

ARTICLES OF ASSOCIATION OF PEGAS NONWOVENS a.s.

I. BASIC PROVISIONS

Article 1

Business name, registered office, website

1. The company's business name reads: PEGAS NONWOVENS a.s. (hereinafter the "**company**").
2. The company's registered office is in Prague.
3. The company's web address, where invitations to the General Meeting are published and other information for shareholders is provided, is as follows: www.pegas.cz

Article 2

The duration of the company

The company was founded for an indefinite term.

Article 3

Line of business and business activity

1. The company's line of business:
 - Production, trade, and services not listed in Annexes 1 to 3 of the Trades Act.
2. The company's business activity:
 - Management of its own property.

II. REGISTERED CAPITAL AND SHARES

Article 4

Registered capital and shares

1. The company's registered capital is 10,867,185.16 EUR (ten million eight hundred sixty seven thousand one hundred eighty five euros and sixteen cents). Its registered capital has been paid down in full.
2. The registered capital has been allocated to 8,763,859 common registered shares with a nominal value of 1.24 EUR each. All of the company's shares have been issued as booked securities. All of the company's shares have been accepted for trading on the regulated European market.
3. A list of shareholders is replaced by records of book-entry securities kept by the Central Securities Depository pursuant to special legislation.
4. Book-entry shares can be transferred without limit. The transfer of book-entry shares is effective with regards to the company if a change in the share's owner is proven via a statement from the owner's account or the date of delivery or acceptance of an extract from share issue records pursuant to special legislation regulating business on the capital market.
5. Rights related to a book-entry share are exercised by the entity registered in book-entry securities records on the decisive date as the owner of the share, and if no decisive date has been stipulated, on the date when the right is exercised, unless it is proven that the entry in the book-entry securities records is inaccurate.
6. If the shareholder is not registered in book-entry securities records or if the registry is inaccurate through their own fault, the shareholder may not contest a ruling of the General Meeting for reasons that based on this fact the company prevented their participation in the General Meeting or exercise of voting rights.

Article 5 Changes to registered capital

1. Any increase or reduction of registered capital is decided by the company's General Meeting in accordance with generally applicable legislation and these Articles of Association.
2. Registered capital can be increased by underwriting new shares, from the company's equity or through a contingent increase in registered capital in accordance with relevant provisions of § 474 to § 515 and § 546 to § 548 of Act No 90/2012 on commercial companies and cooperatives, as amended (hereinafter the "**Commercial Corporations Act**").
3. Under conditions stipulated in § 511 et seq. of the Commercial Corporations Act, based on authorisation by the General Meeting the company's Board of Directors has the right to decide to increase the registered capital by underwriting new shares, through a contingent increase in registered capital, or from the company's equity except for retained earnings, by no more than one half of the existing amount of registered capital at the time of authorization. Authorization to increase registered capital may be granted for at most five years from the date when the General Meeting decided on the authorization, including repeatedly.
4. Registered capital may be increased by underwriting new shares if shareholders have entirely paid up the issue price of previously underwritten shares, unless the unpaid portion of the issue price is negligible in comparison with the amount of registered capital and the General Meeting agrees to increase the registered capital in this manner.
5. If registered capital is increased by underwriting new shares, the underwriter must pay the issue price of the underwritten shares that will be paid through a cash contribution, or part thereof stipulated by the General Meeting, but no less than any entire share premium plus 30 % (thirty percent) of the nominal value of the underwritten shares, to the bank account specified in the decision of the General Meeting, within 30 (thirty) days of the underwriting date. The entire issue price must be paid within 1 (one) year of the effective date of the registered capital increase. Non-cash contributions must be paid prior to submission of the motion to register the amount of registered capital in the Commercial Register. Additional conditions for underwriting and payment of the issue price are stipulated by the General Meeting.
6. A shareholder who is late in paying the issue price shall pay the company late payment interest charges of 20 % (twenty percent) per annum of the overdue amount, beginning on the 1st (first) overdue day.
7. Registered capital is reduced by taking shares out of circulation, reducing the nominal value of individual shares or refraining from issuing unpaid shares. The Board of Directors shall arrange a reduction of registered capital in accordance with § 516 to 526 and § 532 to 545 of the Commercial Corporations Act.

