposal concerning an item on the agenda, he/she shall deliver it to the company in writing no later than ten days before the general meeting is held; the foregoing does not apply to proposing specific persons for the company's bodies.
3. Requests for explanation and protests are submitted to the chairman of the general meeting, generally in writing, by delivery to the information center. When submitted, the document must specify whether it is a request for explanation or a protest. Written requests for explanation and protests shall bear, below the actual legible text, the shareholder's legible first and last names or business name, as appropriate, and a signature of the shareholder or the shareholder's representative, as appropriate. If a shareholder asks for an explanation verbally, he/she/it must formulate his/her/its statement so as to make it brief and

understandable. Each shareholder has five minutes to present his/her/its request for explanation. To the extent that shareholders may submit proposals and counterproposals at the general meeting under the conditions imposed by the law and the Articles of Association, this paragraph also applies to them.

4. Voting at the general meeting takes place after the general meeting has been informed of all duly and timely submitted shareholder proposals and counterproposals concerning the item on the agenda that is to be voted on; firstly, the board of directors' proposals are voted on; secondly, the supervisory board's proposals are voted on; thirdly, proposals and counterproposals submitted by shareholders are voted on in the order of submission. Once a submitted proposal is approved, no other proposals or counter proposals opposing the approved proposals are voted on.
5. Voting takes place by means of ballots according to instructions given by the chairman of the general meeting. In the ballot, each shareholder makes its choice for a proposed resolution that is voted on by crossing "FOR" or "AGAINST", and signs the ballot. If a shareholder wishes to abstain from voting, he/she/it does not submit the ballot.
6. Unsigned ballots are invalid. Ballots that do not allow identifying the shareholder's choice are also invalid. If a shareholder submits an invalid ballot or a ballot other than the one that should have been used for voting on the given item, the shareholder is deemed to abstain from voting. Should a mistake occur when filling in the ballot papers by crossing the incorrect value, a scrutinizer must be asked for assistance. Such scrutinizer transforms the cross to an asterisk and, by his/her legible signature placed under the shareholder's (representative's) signature, he/she confirms such adjustment. Should a ballot be lost, attendance takers or a scrutinizer will be asked to issue a duplicate. A record stating that a duplicate was issued is required.
7. The scrutinizer(s) ensure that ballots are collected in the ballot box and that votes are counted immediately after voting. As soon as it is determined that a number of votes required for a decision on the proposed matter have been achieved, the chairman of the general meeting is to be notified by the scrutinizers of such preliminary voting result. The counting of the remaining votes of shareholders continues and shareholders shall be informed of the final results of voting on the individual items on the agenda no later than at the end of the general meeting.
8. Shareholders, directors, and supervisory board members may lodge a protest concerning a general meeting resolution and request that it be included in the minutes of the general meeting. Shareholders cannot claim a general meeting's resolution invalid unless a protest has been filed against the general meeting's resolution (this does not apply if the filed protest has not been registered owing to a mistake of the minutes clerk or the chairman of the general meeting or if the proposing party does not attend the general meeting or, if applicable, the grounds for invalidity of the general meeting's resolution cannot be ascertained at the general meeting). The protest must clearly and comprehensibly describe the circumstances which the protesting party perceives to be the grounds for the invalidity of the general meeting's resolution. The contents of the protest must be included in the minutes from the general meeting only if the protesting party so requests.

# **IV. BOARD OF DIRECTORS**

## **Article 14**

### **Status and Powers of the Board of Directors**

1. The board of directors is the governing body managing the company's activities. Directors act on behalf of and bind the company in the manner set forth herein.
2. The board of directors decides on all company matters, unless such matters are reserved to the powers of the general meeting, the supervisory board, or another body by law or these Articles of Association. The board of directors may delegate decision-making powers regarding particular matters to individual directors as per Section 156(2) of the Civil Code, and to company employees, in particular by means of internal rules approved by the board of directors. However, the delegation of powers does not release directors from the duty to supervise how company matters are administered.
3. The board of directors must observe the principles and instructions approved by the general meeting, provided that they are in accordance with legal regulations and these Articles of Association.
4. No one is authorized to instruct the board of directors in the matters related to the company's business management, unless provided so by law. Directors may request the general meeting to grant instructions regarding business management; this is without prejudice to the duty to act with the due care of a prudent manager.
5. The board of directors convenes a general meeting without undue delay after finding out that the total loss of the company pursuant to any financial statements has achieved such an amount that, even through coverage thereof using the disposable resources of the company, the unpaid loss would reach one half of the company's registered capital, or it may be presumed with a view to all circumstances or on any other serious grounds; thereafter, the board of directors proposes that the company be dissolved or another suitable measure to the general meeting, unless provided otherwise by the insolvency act.
6. Directors are obligated to file with the relevant court without undue delay an insolvency petition in cases specified by the Insolvency Act.
7. The board of directors is required to, without limitation:
  - a) provide for the company's business management and due keeping of the relevant books;
  - b) convene the general meeting and provide for organization of the same;
  - c) submit the following to the general meeting:
    - c.1 draft concept of the company's business and proposed amendments thereto;
    - c.2 draft amendments to these Articles of Association;
    - c.3 proposals to increase or reduce the registered capital as well as proposals to issue priority and convertible bonds pursuant to the provisions of Article 8 hereof;

