

Articles of Association of České dráhy, a.s.

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2. TEXT

Full text of the Articles of Association

Containing amendments approved by decision of the single shareholder on 16 January 2003, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 28/2003, N 36/2003). This wording of the Articles of Association takes effectiveness on 16 January 2003, also amendments included in the amendatory clause to NZ 28/2003, N 36/2003 dated 28 February 2003.

Containing amendments approved by decision of the single shareholder on 19 March 2003, included in the notarial deed drawn up by Mgr. Jiří Šindelář, notary in Příbram (NZ 26/2003, N 35/2003). This wording of the Articles of Association took effect on 19 March 2003.

Containing amendments approved by decision of the single shareholder on 8 July 2003, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 509/03, N 563/2003). This wording of the Articles of Association took effect on 8 July 2003.

Containing amendments approved by decision of the single shareholder on 24 March 2004, included in the notarial deed drawn up by Mgr. Jiří Šindelář, notary in Příbram (NZ 34/2004, N 43/2004). This wording of the Articles of Association took effect on 24 March 2004.

Containing amendments approved by decision of the single shareholder on 22 September 2004, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 613/2004, N 705/2004). This wording of the Articles of Association took effect on 22 September 2004.

Containing amendments approved by decision of the single shareholder on 30 March 2005, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 190/2005, N 244/2005). This wording of the Articles of Association took effect on 30 March 2005.

Containing an amendment approved by decision of the single shareholder on 29 June 2005, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 409/2005, N 488/2005). This wording of the Articles of Association took effect on 29 June 2005.

Containing an amendment approved by decision of the single shareholder on 22 March 2006, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 158/2006, N 183/2006). This wording of the Articles of Association took effect on 22 March 2006.

Containing an amendment approved by decision of the single shareholder on 29 March 2007, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 213/2007, N 247/2007). This wording of the Articles of Association took effect on 29 March 2007.

Containing an amendment approved by decision of the single shareholder on 9 May 2007, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 292/2007, N 334/2007). This wording of the Articles of Association took effect on 9 May 2007.

Containing an amendment approved by decision of the single shareholder on 16 May 2007, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 309/2007, N 361/2007). This wording of the Articles of Association took effect on 16 May 2007.

Containing an amendment approved by decision of the single shareholder on 3 October 2007, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 660/2007, N 730/2007). This wording of the Articles of Association took effect on 3 October 2007.

Containing an amendment approved by decision of the single shareholder on 7 November 2007, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 761/2007, N 840/2007). This wording of the Articles of Association took effect on 7 November 2007.

Containing an amendment approved by decision of the single shareholder on 20 February 2008, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 82/2008, N 91/2008). This wording of the Articles of Association took effect on 20 February 2008.

Containing an amendment approved by decision of the single shareholder on 23 June 2008, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 371/2008, N 403/2008). This wording of the Articles of Association took effect on 23 June 2008.

Containing an amendment approved by decision of the single shareholder on 13 May 2009, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 274/2009, N 314/2009). This wording of the Articles of Association took effect on 13 May 2009.

Containing an amendment approved by decision of the single shareholder on 23 September 2009, included in the notarial deed drawn up by JUDr. Jiří Šindelář, notary in Přeborn (NZ 173/2009, N 204/2009). This wording of the Articles of Association took effect on 23 September 2009.

Containing an amendment approved by decision of the single shareholder on 3 December 2009, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 685/2009, N 770/2009). The wording of the Articles of Association took effect on 11 December 2009.

Containing an amendment approved by decision of the single shareholder on 15 September 2010, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 554/2010, N 625/2010). The wording of the Articles of Association took effect on 15 September 2010.

Containing an amendment approved by decision of the single shareholder on 15 June 2011, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 339/2011, N 399/2011). The wording of the Articles of Association took effect on 15 June 2011.

Containing an amendment approved by decision of the single shareholder on 9 November 2011, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 618/2011, N 702/2011). This wording of the Articles of Association took effectiveness on 9 November 2011.

Containing an amendment approved by decision of the single shareholder on 6 June 2012, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 301/2012, N 343/2012). This wording of the Articles of Association took effectiveness on 6 June 2012.

Containing an amendment approved by decision of the single shareholder on 26 September 2012, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 491/2012, N 559/2012). This wording of the Articles of Association took effectiveness on 26 September 2012.

Containing an amendment approved by decision of the single shareholder on 27 March 2013, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 172/2013, N 198/2013). This wording of the Articles of Association took effectiveness on 27 March 2013 with the exception of the wording of Article 25 which takes effectiveness at the moment of cessation of the office of any member of the Board of Directors.

Containing an amendment approved by decision of the single shareholder on 24 June 2013, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 352/2013, N 395/2013). This

wording of the Articles of Association took effectiveness on 24 June 2013 with the exception of the wording of Article 25 (a change in the number of members of the Board of Directors from 5 to 3) which takes effectiveness at the moment of cessation of the office of any member of the Board of Directors.

Containing an amendment approved by decision of the single shareholder on 19 March 2014, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 126/2014, N 162/2014). This wording of the Articles of Association took effectiveness on 19 March 2014.

Containing an amendment approved by decision of the single shareholder on 25 June 2014, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 681/2014, N 761/2014). This wording of the Articles of Association shall take effectiveness on the day the registration of submission to the Business Corporations Act as a whole in the Commercial Register is promulgated.

Containing an amendment approved by decision of the single shareholder on 18 August 2014, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 935/2014, N 1006/2014). This wording of the Articles of Association took effect on 18 August 2014.

Containing an amendment approved by decision of the single shareholder on 2 October 2014, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 1123/2014, N 1208/2014). This wording of the Articles of Association took effect on 2 October 2014.

Containing an amendment approved by decision of the single shareholder on 18 March 2015, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 124/2015, N 154/2015). This wording of the Articles of Association took effect on 18 March 2015.

Containing an amendment approved by decision of the single shareholder on 14 December 2015, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 709/2015, N 834/2015). This wording of the Articles of Association took effect on 1 January 2016.

Containing an amendment approved by decision of the single shareholder on 30 March 2016, included in the notarial deed drawn up by JUDr. Marie Malá, notary in Prague (NZ 151/2016, N 192/2016). This wording of the Articles of Association took effect on 1 April 2016.

Containing an amendment approved by decision of the single shareholder on 29 March 2017, included in the notarial deed drawn up by Mgr. Gajana Rejzková, notary in Prague (NZ 160/2017, N 174/2017). This wording of the Articles of Association took effect on 1 April 2017.

Containing an amendment approved by decision of the single shareholder on 4 May 2020, included in the notarial deed drawn up by Mgr. Gajana Rejzková, notary in Prague (NZ 189/2020). This wording of the Articles of Association took effect on 4 May 2020.

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Articles of Association of České dráhy, a.s.

PART I Basic provisions

Article 1

Founding of the Company

1. České dráhy, a.s., (hereinafter “the company”) was founded on the day of approval of these Articles of Association and the founder’s deed of the company by the Government of the Czech Republic (hereinafter “the government”) pursuant to Section 4 paragraph 4 of Act No 77/2002 Coll. on České dráhy, akciová společnost, Správa železniční dopravní cesty, státní organizace, an amendment to Act No. 266/1994 Coll., on Railways, as last amended, and to Act No. 77/1997 Coll., on state enterprise, as last amended (hereinafter “the Act”), based on a proposal of the Ministry of Transport and Communications of the Czech Republic (hereinafter “the Ministry”). The company was founded without a public offer of shares.
2. The company submits to Act No. 90/2012 of Coll., on business corporations and co-operatives (the Business Corporations Act) as a whole. The legal relations of the company are governed by Act No. 89/2012 of Coll., the Civil Code (hereinafter “the Civil Code”) based on the principle of subsidiarity.