III. COMPANY'S BODIES

Article 6

1. The company has chosen a dualistic system for its internal structure. Company's bodies are as follows:
 - a) the General Meeting,
 - b) the Board of Directors,
 - c) the Supervisory Board, and
 - d) the Audit Committee.
2. If the company has a sole shareholder, a General Meeting is not held and its scope of authority is exercised by this sole shareholder. The sole shareholder delivers decisions made within the scope of authority of a General Meeting to the company.

GENERAL MEETING

Article 7

Position and scope of authority of the General Meeting

1. The General Meeting is the company's supreme body. Its scope of authority includes the following:
 - a) decisions on changes to the articles of association, except for a change due to an increase in registered capital authorized by the Board of Directors or a change that occurred based on other legal circumstances;
 - b) decisions on a change in the amount of registered capital and on authorizing the Board of Directors to increase registered capital;
 - c) decisions on the ability to set-off a monetary receivable owed to the company against an outstanding payment for an issue price;
 - d) decisions to issue debentures or priority bonds;
 - e) election and dismissal of members of the Supervisory Board and members of the Audit Committee;
 - f) approval of a regular, special, or consolidated financial statement, and in cases where one is stipulated by other legislation, also an interim financial statement;
 - g) decisions to distribute profits or other equity or to cover a loss;
 - h) decisions to submit a request to accept the company's securities for trading on the regulated European market or to exclude these securities from trading on the regulated European market;
 - i) decisions to dissolve the company in liquidation, naming and dismissing the liquidator, approval of contracts with the liquidator and performance pursuant to § 61 of the Commercial Corporations Act, and approval of a motion to allocate the liquidation remainder;
 - j) decisions to acquire the company's own shares pursuant to § 301 of the Commercial Corporations Act;
 - k) decisions to change the appearance, kind, or form of shares, decisions to split shares or to merge shares, to limit transferability of registered shares;
 - l) approval of contracts with members of company bodies for the performance of their function and other performance pursuant to § 61 of the Commercial Corporations Act (except for approval of contracts with members of the Board of Directors for the performance of their function and other performance paid out to members of the Board of Directors pursuant to § 61 of the Commercial Corporations Act);
 - m) approval of the transfer, mortgage, or lease of the company's plant or such a part thereof that would mean a substantial change to the plant's existing structure or substantial change to the company's line of business or business activity;
 - n) decisions regarding transformation;
 - o) decisions to stipulate an auditor;
 - p) decisions in other questions that the law or the Articles of Association include within the General Meeting's scope of authority.
2. The General Meeting cannot reserve for decision-making affairs not entrusted to it by the law or these Articles of Association.

Article 8

Calling a General Meeting

1. A general meeting is convened by the Board of Directors at least once per accounting period, within 6 (six) months as of the last day of the previous accounting period. The Board of Directors also always convenes a general meeting when it deems it necessary in the company's interests or if required by law or these Articles of Association.
2. The general meeting is convened by the Board of Directors, or a member thereof if the Board does not convene it without undue delay and the law stipulates that a general meeting must be convened, or if the Board of Directors does not have quorum over a long term. In cases stipulate by the law, other company bodies or subjects authorized to do so by the law can convene a general meeting.
3. The Board of Directors convenes the general meeting at least 30 days prior to the date of the general meeting by publishing an invitation to the general meeting on the company's website and simultaneously publishing the invitation to the general meeting in the Commercial Journal. Publishing the invitation to the general meeting in the Commercial Journal replaces sending the invitation to the general meeting to the address of the shareholder pursuant to § 406(1) of the Commercial Corporations Act. The invitation must contain at least the following:
 - a) the company's business name and registered office;
 - b) the place, date, and time of the general meeting;
 - c) information whether an ordinary or substitute general meeting is being convened;
 - d) the general meeting's agenda, including subjects nominated as members of company bodies;
 - e) the decisive date for participation in the general meeting;
 - f) proposed decisions of the general meeting and their justification, or statements by the Board of Directors regarding each proposed matter, if a proposed decision is not tabled;
 - g) other matters stipulated by generally applicable legislation, especially by Act No 256/2004, on capital market business, as amended (hereinafter the "**Capital Market Business Act**") (especially provisions of § 120a of the Capital Market Business Act).