- c.4 ordinary, extraordinary, consolidated, or, as the case may be, interim financial statements, if approval by the general meeting is required;
  - c.5 proposals for distribution of profits, including the determination of the amount, method of payment, and maturity of dividends, amount of royalties and contributions to funds, or proposals for coverage of the company's losses;
  - c.6 annual reports on the company's business and on its assets,
  - c.7 proposal for winding up the company;
  - c.8 summarizing explanatory report pursuant to Section 118 (9) of the Capital Market Trading Act;
  - c.9 other proposals and documents required by law or these Articles of Association
- d) enforce the resolutions of the general meeting;
  - e) grant and recall the right of procuration;
  - f) approve and amend the Signing Rules of ČEZ, a. s., and - with the approval of such trade union bodies as may operate at the company - the Working Regulations of ČEZ, a. s.;
  - g) approve, after discussing them with such trade union bodies as may operate at the company, the Election Rules of ČEZ, a. s. applicable to the election of supervisory board members to be elected by company employees, and organize such elections;
  - h) recall company managers pursuant to the provisions of Section 73 of the Labour Code; and
  - i) conclude on behalf of the company contracts of service of the company's directors/body members.
8. The board of directors decides on the following, without limitation:
- a) disbursement of funds from the reserve fund, unless provided otherwise by law;
  - b) increases of the company's registered capital pursuant to the provisions of Section 474 of the Business Corporations Act and Article 30 et seq., and, in this connection, issue of company's shares as book-entered bearer securities;
  - c) draft purchase agreements for electricity, heat, natural gas and greenhouse gas emission allowances, distribution, transmission and auxiliary services, commodity derivatives and commodity trade services, provided that this arises from the Signing Rules of ČEZ, a. s.;
  - d) capital expenditure projects and performance thereof, provided that this arises from the Signing Rules of ČEZ, a. s.;
  - e) acceptance of long-term loans or borrowings for a period exceeding 1 year and of other similar long-term financial operations of the company, except for security operations, provided that this arises from the Signing Rules of ČEZ, a. s.;
  - f) content of the annual report pursuant to the provisions of the accounting act and of the semi-annual and annual reports pursuant to the provisions of the capital market trading act;

- g) conclusion of agreements on foundation of a business company or an association, or acquisition of a business interest in another legal entity as well as on winding up of a business company or association if the company as a member is to make the decision on winding up of the business company or association or the transfer of a business interest in another legal entity;
  - h) disposal or lease of real estate, if so implied by these Articles of Association or the Signature Rules of ČEZ, a.s.;
  - i) matters outlined in provisions 9 through 11 of this Article.
9. The board of directors is obligated to obtain prior consent from the supervisory board to the implementation of any of the board of directors' decisions on the following:
- a) acquisitions, alienation, encumbrance, leases, usufructuary leases or free use of movables and immovables (except for stock and securities for liquidity management), which will be or already are part of the company's assets, if their book value exceeds CZK 500,000,000 (in words: five hundred million Czech crowns),
  - b) implementation of the company's capital expenditure projects or granting of the company's consent to the implementation of a capital expenditure project of a directly or indirectly controlled company if the value of the company's or controlled company's capital expenditure project exceeds CZK 500,000,000 (in words: five hundred million Czech crowns);
  - c) on disposition with property stakes in another legal entity, with its registered office in the Czech Republic or abroad in the following cases:
    - c1. acquisition of a stake in another legal entity for the company by founding a directly controlled company as well as by increasing the registered capital of a directly controlled company through assuming an obligation to invest in excess of CZK 500,000,000 (in words: five hundred million Czech crowns), or by transfer from a third party (a controlled party is not deemed to be a third party for these purposes) or by any other manner where the sum of the value of the acquired stake and the net debt attributable to it ("Enterprise Value") exceeds in each individual case CZK 500,000,000 (in words: five hundred million Czech crowns) or where, due to such action, the company's share in the registered capital of that other legal entity exceeds one third or one half or two thirds of such entity's registered capital; this does not apply if a directly controlled company is established with registered capital not exceeding CZK 10,000,000;
    - c2. abolishment or encumbrance of the company's stake in another legal entity or reduction of the registered capital of another legal entity in the event that the equity of the stake in such person that is subject to such disposition exceeds in every individual case CZK 500,000,000 (in words: five hundred million Czech crowns), or alienation of the company's stake if the sum of the value of the alienated stake and the net debt attributable to it ("Enterprise Value") exceeds in each individual case CZK 500,000,000 (in words: five hundred million Czech crowns), or where, due to such action, the company's share in the registered capital of such other legal entity is reduced below one third or one half or two thirds; this does not apply if

shareholdings in the other legal entity are transferred to or encumbered to the benefit of a controlled person;

c3. granting of the company's approval to the acquisition of a directly or indirectly controlled company's stake in another legal entity if the sum of the value of the acquired stake and the net debt attributable to it ("Enterprise Value") exceeds CZK 500,000,000 (in words: five hundred million Czech crowns).

For the purposes of this item (c), the "Enterprise Value" of a shareholding is deemed to be its market value (the market value of the stake) plus the net debt attributable to it (short-term and long-term interest-bearing liabilities minus cash and cash equivalents).

