



PHILIP MORRIS ČR

Philip Morris ČR a.s.

THE ARTICLES OF ASSOCIATION OF THE COMPANY

CONSOLIDATED WORDING

AS AMENDED BY A RESOLUTION ADOPTED BY THE GENERAL MEETING HELD ON 30 APRIL 2010

effective from April 14th, 2003

approved by the General Meeting

on April 14th, 2003

Note: The English version of the Articles of Association is published for informational purposes. The only authoritative version of the proposed new Articles of Association is the version published in the Czech language.

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I. Basic Provisions

Article 1 General Provisions

1. Philip Morris ČR a.s. (the “**Company**”), was founded in accordance with the founder’s plan of ČSTP Kutná Hora, a state enterprise, with the consent of the Ministry of Agriculture of the Czech Republic dated 22 March 1991 and numbered 1619/91-510.
2. The Company has been registered in the Commercial Register kept with the Municipal Court in Prague, part B, insert No. 627, as a joint stock company incorporated pursuant to Czech law.

Article 2 Business Name, Registered Office and Period of the Company’s Existence

1. The Company’s business name shall read: “Philip Morris ČR a.s.”
2. The Company’s registered office shall be at the address: Kutná Hora, Vítězná 1/ [reg. No.], Postal Code 284 03.
3. The Company has been established for an indefinite period of time.

Article 3 Scope of Business

1. The Company’s scope of business shall be:
 - (i) the processing of tobacco and manufacture of tobacco products; and
 - ~~(ii) business activity – purchase of goods for their resale and resale;~~
 - ~~(iii) road motor transport;~~
 - ~~(iv) accommodation;~~
 - ~~(v) silk-screen printing, rubber print, chemotype, plaster moulding, galvanoplastics, offset print; and~~
 - ~~(vi) lease (economic lease) of fixed assets and motor vehicles.~~
 - (ii) manufacture, trade and services not listed in Appendices 1 to 3 of the Trade Licensing Act.

Article 4 Registered Share Capital

1. The registered share capital of the Company shall amount to CZK 2,745,386,000 (in words: two billion seven hundred and forty-five million three hundred and eighty-six thousand Czech crowns).
2. The Registered share capital of the Company has been fully paid.
3. Increases and reductions in the registered share capital shall be decided on by the General Meeting or by the Company’s Board of Directors in accordance with the relevant provisions of the Commercial Code and these Article of Association.

Article 5 Shares and Payment of the Share Issue Price

1. The Company’s registered share capital has been divided up as follows:
 - a) 831,688 ordinary certificated registered shares with a nominal value of CZK 1,000 each, which are not registered for public trading, with a total nominal value of CZK 831,688,000; and

- b) 1,913,698 ~~of~~ ordinary book-entered registered shares ~~in~~with a ~~dematerialised form in the~~ nominal value of CZK 1,000 each, which are registered for public trading, ~~in the~~with a total nominal value of CZK 1,913,698,000.
2. The Company keeps a list of shareholders. For book-entered shares the list of shareholders is replaced by records of book-entered securities kept ~~by the Securities Centre in the Company's register as an issuer pursuant to a special legal regulation.~~
 3. Unless provided otherwise by law, the rights attached to shares in the Company may only be exercised by persons recorded in the list of shareholders, unless it is proved that the list does not reflect the actual state of affairs. Should a record in the list of shareholders not correspond to the actual state of affairs, a shareholder's rights may be exercised by the owner of a share in the Company. If the owner of the share in the Company caused that it is not registered in the list of shareholders, it may not require that a resolution of the General Meeting be declared invalid due to the fact that the Company did not allow it to take part in the General Meeting or to vote at such Meeting.
 4. The list of shareholders of the Company shall indicate the class and type of the share, its nominal value, the business name or name and the registered office of the legal person, or name and address of the natural person which is the Company's shareholder and the number of the share and changes in the above information. Upon the written request of a shareholder and at its expense, the Company shall be obliged to provide such shareholder with the list of shareholders, owners of registered shares, or required parts of the list not later than seven days after the receipt of such request.
 5. The Company's shares shall be transferable in accordance with the relevant provisions of the Act No. 513/1991 Coll., the Commercial Code, as amended (the "Commercial Code"), the Act No. 591/1992 Coll., the Act on Securities and Bills of Exchange, as amended (the "Act on Securities and Bills of Exchange") and the Act No. 191/1950 Sb., the Cheques Act, (the "Cheques Act"). The transferability of the Company's shares is not restricted.
 6. Under the conditions stipulated by the Act on Securities and by the Commercial Code the following rights may be transferred separately: the right to a dividend, the priority right to subscribe for shares, and convertible and warrant bonds, and the right to a share in the liquidation balance otherwise attached to the share.
 7. ~~— Shares may be registered in the names of two or more persons~~A share may be owned by more than one person. Co-owners of a share must agree which of them will exercise the rights attached to the share or appoint a joint representative. Mutual relationships between the co-owners of shares are governed, as appropriate, by the Act No. 40/1964, the Civil Code, as amended (the "Civil Code") provisions on co-ownership.
 8. When increasing the registered share capital by subscription for new shares, the conditions and manner of share payment shall be stipulated by the General Meeting in accordance with the provisions of the Commercial Code and these Articles of Association.
 9. When subscribing for shares in connection with an increase in the registered share capital, the subscriber shall be obliged to pay a portion of their nominal value stipulated by the General Meeting, however, no less than 30% of such value, and a share premium, if any, within the period stipulated by the General Meeting, otherwise the share subscription shall not take effect. The remaining portion of the issue price of such share shall be paid by the subscriber no later than six months after the registration of the registered capital increase in the Commercial Register. In-kind contributions must be paid prior to the filing of a proposal for the registration of the registered share capital increase in the Commercial Register.
 10. A subscriber who does not comply with its obligation to pay the issue price of the shares subscribed for by it, or a determined portion of such price within the period stipulated by the General Meeting, these Articles of Association or the Commercial Code, must annually pay 20% interest on such due amount. Should a subscriber fail to pay the issue price of the shares subscribed for by it or the determined portion of such price within the period stipulated by the General Meeting, these Articles of Association or the Commercial Code, the Board of Directors shall call on the subscriber, by sending it a registered letter, to pay it within 60 days of the receipt of such request. After the expiration of such period without the subscriber paying, the Board of Directors shall expel such subscriber from the Company and shall

call on it to return its interim certificate within a reasonable period indicated by the Board of Directors. Should the expelled subscriber fail to return the interim certificate within the period indicated, the Board of Directors shall declare such interim certificate invalid and shall notify the shareholders of its decision in the manner prescribed for convening a General Meeting. A written notice in respect of such decision shall be sent to the subscriber and the decision shall be officially published.

11. The Board of Directors shall issue a new interim certificate or shares replacing such invalid interim certificate to a person approved by the General Meeting who pays the issue price of such shares.
12. Assets obtained by the Company from the sale of a returned interim certificate or from the issue of a new interim certificate or shares in accordance with the above provisions shall be used for the return of funds provided by the expelled subscriber for payment of the issue price of the shares subscribed for by the expelled subscriber following the set off of the Company's claims arising from a breach of its obligations.