The company must make a proxy form for representing a shareholder at the general meeting available to anyone, in the manner and under the conditions specified in § 120(3) and (4) of the Capital Market Business Act. The company shall simultaneously publish this proxy form on its website.

In connection with a general meeting, the company must comply with notification obligations under the conditions and in the manner stipulated by the Capital Market Business Act (especially pursuant to § 120b of the Capital Market Business Act).

The place, date, and time of the general meeting must be set so that it does not unreasonably limit the ability of shareholders to participate in the general meeting. The general meeting usually takes place at the company's registered office unless the Board of Directors decides otherwise.

4. If the general meeting agenda includes approval of a financial statement or consolidated financial statement, the invitation to the general meeting must also alert shareholders that they can read the complete text of the financial statement or consolidated financial statement on the company's website. The financial statement or consolidated financial statement must be published in this manner for at least 30 days prior to the date of the general meeting (no later, however, than starting on the date the invitation to the general meeting is published) until 30 days after its approval or rejection.
5. If the general meeting agenda includes approval of the company's Articles of Association, the invitation to the general meeting must also alert shareholders to their right to peruse the proposed changes to the Articles of Association at the company's registered office on the dates specified in the invitation to the general meeting; the proposed changes to the Articles of Association must also be available on the company's website, and the ability to read the proposed changes to the Articles of Association in this manner shall also be specified in the invitation to the general meeting, including the website address.

6. If all shareholders agree, a general meeting can also be held without complying with requirements stipulated by the law for convening a general meeting.

Article 9 Exercising voting rights

1. Shareholders present at the general meeting who have the right to vote sign the list of shareholders present, which must contain the business name or name and registered office of a corporate entity or name and residential address of a natural person that is the shareholder, or the same information regarding a representative of the shareholder, and the share numbers and the nominal value of the shares that give the shareholder the right to vote. All shareholder proxy forms shall be attached to the list of shareholders present, and shall be confirmed as being correct by the person who convenes the general meeting or a person it designates.
2. Voting takes place by raising the voting list with the number of votes of the given shareholder. Shareholders first vote on a motion by the Board of Directors or Supervisory Board, and if this motion is not approved, they vote on further motions regarding the point at hand, in the order they were submitted. As soon a submitted motion is approved, further motions regarding this point are not voted on.
3. Each share has one vote. Voting rights connected to company shares can only be restricted in the manner specified in applicable law.
4. A shareholder may not exercise voting rights in cases specified pursuant to § 426 of the Commercial Corporations Act.

Article 10 Deliberation and decision-making of the general meeting

1. A general meeting is commenced by the Chairman of the Board of Directors or a person authorized by the Board of Directors. Their task is to ensure election of a chairman for the general meeting, a minutes verifier, a vote counter, and a secretary. A general meeting is managed by its chairman.
2. A shareholder participates in a general meeting in person or via representation based on a written proxy form. A shareholder may be represented at a general meeting or during the exercise of other rights related to shares by a subject registered in book-entry securities records as an administrator or as a subject authorized to exercise rights related to shares. The right of the administrator or this subject authorized to represent the shareholder at the general meeting (including voting at the general meeting) is proven with an extract from such records stipulated by law, which the company shall arrange.
3. The decisive date for participation in a general meeting is always the 7th (seventh) day prior to the date of the general meeting. The company shall obtain a statement of share issues from book-entry securities records as at the decisive date no later than by the date of the general meeting.
4. Members of the Board of Directors, the Supervisory Board, and the Audit Committee participate in the general meeting. Persons whose presence is appropriate so they can express themselves regarding individual points of the general meeting's agenda (for example advisors) may also participate in the general meeting.
5. A general meeting has quorum if shareholders are present (either in person or through a proxy) that possess shares with a total nominal value in excess of 30 % (thirty percent) of the company's registered capital. If a general meeting does not have quorum, the Board of Directors shall call a substitute general meeting with the same agenda in the manner stipulated by law and by the Articles of Association. Matters that were not included on the proposed agenda of the original general meeting can be decided on at a substitute general meeting only if all shareholders agree.