- d) transfer and encumbrance of the company's own shares;
- e) composition of supervisory boards of companies wherein the company holds a stake in such company's registered capital in each individual case exceeding CZK 500,000,000 (in words: five hundred million Czech crowns). The supervisory board may reserve by resolution the right of prior consent even with regard to companies wherein the stake in such company's registered capital does not exceed CZK 500,000,000 (in words: five hundred million Czech crowns);
- f) draft agreement with the auditor selected by the general meeting to perform the statutory audit;
- g) alienation of real estate if the market or appraised price thereof exceeds CZK 100,000,000 (in words: one hundred million Czech crowns);
- h) provision of borrowings (loans) to third parties or providing security for third-party liabilities exceeding CZK 200,000,000 (in words: two hundred million Czech crowns) in each individual case, with a controlled person not being deemed to be a third party;
- i) acceptance of a long-term loan from third parties for a period exceeding 1 year, or of other similar financial operation, save for security operations, in excess of CZK 500,000,000 (in words: five hundred million Czech crowns), with a controlled person not being considered to be a third party;
- j) bond issue, except for a bond issue subject to approval by the general meeting within the meaning of Section 421(2)(d) of the Business Corporations Act;
- k) provision of options to the company shares where the law makes it possible for the board to decide thereon;
- l) transformation of the company, if the law stipulates that the board of directors has the power to make such decisions;
- m) conclusion of a contract whereunder the company is to acquire or dispose of assets if the value thereof exceeds, in one accounting period, one third of the company's equity as shown in the most recent approved consolidated financial statements;
- n) enabling the conduct of due diligence (legal, economic, technical, or, as the case may be, environmental audits) of the company, or its organizational unit;



- o) conclusion of management contracts with the head managers of the company divisions unless they are directors, and appointment to the office of the chief executive officer;
  - p) stipulation and evaluation of the performance of specific tasks of head managers of the company divisions unless they are directors;
  - q) submission of tender documentation to tenderers for public contracts pursuant to the Public Procurement Act, if the expected value of the contract is higher than one third of the equity arising from the last consolidated financial statements;
  - r) other cases stipulated by law.
10. The board of directors is obligated to submit for review to and obtain the prior opinion of the supervisory board on the following matters:
- a) approvals of or amendments to the Organizational Rules of ČEZ, a. s.;
  - b) approval of rules for creating and applying the company's funds in accordance with the law and these Articles of Association;
  - c) annual investment and operational budgets;
  - d) proposals for substantial changes in the organizational structure of the company in line with the Organization Rules of ČEZ, a.s.;
  - e) draft strategy of the company or any substantial update thereof in line with the company's business concept as approved by the general meeting;
  - f) draft company's business plan;
  - g) proposals for the business concept (and changes thereof) of controlled entities with a registered capital exceeding CZK 500,000,000 (in words: five hundred million Czech crowns), in accordance with legal regulations and with the constitutive documents of controlled companies;
  - h) any and all proposals submitted by the board of directors to the general meeting for decision or information purposes; where the board of directors is obligated to submit a particular proposal to the general meeting by law, it is sufficient to advise the supervisory board of such fact;
  - i) content of tender documentation pursuant to the Public Procurement Act, if the expected value of the contract is higher than one third of the equity arising from the last consolidated financial statements.
11. The board of directors is obligated to advise the supervisory board in particular of the following:
- a) approvals of the Working Regulations of ČEZ, a.s., the Signing Rules of ČEZ, a. s., and the Election Rules of ČEZ, a. s.;
  - b) disbursement of funds from the reserve fund;
  - c) increase in the registered capital pursuant to the provisions of Article 31;
  - d) long-term agreements for the purchase, sale and transit of electricity concluded for a period exceeding 3 years or if their value in each individual case exceeds CZK 1,000,000,000 (in words: one billion Czech crowns), agreements for the

purchase of distribution and transmission services concerning electricity, agreements on the provision of supporting services under the Power Act, agreements for the purchase and sale of commodity derivatives and on the provision of commodity trade services, agreements for the purchase and sale of greenhouse gas emission allowances, agreements for purchase, sale, storage and transit of natural gas, agreements for the purchase of distribution and transmission services concerning natural gas and agreements for the purchase and sale of heat, all the foregoing if their value in each individual case exceeds CZK 1,000,000,000 (in words: one billion Czech crowns); in addition, the board of directors is obligated to advise members of the supervisory board in advance about the intent to make such agreement;

- e) results of collective bargaining;
  - f) calling an election of supervisory board members to be elected by company employees;
  - g) acquisition (including increase in the registered capital), alienation, abolishment or encumbrance of the company's stake in another legal entity or reduction of the registered capital of another legal entity in all other cases not regulated by Section 9 (c);
  - h) the structure of income, conditions determining the level of wages and remuneration for the achievement of set goals, and on conditions associated with the termination of service or employment for directors, division heads, department heads, and heads of organizational units, once a year;
  - i) capital expenditure projects and the implementation thereof if approved by the board of directors;
  - j) developments in the status of overdue claims and debts;
  - k) monthly developments in the company's economic operations;
  - l) the course and outcome of meetings of the company's board of directors.
12. Always on or before 15 May of each calendar year, the board of directors submits to the supervisory board for review the ordinary and consolidated financial statements, a proposal for the distribution of profit (including the method of payment and maturity of dividends) or, as the case may be, proposal for the coverage of the company's loss, a proposal for the amount of royalties, and a related parties report pursuant to Section 82 of the Business Corporations Act. The board of directors also submits the extraordinary and interim financial statements to the Supervisory Board for review where the preparation thereof is mandated by law.