Article 2

Business Name and Registered Office of the Company

The business name of the company is:

České dráhy, a.s.

The registered office of the company is: Nábřeží L. Svobody 1222, Prague 1, post code: 110 15.

Article 3

Objectives

The company’s objectives are:

- Operation of railway transport
- Operation of railway systems - branch lines
- Operation of traction systems on cable railways
- Provision of electronic communication services
- Production, trading and services not specified in annexes 1 to 3 of the Trades Licensing Act
- Operation of non-state health facility
- Distribution of heat energy, electricity distribution, production of heat energy
- Lease of real estate, residential and non-residential space
- Inn-keeping activity
- Plumbing and body repairs
- Metal machining
- Repairs of other means of transport and work machines
- Repairs of road vehicles
- Cabinet making, flooring
- Water plumbing, heating engineering
- Production, installation and repairs of electrical machines and equipment, electronic and telecommunications equipment
- Locksmithery and tool-making
- Property valuations for real estate

- Engineering and technical activity in civil engineering
- Assembling, repairs, inspection and tests of lifting equipment
- Design activity in civil engineering
- Construction of buildings, alterations thereto and their demolition
- Running solaria
- Psychological consulting, and diagnostics
- Assembly, repairs, inspection and tests of pressure installations and gas containers
- Inspection, examination and tests of designated technical installations in operation
- Surveying activities
- Production and distribution of heat energy requiring no license and realized from heat energy sources with an installed output of over 50 kw per source
- Road motor transport
 - Freight transport operated by vehicles or a coupled combination of vehicles with a highest permitted carrying capacity of up to 3.5 tons, provided that they transport animals or items
 - Freight transport operated by vehicles or a coupled combination of vehicles with a highest permitted carrying capacity of over 3.5 tons, provided that they transport animals or items
 - Passenger transport operated by vehicles designated for transporting more than 9 persons, including a driver
 - Passenger transport operated by vehicles designated for transporting up to 9 persons, including a driver
- Currency exchange
- Running a company fire rescue unit
- Assembling, repairing, inspection and testing of electrical installations
- Provision of services in the field of health and safety at work
- Official measuring
- Safety advisor activity for transport of dangerous goods
- Masseur, recovery and regeneration services
- Pedicure, manicure
- Technical and organizational activity in the field of fire protection
- Assembly, repair, inspection and testing of gas installations and filling containers with gas
- Electricity trading
- Activities of accounting advisors, bookkeeping, maintenance of tax records
- Security of property and people
- Provision of technical services to protect property and people

Article 4

Duration of the Company

The Company is founded for an unfixd term.

Article 5

Incorporation of the Company

The Company is incorporated on 1 January 2003. The Company is registered in the Commercial register; the registration has a declaratory character.

Article 6

Basic Organizational Arrangement of the Company

1. The company is divided into organizational components.
2. The organizational components of the company are the General Management, organizational units and working units.
3. The General Management is the top managing organizational part of the company and ensures the implementation of decisions taken by the company bodies and the integral management of all organizational units. The General Management is headed by the CEO of the company.

4. Organizational units and working units are organizational components with a defined territorial competence, ensuring activities related to the company's objectives.
5. The organization and internal management of the organizational components are regulated by organizational orders.

PART II
**Amount of Registered capital of the Company and Changes Thereto,
Way of Paying Up Shares and Consequences of Breach of this Duty**

Article 7

Amount of Registered capital

1. The registered capital of the company equals CZK 20,000,000,000 (in words: twenty billion Czech crowns).
2. The registered capital is divided up as of the day of the company's founding into 20 common shares registered in the name of "Česká republika" (Czech Republic), each having a nominal value of CZK 1,000,000,000 (in words: one billion Czech crowns).
3. The company does not issue priority shares.
4. In accordance with legal regulations and the Articles of Association, the company may also issue other securities, besides shares.

Article 8

Shares and Interim Certificates

1. The shares in the company are certificated shares with limited transferability.
2. The shares are transferable only with the previous consent of the government of the Czech Republic.
3. No shares issued in the future and any interim certificates shall be issued in certificated form.
4. The rights and obligations attached to a share that has not been paid up can be attached to an interim certificate.
5. The shares of the company are not to be traded on the European regulated market.

Article 9

Increase in Registered Capital

1. The General Meeting decides on increases in registered capital by two-thirds of votes of shareholders present.
2. The General Meeting may authorize the Board of Directors to decide, based on conditions pursuant to the Business Corporations Act and to these Articles of Association, on an increase in registered capital by new stock subscription or from the company's own resources with the exception of retained earnings, but at maximum by one-third of the existing amount of registered capital at the time when the General Meeting authorized the Board of Directors to increase registered capital. The authorization issued to the Board of Directors to decide on an increase in registered capital replaces a decision of the General Meeting on an increase in registered capital. The authorization must determine the nominal value and type of the shares that are to be issued to increase registered capital, the form and number of these shares as well as the information that they shall not be issued in certificated form.
3. The Board of Directors may also increase registered capital within its authorization repeatedly, if the total amount of a registered capital increase does not exceed the limit set.
4. The authorization for a registered capital increase may be issued for a period of five (5) years at maximum starting on the day the General Meeting agreed on the authorization repeatedly as well.

Article 10

Ways of Increasing Registered Capital

The company's registered capital can be increased in the following ways:

- a) By subscription of new stock (Article 11 of the Articles of Association)
- b) From the company's own resources (Article 12 of the Articles of Association)
- c) A conditional increase of the company's registered capital (Article 13 of the Articles of Association)

Article 11

Increase of Registered Capital by New Stock Subscription

1. Mostly monetary contributions may be used for an increase in registered capital by new stock subscription.
2. Stock subscription for an increase of registered capital by a non-monetary deposit is possible only on exceptional circumstances, if it is in an important company interest. If the registered capital is increased by a non-monetary deposit, the Board of Directors must present to the General Meeting a report where it indicates the reasons for stock subscription by a non-monetary deposit together with a rationale for the issue price or the way of determining it. Stock may be subscribed only by a non-monetary deposit which have been approved by the General Meeting.
3. Registered capital is increased by subscribing new stock under the conditions and in the way specified in the Business Corporations Act.

Article 12

Increase of Registered Capital from the Company's own Resources

1. The Board of Directors may decide to increase registered capital from the company's own funds shown as equity in an approved annual, extraordinary or interim financial statement, unless such funds are blocked for a certain purpose and the company is not authorized to change their purpose. Net profit cannot be used to increase registered capital based on an interim financial statement.
2. An increase in registered capital from the company's own resources may not exceed the difference between the equity and the sum of registered capital and other own funds that are blocked for a certain purpose and the company is not authorized to change their purpose.
3. Registered capital is increased from the company's own funds under the conditions and in the way specified in the Business Corporations Act.

Article 13

Conditional Increase of Registered Capital of the Company

1. The company shall not issue priority bonds.
2. The General Meeting decides on the issue of exchangeable bonds by two-thirds of the votes of shareholders present. At the same time it adopts a decision on increasing registered capital in the extent in which the rights from exchangeable bonds may be exercised.
3. The amount of a conditional increase in registered capital may not exceed a half of the registered capital which is registered on the day of the General Meeting's decision on issuing exchangeable bonds in the Commercial Register.
4. Registered capital is conditionally increased under the conditions and in the way specified in the Business Corporations Act.