Article 6 Rights and Obligations of the Company's Shareholders

1. The rights and obligations of shareholders are set out by the legal regulations and by these Articles of Association.
2. A shareholder of the Company may be either a legal or a natural person.
3. Any rightful shareholder of the Company shall be entitled to take part in the Company's management. Such right shall be exercised on principal at the General Meeting and each shareholder must respect the rules of procedure of the General Meeting.
4. A shareholder shall be entitled to take part in a General Meeting, to vote at such Meeting, to require and obtain explanations in respect of the Company's affairs and matters [relating to parties controlled by the Company](#), should such explanation be necessary for the assessment of matters on the agenda of the General Meeting, and to file proposals and counter-proposals. The exercise of such rights is specified in detail in Articles 8, 9 and 10 of these Articles of Association.
5. The voting rights of a shareholder shall depend on the nominal value of its shares. Each share with a nominal value of CZK 1,000 shall represent one vote at the General Meeting.
6. *Shareholders of the Company shall have the right to a share in the profit (dividends) determined by the General Meeting for distribution based on the economic result, and each shareholder's share in the profit shall be determined based upon the proportion of the nominal value of its shares to the nominal value of the shares of all the shareholders. The [decisive date for exercising the right to a dividend with respect to shares in a dematerialised form shall have](#)is the [owner of the share](#)same as ~~of the day~~[decisive date for attendance](#) of the General Meeting which decides on such dividend payment. The General Meeting may decide that a person that has been a shareholder as of a different date to the date of such General Meeting shall have the right to a dividend payment. However, such date may not precede the date of such General Meeting and may not follow after such dividend's due date. The dividend shall be payable within 90 days of the date of the adoption of the General Meeting's resolution on profit distribution, unless the General Meeting decides otherwise. The dividends shall not bear interest and those of them that are not collected within 4 years of their due date shall be transferred to the Company's obligatory reserve fund.¹*
7. Shareholders are not entitled to request that their contributions be returned during the existence of the Company or upon its winding-up. After the Company's winding-up with liquidation shareholders shall be entitled to a share in the liquidation balance and their share in the balance shall depend on the proportion of the nominal value of their shares to the nominal value of the shares of the other shareholders as of the date when, upon an order of a liquidator, the Company's book-entered shares

¹ [This wording shall be effective as of 1 January 2011.](#)

are deleted from the ~~register of the Securities Centre records of book-entered securities kept pursuant to a special legal regulation.~~

8. The shareholder is obliged to pay the issue price and the share premium, if any, of the shares subscribed for by it in accordance with Article 5 of these Articles of Association.

II. Company Organisation

Article 7 Company Bodies

The bodies of the Company shall be:

- a) the General Meeting;
- b) the Board of Directors; ~~and~~
- c) the Supervisory Board; ~~and~~
- d) the Audit Committee.

A. General Meeting

Article 8 Position and Authority of the General Meeting

1. The General Meeting shall be the supreme body of the Company. It shall decide on all the Company's affairs placed under its authority by these Articles of Association or by generally binding legal regulations.
2. The General Meeting shall have the authority to:
 - (a) decide on any changes to the Articles of Association, except for changes which are the consequence of an increase in the registered share capital by the Board of Directors in accordance with Section 210 of the Commercial Code, or a change arising as a result of other legal facts;
 - (b) decide on increases or reduces in the registered share capital, or on the authorisation of the Board of Directors in accordance with Section 210 of the Commercial Code or the possibility of setting-off a receivable from the Company against a receivable of the Company regarding payment of the issue price;
 - (c) decide on the issue of bonds in accordance with Section 160 of the Commercial Code;
 - (d) decide to wind up the Company with liquidation, appoint and recall a liquidator and determine the amount of such liquidator's remuneration, and approve a proposal for the distribution of the liquidation balance;
 - (e) decide on a merger, transfer of assets and liabilities to a shareholder or de-merger, or a change in the Company's legal form;
 - (f) elect and recall members of the Board of Directors;
 - (g) elect and recall members of the Supervisory Board, except for the members elected and recalled by the Company's employees;
 - (h) appoint and recall members of the Audit Committee;
 - (i) decide on the approval of the agreements on performance of the office of members of the Board of Directors, the Supervisory Board and the Audit Committee, and on their remuneration or the provision of any other benefits to which they are not entitled on the basis of a legal regulation or the agreement ~~—— (i) —— decide on the registration on a public market of shares, interim~~

~~certificates, option certificates, convertible bonds or warrant bonds issued by the Company under the Act on Securities and on the cancellation of their registration on a public market~~
~~performance of an office;~~

- ~~(j) decide on the conclusion of an agreement on a transfer of the business or its portion or a lease thereof, or decide on the conclusion of such agreement by an entity controlled by the Company;~~
 - (j) decide on the listing of the participation securities of the Company in accordance with a special legal regulation and on their withdrawal from trading on the Czech or a foreign regulated market;
 - (k) approve contracts specified in Section 67a of the Commercial Code;
 - (l) approve any actions taken on the Company's behalf prior to the incorporation of the Company under Section 64 of the Commercial Code;
 - ~~(m)~~ approve control agreements, agreements on profit transfer, and agreements on silent partnership and changes thereto;
 - ~~(n)~~ establish non-obligatory Company funds and set out the procedure for their creation and drawing;
 - (o) decide on changes in the rights attached to individual classes of shares;
 - (p) decide on any changechanges in the class, -type and form of shares;
 - (q) decide on share splitting or the merger of a number of shares into one share;
 - (r) decide on the restriction of share transferability or any change thereofthereto;
 - ~~(s)~~ decide on the acquisition by the Company of its own shares in accordance with Section 161a of the Commercial Code-;
 - (t) decide on an auditor of the Company;
 - (u) approve the Company's ordinary and extraordinary financial statements and consolidated financial statements and, when so provided by law, the interim financial statements, and to decide on the distribution of profit or other own sources of the Company or the determination of emoluments or the settlement of losses; and
 - (v) decide on any other matters stipulated by law or these Articles of Association.
3. The General Meeting may not reserve the right to decide on certain issues that are not ~~vested in~~ placed under its authority by law or ~~by~~ these Articles of Association.

Article 9 Convening of the General Meeting

1. The General Meeting shall be convened by the Board of Directors at least once a year at the Company's registered office or at such other place indicated by the Board of Directors in the invitation to the General Meeting, no later than six months after the last day of the accounting period.
2. The Board of Directors shall convene an extraordinary General Meeting:
 - at any time it deems ~~it~~-necessary in view of the Company's interests;
 - ~~if required by the~~ upon a written request of a shareholder or shareholders, ~~who has/have~~ shares with a total nominal value of ~~which exceeds 3~~ at least 3% of the Company's registered share capital in order to discuss the matters proposed by such shareholder(s) provided that each of the matters proposed includes the reasoning or a proposal for a resolution; or
 - if it learns that the Company's total loss on the basis of any financial statements is an amount which if covered by the Company's available sources would result in an uncovered loss amounting to one half of the Company's registered share capital, or if such result may be expected in view of all the circumstances, or if it learns that the Company has become insolvent (in Czech: *v úpadku*).

3. An extraordinary General Meeting can also be convened by the Supervisory Board if it is in the Company's interests. The Supervisory Board shall convene an extraordinary General Meeting in the same manner as the Board of Directors of the Company.
4. The General Meeting shall be convened by the Board of Directors, which has to publish such invitation by sending an invitation to each shareholder's registered office or address, as recorded in the list of shareholders, at least 30 days prior to the General Meeting.

The condition of a 30-day period need not be observed in the following instances:

- convening of a substitute General Meeting;
- convening of an extraordinary General Meeting on the basis of a request of shareholders under Article 9 of these Articles of Association.

In the above cases a period as stipulated by law shall apply.

5. The invitation to the General Meeting must include:
 - the business name and registered office of the Company;
 - the place, date and time of the General Meeting;
 - information about whether an ordinary or extraordinary General Meeting is being convened;
 - the General Meeting's agenda;
 - a decisive day for attending the General Meeting, if one has been determined, and an explanation of its significance for voting at the General Meeting;
 - the essentials stipulated in Section 202 and Section ~~211~~212 of the Commercial Code if the General Meeting's agenda includes an increase or reduction of the Company's registered share capital;
 - the essentials stipulated in Section 120a of Act No. 256/2004 Coll., on Business Activities on the Capital Market, as amended (the "Act on Business Activities on the Capital Market"); and
 - other essentials stipulated by law for special cases, or by these Article of Association or by the resolution of the previous General Meeting.
6. If the General Meeting's agenda includes any changes to the Company's Articles of Association, the invitation to such General Meeting must include specification of the substance of such proposed changes, and draft changes to the Articles of Association must be available at the Company's registered office for shareholders to inspect for the whole period stipulated for the convening of such General Meeting. A shareholder may request that a copy of the draft Articles of Association be sent to it at its own expense and risk. Shareholders must be informed of such rights in the invitation to such General Meeting.
7. The explanation under Article 6 (4) above may be provided in the form of a summary statement on several similar issues. It shall be deemed that shareholders have been provided with the explanation even if such explanation to individual points on the General Meeting's agenda is published on the Company's website no later than on the day preceding the date of the General Meeting and is available to the shareholders for inspection at the place where the General Meeting will take place.
8. If, at the General Meeting, a shareholder intends to file counter-proposals to the proposals whose contents are specified in the invitation to the General Meeting, or if the decisions of the General Meeting must be recorded in the form of notarial deeds, it shall be obliged to deliver its proposal or counter-proposal to the Company in writing no less than five days before the General Meeting. This shall not apply in the case of proposals for the election of specific persons as members of the Company's bodies. The Board of Directors shall be obliged to publish its counter-proposals together with the Board's opinion, if possible, no less than three days before the announced date of the General Meeting.