## **Article 15 Directors**

1. There are 7 directors on the board of directors.
2. Directors are elected and removed by the supervisory board. Each director may be elected repeatedly. Only a natural person may become a director.

3. The board of directors elects and removes the chairman and two vice-chairmen of the board of directors.
4. The term of service of each director is four years.
5. Should a director die, resign, be removed, or should his term of service be terminated otherwise, the supervisory board elects a new director within two months.
6. A director may resign from service by virtue of a written statement delivered to the company and addressed to the supervisory board. The resigning director will simultaneously inform the board of directors of his/her resignation. Directors may not resign if the resignation takes place at a time inconvenient for the company. The resigning director ceases to serve as a director upon the expiry of one month from the delivery of the resignation notice, unless the supervisory board approves a different end of the director's service upon the resigning director's request.

## **Article 16**

### **Board of Directors' Meetings and Decision-Making**

1. The board of directors constitutes a quorum if a simple majority of all directors are present. Each director has one vote. Any reference in this Article to a majority of all directors or majority of votes of all directors is understood to mean a majority of the number of directors determined by the Articles of Association.
2. The board of directors decides by a simple majority of all directors' votes. When voting takes place on an election or removal of a chairman or vice-chairman, the particular director cannot vote.
3. The chairman of the board of directors is obligated to convene a meeting of the board of directors in the event at least two directors or the chairman of the supervisory board based on the decision of the supervisory board so require. Such request is to be made in writing and specify the urgent reason for convening such board of directors' meeting.
4. The meetings of the board of directors are subject to and governed by the board's rules of procedure which especially apply to how meetings are convened, include measures against inaction, impose requirements for notices of meetings, delivery deadlines, background materials, attendance of other parties, the course of the meetings and other details. The board of directors adopts or modifies the rules of procedure by a two-thirds majority of votes of all the directors.
5. Unless the board of directors resolves otherwise, a board meeting will be presided over by the board of directors' chairman or, if absent, one of the vice-chairmen (the order of preference is set forth in the rules of procedure of the board of directors).
6. Minutes are taken on the course of a board of directors' acting and on all adopted resolutions; such minutes are signed by the chairman of the board of directors, another director (always the director who presided the meeting of the board of directors or any part thereof or otherwise any director who takes part in the meeting), and the minutes clerk. The minutes of the board of directors' meeting specifies the names of directors voting against each individual resolution of the

board of directors or of those abstaining from voting. Unless provided otherwise, directors not specified are presumed to have voted for adopting such resolution.

7. In urgent matters permitting no delay, the chairman - or vice-chairman in the chairman's absence - may submit a per rollam voting to take place in writing or via technical devices. The draft resolution must be sent to all directors. A resolution is deemed to have been adopted if at least two thirds of all directors are present and a simple majority of all directors votes for its adoption. Other details of the per rollam voting may be set forth in the board of directors' rules of procedure.
8. Directors generally attend board meetings in person; however, a director may, in line with Section 159(2) of the Civil Code, empower another director to vote on a particular matter should the director be absent. Where legitimate, a director's presence at a board meeting, including voting, may take a different form (such as using voice or image transmission devices, telephone, telephone or video conferencing). Any individual so involved is presumed to be present at the meeting. Other details may be set forth in the board of directors' rules of procedure.
9. The board of directors may, at its own discretion, also invite members of other company's bodies, company's employees, or other persons to its meetings.
10. Board meetings are held at least once a month.

### **Article 17**

#### **Board of Directors' Working Commissions, Teams, and Committees**

1. The board of directors may establish for its activities working commissions, teams, and committees.

## **V. SUPERVISORY BOARD**

### **Article 18**

#### **Status and Powers of the Supervisory Board**

1. The supervisory board is the company's inspecting body. The supervisory board oversees how the board of directors exercises its powers and the company conducts its operations.
2. The supervisory board may review all documents and records related to the company's business and may inspect whether accounting entries are kept correctly and in accord with the facts and whether the company's business or any other operations are conducted pursuant to the provisions of the law and these Articles of Association. Members of the supervisory board may only exercise this authority on the basis of the supervisory board's decision unless the supervisory board is unable to perform its functions. The supervisory board informs the general meeting of the results of its inspection activities.