6. The general meeting decides with a majority vote of shareholders present, unless a different majority is required by law or the Articles of Association.

Article 11 General meeting minutes

1. The secretary shall make out minutes of the general meeting within 15 (fifteen) days of its termination. The general meeting minutes shall primarily contain the following:
 - a) the company's business name and registered office;
 - b) the place and time of the general meeting;
 - c) the name of the chairman of the general meeting, the secretary, the verifier of the minutes, and the vote counter;
 - d) a description of the discussion of individual points of the general meeting's agenda;
 - e) decisions of the general meeting, stating voting results;
 - f) the details of a protest by a shareholder, member of the Board of Directors or Supervisory Board regarding a decision by the general meeting, if so requested by the protester.
2. Motions and declarations submitted at the general meeting for discussion and a list of shareholders present at the general meeting are attached to the minutes.
3. The minutes are signed by the secretary, the chairman of the general meeting, and the verifier of the minutes.
4. General meeting minutes are kept in the company's archives along with the invitation to the general meeting and the list of shareholders present for the entire duration of the company's existence.
5. Any company shareholder can ask the Board of Directors to issue a copy of minutes or part thereof.

THE BOARD OF DIRECTORS

Article 12 The status and scope of authority of the Board of Directors

1. The Board of Directors is a statutory body that is responsible for managing the company's business.
2. The scope of authority of the Board of Directors includes especially the following:
 - a) ensuring the company's accounts are kept properly;
 - b) submitting a regular, special, or consolidated financial statement, and if necessary also an interim financial statement to the general meeting for approval, as well as a proposal to distribute profit or cover a loss;
 - c) to issue reports required by law for the company (especially by the Commercial Corporations Act and the Capital Market Business Act);
 - d) to fulfil for the company its notification obligation in accordance with applicable law (especially obligations stipulated by the Capital Market Business Act);
 - e) to implement decisions made by the general meeting;
 - f) to convene a general meeting;

- g) to decide on issuing internal rules and changes thereto;
 - h) to decide on all affairs of the company not entrusted to the company's Supervisory Board or general meeting by the law or its Articles of Association.
3. No one has the right to give the Board of Directors instructions concerning business management; however, a board member may ask the general meeting to issue instructions regarding business management; this however does not affect his obligation to act in accordance with the principles of prudent management.

Article 13

The composition, establishment, and term of the Board of Directors

1. The Board of Directors comprises 5 (five) members elected or dismissed by the Supervisory Board. The term of individual members of the Board of Directors is 3 (three) years. A member of the Board of Directors may be re-elected.
2. A natural person or corporate entity that meets statutory requirements may be a member of the Board of Directors.
3. A member of the Board of Directors may resign from their function; they however must not do so at a time that is not suitable for the company. They are required to notify the Supervisory Board of this fact. In this case, their function ends 1 (one) month after delivery of this notification, unless the Supervisory Board approves a different moment for termination of the function.
4. The Board of Directors elects the Chairman of the Board of Directors from among its ranks.
5. A Board of Directors that has not had its number of members decline to less than half may name replacement members until the next Supervisory Board meeting.
6. A member of the Board of Directors exercises their function in person. This however does not prevent a board member from authorizing a different board member to vote in their name in their absence in an individual case.
7. The relationship between the company and a member of the Board of Directors, including compensation, is governed by a contract pursuant to § 59 et seq. of the Commercial Corporations Act. This contract must be in writing and must be approved by the Supervisory Board, including any changes thereto.