9. A shareholder may file its proposals in relation to the points which are to be included in the General Meeting's agenda before the invitation to the General Meeting is published. The Board of Directors will publish such proposals, which must be delivered to the Company at least 7 days before the invitation to the General Meeting is published, along with the invitation to the General Meeting. Paragraph 7 applies in a similar way to any proposals delivered after this time limit.
10. The General Meeting may be cancelled or postponed until a later date. When cancelling or postponing the General Meeting until a later date, the relevant provisions of the Commercial Code must be observed.
11. A substitute General Meeting shall be convened by the Board of Directors by a new invitation in the manner specified in this Article, however, the period specified therein shall be reduced to 15 days. The substitute General Meeting shall be held within six weeks of the day of the original General Meeting and its agenda must be unchanged. The substitute General Meeting shall be quorate regardless of the number of shareholders present and the nominal value of their shares.

Article 10 Participation in the General Meeting

1. Every shareholder shall be entitled to attend the General Meeting and vote there either in person or through a proxy. In the case of the Company's book-entered shares, shareholders (or their proxies) registered in the register/records of the Company/book-entered securities kept pursuant to a special legal regulation, as an issuer maintained by the Securities Centre shall be entitled to attend the General Meeting and vote there. For purposes of the participation in the General Meeting, the Company is obliged to obtain an excerpt from its register so that this excerpt reflects the state of the Company's shareholding as of at the decisive day, date for attendance of the General Meeting which is the seventh calendar day prior to the General Meeting (the "Decisive Date"), shall be entitled to attend the General Meeting and exercise their shareholder's rights there, i.e. also to vote there. In the case of the Company's certificated ~~form, a shareholder's~~ shares, shareholders registered in the list of shareholders of the Company as at the Decisive Date (or their proxies) shall be entitled to attend the General Meeting and exercise their shareholder's rights there, i.e. also to vote there, unless it is proved that such registration as at this date does not correspond to the actual state of affairs. The Company is obliged to obtain a statement from the records of book-entered securities as at the Decisive Date by the date of the General Meeting.
2. In order to participate in the General Meeting and in its discussions, a shareholder's proxy must have a ~~special~~ power of attorney with an officially verified signature, ~~valid only for one General Meeting, except for the case when the General Meeting has been repeatedly convened due to the fact that it did not have a quorum. A special~~ of a person who is Company shareholder as at the Decisive Date, and it must be clear from this power of attorney whether this power of attorney has only been granted for one General Meeting or whether it has been granted for several General Meetings during a certain period. Powers of attorney must be delivered to the ~~Board of Directors of the~~ Company before the opening of the General Meeting ~~or a substitute~~. The members of the Company's bodies may receive authorisation from a shareholder to represent such shareholder at the General Meeting. A shareholder's proxy may not only if they publish, along with the invitation to the General Meeting, any and all facts that could be significant for the shareholder's assessment of whether there may be a member of the Board of Directors or the Supervisory Board.potential conflict between the shareholder's interests and the proxy's interests.
3. It is assumed that the person registered in the register of investment instruments or in the records of book-entered securities as an administrator and/or a person entitled to exercise the rights attached to a share in the Company may represent the shareholder in exercising all the rights attached to the Company's shares registered in the relevant account, including participation in and voting at the General Meeting. Such person must prove his/her identity by producing a statement from the register of investment instruments or a statement from the records of book-entered securities (shares); this is not necessary if the Company is obliged to obtain a statement by itself from the relevant register of investment instruments or records of book-entered securities for the purposes of exercising the rights attached to the shares.

4. Each share with a nominal value of CZK 1,000 shall represent one vote. A shareholder may not exercise its voting rights in the cases stipulated by law. Voting shall be effected by a show of hands, unless the General Meeting approves otherwise. The General Meeting shall first vote on proposals submitted by the Board of Directors or the Supervisory Board. If such proposals are not submitted or adopted, shareholders' (counter-)proposals are voted on.
- 4.5. Shareholders attending the General Meeting shall sign the attendance list provided by the Board of Directors, which shall include the shareholder's name and surname or the name or business name and registered office or address of such shareholder ~~or its representative~~, and the name and surname, birth identification number and address of a person acting on its behalf (if it concerns a legal entity), or a person representing such shareholder, and the numbers of certificated shares and the nominal value of shares entitling the shareholder to vote, or information that the share does not entitle the shareholder to vote. Powers of attorney of shareholder's proxies shall be attached to the attendance list and its accuracy shall be confirmed by signatures of the chairperson of the General Meeting and a minutes clerk.
6. Members of the Board of Directors and the Supervisory Board shall have the right to attend the General Meeting. An auditor may be invited to a relevant part of the General Meeting, so that it may inform the shareholders of its findings, especially at General Meetings approving the Company's financial statements and annual report. Other persons invited by the Board of Directors may also participate in General Meetings as guests, unless the shareholders resolve by the majority of votes specified under Article 11 (4) to exclude such persons from the General Meeting. The General Meeting shall also be attended by persons technically providing for the running of the General Meeting.

Article 11

General Meeting Procedures and Decision-Making

1. The General Meeting shall be opened by the chairperson or an authorised member of the Board of Directors, or a chairperson of the General Meeting appointed by the court if the General Meeting is convened by shareholders as specified in Article 9(2) of these Articles of Association on the basis of authorisation by a court. The task of the chairperson or an authorised member of the Board of Directors is to ~~provide for the election of a new Chairman~~ ensure that the General Meeting elects a chairperson of the General Meeting, a minutes clerk, two verifiers of the minutes and persons charged with counting the votes. Following the election of the chairperson, the General Meeting shall be conducted by its new chairperson.
2. The General Meeting shall be quorate, if attended by shareholders holding shares with a cumulative nominal value which exceeds 30% of the Company's registered share capital.
3. The General Meeting shall adopt its decisions by a simple majority of votes of the shareholders present, unless required otherwise by the Commercial Code or by these Articles of Association.
4. — The issues mentioned in Section 8 (2) ~~(a), (b), (c) and (k) of these Articles of Association~~, the Company's winding-up with liquidation and a proposal for the distribution of the liquidation balance shall be decided on by the General Meeting by at least a two-thirds majority of votes of the shareholders present.
5. In order for the General Meeting to adopt a decision on a change in the classes and types of shares, on a change of the rights attached to a certain class of shares, on the restriction of transferability of the registered shares, ~~on the cancellation of the registration for public or on the withdrawal of shares from trading of shares, on the Czech or a foreign regulated market~~, the approval of at least three quarters of ~~the~~ the votes of ~~the~~ attending shareholders holding such shares shall be required.
6. A decision on the exclusion or restriction of the priority right to the acquisition of convertible and warrant bonds, on the exclusion or restriction of the priority right to subscription for new shares, on the approval of a control agreement, on the approval of an agreement on profit transfer and changes thereto, or on the increase in the registered share capital by in-kind contributions shall be adopted by the General Meeting by at least three quarters of votes of shareholders present.

7. In order for the General Meeting to adopt a decision on the merger of shares, the approval of all shareholders whose shares are to be merged shall be required.
8. The General Meeting's decisions on merger, transfer of business assets to one shareholder, de-merger or on the conversion of the legal form of the Company must be approved by at least three quarters of the votes of shareholders present, unless stipulated otherwise by law.
9. A notarial deed shall be prepared in respect of ~~resolutions~~decisions under par-~~agraph~~ 4 through 7 to 8. The notarial deed in respect of the change in the Articles of Association must also include the approved wording of the amended Articles of Association.
- ~~9. Special qualified majorities are stipulated by law for resolutions in respect of the Company's transformation under Sec. 220a and subsequent provisions of the Commercial Code.~~
- ~~10. A shareholder does not have to exercise the voting rights attached to all of its shares in the same manner; this also applies to a shareholder's proxy.~~
11. Issues not included in the proposed agenda of the General Meeting may only be decided on if all shareholders of the Company are present and agree.