3. The supervisory board convenes a general meeting if it is necessary in the company's best interest or required by law; at such general meeting, the supervisory board proposes all necessary measures.
4. The supervisory board appoints a member thereof to represent the company in proceedings before courts and other authorities against a member of the board of directors.
5. In addition to the matters defined by law or these Articles of Association, the supervisory board is required to:
  - a) supervise the observance of generally binding legal rules and regulations, these Articles of Association, and resolutions of the general meeting;
  - b) supervise the exercise of ownership rights by the board of directors in legal entities wherein the company holds stakes;
  - c) review the ordinary, extraordinary, consolidated, or, as the case may be, interim financial statements, proposals for distribution of profits or coverage of losses, report on the relationships between affiliated parties, and submit its opinions to the general meeting;
  - d) discuss the quarterly business results, semi-annual reports or, if applicable, other reports pursuant to the provisions of the Capital Market Business Act, and the annual reports drawn up pursuant to the provisions of the accounting act;
  - e) submit to the general meeting and the board of directors its opinions, recommendations, and proposals;
  - f) elect and recall members of the board of directors in the manner provided for in Article 20;
  - g) approve directors' contracts of service and consideration provided to the directors, pursuant to Section 61 of the Business Corporations Act, provided that the supervisory board is not entitled to decide on providing consideration if the service of a board of directors member apparently contributed to the adverse economic result of the company;
  - h) decide on determining and evaluating the performance of specific tasks of directors;
  - i) propose to the general meeting the appointment of an auditor to conduct the statutory audit, taking account of the audit committee's recommendation; if the supervisory board proposes to the general meeting an auditor other than the one recommended by the audit committee, it must duly justify such proposal, stating, in particular, the reasons why it departed from the audit committee's recommendation.
6. The supervisory board grants its preliminary consent to the board of directors for the decisions referred to in Article 14(9) hereof.
7. The supervisory board discusses and provides its prior opinions to the board of directors on the matters referred to in Article 14(10) hereof.
8. The supervisory board has the right to be advised by the board of directors in particular in the circumstances referred to in Article 14(11) hereof.

## **Article 19**

### **Number of Supervisory Board's Members and Termination of Their Service**

1. There are 12 members on the supervisory board.
2. Two-thirds of supervisory board members are elected and removed by the general meeting and one-third of supervisory board members are elected and removed by the company's employees. Each member of the supervisory board may be re-elected. Only a natural person may serve as a supervisory board member.
3. Only employees under an employment contract have the right to elect and remove supervisory board members.
4. In addition to supervisory board members elected by employees, one or more substitute members may be elected up to a total of four. The manner of election and removal of supervisory board members elected by company employees and their substitutes is specified by the Rules of Election of ČEZ, a. s., which may also stipulate that such elections are through electors.
5. The supervisory board elects and recalls its chairman and two vice-chairmen.
6. Each supervisory board member serves for four years. The term of service of a substitute member replacing a supervisory board member elected by employees terminates on the date on which the term of the replaced member of the supervisory board was to terminate.
7. Should a supervisory board member elected by a general meeting die, resign, be recalled, or should his/her service be terminated otherwise, the general meeting must elect a new member of the supervisory board within two months, unless the supervisory board exercises its right set forth under Section 10 below. Should a supervisory board member elected by employees die, resign, be recalled by employees, or should his/her service be terminated otherwise during his/her term of service or in the period from his/her election to the effective date of the election, he/she shall be replaced by the next substitute member with the highest number of votes obtained in the election of supervisory board members to be elected by company employees. If there is no such substitute member, the board of directors must call the election of a new supervisory board member to be elected by employees no later than one month after the termination of the service of the supervisory board member elected by employees.
8. A supervisory board member may resign by virtue of a written statement delivered to the company (addressed to the supervisory board). Directors may not resign if the resignation takes place at a time inconvenient for the company. The resigning supervisory board member will cease to serve upon the expiry of one month following the delivery thereof, unless the supervisory board approves a different termination date at the resigning supervisory board member's request. The supervisory board must notify the board of directors of the resignation of a supervisory board member without undue delay.
9. A member of the supervisory board elected by a general meeting also ceases to serve when a new member of the supervisory board is elected by a general

meeting provided that the general meeting's decision allows determining which member of the supervisory board is to be replaced.

10. Unless the number of members of the supervisory board drops under one-half, the supervisory board may appoint substitute members instead of supervisory board members elected by a general meeting whose service terminated in the period since the last general meeting session to serve until the next general meeting. The time of the substitute supervisory board member's service is to be included in the term of service of the supervisory board member.

## **Article 20**

### **Supervisory Board's Meetings and Decision-Making**

1. The supervisory board constitutes a quorum if a simple majority of all supervisory board members are present at its meeting. Each supervisory board member has one vote. Any reference in this Article to a majority of all members or majority of votes of all members is understood to mean a majority of the number of supervisory board members determined by the Articles of Association.
2. The supervisory board decides by a simple majority of the votes of all its members, unless provided otherwise by these Articles of Association. When voting takes place on an election or removal of chairman or vice-chairman, the particular member cannot vote.
3. The chairman of the supervisory board is obligated to convene a supervisory board meeting if a member of the supervisory board or the board of directors so requires or if the shareholders specified in Section 365 of the Business Corporations Act request that the exercise of the board's powers be reviewed in line with Section 370 of the Business Corporations Act. Such a request must be in writing and must specify the urgent reason for convening such meeting.
4. Meetings of the supervisory board are subject to and governed by the supervisory board's rules of procedure which especially apply to how meetings are convened, include measures against inaction, impose requirements for notices of meetings, delivery deadlines, attendance of other parties, the course of the meetings and other details. The supervisory board adopts or modifies the rules of procedure by a two-thirds majority of the votes of all its members.
5. A supervisory board meeting will be presided over by the supervisory board's chairman or, if absent, one of the vice-chairmen (the order of preference is set forth in the supervisory board's rules of procedure).
6. Minutes are to be taken of the course of a supervisory board's meeting and on all adopted resolutions; such minutes are to be signed by the chairman of the supervisory board and another member if he/she presided over the meeting or any part thereof and the minutes clerk. The minutes of the supervisory board's meeting specifies the names of the supervisory board members who voted against each individual resolution or who abstained from voting; supervisory board members not specified are presumed to have voted for adopting such resolution. A secret vote is only permissible when voting on personnel matters (e.g., electing and removing the chairman or a vice-chairman of the supervisory board, electing and removing members of supervisory board committees,

appointing a substitute member of the supervisory board until the next general meeting, electing and removing a director).