Article 14

Decision-making of the Board of Directors

1. The Board of Directors has quorum if a majority of its members is present when it meets.
2. To pass a decision, a majority of all members of the Board of Directors must vote for it. Each member of the Board of Directors has one vote. In the case of a tie, the chairman's vote decides.
3. If all members of the Board of Directors agree, the Board of Directors may make decisions via written voting or voting using means of communication outside of a meeting (for example via email). The members voting are then considered to be present. If the Board of Directors makes a decision via written voting or voting using means of communication outside of a meeting (for example via email), the agreement of all members of the Board of Directors is needed to make the decision.
4. A decision made outside of a meeting must be specified in the minutes of the next meeting of the Board of Directors.

Article 15

Meetings of the Board of Directors

1. A meeting of the Board of Directors can be convened at any time at the request of the chairman or any board member, while stating the meeting agenda. The request can be made

verbally, via email, or a written invitation, duly delivered or sent via post to every member of the Board of Directors at least 3 (three) days prior to the meeting or within a shorter period with which all members of the Board of Directors agree.

2. A request to convene a meeting of the Board of Directors is not necessary if all members of the Board of Directors relinquish in writing their right to notification no later than on the date of the relevant meeting of the Board of Directors.
3. The Board of Directors usually meets at the company's registered office.
4. The Board of Directors must always invite the chairman of the Supervisory Board to its meetings. The Board of Directors may also invite other members of the Supervisory Board, employees, shareholders, or other persons to its meetings if it so decides.
5. Meetings of the Board of Directors are presided over by its chairman, and in his absence, by the oldest member of the Board of Directors present.
6. Minutes are taken during a meeting of the Board of Directors detailing its course and decisions made, and signed by the chairman and a secretary appointed by the Board of Directors. Minutes of meetings of the Board of Directors are archived for the company's entire existence.
7. All reasonable costs related to the activities of the Board of Directors are paid by the company.

Article 16

Obligations of a member of the Board of Directors

1. A member of the Board of Directors must exercise their scope of authority in accordance with the principles of prudent management. Members of the Board of Directors must maintain confidentiality regarding confidential information and circumstances that if revealed to third parties could damage the company or any of its controlling, controlled, or related entities.
2. Members of the Board of Directors are liable to the company for any losses they cause it by breaching their obligations when exercising their function, under conditions and to the extent stipulated by relevant law.
3. Members of the Board of Directors must respect anti-competition restrictions pursuant to § 441 of the Commercial Corporations Act.

THE SUPERVISORY BOARD

Article 17

The status and scope of authority of the Supervisory Board

1. The Supervisory Board is a supervisory body that oversees how the Board of Directors exercises its authority and implements the company's business activities.
2. The Supervisory Board elects and dismisses members of the Board of Directors and approves contracts with members of the Board of Directors for their functions and other consideration paid by the company to members of the Board of Directors pursuant to § 61 of the Commercial Corporations Act.
3. The Supervisory Board approves the company's annual financial plan, which is created by the Board of Directors and submitted to the Supervisory Board for approval.
4. The Supervisory Board has the right to inspect all documents and records related to the company's activities and to check whether accounts are being kept duly and in accordance with the facts, and whether the company's business activity is taking place in accordance with the Articles of Association and relevant law.
5. The Supervisory Board reviews regular, special, or consolidated financial statements, and if necessary also interim financial statements, as well as proposals for distribution of profits, and presents its opinion to the general meeting.
6. Members of the Supervisory Board take part in the general meeting and a designated member of the Supervisory Board informs it of the results of the Supervisory Board's activities.
7. The Supervisory Board convenes a general meeting if so required by the company's interests, and proposes necessary measures to the general meeting.