Article 14

Way of Paying Up Shares and Implications of Delays in Paying Off Shares

1. Based on a decision of the General Meeting, the issue price of shares may be paid up by monetary contributions and, exceptionally provided that it is in the company's fundamental interest, by non-monetary contributions.
2. While paying up the issue price of the stock, a shareholder shall respect the terms fixed for the respective issue of shares and shall pay up the issue price of the shares subscribed by monetary contributions within one (1) year of the date of registration of the relevant amount of registered capital in the Commercial Register, at the latest.
3. While paying up a contribution or its part before the registration of the relevant amount of registered capital in the Commercial Register, the company shall issue a confirmation in writing.
4. A shareholder, who did not fulfill the obligations to pay up the issue price of shares in a proper and timely manner, shall pay the company double late charges of the sum due set forth in the Civil

Code. The shareholder is not entitled to exercise his right to vote until the whole amount due is paid.

5. If a subscriber is late with paying up the issue price of shares or its payable part, the Board of Directors shall invite him to pay it up within an additional term of forty (40) days after the delivery of the invitation. After the vain expiration of the additional term, the Board of Directors may exclude the subscriber from the company and invite him to return the non-paid up shares or the interim certificate. If the Board of Directors does not exclude the subscriber from the company, it shall be authorized to file a lawsuit for payment of the issue price of shares or to convene the General Meeting that would decide on not issuing the shares pursuant to the applicable provisions of the Business Corporations Act.

Article 15

Reduction of Registered Capital

1. Any reduction in registered capital is decided by the General Meeting by two-thirds of the votes of shareholders present.
2. Registered capital is reduced under the conditions and in the way specified in the Business Corporations Act.

Article 16

Way of Reducing Registered Capital

If the company does not have in its ownership shares or interim certificates of its own or the using of own shares or interim certificates is not sufficient to reduce registered capital, the General Meeting can decide on a registered capital reduction by decreasing the nominal value of shares and interim certificates.

Article 17

Decreasing the Shares and Interim Certificates' Nominal Value

1. If the nominal value of the company's shares is decreased, it decreases proportionally for all shares in the company.
2. The rules for decreasing the nominal value of shares or interim certificates are defined in the Business Corporations Act.

PART III
Shareholders

Article 18
Rights of a Shareholder

1. Every shareholder is entitled to participate and vote at the General Meeting. He is entitled to request and obtain explanations of matters concerning the company or the entities controlled by the company, provided that such explanation is necessary for consideration of matters on the agenda of the General Meeting or for exercising his shareholder rights. A shareholder is entitled to submit proposals and counter-proposals on matters included in the agenda of the General Meeting.
2. The right to vote is linked to shares and is governed by their nominal value with one vote for each CZK 1,000,000,000 (in words: one billion Czech crowns) of nominal value of a share.
3. A shareholder participates at the General Meeting in person or by registered agent. A power of attorney for representation at the General Meeting must be made in writing, must contain a certified signature of the mandatory and must show whether or not it was granted for representation at one or several General Meetings.. A shareholder may not be represented by a member of the Board of Directors, Supervisory Board or Audit Committee. If a shareholder is the state, then, pursuant to the law, the shareholder exercises the rights of a shareholder in the company through the Steering Committee.
4. A shareholder is entitled to request from the company information and explanation of matters concerning the company. A shareholder is entitled to:
 - a) receive all minutes from the meetings of any company body immediately after they were made;
 - b) an answer to his questions from any company body or its member within the time-limit specified by the shareholder;
 - c) review all documents of the company.The rights based on the previous sentence do not apply if by providing such information the company would breach its confidentiality obligation set by law.
In such a case, the relevant body shall specifically explain the non-provision of such information and, if possible, shall provide such information in a partial or generalized manner.
5. A shareholder may not disclose the facts, about which he shall learn, provided that their disclosure would cause harm to the company.

PART IV
Bodies of the Company, their Position and Powers

Article 19
Bodies of the Company

The company has a dualistic system of internal structure. The bodies of the company are:

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

Section A
General Meeting

Article 20
Supreme Body of the Company

1. The General Meeting is the supreme body of the company.
2. If the company has a single shareholder, the powers of the General Meeting are exercised by this single shareholder.
3. While exercising the powers of the General Meeting, the single shareholder acts in accordance with legal regulations and these Articles of Association.
4. Unless the Articles of Association provide otherwise, the provisions on the General Meeting also apply to the single shareholder.

5. If the single shareholder is the government, it exercises the powers of the General Meeting through the Steering Committee.

Article 21

Convening of the General Meeting

1. The General Meeting is held at least twice during a fiscal year, and the first General Meeting shall be held by 30 June of the current calendar year, at the latest. The place of the meeting shall be mentioned in the invitation to the General Meeting and it shall usually be the registered office of the company.
2. The General Meeting is convened by the Board of Directors or its member if the Board of Directors does not convene the General Meeting without undue delay and the Business Corporations Act requires the convocation of the General Meeting or if the Board of Directors has not had a quorum for a long time, unless the Business Corporations Act requires otherwise.
3. The Supervisory Board convenes the General Meeting if the interests of the company require it or if the company does not have an elected Board of Directors or the elected Board of Directors has not fulfilled its obligations for a long time and the General Meeting is not convened by a member of the Board of Directors either. The Supervisory Board then proposes necessary measures at the General Meeting. If the Supervisory Board does not convene the General Meeting, it can be convened by any member of the Supervisory Board. In the cases defined in the Business Corporations Act, one or more shareholders of the company may convene the General Meeting.
4. The Board of Directors must convene the General Meeting:
 - a) Without unnecessary delay after it discovered that, based on a financial statements, the total loss of the company has reached such an amount that if it were settled from available resources of the company the unsettled loss would be equal to half of registered capital, or with regard to all circumstances this may be expected, or for any other serious reason and shall propose to the General Meeting the winding up of the company or the adoption of another suitable measure;
 - b) On the request of shareholders with shares the cumulative nominal value of which represents at least 1% of registered capital (qualified shareholders). The Board of Directors shall convene the General Meeting on the request of qualified shareholders in the way specified in the Business Corporations Act and these Articles of Association so that it takes place forty (40) days after the day the request for its convening was delivered to the Board of Directors, at the latest; in such a case, the time-limit for posting and sending the invitation to the General Meeting shall be reduced to 15 days;
 - c) If it is necessary due to other important interests of the company.
5. The Board of Directors, the Supervisory Board or any of their members, in the cases specified in the Business Corporations Act (convener), convenes the General Meeting by posting the invitation to the General Meeting on the company's website and sending the invitation to all shareholders holding registered shares to their address shown in the list of shareholders by registered mail or by express courier or by personal delivery against confirmation or by combining these methods of communication, at least thirty (30) days before the General Meeting takes place.
6. The invitation to the General Meeting shall contain, at least, the requirements defined in the Business Corporations Act, with regard to the agenda.
7. The place, date and hour of the General Meeting must be defined in such a way as to constrain to the lowest possible degree the shareholders' ability to participate at the General Meeting.
8. A General Meeting can be cancelled or its date can be postponed to a later term. The cancellation of the General Meeting or a change of its date shall be announced in the way defined in the Business Corporations Act or these Articles of Association for the convening of the General Meeting, at least one (1) week before its originally announced date, otherwise the company shall cover all reasonably incurred expenses of shareholders who arrived to the General Meeting in accordance with the original invitation.
9. If an amendment to the company's Articles of Association is to be on the agenda of the General Meeting, the invitation to the General Meeting shall characterize at least the essence of the amendments proposed and the draft of the amendments to the Articles of Association shall be available to the shareholders for inspection in the registered office of the company in the term defined for the convening of the General Meeting. A shareholder is entitled to request a copy of the draft Articles of Association at his own expense and risk. The shareholders must be reminded on these rights in the invitation to the General Meeting.
10. The first item on the agenda of the General Meeting is the election of the Chairman, a minutes clerk, a verifier and persons authorized to count votes. Until the Chairman is elected, the General