Article 12 Minutes of the General Meeting

1. Minutes of the General Meeting shall be provided for by the Company's Board of Directors within 30 days of its conclusion.
The minutes of the General Meeting shall include:
 - a) the Company's business name and registered office;
 - b) the place and time of the General Meeting;
 - c) the name of the General Meeting's chairperson, minutes clerk, verifiers of the minutes and persons charged with vote counting;
 - d) a description of the discussion of individual issues on the General Meeting's agenda;
 - e) the General Meeting's decisions and a record of voting results;
 - f) the content of the protest of a shareholder, member of the Board of Directors or of the Supervisory Board concerning a resolution of the General Meeting, if so requested by a protesting person; and
 - g) other essentials, if stipulated by law for exceptional cases.
2. Proposals and declarations submitted to the General Meeting for discussion and the attendance list shall be attached to the minutes.
3. The minutes shall be signed by the minutes clerk, the chairperson of the General Meeting and minutes verifiers.
4. The minutes of General Meetings, invitation to the General Meetings, as well as attendance lists shall be kept in the Company's archives for the whole period of the Company's existence.

B. Board of Directors

Article 13 Position and Powers of the Board of Directors

1. The Board of Directors of the Company is the Company's statutory body. It manages the Company's business and acts on the Company's behalf in the manner specified in Article ~~34~~38 of these Articles of Association.

2. The Board of Directors shall decide on all Company matters, unless the Commercial Code or these Articles of Association reserve such decisions to the General Meeting or the Supervisory Board.
3. The Board of Directors shall be authorised, in particular, to:
 - a) convene the General Meeting under the conditions stipulated by law and execute its decisions;
 - b) submit to the General Meeting for approval:
 - at least once a year a report on the Company's business activities, on the state of its assets, and on its business policy, which must be prepared within 4 months of the end of the relevant accounting period;
 - ordinary financial statements, extraordinary and consolidated financial statements, and/or interim financial statements;
 - proposals for the distribution of profit including determination of the amount and manner of payment of dividends and emoluments, and proposals for coverage of losses;
 - proposals for the increase or reduction of the registered share capital;
 - information on the purchase of the Company's own shares under Section 161a (2) of the Commercial Code;
 - proposals for the issue of bonds; and
 - proposals for the increase in the reserve fund above the limit stipulated by law and these Articles of Association;
 - c) send the shareholders no less than 30 days before the General Meeting financial statements which are to be submitted to the General Meeting for approval, or selected data from them, including specification of the time and place where such financial statements may be inspected;
 - d) grant and recall procuration (in Czech: *prokura*) and powers of attorney to the Company's representatives; and
 - e) establish obligatory funds of the Company under the generally binding legal regulations

and, in co-operation with the Supervisory Board, stipulate the manner of their creation and drawing.

4. The Board of Directors shall be accountable for all its activities to the General Meeting. The Board of Directors may decide on the transfer of a certain part of its authorities to the Company's managing employees, should such transfer be permitted by legal regulations. Such transfer of authority shall not affect the responsibility of the members of the Board of Directors for the performance of their offices, as specified in the binding provisions of the relevant legal regulations.

Article 14

Composition of the Board of Directors, Term of Office, Meetings, and Decision-Making

1. The Company's Board of Directors shall consist of six members, elected and recalled by the General Meeting. Only a natural person complying with the conditions specified by law may become a member of the Board of Directors. A person who does not comply with the conditions or if there is an obstacle to the performance of their office, shall not become a member of the Board of Directors, even if elected by the General Meeting. Unless the Commercial Code stipulates otherwise, if a member of the Board of Directors ceases to meet the conditions set by law for the exercise of the office, their office shall be terminated. This shall not affect any rights of third parties acquired in good faith.
2. The term of office of a member of the Board of Directors shall be one year, and members of the Board of Directors may be re-elected.

3. Provided that the number of members of the Board of Directors does not fall below four, the Board of Directors shall be entitled to appoint substitute members of the Board of Directors until the next General Meeting.
4. The term of office of members of the Board of Directors shall terminate, besides by expiry, upon:
 - (i) the death of the member of the Board of Directors;
 - (ii) the resignation of the member of the Board of Directors;
 - (iii) the recall of the member of the Board of Directors by the General Meeting.
5. If a term of office of a member of the Board of Directors is terminated, the General Meeting is required to elect a new member of the Board of Directors within three months. The function of a member of the Board of Directors shall be terminated upon the election of a new member to his/her position, however, no later than three months after the expiry of his/her term of office.
6. If the Board of Directors is incapable of performing its functions due to an insufficient number of members, the missing members shall be appointed by a competent court in a manner specified by law.
7. Members of the Board of Directors shall elect one of their number as the chairperson of the Board of Directors.
8. The Board of Directors shall take decisions by resolutions usually adopted in the course of its meetings. Board of Directors meetings shall be held as frequently as necessary, however, at least twice a year. The meetings shall be chaired by the chairperson of the Board of Directors, if present.
9. A meeting of the Board of Directors shall be convened by the chairperson of the Board of Directors and, if the Board of Directors does not have a chairperson, by any member of the Board of Directors, by a written invitation which includes the place, the date, the time and the proposed agenda of the meeting. Each member of the Board of Directors shall receive the invitation with the materials for the meeting at least 10 calendar days before the Board of Directors meeting. If all members of the Board of Directors agree to this, a Board of Directors meeting may be convened by phone, e-mail or telefax no later than 3 calendar days before the meeting. If a Board of Directors meeting is convened by phone, it must also be simultaneously convened by phone, telefax or e-mail and the invitation must include the aforesaid required information. The time limits stated above do not apply to outside-of-meeting resolutions of the Board of Directors. The chairperson of the Board of Directors must convene a Board of Directors meeting if requested by at least two members of the Board of Directors or the Supervisory Board. Board of Directors meetings shall be held at the Company's registered office, unless the invitation states otherwise. The Board of Directors may, at its discretion, invite to its meetings members of other bodies of the Company, the Company's employees or shareholders. A member of the Supervisory Board may attend the Board of Directors meeting if the Supervisory Board so requests. The obligation to exercise the office of a member of the Board of Directors is one which must be exercised in person.
10. The Board of Directors shall be quorate if attended by at least four members. A resolution of the Board of Directors shall be adopted if approved by a simple majority of the members present. Each member of the Board of Directors shall have one vote. In the event of a tie vote, the chairperson's vote shall be decisive. When electing and recalling the chairperson of the Board of Directors from office, the affected member shall not vote.
11. ~~In emergent cases, If all members of~~ the Board of Directors ~~shall decide, if all agree to this, any member or all members of the~~ Board of Directors ~~members agree may attend the Board of Directors meeting and vote by phone or other communications system that allows all persons attending the meeting to hear each other. A person attending the meeting and voting in this manner shall be considered present at the meeting and shall be entitled to vote at the meeting.~~
12. The Board of Directors ~~has may, at the proposal of its chairperson or, if the Board of Directors does not have a chairperson, at the proposal of another member of the Board of Directors, adopt resolutions outside of its meetings quorum a meeting by way of a written vote and/or voting by e-mail or telefax. Voting may only be performed in this way if all members of the Board of Directors agree to this. The members voting outside of a meeting shall be considered present.~~ The Board of Directors is quorate

for outside-of-meeting voting if at least four members of the Board of Directors participate in such voting. A resolution shall be adopted if approved by a simple majority of votes of the members voting outside of its meetings. In the event of a tie vote, the chairperson's vote shall be decisive. All organisational matters related to decision-making outside of the meeting of the Board of Directors shall be arranged for by the chairperson of the Board of Directors. Resolutions outside of Board of Directors meetings must be incorporated into the minutes at the nearest meeting of the Board of Directors.