Article 18
Composition of the Supervisory Board

1. The Supervisory Board comprises 3 (three) members, elected by the general meeting. The term of individual members of the Supervisory Board is 3 (three) years. A member of the Supervisory Board may be re-elected. If the company has more than 500 employees in an employment relationship, the general meeting elects two thirds of the Supervisory Board members and the employee votes one third of the Supervisory Board members.
2. A natural person or corporate entity that meets statutory requirements may be a member of the Supervisory Board.
3. A member of the Supervisory Board may resign from their function; they however must not do so at a time that is not suitable for the company. They are required to notify the Supervisory Board of this fact. In this case, their function ends 1 (one) month after delivery of this notification, unless the Supervisory Board approves a different moment for termination of the function.
4. The Supervisory Board elects the Chairman of the Supervisory Board from among its ranks.
5. A Supervisory Board that has not had its number of members elected by a general meeting decline to less than half may name replacement members until the next general meeting.
6. The Supervisory Board designates a member who represents the company in proceedings before the court and other bodies conducted against members of the Board of Directors.

Article 19
Meetings of the Supervisory Board

1. An ordinary meeting of the Supervisory Board is convened by the Chairman of the Supervisory Board, stating the meeting agenda, at least once every calendar quarter.
2. The Supervisory Board may also meet whenever at the request of its chairman or any member of the Supervisory Board. The request can be made verbally, via email, or a written invitation, duly delivered or sent via post to every member of the Supervisory Board at least 3 (three) days prior to the meeting or within a shorter period with which all members of the Supervisory Board agree.
3. A request to convene a meeting is not necessary if all members of the Supervisory Board relinquish in writing their right to notification no later than on the date of the relevant meeting of the Supervisory Board.
4. The Supervisory Board usually meets at the company's registered office.
5. Meetings of the Supervisory Board are presided over by its chairman, and in his absence, by the oldest member of the Supervisory Board present.
6. Minutes are taken during a meeting of the Supervisory Board detailing its course and decisions made, and signed by the chairman and the secretary stipulated by the Supervisory Board. Minutes of meetings of the Supervisory Board are archived for the company's entire existence.
7. All reasonable costs related to the activities of the Supervisory Board are paid by the company.

Article 20
Decision-making of the Supervisory Board

1. The Supervisory Board has quorum if a majority of its members is present when it meets.
2. To pass a decision regarding the election or dismissal of members of the Board of Directors and to approve the company's annual financial plan, all members of the Supervisory Board must agree. To pass other decisions, it is sufficient for the majority of the members of the Supervisory Board to vote for them. Each member of the Supervisory Board has one vote. In the case of a tie, the chairman's vote decides.

3. If all members of the Supervisory Board agree, the Supervisory Board may make decisions via written voting or voting using means of communication outside of a meeting (for example via email). The members voting are then considered to be present.
4. A decision made outside of a meeting must be specified in the minutes of the next meeting of the Supervisory Board.

Article 21

Obligations of members of the Supervisory Board

1. Members of the Supervisory Board must exercise their scope of authority in accordance with the principles of prudent management. Members of the Supervisory Board must maintain confidentiality regarding confidential information and circumstances that if revealed to third parties could damage the company or any of its controlling, controlled, or related entities. This does not in any way affect the rights of members of the Supervisory Board that follow from the scope of supervisory authority of this supervisory body of the company.
2. Members of the Supervisory Board must respect anti-competition restrictions applicable to them pursuant to relevant law.