Meeting is chaired by the convener or a person nominated by the convener. The same applies if the Chairman of the General Meeting was not elected. If the minutes clerk, the verifier or the person authorized to count votes is not elected, they shall be nominated by the convener of the General Meeting. The General Meeting can decide that the Chairman of the General Meeting and the verifier shall be the same person. The General Meeting can decide that the Chairman of the General Meeting also counts votes provided that it shall not put at risk the proper course of the General Meeting.

Article 22

Quorum of the General Meeting and Form of its Deciding

1. The quorum of the General Meeting is attained if the shareholders present have shares the nominal value of which exceeds 50% of the company's registered capital.
2. The General Meeting takes decisions by a majority of votes of shareholders present, unless the Business Corporations Act or these Articles of Association requires a qualified majority.
3. Votes are taken at the General Meeting by means of ballots containing the name of the shareholder and the number of his votes.
4. If the General Meeting is not able to attain a sufficient quorum even after two (2) hours have elapsed since the time for which it had been convened, the person charged with starting the General Meeting shall inform the shareholders present of this fact. If it is still necessary, the Board of Directors shall convene a substitute General Meeting with the same agenda without undue delay in the way specified in the Business Corporations Act and these Articles of Association.
5. The invitation to the substitute General Meeting shall be sent to the shareholders within fifteen (15) days of the convocation of the original General Meeting and the substitute General Meeting must take place within six (6) weeks of the day of the original General Meeting. The invitation must be sent via personal delivery against confirmation, via the data box information system to the data box of a shareholder, via a post license holder or in electronic form signed by a recognized electronic signature or via any other technical mean (telefax or public data network without a recognized electronic signature).

Article 23

Decisions Outside the General Meeting

1. The shareholders can exercise their right to participate in the management of the company even outside the General Meeting.
2. If the shareholders decide outside the General Meeting (per rollam), the person authorized to convene the General Meeting shall send all shareholders a draft decision.
3. The draft decision must contain:
 - a) The text and reason of the draft decision;
 - b) The time-limit for a shareholder's response determined by the decision proposer based on the need of the company;
 - c) Information necessary for its adoption;
4. If a shareholder does not send his consent with the draft decision to the person authorized to convene the General Meeting within the time-limit pursuant to Paragraph 3, Letter b) of this article, it shall mean that he does not agree with the draft decision.
5. A decision outside the General Meeting is accepted if all shareholders agree with the draft decision.
6. If the Business Corporations Act requires that a decision of the General Meeting be certified with a public deed, a shareholder's decision shall have the form of public deed, which shall also contain the text of the relevant draft decision of the General Meeting.
7. The person authorized to convene the General Meeting shall announce the result of the decision-making, including the day of its adoption, to all shareholders without undue delay in the way specified for convening the General Meeting in the Business Corporations Act and these Articles of Association.

Article 24

Remit of the General Meeting

1. The General Meeting's remit includes the following:

- a) Taking decisions on amendments to the Articles of Association unless they result from an increase in registered capital by the authorized Board of Directors or from a change that has taken place based on other legal facts;
- b) Taking decisions on changing registered capital and on charging the Board of Directors with increasing registered capital or on the possibility of setting off a monetary receivable from the company against a stock subscription receivable;
- c) Taking decisions on issuing bonds in the cases defined in these Articles of Association or the Business Corporations Act;
- d) Electing and dismissing members of the Supervisory Board, with the exception of members who are not elected by the General Meeting;
- e) Electing and dismissing members of the Audit Committee;
- f) Approving the ordinary, extraordinary or consolidated financial statements and, in case that another legal regulation requires it, also the interim financial statements, decisions on distributing profit or other own funds or settling losses and fixing directors' bonuses;
- g) Taking decisions on remuneration of members of the Supervisory Board Committees;
- h) Taking decisions on the designation of an auditing company or a statutory auditor working in its/his own name and at its/his own expense for the performance of a mandatory audit or the verification of other documents, if such designation is required by legislation;
- i) Deciding on the winding up of the company with liquidation, appointing and dismissing a liquidator (the liquidator can be only the person competent to be a member of the statutory body), including setting the amount of his remuneration, approving a proposal for distributing the liquidation balance;
- j) Deciding on the creation of the company's funds and setting rules for their creation and drawings on them;
- k) Deciding on a transformation of the company;
- l) Approving transfers or pledging of an enterprise or such part thereof, which would result in a major change in the current structure of an enterprise or in a major change in the subject-matter of business or activity of the company;
- m) Approving rentals of an enterprise or part thereof;
- n) Taking decisions on the provision of financial assistance by the company (advances, loans, credits or other monetary performance, or the provision of collateral) for the purposes of obtaining shares or interim certificates in a company;
- o) Approving contracts on silent partnership, including approving their changes and termination;
- p) Approving contracts on performance of office between the company and a member of the Supervisory Board and between the company and a member of the Audit Committee, including their changes;
- q) Approving other performance of the company in favor of a member of the Supervisory Board and a member of the Audit Committee in accordance with Section 61, Paragraphs 1 and 2 of the Business Corporations Act;
- r) Approving reports on business activities of the company and on the balance of its assets, including reports on accounting for resources from public budgets, after a previous opinion of the Supervisory Board;
- s) Deciding on increasing the reserve fund over the limit fixed by the Articles of Association;
- t) Deciding on excluding or limiting the right of priority on subscribing new stock pursuant to the Business Corporations Act;
- u) Deciding on filling the reserve fund from the capital surplus;
- v) Deciding on basic matters concerning the organizational arrangement of the company;
- w) Deciding on the establishment of its advisory bodies, their composition and powers. It is entitled to issue an order telling the Board of Directors it is under (i) a duty in matters determined by the General Meeting to provide information and submit documents to such advisory bodies, (ii) a duty in matters determined by the General Meeting to ask for an advisory body's prior opinion before adopting a decision or measure, and (iii) a duty to submit this opinion to the General Meeting;
- x) Deciding on the granting of prior consent to sign a contract on the transfer of a shareholding of the registered capital of the company/shares, or a contract for securing a debt through a shareholding of the registered capital of the company/shares if the amount of consideration within the framework of one contract is 20,000,000 CZK (in words: twenty million Czech crowns) and higher;

- y) Deciding on granting a previous consent to issue bonds and concluding an agreement on accepting an investment, overdraft or another type of credit, in every individual case in an amount exceeding 1,000,000,000 CZK (in words: one billion Czech crowns) with the exception of addendums or amendments already existing documents concerning these transactions;
 - z) Deciding to grant prior consent to incur or take on other obligation exceeding in each individual case CZK 1,000,000,000 (in words: one billion Czech crowns) or to acquire property whose total value exceeds CZK 1,000,000,000 (in words: one billion Czech crowns) on the basis of each individual agreement. No prior consent is required if it is necessary in consequence of an extremely urgent circumstance which could not be foreseen by the company and was not caused by the company either, and there is a threat of a danger due to a delay. The members of the Steering Committee shall be informed about the use of this exception through electronic communication and in writing at the nearest meeting of the Steering Committee,
 - aa) Deciding on other matters entrusted to the General Meeting by the Business Corporations Act or these Articles of Association;
2. The General Meeting takes decisions by resolutions, which are binding on bodies of the company and the shareholders, unless the Business Corporations Act provides otherwise.
 3. The General Meeting cannot reserve decision-making regarding the cases that have not been entrusted to the General Meeting by the Business Corporations Act or these Articles of Association.