[4213](#). Minutes of Board of Directors meetings and of their resolutions shall be executed and signed by the chairperson of the Board of Directors and the minutes clerk. The minutes of the Board of Directors meeting must specify the names of the members of the Board of Directors who voted against separate Board of Directors resolutions or abstained from voting. Members of the Board of Directors not specified in the minutes as voting against shall be understood to have voted for the resolution, unless it is proved otherwise. The costs related with the meetings and other activities of the Board of Directors shall be borne by the Company.

Article 15 **Obligations of Members of the Board of Directors**

1. Members of the Board of Directors shall exercise their authority with due care and keep confidential all information and facts, the disclosure of which to third parties might cause damage to the Company.
2. The relationship between the Company and a member of the Board of Directors in the course of managing the Company affairs shall be governed by applicable provisions of the Commercial Code on mandate agreements, unless the agreement for performance of an office concluded between the Company and the member of the Board of Directors or other provisions of the Commercial Code regulating the member's obligations specify different rights and obligations.
3. Members of the Board of Directors who have caused damage to the Company as a result of a breach of their legal obligations when exercising their powers, shall be liable for the damage jointly and severally. Any agreement between the Company and a member of the Board of Directors restricting or excluding the member's liability shall be invalid.
4. Members of the Board of Directors shall only be liable for damage caused to the Company by complying with the General Meeting's instructions if such instructions are contrary to legal regulations.
5. The members of the Board of Directors who are liable for damage caused to the Company, shall provide a guarantee for the Company's liabilities jointly and severally, if the responsible member of the Board of Directors fails to compensate for the damage and the creditors are unable to satisfy their claims from the Company's assets due to the Company's insolvency or due to the fact that the Company has stopped making payments. The extent of the guarantee is limited to the extent of the obligation of the members of the Board of Directors to compensate for damage. The guarantee provided by a member of the Board of Directors shall be terminated as soon as the damage has been paid for.
6. A member of the Board of Directors may not:
 - (a) carry out business in the same or a similar area as the Company's scope of business or enter into contractual business relationships with the Company;
 - (b) mediate or broker any of the Company's business for other persons;
 - (c) take part in the business activities of another company as a member with unlimited liability or as a controlling person of another entity with the same or a similar scope of business to the Company;
 - (d) act as a statutory body or a member of the statutory body or other body of another legal entity with the same or a similar scope of business, except in the case of a holding (*koncern*).

A breach of the above obligations shall have the consequences specified in Section 65 of the Commercial Code.

C. Supervisory Board

Article 16 Position and Powers of the Supervisory Board

1. The Supervisory Board shall supervise the Company's business activities and the performance of the Board of Directors.
2. The Supervisory Board shall:
 - a) assess specific trends in the Company's activities and its business policy and supervise its implementation;
 - b) review the ordinary, extraordinary, consolidated, and interim financial statements as well as the proposal for the distribution of profit and coverage of losses and submit its view to the General Meeting;
 - c) be entitled through any of its members, to inspect all documents and records concerning the Company's activities;
 - d) check whether the accounting books have been duly kept and accurately reflect reality, and whether the Company's business activities are carried out in compliance with legal regulations, these Articles of Association and the instructions of the General Meeting;
 - e) convene the General Meeting if the Company's interests require and propose any necessary measures at the General Meeting;
 - f) represent the Company in court litigation and similar proceedings against members of the Board of Directors.
3. The consent of the Supervisory Board and of the General Meeting is required for the conclusion of an agreement under which the Company is to acquire or dispose of assets, if the value of the assets acquired or disposed of within one accounting period exceeds one third of equity recorded in the last ordinary financial statements or in the consolidated financial statements if the Company compiles them.

Article 17 Composition of the Supervisory Board and the Terms of Office

1. The Supervisory Board shall consist of six members who must be natural persons meeting the requirements of the law. Two Supervisory Board members shall be elected and recalled by the employees of the Company in compliance with Section 200 of the Commercial Code, and the remaining four members shall be elected and recalled by the General Meeting. Their term of office shall be one year. Supervisory Board members can be re-elected. A Supervisory Board member must not be simultaneously a member of the Board of Directors, the Company's procurator (in Czech: *prokurista*) or person authorised - according to the entry in the Commercial Register - to act in the Company's name. If the number of the Supervisory Board members elected by the General Meeting has not fallen below half of its members, the Supervisory Board may appoint a substitute member to hold the office until the next General Meeting.
2. Members of the Supervisory Board shall elect one of their number as chairperson of the Supervisory Board.
3. Members of the Supervisory Board shall participate in the General Meeting of the Company. They are obliged to report to the General Meeting the results of their supervising activities and may submit proposals for the General Meeting agenda.
4. The Supervisory Board shall designate one of its members to represent the Company in proceedings before courts and other authorities conducted against a member of the Board of Directors.

5. The provisions of Article 14 (3), (4), (5) and (6) shall apply similarly to Supervisory Board members.

Article 18
Supervisory Board Meetings and Decision-Making

1. Meetings of the Supervisory Board shall be convened and presided over by the chairperson of the Supervisory Board as often as necessary.
2. A meeting of the Supervisory Board shall be convened by ~~any member~~ the chairperson of the Supervisory Board ~~in writing and, if the Supervisory Board does not have a chairperson, by telephone~~ any members of the Supervisory Board, by a written invitation which includes the place, the date, the time and the proposed agenda of the meeting. Each member of the Supervisory Board shall receive an invitation with the materials for the meeting at least 10 calendar days before the Supervisory Board meeting. If all members of the Supervisory Board agree to this, a Supervisory Board meeting may be convened by phone, telefax or e-mail no later than 3 calendar days before the meeting. If a Supervisory Board meeting is convened by phone, it must also be simultaneously convened by telefax or e-mail and the invitation must include the aforesaid required information. The time limits stated above do not apply to outside-of-meeting decisions of the Supervisory Board. The chairperson of the Supervisory Board must convene a Supervisory Board meeting if requested by any member of the Supervisory Board. The Supervisory Board meeting shall be held at the Company's registered office, unless the invitation provides otherwise. The obligation to exercise the office of member of the Supervisory Board is one which must be exercised in person. The Supervisory Board may, at its discretion, invite members of other bodies of the Company, its employees or shareholders to its meetings.
3. The Supervisory Board shall be quorate if a simple majority of its members are present. Each member shall have one vote. A resolution shall be adopted if approved by a simple majority of all members of the Supervisory Board.
4. If all members of the Supervisory Board agree to this, any member or all members of the Supervisory Board may attend the Supervisory Board meeting and vote by phone or other communications system that allows all persons attending the meeting to hear one another. Persons who attend the meeting and vote in this manner shall be considered present at the meeting and shall be entitled to vote at the meeting.
5. The provisions of Article 14 (12) shall apply accordingly to resolutions taken by the Supervisory Board outside its meeting; however, approval by a majority of votes of all the members of the Supervisory Board is required for such a resolution to be adopted.
6. The Supervisory Board shall execute minutes of its meetings which shall be signed by its chairperson. Section 195 of the Commercial Code shall be applied to the requisites of the minutes, as appropriate. The opinions of the minority of the Supervisory Board's members shall also be recorded in the minutes, if they require this, and dissenting opinions of Supervisory Board members elected by the Company's employees shall always be recorded.
- ~~6.7.~~ If the law or the Articles of Association require the prior consent of the Supervisory Board for certain acts of the Board of Directors and the Supervisory Board refuses to consent or if the Supervisory Board exercises its right to prohibit certain acts from being taken by the Board of Directors on the Company's behalf, the members of the Board of Directors shall not be liable for any damage resulting from observing such decision of the Supervisory Board. Supervisory Board members deciding on the acts mentioned in the first sentence of this paragraph shall be jointly and severally liable for the resulting damage, if they did not act with due care. If the Supervisory Board consents to the acts mentioned in the first sentence of this paragraph, the members of the Board of Directors and Supervisory Board who did not exercise due care when deciding on such acts, are jointly and severally liable for any damage resulting from such acts.
- ~~7.8.~~ The costs related to the meetings and other activities of the Supervisory Board shall be borne by the Company.