THE AUDIT COMMITTEE

Article 22

The scope of authority and status of the Audit Committee

1. The company sets up an Audit Committee that comprises three (3) members, named and dismissed by a general meeting from among non-executive members of the Supervisory Board or third parties. The term of individual members of the Audit Committee is 3 (three) years. A member of the Audit Committee may be re-elected.
2. The scope of authority of the Audit Committee is stipulated by law (especially by § 44a of Act No 93/2009, on auditors and on changes to some acts, as amended; hereinafter the “**Act on Auditors**”).
3. The Audit Committee elects a chairman of the Audit Committee from among its members.
4. A member of the Audit Committee may resign from their function; they however must not do so at a time that is not suitable for the company. They are required to notify the Audit Committee of this fact. In this case, their function ends 1 (one) month after delivery of this notification, unless the Audit Committee approves a different moment for termination of the function.
5. Most members of the Audit Committee must be independent and qualified pursuant to relevant provisions of the Act on Auditors. At least one member of the Audit Committee must be a person who is or has been a statutory auditor or a person whose skills or experience in the area of accounting ensure the prerequisites for duly performing the function of a member of the Audit Committee, with regards to the sector in which the company is active; this Audit Committee member must always be independent.
6. A meeting of the Audit Committee can be convened at any time at the request of the chairman or any member of the Audit Committee, while stating the meeting agenda. The request can be made verbally, via email, or a written invitation, duly delivered or sent via post to every member of the Audit Committee at least 7 (seven) days prior to the meeting or within a shorter period with which all members of the Audit Committee agree. A request to convene a meeting of the Audit Committee is not necessary if all members of the Audit Committee relinquish in writing their right to notification no later than on the date of the relevant meeting of the Audit committee.
7. The Audit Committee has quorum if a majority of its members is present at its meeting.
8. To pass a decision must be voted for by the majority of all Audit Committee members. Each Audit Committee member has one vote. In the case of a tie, the chairman’s vote decides.
9. If all members of the Audit Committee agree, the Audit Committee may make decisions via written voting outside of a meeting. The members voting are then considered to be present.

10. A decision made outside of a meeting must be specified in the minutes of the next meeting of the Audit Committee.
11. Meetings of the Audit Committee are presided over by its chairman, and in his absence, by the oldest member of the audit Committee present.
12. Minutes are taken during a meeting of the Audit Committee detailing its course and decisions made, and signed by the chairman and secretary, and a list of those present is attached. Minutes of meetings of the Audit Committee are archived for the company's entire existence.
13. All reasonable costs related to the activities of the Audit Committee are paid by the company.
14. Members of the Audit Committee must exercise their scope of authority in accordance with the principles of prudent management. Members of the Audit Committee must maintain confidentiality regarding confidential information and circumstances that if revealed to third parties could damage the company or any of its controlling, controlled, or related entities.

IV. RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

Article 23 Profit sharing (dividends)

1. A shareholder has a right to a share of profits approved by the general meeting for distribution among shareholders. This share of profits (hereinafter "dividend") is determined as the ratio of the shareholder's share of the company's registered capital. Unless relevant provisions stipulated by the general meeting specify otherwise, the dividend is payable within 3 (three) months of the date the general meeting decides to distribute profit. The company pays out dividends at its own cost and risk via bank transfer to the shareholder's account specified in book-entry securities records.
2. The company is not authorized to distribute profit or other own resources among shareholders if as at the date of the end of the last accounting period, its equity as follows from an ordinary or special financial statement or its registered capital after this distribution is reduced below the amount of underwritten registered capital plus a fund (if such a fund has been set up) that pursuant to the Commercial Corporations Act or the Articles of Association may not be distributed among shareholders.
3. The amount to be distributed among shareholders must not exceed the amount of the profit from the last completed accounting period increased by retained earnings and reduced by losses brought forward and by transfers to reserve and other funds (if any) in accordance with the law and the Articles of Association.
4. The record date for claiming a dividend is the record date for participation in the general meeting that decided to pay out dividends.

Article 24 Share of the surplus upon liquidation

If the company is dissolved with liquidation, a shareholder has the right to a share of the surplus upon liquidation corresponding to the ratio of the nominal value of the shareholder's shares to the nominal value of shares of all of the company's shareholders.

Article 25 Participation in the general meeting

1. Every shareholder has the right to participate in the general meeting, vote during it, to request and receive explanations regarding affairs concerning the company or its subsidiaries, if such an explanation is required to assess the content of matters included in the general meeting's agenda, and to put forth motions and counter-motions regarding matters included in the general meeting's agenda.

2. A shareholder registered as a company shareholder in book-entry securities records as at the decisive date for participation in the general meeting has the right to participate in the general meeting.