7. In urgent matters permitting no delay, the chairman or vice-chairman in the chairman's absence may submit a per rollam voting to take place in writing or via technical devices. The draft resolution must be sent to all supervisory board members. A resolution is deemed to have been adopted if at least two thirds of all directors are present and a simple majority of all directors votes for its adoption. Other details of the per rollam voting are set forth in the supervisory board's rules of procedure.
8. Supervisory board members generally attend supervisory board meetings in person; however, a supervisory board member may empower another supervisory board member to vote on a particular matter should the supervisory board member be absent. Where legitimate, a supervisory board member's presence at a board meeting, including voting, may take a different form (such as using voice or image transmission devices, telephone, telephone or video conferencing). Any individual so involved is presumed to be present at the meeting. Other details may be set forth in the supervisory board's rules of procedure.
9. The supervisory board may, at its own discretion, also invite members of other company bodies, company employees, or other persons to its meetings. Members of other company bodies and company employees are required to be present.
10. Supervisory board meetings are held usually once a month.

## **Article 21**

### **Committees of the Supervisory Board**

1. The supervisory board has the right to establish committees ("supervisory board committees"), which are the supervisory board's consulting bodies for selected professional issues. Only a member of the supervisory board may serve on a supervisory board committee.
2. Members of supervisory board committees are elected and removed by the supervisory board. Unless a supervisory board committee member is recalled from the committee (or steps down from his or her membership in the committee), their office as a committee member ends no later than on the day on which their supervisory board membership terminates.
3. Each supervisory board committee elects from among their number a chairman and a vice-chairman, who acts on the chairman's behalf in his absence.
4. The supervisory board committees meet as required but at least once every quarter.
5. The position, competences and composition of the individual supervisory board committees is stipulated by the statutes of every such committee, approved by the supervisory board. Details about the manner of supervisory committee meetings are set forth by the rules of procedure of every such committee, which are approved by the committee to which the rules apply.



# **VI. AUDIT COMMITTEE**

## **Article 22**

### **Status and Powers of the Audit Committee**

1. Without prejudice to the responsibilities of directors and supervisory board members, the audit committee, in particular:
  - a) monitors the process of preparing financial statements and consolidated financial statements and submits recommendations to the board of directors and the supervisory board in order to ensure integrity of accounting and financial reporting systems,
  - b) monitors the effectiveness of internal controls and risk management systems,
  - c) monitors the effectiveness of internal audit and its functional independence,
  - d) recommends an auditor to conduct the statutory audit to the supervisory board, duly justifying such a proposal,
  - e) monitors the statutory audit process,
  - f) assesses independence of the auditor conducting the statutory audit and the auditor's provision of non-audit services for the company,
  - g) discusses with the auditor risks to the auditor's independence and safeguards applied by the auditor in order to mitigate such risks,
  - h) gives its opinion on release from an obligation under a statutory audit contract or termination of a statutory audit contract,
  - i) informs the supervisory board of the result of the statutory audit and of its findings obtained by monitoring the statutory audit process,
  - j) informs the supervisory board how the statutory audit contributed to ensuring integrity of accounting and financial reporting systems,
  - k) approves the provision of other non-audit services,
  - l) exercises other powers pursuant to the Auditors Act or directly applicable EU legislation.
2. The audit committee debates reports on important facts resulting from the statutory audit on an ongoing basis, especially about any principal flaws in internal control relating to the process of preparing the financial statements or consolidated financial statements.
3. If the audit committee receives an additional auditor report pursuant to the applicable provisions of the Auditors Act, it shall debate it and pass it to the board of directors and the supervisory board without undue delay.
4. The audit committee is entitled to inspect documents and records concerning the company's activities to the extent necessary for the performance of its activities.
5. The audit committee shall prepare an activity report once a year, in which it shall evaluate its activities, and provide the report to the Public Audit Oversight Board.

6. Members of the audit committee exercise their powers with the due care of a prudent manager and observe secrecy in respect of confidential information and facts the disclosure of which to third persons could cause the company any harm. The confidentiality duty survives the appointment.
7. Members of the audit committee participate in the general meeting and they are obligated to present results of their activities to the general meeting.