Section B

Board of Directors

Article 25

Statutory Body

1. The Board of Directors is the statutory body of the company.
2. The Board of Directors is charged with business management. Nobody is entitled to issue instructions to the Board of Directors that concern business management; this does not prejudice Section 51, Paragraph 1 of the Business Corporations Act. The Board of Directors shall ensure that the Supervisory Board and the Audit Committee can exercise their powers in accordance with legislation and these articles of association.

Article 26

Number of Members of the Board of Directors and their Term of Office

The Board of Directors of the company has five (5) members. The term of office of the individual members of the Board of Directors is five years.

Article 27

Chairman of the Board of Directors

1. The chairman of the Board of Directors is elected and dismissed by the Supervisory Board by a majority of all its members.
2. The Chairman of the Board of Directors manages the activities of the Board of Directors of the company.
3. The Chairman of the Board of Directors can resign at any time from his office by written notification sent to the Supervisory Board. The performance of the office of chairman of the Board of Directors ends one (1) month after the notification was delivered to the Supervisory Board, unless the Supervisory Board approves another moment of the office termination on the request of the resigning chairman.
4. The Chairman of the Board of Directors acts as the CEO of the company in compliance with Articles 60a and 60b of the Articles of Association.

Article 27a

Vice-Chairman of the Board of Directors

1. The Vice-Chairman of the Board of Directors is elected and dismissed by the Supervisory Board by a majority of all its members.
2. The rights of the Vice-Chairman of the Board of Directors are regulated in Articles 30 and 61 of the Articles of Association.

3. The Vice-Chairman of the Board of Directors can resign at any time from his office by written notification sent to the Supervisory Board. The performance of the office of chairman of the Board of Directors ends one (1) month after the notification was delivered to the Supervisory Board, unless the Supervisory Board approves another moment of the office termination on the request of the resigning Vice-Chairman.

Article 28

Election of the Board of Directors

1. Members of the Board of Directors are elected and dismissed by the Supervisory Board by a majority of all its members. A member of the Board of Directors can be re-elected.
2. When dismissing members of the Board of Directors, the Supervisory Board must always maintain a quorum of the Board of Directors of the company.

Article 29

Cessation of Membership of the Board of Directors

1. Membership of the Board of Directors terminates upon the death or cessation of a member of the Board of Directors, his/her dismissal by the Supervisory Board, his/her resignation from his/her position, the expiration of his/her term of office or due to other legal reasons.
2. In the event that a member of the Board of Directors dies, ceases to exist, resigns, is removed or his term of office is terminated in any other way, the Supervisory Board shall elect a new member of the Board of Directors within two (2) months of termination of the office. If the Board of Directors is not able to fulfill its obligations due to the reasons specified in the first sentence, the court shall appoint the missing members on the proposal of the person having legal interest in it for the time period until a missing member or missing members are duly elected, otherwise the court can dissolve the company without proposal and order its liquidation.
3. A member of the Board of Directors can resign at any time from his/her position pursuant to the rights and obligations set in the agreement concluded between the member of the Board of Directors and the company, by written notification sent to the Supervisory Board or the Board of Directors of the company. He/she may not do so at the time that is not suitable for the company. The performance of office of a member of the Board of Directors ends one (1) month after the notification was delivered to the Supervisory Board or the Board of Directors of the company, unless the Supervisory Board or the Board of Directors approves another moment of the office termination on the request of the resigning member of the Board of Directors. If a member of the Board of Directors announces his/her resignation to the Board of Directors, the Board of Directors must inform about such a fact the Supervisory Board at its very next session.

Article 30

Convening of the Board of Directors

1. The Board of Directors meets according to the needs of the company, but at least once every three (3) months.
2. A meeting of the Board of Directors is convened by the Chairman of the Board of Directors, usually in the registered office of the company. In the event that the meeting is not convened by the Chairman of the Board of Directors, the Vice-Chairman of the Board of Directors has the right to convene the meeting. An invitation to a meeting of the Board of Directors may be delivered by personal delivery against confirmation, via the data box information system to the data box of a member of the Board of Directors, via a post license holder or in electronic form signed by a recognized electronic signature or via any other technical mean (telefax or public data network without a recognized electronic signature). The invitation must be sent at least five (5) days before the day of the meeting. This term may be shortened with the consent of all members of the Board of Directors.
3. An invitation shall contain the following requirements:
 - a) Business name and registered office of the company;
 - b) Place, date and hour of the meeting;
 - c) Agenda of the meeting.

4. A meeting of the Board of Directors is held at any time this is requested in writing by any member of the Board of Directors or of the Supervisory Board, no later than 10 days after such request is made.
5. The Board of Directors may invite members of the Supervisory Board, members of the Audit Committee or other parties to its meetings.

Article 31

Meetings of the Board of Directors

1. Meetings are chaired by the Chairman of the Board of Directors or, in the event of his absence, by the Vice-Chairman of the Board of Directors (chair). In the event that the Chairman or the Vice-Chairman of the Board of Directors is not present at the meeting, the presiding member is a member of the Board of Directors elected by the Board of Directors.
2. Minutes of Board of Directors' meetings and their decisions shall be drafted and shall be signed by the chair and the minutes clerk; a list of the present persons is attached to the minutes. The minutes of a Board of Directors' meeting shall contain a list of the members of the Board of Directors who voted against the individual resolutions or abstained from voting. The non-mentioned members of the Board of Directors shall be considered to have voted for the adoption of a resolution.
3. The costs related to meetings and other activities of the Board of Directors are borne by the company.

Article 32

Form of Deciding of the Board of Directors and Its Quorum

1. The quorum of the Board of Directors is attained if an absolute majority of all its members is present at a meeting.
2. The Board of Directors decides by voting, by an absolute majority of all its members. Each member has one (1) vote.
3. Participation of a member of the Board of Directors at the meeting of the Board of Directors is usually personal; this, however, does not prevent a member of the Board of Directors from empowering, for a particular case, another member of the Board of Directors to vote for him/her in his/her absence. The members of the Board of Directors shall vote by acclamation (show of hands). In justified cases it is possible to admit also another form of attendance of a member of the Board of Directors at the meeting, including voting, with the use of technical means enabling to monitor and hear the course of the meeting of the Board of Directors, to respond to individual outputs and to exercise all the rights belonging to a member of the Board of Directors (for example, with the use of bidirectional audio-video transmission of the member and of the meeting of the Board of Directors, covering all activities relating to the agenda of the meeting participants), and in such a case that member shall be considered to be present at the meeting of the Board of Directors. Other details may be specified by the procedural rules of the Board of Directors.