- 8.9. The provisions of Article 15 of these Articles of Association shall apply similarly to the Supervisory Board members.
910. The rules for election and recall of the Supervisory Board members representing the employees shall be prepared by the Board of Directors upon completion of negotiations with trade union bodies.

D. Audit Committee

Article 19

Position and Powers of the Audit Committee

1. The Audit Committee is a Company body whose powers include the following:
 - a) monitoring of the process of preparing the financial statements and consolidated financial statements of the Company;
 - b) assessment of the efficiency of the Company's internal controls, internal audits, and system of risk management;
 - c) monitoring of the process of mandatory audits of financial statements and consolidated financial statements of the Company;
 - d) assessment of the independence of statutory auditors and auditing firm(s) and, in particular, the provision of supplementary services to the Company as the audited entity;
 - e) recommendation of auditors to the General Meeting;
 - f) acceptance of information, statements and communication according to legal regulations from the auditor and discussion of such information, statements and communication with the auditors; and
 - g) informing of other bodies of the Company as necessary regarding matters that are within the powers of the Audit Committee.
2. The Audit Committee also has other powers that may be stipulated by the legal regulations. The powers of the Audit Committee do not affect the powers of the other bodies of the Company pursuant to the legal regulations and these Articles of Association.

Article 20

Composition of the Audit Committee and the Terms of Office

1. The Audit Committee shall consist of three members who must be natural persons meeting the requirements of the relevant legal regulations with respect to the performance of this office and the performance of the office of member of the Supervisory Board. Each member of the Audit Committee must be qualified in the area of accounting and/or statutory audits and must have at least three years of practical experience. At least one member of the Audit Committee must be independent of the Company. The remaining two members of the Audit Committee may be appointed from among the members of the Company's Supervisory Board.
2. The term of office of a member of the Audit Committee is one year. The members of the Audit Committee may be re-elected.
3. The members of the Audit Committee elect one of their number as the chairperson of the Audit Committee.
4. The term of office of a member of the Audit Committee shall terminate, besides its expiry, upon:
 - (i) the death of the member of the Audit Committee;
 - (ii) the resignation of the member of the Audit Committee; and
 - (iii) the recall of the member of the Audit Committee by the General Meeting.

5. A member of the Audit Committee may resign from his/her office based on a written notice delivered to the Audit Committee or to the General Meeting. The term of the member's office terminates on the day on which his/her resignation is discussed or should have been discussed by the Audit Committee. The Audit Committee is obliged to discuss a member's resignation at the very next meeting after it learns of the member's resignation.
6. If a member of the Audit Committee announces his/her resignation at a meeting of the Audit Committee, the member's term of office terminates two months after such announcement unless the Audit Committee approves another date of termination of the term of office at the request of the resigning member.
7. Members of the Audit Committee participate in the Company's General Meetings. They are obliged to inform the General Meeting of the results of their activities.

Article 21 Audit Committee Meetings and Decision-Making

1. Meetings of the Audit Committee shall be convened and presided over by the chairperson of the Audit Committee as often as necessary.
2. A meeting of the Audit Committee shall be convened by the chairperson of the Audit Committee and, if the Audit Committee does not have a chairperson, by any member of the Audit Committee, by a written invitation which includes the place, the date, the hour and the proposed agenda of the meeting. Each member of the Audit Committee shall receive an invitation with the materials for the meeting at least 10 calendar days before the Audit Committee meeting. If all members of the Audit Committee agree to this, an Audit Committee meeting may be convened by phone, e-mail or telefax no later than 3 calendar days before the meeting. If an Audit Committee meeting is convened by phone, it must also be simultaneously convened by telefax or e-mail and the invitation with materials must include the aforesaid required information. The time limits stated above do not apply to outside-of-meeting decisions of the Audit Committee. The chairperson of the Audit Committee must convene an Audit Committee meeting if requested by any member of the Audit Committee. If, in such a case, an Audit Committee is not convened within five business days of the delivery of the request for convocation of an Audit Committee meeting to the chairperson of the Audit Committee, or if the Audit Committee does not have a chairperson, the Audit Committee meeting may be convened by the given member of the Audit Committee. The Audit Committee meeting shall be held at the Company's registered office, unless the invitation provides otherwise. The obligation to exercise the office of a member of the Audit Committee is one which must be exercised in person. The Audit Committee may, at its discretion, invite to its meetings members of other bodies of the Company, its employees or shareholders.
3. The Audit Committee is quorate if more than half of its members are present. Every member of the Audit Committee has one vote. Resolutions of the Audit Committee shall be adopted if they are approved by more than half of all the members of the Audit Committee, unless these Articles of Association or the legal regulations require a higher number of votes necessary for the adoption of resolutions. In the event of a tie, the chairperson's vote shall be decisive.
4. If all members of the Audit Committee agree to this, any member or all members of the Audit Committee may attend the Audit Committee meeting and vote by phone or other communications system that allows all persons attending the meeting to hear one another. Persons who attend the meeting and vote in this manner are considered present at the meeting and are entitled to vote at the meeting.
5. The provisions of Article 14 (12) apply accordingly to adopting resolutions outside Audit Committee meetings; however, approval by a majority of votes of all the members of the Audit Committee is required for such a resolution to be adopted.
6. The Audit Committee shall execute the minutes of its meetings and decisions which shall be signed by its chairperson (or by all members present if the Audit Committee does not have a chairperson). The opinions of the minority of the Audit Committee's members shall also be recorded in the minutes, if they require so.

7. [The costs related to the meetings and other activities of the Audit Committee shall be borne by the Company.](#)

III. Economic Management of the Company

Article [4922](#)

Records, Accounting, and Ordinary Financial Statements

1. The accounting period of the Company corresponds to the calendar year.
2. The Company's records and accounting shall be maintained in a manner complying with applicable generally binding legal regulations. The Board of Directors shall be responsible for proper book-keeping.
3. The Board of Directors shall submit the financial statements to the auditors together with a request for a review of the business activities of the Company for the relevant period. Having received the auditor's report on the review of the financial statements and business activities of the Company, the Board of Directors shall submit the financial statements and the auditor's report to the Supervisory Board together with the proposal for the distribution of profit or coverage of losses.
4. The Supervisory Board shall examine the financial statements and the proposal for the distribution of profit or coverage of losses and inform the General Meeting of the results.
5. After the annual report is approved by the General Meeting, the Company is required to publish it and make it known. Pursuant to generally binding legal regulations, the annual report shall contain selected data from the ordinary financial statements.
6. The Company shall compile the set of information prescribed by the legal regulations and provide information on its activities to the authorities pursuant to generally binding legal regulations.

Article [2023](#)

Distribution of Profit and Coverage of Losses

1. The profit shall be distributed, or losses covered, in the manner approved by the General Meeting after the examination by the Supervisory Board of the manner proposed by the Board of Directors.
2. The profit remaining after the payment of tax and other similar liabilities (the "**Company's Net Profit**"), shall be used in accordance with the General Meeting's decision in the following order and in the following way:
 - a) allotments to the obligatory reserve fund;
 - b) allotments to the Company's other funds, if such exist;
 - c) other purposes determined by the General Meeting;
 - d) the payment of emoluments to members of the Board of Directors and Supervisory Board; and
 - e) the payment of dividends to shareholders.
3. The shareholders' share in the Company's profit (dividend) shall be based on the proportion of the nominal value of their shares to the nominal value of all the Company's shares.
4. Potential losses incurred by the Company shall be covered first from its reserve fund, unless decided differently by the General Meeting. The manner of using the reserve fund and approving its use is regulated by Article [24](#) of these Articles of Association.

Article [2424](#)

Reserve Fund and Other Funds Created by the Company

1. The reserve fund of the Company was established by the founders upon the Company's incorporation.
2. The obligatory reserve fund ~~must be is~~ increased every year by 5% of the Company's Net Profit until the fund has amounted to 20% of the Company's registered share capital. As soon as this level has been reached, further allotments to the obligatory reserve fund, or to other non-obligatory funds, shall be made based on decisions of the General Meeting. The reserve fund created in this way, up to 20% of the registered share capital, can only be used for covering the Company's losses, unless required otherwise by law.
3. Furthermore, the reserve fund must be created, to the extent specified in Section 161d (2) and Section 161f (2) and (5) of the Commercial Code, upon the acquisition of the Company's own shares by the Company itself, by an entity controlled by the Company, or by a third party acting in its own name on behalf of the Company or an entity controlled by the Company. The Board of Directors shall decide on the use of the reserve fund.
4. Pursuant to applicable legal regulations, the Company can create other funds and contribute to them amounts approved by the General Meeting from the Company's Net Profits.