### **Article 23**

#### **Number of the Audit Committee Members and Termination of Their Office**

1. The audit committee has five members appointed and removed by the general meeting from among the supervisory board members or from among third persons. Neither members of the board of directors nor proxies may become audit committee members. Only a natural person may serve as a member of the audit committee.
2. A majority of audit committee members must be independent and professionally qualified pursuant to the applicable provisions of the Auditors Act. At least one member of the audit committee must be a person that is or was a statutory auditor or a person whose expertise and/or prior practice in accounting qualify them to duly perform the duties of an audit committee member, including with respect to the industry that the company is active in. This member of the audit committee must always be independent.
3. The audit committee elects its chairman and vice-chairman; the chairman must be independent pursuant to the applicable provisions of the Auditors Act.
4. The term of office of each audit committee member is four years.
5. The general meeting may elect up to three substitute audit committee members, setting forth the order of preference. Should a member of the audit committee die, resign, be recalled, or should his term of office be terminated otherwise, the substitute audit committee member who is next in the order of preference is to replace the deceased, resigned or removed member; such audit committee member's term of office will terminate no later than five years after he/she is elected a substitute audit committee member, unless the law implies otherwise. The general meeting may change the order of preference of the already-elected substitute audit committee member.
6. A member of the audit committee may resign from his/her office by virtue of a written statement delivered to the audit committee. However, he/she may not do so at a time inconvenient for the company. The office of such member of the audit committee terminates upon the expiry of one month following the delivery thereof, unless the audit committee approves a different termination date at the resigning member's request.
7. The office of a member of the audit committee terminates upon the election of a new member of the audit committee by the next general meeting, unless the general meeting decides otherwise.

## **Article 24**

### **Audit Committee's Meetings and Decision-Making**

1. The audit committee constitutes a quorum if a simple majority of all members are present at its meeting. Each audit committee member has one vote. Any reference in this Article to a majority of all members or majority of votes of all members is understood to mean a majority of the number of audit committee members determined by the Articles of Association.
2. The audit committee decides by a simple majority of votes of all its members. If there is a tie, the audit committee chairman does not have a tie-breaking vote.
3. Meetings of the audit committee are subject to and governed by the audit committee's rules of procedure which especially apply to how meetings are convened, include measures against inaction, impose requirements for notices of meetings, delivery deadlines, background materials, attendance of other parties, the course of the meetings and other details. The audit committee adopts or modifies the rules of procedure by a two-thirds majority of votes of all its members.
4. In urgent matters permitting no delay, the chairman or vice-chairman in the chairman's absence may submit a per rollam voting to take place in writing or via technical devices. The draft resolution must be sent to all audit committee members. A resolution is deemed to have been adopted if at least two thirds of all directors are present and a simple majority of all directors votes for its adoption. Other details of the per rollam voting may be set forth in the audit committee's rules of procedure.
5. Audit committee members generally attend audit committee meetings in person; however, an audit committee member may empower another audit committee member to vote on a particular matter should the audit committee member be absent. Where legitimate, an audit committee member's presence at a board meeting, including voting, may take a different form (such as using voice or image transmission devices, telephone, telephone or video conferencing). Any individual so involved is presumed to be present at the meeting. Other details may be set forth in the audit committee's rules of procedure.
6. The audit committee may, at its own discretion, also invite members of other company bodies, company employees, or other persons to its meetings. Members of other company bodies and company employees are required to be present.
7. Audit committee meetings are held as necessary. The audit committee's rules of procedure may set forth the frequency of audit committee meetings.

## **VII. JOINT PROVISIONS ON THE ACTIVITIES OF THE BOARD OF**

# **DIRECTORS, THE SUPERVISORY BOARD AND AUDIT COMMITTEE**

## **Article 25**

### **Conditions for Serving as a Company Body Member, Remuneration of Company Body Members (Including Royalties)**

1. Costs related to organizing meetings and to other activities of the board of directors, the supervisory board and the audit committee are borne by the company.
2. Members of company bodies are reimbursed by the company for costs purposefully expended in connection with their serving as company directors/other body members and with their attendance at such bodies' meetings.
3. In addition to the other types of remuneration, directors and supervisory board members have the right to receive a share in profit (royalties) under the condition that the company generates a profit and the general meeting approves that royalties be paid. Approval of the royalties, the amount thereof and the method of distribution among directors and supervisory board members are decided by the general meeting in connection with its decision on profit distribution. If the general meeting approves that royalties be paid out but does not determine the distribution method thereof among directors and supervisory board members the following rule applies: every director's and supervisory board member's share will be determined on a pro rata basis depending on how long the particular director and supervisory board member serves on the board in the course of the relevant accounting period. Royalties cannot be granted to directors and supervisory board members in circumstances in which the law does not allow for the payment thereof.
4. The company may, in accordance with legal regulations, provide to members of the bodies other considerations in line with Section 61 of the Business Corporations Act, provided that, as board of directors members concern, the supervisory board is not entitled to decide on providing consideration if the service of a board of directors member apparently contributed to the adverse economic result of the company.

## **VIII. ACTING AND SIGNING ON BEHALF OF THE COMPANY**

### **Article 26**

#### **Acting and Signing on Behalf of the Company**

1. Two directors act and sign jointly on behalf of the company. They sign by affixing their signatures to the written or printed corporate name of the company and indicate their title.

2. The company's employees also act and sign on behalf of the company to the extent arising from organizational and signing rules and regulations of the company.
3. Other parties which may act on behalf of the company are those who are authorized to do so by a written power of attorney granted by the board of directors and other company's representatives in line with the law.

## **IX. COMPANY'S FINANCIAL MANAGEMENT**

### **Article 27**

#### **Method of Profit Distribution and Loss Coverage**

1. Net income is distributed in particular for the following purposes:
  - a) 5% to the reserve fund of up to 20% of the company's registered capital
  - b) to the company's other funds, if established
  - c) for dividend payments
  - d) for royalty payments to members of the board of directors and of the supervisory board
  - e) the remaining portion of profits shall be transferred to the retained earnings account.