Article 33

Decisions of the Board of Directors outside Meetings

1. The Board of Directors can also take decisions outside a meeting of the Board of Directors of the company.
2. If the members of the Board of Directors decide outside a meeting of the Board of Directors (per rollam), the chairman of the Board of Directors shall send all members of the Board of Directors a draft decision via personal delivery against confirmation, via the data box information system to the data box of a member of the Board of Directors, via a post license holder or in electronic form signed by a recognized electronic signature or via any other technical mean (telefax or public data network without a recognized electronic signature).
3. The draft decision must contain:
 - a) The text and reason of the draft decision;
 - b) The time-limit for a member of the Board of Directors' response determined by the decision proposer based on the need of the company;
 - c) Information necessary for its adoption;

4. If a member of the Board of Directors does not send his consent with the draft decision to the chairman of the Board of Directors within the time-limit pursuant to Paragraph 3, Letter b) of this article, it shall mean that he does not agree with the draft decision.
5. A decision outside a meeting of the Board of Directors is accepted if all members of the Board of Directors agree with the draft decision.
6. The decision taken outside a meeting of the Board of Directors must be mentioned in the minutes of the very next meeting of the Board of Directors.

Article 34

Obligations of the Members of the Board of Directors

1. A person who has fulfilled all the conditions for performance of the office defined in the Business Corporations Act may be a member of the Board of Directors.
2. The members of the Board of Directors shall exercise their powers as a careful manager, i.e. shall exercise its powers with loyalty and necessary knowledge and due care, and maintain confidentiality about confidential information and facts the disclosure of which to third parties might be detrimental to the company. If during proceedings before court it is being judged whether or not a member of the Board of Directors acted as a careful manager, this member of the Board of Directors bears the burden of proof to show he acted as a careful manager, unless the court decides that this cannot be reasonably requested from him/her. Those members of the Board of Directors whose infringement of legal duties while exercising the powers of the Board of Directors was detrimental to the company shall be liable for the damage caused jointly and severally.
3. A member of the Board of Directors can ask the General Meeting for an instruction regarding business management. However, this does not prejudice his/her obligation to act as a careful manager.
4. A member of the Board of Directors may not be at the same time a member of the Supervisory Board, a member of the Audit Committee, a registered agent or any other person authorized to act on behalf of the company.
5. A member of the Board of Directors is subject to competition ban and the rules of conflict of interest pursuant to the Business Corporations Act.
6. The members of the Board of Directors shall always take part in the General Meeting. A member of the Board of Directors must be given the floor whenever he or she asks for it.

Article 35

Information Duty

A member of the Board of Directors of the company must inform the company about any insolvency proceedings initiated with respect to his/her assets or the assets of the business corporation, in which he is or was active during the past three (3) years as a body or its member, pursuant to another legal act or about any proceedings pursuant to Sections 63 through 35 of the Business Corporations Act or about any obstacles on his/her part with respect to his/her position.

Article 36

Liability of Members of the Board of Directors for Damage Caused to the Company

1. The liability of the members of the Board of Directors for damage caused to the company is defined in the Civil Code and the Business Corporations Act.
2. Legal acts between the company and a member of the Board of Directors or the provisions of these Articles of Association that exclude or limit the liability of a member of the Board of Directors for damage are not taken into consideration.
3. The members of the Board of Directors are liable for damage caused to the company by performing an instruction of the General Meeting only if such an instruction of the General Meeting was in conflict with legal regulations or if by performing such an instruction a member of the Board of Directors breached his/her obligation to act as a careful manager.
4. A member of the Board of Directors, who did not compensate the company for damage caused by a breach of his/her obligations when performing his/her office even though he/she was obliged to compensate such damage, shall answer to the company's creditor for the debt of the company in the scope in which the member of the Board of Directors did not compensate the damage, provided that the creditor is not able to receive the payment from the company.

Article 37

Definition of Powers of the Board of Directors

1. The Board of Directors:
 - a) Decides on all matters of the company, if they are not reserved by the Business Corporations Act, by the Act or by these Articles of Association for the General Meeting, Supervisory Board or Audit Committee;
 - b) Approves, after discussions with the trade union organizations operating in the company, the voting rules which define the way and conditions of electing and dismissing one-third of members of the Supervisory Board elected and dismissed by the employees of the company;
 - c) Decides on the disposal of the company property. If the approval of issue of a prior consent for the disposal of company property or another legal act is entrusted to the General Meeting or Supervisory Board by the Business Corporations Act or these Articles of Association, the Board of Directors disposes of company property and acts legally after the relevant approval or issue of prior consent by the General Meeting or Supervisory Board.
2. The Board of Directors is responsible for the following:
 - a) The company shall provide the Supreme Control Office with the necessary co-operation during the performance of its supervision activities regarding the financial management of the government organization Správa železnic;
 - b) The company shall regularly create a social fund by a profit allocation equaling 2% of the annual amount of costs cleared for wages and wage compensation;
 - c) In a state of danger, state of threat to the state, state of emergency or state of war, the company shall ensure the operation of railway transport according to the needs of the defense of the state and the needs of the system of economic measures adopted for states of crisis;
3. Regarding the exercise of the powers of the Board of Directors defined in paragraphs 1 and 2 of this Article, the Board of Directors has, in addition to other tasks defined by the Act, the Business Corporations Act and these Articles of Association, the following powers, in particular:
 - a) To convene the General Meeting of the company and execute its decisions;
 - b) To ensure the business management of the company;
 - c) To ensure due book-keeping;
 - d) To submit to the General Meeting for approval regular, extraordinary, consolidated or interim financial statements and, in compliance with these Articles of Association, to propose the distribution of profit or settlement of losses;
 - e) To ensure the concordance of the company's activities with legal regulations of the Czech Republic;
 - f) To submit to the General Meeting and to the Supervisory Board a report on business activity of the company and on the state of its property, including a report accounting for resources from public budgets;
 - g) To submit to the Supervisory Board for approval the annual business plan and budgets for the operation of railway infrastructure and railway transport of the company;
 - h) To submit to the General Meeting for approval proposals for changes and amendments to these Articles of Association, proposals for increasing or decreasing registered capital, proposals for changes and amendments to the extent of the company's business activities, reports on questions that the Board of Directors deals with and that are important for the functioning of the company, or that are requested by the General Meeting;
 - i) To propose to the General Meeting the establishment of company funds;
 - j) To appoint and dismiss registered agents of the company and to supervise their activity;
 - k) To convene the General Meeting without unnecessary delay if it finds that, based on a financial statement, the total loss of the company has reached such an amount that if it were settled from available resources of the company the unsettled loss would be equal to half of registered capital or if with regard to all circumstances this may be expected or for any other

- serious reason and shall propose to the General Meeting the winding up of the company or the adoption of another suitable measure;
- l) To provide relevant documents that may be required by any member of the Supervisory Board while executing his authority and during his activity pursuant to Article 17 of these Articles of Association by the time-limit fixed by the Supervisory Board; the members of the Supervisory Board can only use this authority on the basis of a decision of the Supervisory Board, unless the Supervisory Board is unable to perform its functions;
 - m) To conclude a contract on mandatory audit with an auditing company or a statutory auditor working in its/his own name and at its/his own expense (hereinafter referred to as the "Auditor") approved by the general meeting, or conclude a contract on the provision of other services for the period approved by the general meeting. The General Meeting's consent is needed to withdraw from or terminate the contract;
 - n) To discuss the audit report with the auditor.
4. The rights and obligations of a registered agent of the company, including his limitations on acting on behalf of the company, shall be defined in a decision of the Board of Directors of the company, or possibly in a contract concluded between the registered agent and the company.
 5. The financial statements or selected data from them specifying the time and place where the annual financial statements are available for inspection by the shareholders shall be sent to shareholders with shares to name at least thirty (30) days before the day of the General Meeting.
 6. The Board of Directors shall submit, without unnecessary delay, to the insolvency court an application for the start of insolvency proceedings (insolvency application), if the conditions defined in another act are met.
 7. The Board of Directors shall, without undue delay, inform the General Meeting that, in companies in which the company has an ownership interest or share in voting rights, a general meeting has been convened or a certain matter submitted to the single shareholder regarding a proposal by a body of the relevant company that is not its board of directors.