IV. Registered Share Capital Increase

Article 2225 Registered Share Capital Increase

1. The increase of the Company's registered share capital shall be decided on by the General Meeting or, under the conditions stipulated in Section 210 of the Commercial Code, by the Board of Directors. The decision shall be adopted in accordance with conditions stipulated in these Articles of Association and by generally binding legal regulations, and in the manner indicated by them. Such decision shall be drawn up in the form of a notarial deed. The Company can increase its registered share capital in the following ways:
 - a) subscription for new shares (Section 203 et seq. of the Commercial Code);
 - b) conditionally, by the issuing of convertible or warrant bonds (Section 207 of the Commercial Code);
 - c) from the Company's own sources (Section 208 of the Commercial Code); and
 - d) in a combined manner (Section 209a of the Commercial Code).
2. The registered share capital increase shall become effective as of its registration in the Commercial Register.

Article 2326 Registered Share Capital Increase by Subscription ~~of~~ for New Shares

1. The increase of the registered share capital by subscription for new shares shall be admissible if shareholders have fully paid the issue price of shares subscribed for before. This restriction shall not apply, if the registered share capital is being increased by the subscription for shares and their issue price is being paid for by in-kind contributions only.
2. Within 30 days of adopting a resolution of the General Meeting on a registered share capital increase, the Board of Directors shall be required to file a proposal for the registration of this resolution in the Commercial Register. The subscription for shares may not commence before the General Meeting resolution on the increase of the share capital of the Company is registered in the Commercial Register, unless a proposal for the registration of this resolution is filed with the Commercial Register and the subscription for the shares is subject to a condition subsequent entailing that the proposal for the registration of the resolution of the General Meeting on the registered share capital increase is dismissed.

3. Each shareholder shall have a priority right to subscribe for part of the new shares of the Company which are being subscribed for with the aim of increasing the registered share capital, in the proportion of their share in the Company's registered share capital, if the shares are being subscribed for by monetary contributions.
4. The Board of Directors is required to officially publish in the manner determined by law and these Articles of Association for convening the General Meeting, information concerning the priority right which must contain all the essentials stipulated by law. The period for the exercise of the priority right must not be shorter than two weeks.
5. The priority right of shareholders to subscribe, in the proportion of their shares in the registered share capital, for part of the new shares of the Company which are being subscribed for with the aim of increasing the registered share capital, can only be excluded or restricted by a General Meeting resolution on the increase of the registered share capital if it is important for the Company's interests. The priority right may only be restricted to the same extent for all the shareholders. The priority right may only be excluded in relation to all the shareholders.
6. In its resolution on the increase of the registered share capital, the General Meeting can decide that a determined portion or all of the shares not subscribed for by the use of priority rights can be subscribed for by shareholders based on an agreement under Section 205 of the Commercial Code, or can be offered to a specific interested party or parties, or the General Meeting can determine the manner of selecting such interested parties. Should the General Meeting resolution not contain the above information, the shares shall be offered for subscription based on a public offer.
7. The General Meeting can also resolve that all shares will be subscribed for by a securities dealer based on a contract for the procurement of the issue of securities. In such case, the contract shall contain the securities dealer's obligation to sell the subscribed shares to persons that have a priority right to subscription for shares, upon their request, for a determined price, within the specified period and to the extent of their priority right to subscription for new shares.

Article [2427](#)

Conditional Increase of the Registered Share Capital

1. If the General Meeting resolves to issue convertible or warrant bonds, it shall simultaneously adopt a resolution on the increase of the registered share capital to the extent in which the convertible rights associated with the convertible bonds or priority subscription rights associated with warrant bonds can be exercised.
2. The amount of the conditional increase of the registered share capital must not exceed one half of the registered share capital registered in the Commercial Register on the date of adopting the General Meeting's resolution on the issue of bonds.
3. The issue of convertible and warrant bonds may not commence prior to the General Meeting's resolution being registered in the Commercial Register and officially published.
4. The Company shall only issue shares to the extent of the exercised convertible and priority subscription rights after the increase of the registered share capital is registered in the Commercial Register.

Article [2528](#)

Registered Share Capital Increase from the Company's Own Sources

1. After the approval of the ordinary, extraordinary, or interim financial statements, the General Meeting can resolve to use the Company's Net Profit, after making allotments to the reserve fund under Article 24 of these Articles of Association, or part of it, or other own sources shown in the Company's equity entry in the financial statements, for a registered share capital increase. Net profit may not be used for increasing the registered share capital based on interim financial statements.

2. The financial statements must be verified without qualifications by an auditor and must be based on data ascertained no later than as of the day which is no more than six months after the date when the resolution of the General Meeting on the increase of a registered share capital from own sources was adopted. If, however, the Company finds out from any interim financial statements that its own sources have been reduced, it cannot use the data from the ordinary or extraordinary financial statements, but must use the data recorded in the interim financial statements.
3. The Company may not increase the registered share capital from its own sources if the condition specified in Section 178 (2) of the Commercial Code is not met.
4. The registered share capital may not be increased from the reserve funds created for other purposes or from the Company's own sources set aside for specific purposes which cannot be changed by the Company.
5. The registered share capital increase may not be higher than the difference between equity and the sum of the registered share capital and the reserve funds pursuant to paragraph 3.
6. The shareholders shall participate in the registered share capital increase in the proportion corresponding to the nominal value of their shares. Company shares owned by the Company or by an entity controlled by the Company or an entity controlled by the controlled entity shall also participate in the registered share capital increase.
7. The registered share capital increase from the Company's own sources shall be performed either by the issuing of new shares and their distribution among the shareholders in a proportion corresponding to the nominal value of their shares or by increasing the nominal value of the existing shares.

Article [2629](#)

Combined Increase of the Registered Share Capital

1. If the price of the Company's shares on a public market at the time when the General Meeting adopts its resolution on the increase of the registered share capital does not reach the nominal value of a share or if the registered share capital is increased by subscription for shares by the Company's employees, the General Meeting can resolve that part of the issue price of the subscribed shares will be covered from the Company's own sources shown in the Company's equity entry in the financial statements. The increase of the registered share capital by in-kind contributions, or the exclusion or restriction of priority rights of shareholders shall be inadmissible.
2. The subscriber is required to pay the whole issue price of subscribed shares by the deadline determined in the resolution of the General Meeting before the registration of the amount of the registered share capital in the Commercial Register.

Article [2730](#)

Increase of the Registered Share Capital by the Board of Directors

1. By a resolution the General Meeting can authorise the Board of Directors to decide, under the conditions set by these Articles of Association and generally binding legal regulations and in the manner indicated by them, on the increase of the Company's registered share capital by subscription for shares or from the Company's own sources, but not from the retained profit, at most by one third of the amount of the registered share capital existing at the time when the Board of Directors is authorised by the General Meeting to decide on the registered share capital increase. The authorisation of the Board of Directors to decide on the registered share capital increase shall substitute the General Meeting's decision on the increase. The authorisation shall specify the nominal value, class, type, and form of the shares to be issued for the purposes of the registered share capital increase. Within the scope of the authorisation, the Board of Directors may increase the registered share capital more than once, provided that the aggregate amount of the increase does not exceed the limit specified in the authorisation. If the Board of Directors has been authorised to increase the registered share capital by in-kind contributions, the authorisation shall also stipulate which body of the

company shall decide on the evaluation of the in-kind contribution based on an opinion of a court appointed expert or experts.