Article 26
Other shareholder rights

1. Shareholders with shares whose nominal value is at least 3 % (three percent) of the registered capital in company with registered capital greater than 100,000,000 CZK (one hundred million Czech korunas) may, in particular:
 - a) ask the Board of Directors to call a general meeting to discuss matters they have proposed;
 - b) ask the Board of Directors to add a matter of their choosing to the agenda of the general meeting in accordance with procedures specified in these Articles of Association and in the Commercial Corporations Act;
 - c) ask the Supervisory Board to review the activities of the Board of Directors in matters specified in the request;
 - d) seek compensation for a loss from a member of the Board of Directors or Supervisory Board.
2. Requests pursuant to this paragraph must be made in writing, must specify a proposed decision regarding the proposed matters, and must be handled in a manner that follows from generally applicable legislation and these Articles of Association.

V. COMPANY RESULTS

Article 27
Accounting period and financial statement

1. The company keeps accounts and other prescribed records in a manner that corresponds to relevant generally applicable legislation. The Board of Directors is responsible for proper keeping of accounts.
2. The Board of Directors ensures production of a regular, special, consolidated or if necessary interim financial statement, which it submits to auditors with a request to examine the company's results for the given year (if the company's results are subject to audit). Once it has received a report from the auditor regarding a review of the company's regular financial statement and the company's annual results, the Board of Directors immediately delivers the financial statement along with the auditor's statement and proposed profit sharing or coverage of losses to the Supervisory Board.
3. The Supervisory Board reviews the financial statement and profit sharing or loss coverage proposal, and informs the general meeting of results. The Board of Directors submits the financial statement to the general meeting for approval.
4. The company must publish selected information from the financial statement in accordance with generally applicable legislation.

Article 28
Distribution of profits and coverage of losses

1. The general meeting decides on distribution of the company's profits based on a proposal of the Board of Directors after the Supervisory Board has reviewed this proposal. The company must not pay out profits or funds from other internal resources nor make advance payments on them if this would lead to bankruptcy.
2. The company's net profit, i.e. profit that remains after paying taxes and other obligatory payments, or other performance of a similar nature, is used upon the decision of the general meeting. The general meeting may decide on distribution of the company's profits in accordance with relevant legislation.

2. The general meeting may also decide to keep part of the profit undistributed for the time being, or it can be used to increase the company's registered capital.
3. The Board of Directors proposes measures to cover losses to the general meeting. These measures may include measures stipulated by relevant legislation, especially a motion to reduce the company's registered capital or to wind down the company with liquidation.
4. The company's losses (if any) can be paid according to a decision of the general meeting:
 - a) by reducing the company's registered capital;
 - b) from other company funds, if any exist;
 - c) from accounting profits or retained earnings.
5. The general meeting may also decide to transfer a loss to uncovered losses from previous years.
6. A share of profits in the form of a tantième can be distributed among members of company bodies, employees, and third parties.

VI. FINAL PROVISIONS

Article 29

Acting on behalf of the company

The Board of Directors acts on behalf of the company. To the outside world, 2 (two) members of the Board of Directors represent jointly the company.

Article 30

Financial assistance

The company has the right to provide financial assistance under conditions stipulated by the Commercial Corporations Act.

Article 31

Dissolution and extinction of the company

1. The company is dissolved:
 - a) by a decision of the general meeting to dissolve the company with liquidation;
 - b) by a court decision to dissolve the company;
 - c) through transformation of the company;
 - d) through cancellation of bankruptcy proceedings after complying with an allocation ruling or cancellation of bankruptcy proceedings because the debtor's assets are entirely insufficient.
2. The manner in which the company is liquidated upon dissolution with liquidation is governed by the Civil Code. The liquidator is named and dismissed by the company's general meeting.
3. The company enters into liquidation on the date on which it is dissolved, unless specified otherwise by law. The company's entry into liquidation is recorded in the Commercial Register.
4. The company becomes extinct on the day it is deleted from the Commercial Register.