Section C Supervisory Board

Article 38 Election of the Supervisory Board

1. Members of the Supervisory Board are elected as follows:
 - a) The General Meeting elects two-thirds of the members of the Supervisory Board;
 - b) The employees of the company elect one-third of the members of the Supervisory Board according to the election rules approved by the company's Board of Directors after deliberation with trade union bodies.
2. Members of the Supervisory Board may be re-elected.

Article 39 Cessation of Membership in the Supervisory Board

1. Membership of the Supervisory Board ceases upon the death or cessation of a member of the Supervisory Board, his dismissal, his retirement from his office, the expiration of his term of office or due to other legal reasons.
2. In the event that member of the Supervisory dies, ceases to exist, resigns, is removed or his term of office is terminated in any other way, the General Meeting shall elect a new member of the Supervisory Board within two (2) months. In the event that a member of the Supervisory Board, who was elected by the employees of the company, dies, resigns, is removed or his term of office is terminated in any other way, the employees of the company shall, in accordance with the election procedure, elect a new member of the Supervisory Board within two (2) months. If the Supervisory Board is not able to fulfill its obligations due to the reasons specified in the first sentence, the court shall appoint the missing members on the proposal of the person having legal interest in it for the time period until a missing member or missing members are duly elected, otherwise the court can dissolve the company without proposal and order its liquidation.
3. The General Meeting or the employees of the company may dismiss the members of the Supervisory Board that it has elected.

4. A member of the Supervisory Board elected by the General Meeting can resign at any time from his office pursuant to the rights and obligations set in the agreement concluded between the member of the Supervisory Board and the company by written notification sent to the General Meeting or the Supervisory Board. He/she may not do so at the time that is not for the company. The performance of office of a member of the Supervisory Board ends one (1) month after the notification was delivered to the General Meeting or the Supervisory Board, unless the General Meeting or the Supervisory Board approves another moment of the office termination on the request of the resigning member of the Supervisory Board. If a member of the Supervisory Board announces his/her resignation to the Supervisory Board, the Supervisory Board must inform about such a fact the General Meeting at its very next session.
5. A member of the Supervisory Board elected by the employees of the company can resign at any time from his/her office pursuant to the rights and obligations set in the agreement concluded between the member of the Supervisory Board and the company by written notification sent to the Supervisory Board. He/she may not do so at the time that is not suitable for the company. The performance of office of a member of the Supervisory Board ends one (1) month after the notification was delivered to the General Meeting or the Supervisory Board, unless the General Meeting or the Supervisory Board approves another moment of the office termination on the request of the resigning member of the Supervisory Board.
- 6.
7. In the event of termination of membership of the Supervisory Board for a member elected by the General Meeting, the Supervisory Board is entitled to appoint a substitute member of the Supervisory Board up to the next General Meeting, provided the number of members of the Supervisory Board does not fall to lower than half.

Article 40

Number of Members of the Supervisory Board and their Term of Office

1. The Supervisory Board has nine (9) members. The term of office of individual members of the Supervisory Board is 5 years.
2. During a meeting, the Supervisory Board elects and dismisses the Chairman and Vice Chairman by a majority of votes of all its members. The Chairman of the Supervisory Board manages the activity of the Supervisory Board.

Article 41

Convening of the Supervisory Board

1. A meeting of the Supervisory Board is convened by the Chairman of the Supervisory Board as needed, but at least four times (4x) a year, usually at the registered office of the company. If the Chairman of the Supervisory Board fails to convene a meeting of the Supervisory Board, the Vice Chairman of the Supervisory Board is authorized to convene a meeting of the Supervisory Board. The invitation to a meeting of the Supervisory Board can be sent via personal delivery against confirmation, via the data box information system to the data box of a shareholder, via a post license holder or in electronic form signed by a recognized electronic signature or via any other technical mean (telefax or public data network without a recognized electronic signature). The invitation must be sent at least ten (10) days before the day of the meeting. This term may be diminished with the consent of all members of the Supervisory Board.
2. An invitation shall contain the following requirements:
 - a) Business name and registered office of the company;
 - b) Place, date and hour of the meeting;
 - c) Agenda of the meeting.
3. A meeting of the Supervisory Board shall be held at any time this is requested in writing by any member of the Supervisory Board, by the Board of Directors, or by a shareholder, if it gives an urgent reason for it being convened, at least in 15 days after the presentation of this request.
4. The Supervisory Board may invite to its meetings members of the Board of Directors, members of the Audit Committee and other parties.

Article 42

Meetings of the Supervisory Board

1. A meeting is chaired by the Chairman of the Supervisory Board or, in the event of his absence, by the Vice Chairman of the Supervisory Board (hereinafter the "chair"). If neither the Chairman nor the Vice Chairman of the Supervisory Board are present at the meeting, the chair shall be the member of the Supervisory Board chosen by the Supervisory Board.
2. Minutes of a meeting of the Supervisory Board and its decisions shall be drafted and signed by the chair; a list of the present persons is attached to the minutes. The minutes of a Supervisory Board's meeting shall contain a list of the members of the Supervisory Board who voted against the individual resolutions of the Supervisory Board or abstained from voting. The non-mentioned members of the Supervisory Board shall be considered to have voted for the adoption of a resolution.
3. If the members of the Supervisory Board elected by the employees of the company have another opinion than that of the other members of the Supervisory Board, their minority opinion must be made known to the General Meeting together with the conclusions of the other members of the Supervisory Board.
4. The costs related to the meetings of the Supervisory Board are borne by the company.

Article 43

Form of Deciding of the Supervisory Board and Its Quorum

1. The quorum of the Supervisory Board is attained if an absolute majority of all its members are present at a meeting.
2. The Supervisory Board decides by voting by an absolute majority of all its members. Each member has one (1) vote.
3. Participation of a member of the Supervisory Board at the meeting of the Supervisory Board is usually personal; this, however, does not prevent a member of the Supervisory Board from empowering, for a particular case, another member of the Supervisory Board to vote for him/her in his/her absence. The members of the Supervisory Board shall vote by acclamation (show of hands). In justified cases it is possible to admit also another form of attendance of a member of the Supervisory Board at the meeting, including voting, with the use of technical means enabling to monitor and hear the course of the meeting of the Supervisory Board, to respond to individual outputs and to exercise all the rights belonging to a member of the Supervisory Board (for example, with the use of bidirectional audio-video transmission of the member and of the meeting of the Supervisory Board, covering all activities relating to the agenda of the meeting participants), and in such a case that member shall be considered to be present at the meeting of the Supervisory Board. Other details may be specified by the procedural rules of the Supervisory Board.