2. The authorisation to increase the registered share capital may be granted for no longer than five years from the day of holding the General Meeting which adopted the resolution on the registered share capital increase. This authorisation may be granted repeatedly.
3. If the Board of Directors resolved to increase the registered share capital by subscription for new shares, the priority right of shareholders to subscribe, in proportions corresponding to their share in the registered share capital, for the new shares that are being subscribed for with the aim of increasing the registered share capital, may not be excluded or restricted.
4. The resolution of the Board of Directors to increase the Company's registered share capital must be executed in the form of a notarial deed. The Board of Directors cannot resolve on the registered share capital increase outside its meeting in the manner described in Article 14 (12) of these Articles of Association.
5. In the case of a registered share capital increase under this provision, the Board of Directors shall be authorised and required to amend the relevant section of these Articles of Association accordingly.

V. Registered Share Capital Reduction

Article [2831](#)

Registered Share Capital Reduction

1. The General Meeting shall decide on reduction of the Company's registered share capital. It shall do so in accordance with the conditions stipulated by these Articles of Association and the legal regulations and in the manner indicated by them.
2. The registered share capital may not be decreased below its minimum amount stipulated by law. The registered share capital reduction may not deteriorate the recoverability of claims by creditors.
3. If the Company is required to reduce its registered share capital, it shall use its own shares or interim certificates for this purpose, if these exist in its assets. In all other cases of registered share capital reduction, the Company shall primarily use its own shares or interim certificates. A different procedure for the registered share capital reduction may only be used if the above procedure is insufficient for the registered share capital reduction to the extent determined by the General Meeting or if the above procedure does not meet the purpose of the registered share capital reduction.
4. Should the Company not have own shares or interim certificate in its assets, or should the use of own shares or interim certificates under paragraph 3 be insufficient for the registered share capital reduction, the registered share capital shall be reduced by reduction of the nominal value of the shares, or unpaid shares for which the Company issued interim certificates, or by refraining from the issue of unpaid shares for which the Company issued interim certificates.
5. A registered share capital reduction by withdrawing shares from circulation on the basis of drawing lots is inadmissible.
6. The registered share capital reduction shall become effective upon its registration in the Commercial Register.

Article [2932](#)

Registered Share Capital Reduction by Reducing Nominal Value of Shares

1. If the Company's registered share capital is reduced by reducing the nominal value of the shares, it shall be reduced proportionally for all the Company's shares, unless the purpose of the registered share capital reduction is a waiver of an unpaid part of the issued price of shares.
2. The nominal value of certificated shares or unpaid shares for which interim certificates have been issued shall be reduced by exchanging the shares or interim certificates for shares or interim

certificates with a lower nominal value or by marking the lower nominal value on the existing shares or interim certificates with the signature of the member(s) of the Board of Directors authorised to represent the Company. The Board of Directors shall, in a manner prescribed by law or the Articles of Association for convening the General Meeting, invite the holders of certificated shares or of interim certificates to submit them for exchange or to be marked with their new nominal value within a period determined by the General Meeting's decision. If a shareholder fails to submit the shares or interim certificates within the specified period, it shall not be authorised to exercise any rights attached to the shares or interim certificates and the Board of Directors shall declare such shares or interim certificates invalid.

3. The nominal value of book-entered shares shall be reduced by changing the record of their nominal value in the record of book-entered securities ~~register kept~~ defined by ~~the Securities Centre~~ law, based on the Company's instruction. The instruction shall be accompanied with an extract from the Commercial Register evidencing the registered share capital reduction.

Article 3033

Registered Share Capital Reduction by Refraining from Issue of Shares

1. The General Meeting can decide on a reduction of the registered share capital by refraining from issuing shares to the extent to which the subscribers are in default in paying the nominal value of the shares, if the Company does not proceed pursuant to Section 177 (4) and (7) of the Commercial Code, or Article 5 of these Articles of Association.
2. In refraining from issuing unpaid shares, the Board of Directors shall invite the shareholder that is in default in paying the issue price or part of it to return its interim certificate within a period determined by the General Meeting. The Company shall not issue the shares represented by the interim certificate and it shall return to the subscriber, without undue delay after the registration of the registered share capital reduction in the Commercial Register, the part of the issue price paid by the subscriber, reduced by the Company's claims against the subscriber. If the shareholder fails to return the interim certificate within the specified period, it shall not be entitled to exercise the rights attached to it until its return. If the shareholder fails to submit the interim certificate in an additional period upon the Board of Directors invitation, the Board of Directors shall declare it invalid.

VI. Amendments to the Articles of Association

Article 34

Amendments to the Articles of Association

1. The Articles of Association may be amended on the basis of a resolution adopted by the General Meeting of the Company or on the basis of another legal fact.
2. Should the Company decide to increase or reduce its registered capital, split shares or merge several shares into one share, change the type or class of shares or restrict the transferability of registered shares or change their transferability in another way, the appropriate amendment to the Articles of Association shall be effective as of the day of the entry of such facts into the Commercial Register.
3. If a General Meeting adopts a resolution as a result of which the terms of the Articles of Association change, such resolution shall replace a resolution on amendments to the Articles of Association. Should it not ensue from the General Meeting's resolution whether, and in what way, the Articles of Association should be amended, this shall be decided by the Board of Directors in compliance with the General Meeting's resolution.
4. If the terms of the Articles of Association change on the basis of any other legal fact, the Board of Directors of the Company shall draw up full wording of the Articles of Association without undue delay after any member of the Board of Directors learns thereof.

5. If the class or type of shares changes, the rights attached to such class or type of shares shall also change as of the effective date of the amendment to the Articles of Association, irrespective of the day when the shares are exchanged.

VII. Winding-up and Termination of the Company's Existence

Article ~~34~~35 Winding-up of the Company

1. The Company shall be wound-up:
 - a) on the day specified in the General Meeting's decision on winding-up the Company, or otherwise on the day of adoption of such a decision, if the Company is being wound-up with liquidation;
 - b) on the day specified in the court's decision on winding-up the company, or otherwise on the day when such a decision comes into legal force;
 - c) on the day specified in the General Meeting's decision if the Company ceases to exist due to a merger, transfer of assets to a shareholder or de-merger, or otherwise on the day of adoption of such a decision; or
 - d) upon cancellation of bankruptcy after the fulfilment of ~~the~~ distribution order or due to the fact that the Company's assets and liabilities are insufficient for covering the bankruptcy proceeding expenses; ~~of~~
 - e) ~~upon rejection of the petition for declaration of bankruptcy or due to insufficient assets.~~

Article ~~32~~36 Liquidation of the Company

The method of the Company's liquidation upon its winding-up shall be regulated by the legal regulations.

Article ~~33~~37 Termination of the Company's Existence

The Company shall cease to exist upon its deletion from the Commercial Register.

VIII. Acting on the Company's Behalf

Article ~~34~~38 Acting and Signing on the Company's Behalf

1. The Company shall be represented by the Board of Directors, the Company's statutory body.
2. Two members of the Board of Directors jointly are authorised to act on the Company's behalf. When signing on the Company's behalf two members of the Board of Directors jointly shall attach their signatures to the Company's printed or written business name.
3. The Board of Directors shall determine which other employees of the Company shall be entitled to represent the Company towards third parties and to bind it.

VIII.IX. Common and Final Provisions

Article ~~35~~39 Official Publication and Publication of Information

1. ~~—The information that~~ if stipulated by the relevant legal regulations or by these Articles of Association, the Company is required to publish ~~officially pursuant to law or these Articles of Association shall be published~~ certain information in the Commercial Bulletin (*Obchodní věstník*).
2. The information that the Company is required to publish or make it known pursuant to ~~law~~ the relevant legal regulations or these Articles of Association shall be published on the Company's website and in at least one nation-wide daily newspaper, a manner in which it may be reasonably expected that the public in the European Union will learn about it unless the law or these Articles of Association provide otherwise.

Article 3640
Interpretation Provision

If any provision of the Articles of Association appears invalid, non-effective, or unenforceable due to the applicable legislation or changes therein, or if any provision is missing, the other provisions of the Articles of Association shall remain unaffected by this fact. Instead of such a provision, the provision of a relevant generally binding legal regulation which due to its nature and purpose is the closest to the contemplated purpose of such a provision; or, if the legal regulation does not include such a provision, a solution customary in business relations, shall apply.

Philip Morris ČR a.s.