The above-stated order is not binding for the company. A portion of net income may be used to increase the registered capital upon approval by the general meeting. A portion of net income may be used to pay the share attributable to bonds, in compliance with the prospectus, upon approval by the general meeting.

2. The company's own resources will be applied to cover losses in the following sequence of priority:
  - a) reserve fund
  - b) retained profit
  - c) other company funds, if established, unless such use of the funds is prohibited by the law or the Articles of Association
  - d) registered capital
3. The company may not distribute its profits or other resources among its shareholders if it results in the company's going bankrupt or if, following the end of the most recent accounting period, its equity determined through ordinary or extraordinary financial statements or equity after distribution is reduced under the amount of the company's subscribed registered capital increased by funds that it may not distribute to shareholders.
4. The amount determined for payment as a share in the company's profits may not exceed the economic result of the most recent completed accounting period and

reduced by the mandatory contribution to the reserve fund and by the deferred unpaid loss and increased by the undistributed profits from previous years and by created profit funds that the company may use at its own discretion.

5. Unless the general meeting determines otherwise in line with the law, the fourth business day following the date of the general meeting which decides to distribute profit is the date decisive for raising the right to dividend.
6. The board of directors is obligated to announce a decision of the general meeting on the date of dividend maturity, as well as the place and method of payment thereof, in the manner set forth by law and these Articles of Association.

### **Article 28**

#### **Quarterly Results of Operations**

1. Besides the annual financial statement, the board of directors is obligated to provide for drawing up quarterly results of operations, providing the basic information on the current proprietary and financial situation of the company, efficiency of its financial management in the previous calendar quarter, and on the amounts of profits generated or losses incurred during such period of time.

### **Article 29**

#### **Reserve Fund and Other Funds**

1. The company creates a reserve fund in circumstances and by methods prescribed by law; the company may also create reserve funds in circumstances and by methods admitted by law.
2. The board of directors decides on how to use the reserve fund, unless the general meeting has such decisions reserved for itself.
3. The company may also establish other funds. The general meeting is the body in charge of deciding whether to establish such other funds; the foregoing does not apply if the establishment of a particular fund is mandatory by virtue of law. Should such funds be created or supplemented using the profits, the contributions to such funds and the use of monies in such funds are approved by the general meeting.

## **X. CHANGES IN REGISTERED CAPITAL**

### **Article 30**

#### **Increase in Registered Capital**

1. The general meeting decides on any increase of the company's registered capital, or, in line with the law and these Articles of Association, the board of directors.

2. The company's registered capital may be increased in all manners permissible pursuant to the provisions of Sections 474 through 515 and 546 through 548 of the Business Corporations Act.
3. Every shareholder has a priority right to subscribe for a portion of new shares in a proportion to its shareholding in the registered capital, if the issue price is to be paid in cash. Shareholders' priority right to subscribe for shares which another shareholder did not subscribe for is eliminated in the third or any other, if any, round of subscription.
4. The rights and obligations attached to an unpaid share can be attached to an interim certificate.
5. If a subscriber breaches their obligation to pay the issue price of the shares subscribed for, they shall pay late payment interest in an amount determined pursuant to the Business Corporations Act.
6. New shares issued as a result of a general meeting's or board of directors' decision on subscription of shares are included in the economic results of previous years.

### **Article 31**

#### **Increase in the Registered Capital by the Board of Directors**

1. By virtue of a general meeting's resolution, the board of directors may be authorized under the terms and conditions set forth by law and these Articles of Association to decide on an increase in the registered capital through subscription of shares, conditional increase or using the company's own resources, save for undistributed profits, but always by up to one-half of the amount of the registered capital existing at the time when the general meeting charged the board of directors with such increase in the registered capital.
2. The authorization to increase the company's registered capital may be granted for up to five years as of the date the general meeting resolved to grant the authority; the authorization may be granted several times.
3. The authorization must specify the nominal value, class and type of shares to be issued in order to increase the company's registered capital or information that they are to be issued as book-entered securities. The authorization must also specify which company body is to be in charge of deciding about the evaluation of the contribution in kind by means of an expert report. The board of directors may increase the company's registered capital repeatedly within the authorization, provided that the total amount of the increase does not exceed the limit set out in Section 1.

### **Article 32**

#### **Reduction of Registered Capital**

1. Reduction of the registered capital is subject to and governed by the provisions of Sections 516 through 545 of the Business Corporations Act, while reduction of the registered capital through withdrawal of shares based on the shareholders'

proposal is permissible (pursuant to the provisions of Section 523(2) of the Business Corporations Act). Moreover, registered capital can be reduced by reducing the nominal value of shares and interim certificates and through a decision not to issue shares.

## **XI. FINAL PROVISIONS**

### **Article 33**

#### **Publishing, Notices, and Information**

1. All facts that the company is obligated to publish will be so published in the Commercial Bulletin (Obchodní věstník), unless the law sets forth otherwise.
2. All facts that the company is obligated to publish will be published on the company's internet website and other locations designated by law or these Articles of Association.
3. The company publishes its annual report together with a report on affiliated parties in line with the law. Should the company issue securities accepted for trading on a European regulated market, it must also draft and publish a semi-annual report and is required to comply with all other obligations of the issuer set forth by law.