Article 44

Decisions of the Supervisory Board outside Meetings

1. The Supervisory Board can also take decisions outside a meeting of the Supervisory Board of the company.
2. If the members of the Supervisory Board decide outside a meeting of the Supervisory Board (per rollam), the chairman of the Supervisory Board shall send all members of the Supervisory Board a draft decision via personal delivery against confirmation, via the data box information system to the data box of a member of the Supervisory Board, via a post license holder or in electronic form signed by a recognized electronic signature or via any other technical mean (telefax or public data network without a recognized electronic signature).
3. The draft decision must contain:
 - a) The text and reason of the draft decision;
 - b) The time-limit for a member of the Supervisory Board's response determined by the decision proposer based on the need of the company;
 - c) Information necessary for its adoption;
4. If a member of the Supervisory Board does not send his consent with the draft decision to the chairman of the Supervisory Board within the time-limit pursuant to Paragraph 3, Letter b) of this article, it shall mean that he does not agree with the draft decision.
5. A decision outside a meeting of the Supervisory Board is accepted if all members of the Supervisory Board agree with the draft decision.
6. The decision taken outside a meeting of the Supervisory Board must be mentioned in the minutes of the very next meeting of the Supervisory Board.

Article 45

Obligations of the Members of the Supervisory Board

1. A person who has fulfilled all the conditions for performance of the office defined in the Business Corporations Act may be a member of the Supervisory Board.
2. The members of the Supervisory Board shall exercise their powers as a careful manager, i.e. shall exercise its powers with loyalty and necessary knowledge and due care, and maintain confidentiality about confidential information and facts the disclosure of which to third parties might be detrimental to the company. If during proceedings before court it is being judged whether or not a member of the Supervisory Board acted as a careful manager, this member of the Supervisory Board bears the burden of proof to show he acted as a careful manager, unless the court decides that this cannot be reasonably requested from him/her. Those members of the Supervisory Board whose infringement of legal duties while exercising the powers of the Supervisory Board was detrimental to the company shall be liable for the damage caused jointly and severally.
3. A member of the Supervisory Board may not be at the same time a member of the Board of Directors, a registered agent or any other person authorized to act on behalf of the company.
4. A member of the Supervisory Board is subject to competition ban and the rules of conflict of interest pursuant to the Business Corporations Act.

Article 46

Information Duty

A member of the Supervisory Board of the company must inform the company about any insolvency proceedings initiated with respect to his/her assets or the assets of the business corporation, in which he is or was active during the past three (3) years as a body or its member, pursuant to another legal act or about any obstacles on his/her part with respect to his/her position.

Article 47

Liability of the Members of the Supervisory Board for Damage Caused to the Company

1. The liability of the members of the Supervisory Board for damage caused to the company is defined in the Civil Code and the Business Corporations Act.
2. Legal acts between the company and a member of the Supervisory Board or the provisions of these Articles of Association that exclude or limit the liability of a member of the Supervisory Board for damage are not taken into consideration.
3. If the Supervisory Board does not give its consent to a legal act of the Board of Directors, for which the Business Corporations Act or these Articles of Association require its prior consent, or if the Supervisory Board prohibits the Board of Directors from a certain legal act, those members of the Supervisory Board, who did not act as a careful manager shall be liable for any detriment caused to the company instead of the members of the Board of Directors.
4. If the Supervisory Board gives its consent to a legal act pursuant to Paragraph 3 of this article, the members of the Supervisory Board and the Board of Directors, who did not act as a careful manager, shall be liable for any detriment caused to the company jointly and severally.

Article 48

Definition of Powers of the Supervisory Board

1. Within its remit, the Supervisory Board:
 - a) Supervises the exercise of powers of the Board of Directors and the activity of the company;
 - b) Examines the report on business activity of the company and on the state of its property, including the report on accounting for funds from public budgets, and submits its opinion to the General Meeting;
 - c) Approves the annual business plan and company budget for operating railway transport;
 - d) Gives its prior consent to the Board of Directors to conclude a contract on investment, operation, overdraft or another loan and to ensure the obligations arising from such a contract in compliance with the Civil Code. No prior consent is required if it is necessary in consequence of an extremely urgent circumstance which could not be foreseen by the company and was not caused by the company either, and there is a threat of a danger due to a delay.
 - e) Gives its prior consent to the Board of Directors for acquiring, alienating, burdening and leasing

(leasing and renting) real estate. The Supervisory Board's prior consent for alienating real estate does not have to be granted to the Board of Directors in cases where the Board of Directors, after a prior statement of the Supervisory Board's real estate disposal committee, decides on the alienation of real estate with a performance value of up to CZK 100,000 (in words: "one hundred thousand Czech crowns"). No prior consent is required if it is necessary in consequence of an extremely urgent circumstance which could not be foreseen by the company and was not caused by the company either, and there is a threat of a danger due to a delay.

- f) Gives its prior consent to the Board of Directors for acquiring, alienating, burdening and leasing (leasing and renting) movables where the amount of performance exceeds the amount of CZK 20,000,000 (in words: "twenty million Czech crowns") for one contract or CZK 50,000,000 (in words: "fifty million Czech crowns") for one contract signed with the entities controlled by the company. No prior consent is required if it is necessary in consequence of an extremely urgent circumstance which could not be foreseen by the company and was not caused by the company either, and there is a threat of a danger due to a delay.
- g) Gives its prior consent to the Board of Directors for signing a contract on the transfer of a shareholding of the registered capital of the company/shares, or a contract for securing a debt through a shareholding of the registered capital of the company/shares if the amount of consideration within the framework of one contract is 20,000,000 CZK (in words: twenty million Czech crowns) and higher;
- h) Gives its prior consent to the Board of Directors for announcement of a public contract (if the signing of the contract is preceded by a tender procedure according to applicable legal regulations) and for signing a contract the subject matter of which is acceptance of services by the company at a price paid on the part of the company equal to or exceeding 50,000,000 CZK (in words: "fifty million Czech crowns"). No prior consent to the Board of Directors with the signing of a contract (or with announcement of a public contract) is required for a contract the subject matter of which is repair of a railway vehicle after its damage due to illegal acts of persons, weather conditions, collision with a person or an obstacle, and also in case of contracts, the subject matter of which is assurance of substitutive bus transport. No prior consent to the Board of Directors is required either if the matter concerns an undertaking of the company towards its employees, implying from the corporate collective agreement. No prior consent is required if it is necessary in consequence of an extremely urgent circumstance which could not be foreseen by the company and was not caused by the company either, and there is a threat of a danger due to a delay,
- i) Gives its prior consent to the Board of Directors for the provision of financial assistance by the company (advances, loans, credits or other monetary performance, or the provision of collateral) for the purpose of obtaining shares or interim certificates in a company; the granting of such consent is a condition for the submission of an application by the Board of Directors (provision of financial assistance by the company) to the General Meeting for its decision on such proposal;
- j) Approves the procedural rules of the Supervisory Board and the procedural rules (statutes) of the Supervisory Board Committees;
- k) Reviews the ordinary, extraordinary or consolidated statements and, in case that another legal regulation requires it, also the interim financial statements;
- l) Reviews proposals on distributing profit or other own funds or on settling losses and submits its opinion to the General Meeting;
- m) Convenes the General Meeting if the company's interests so require;
- n) Proposes measures to the Board of Directors or General Meeting that it considers important in the interests of the company;
- o) Is authorized to review all documents concerning the activity of the company and to check whether accounting entries are kept in a proper manner and in compliance with the actual situation and whether the business or any other activity of the company is in compliance with other legal regulations and the Articles of Association;
- p) Requests information from the Board of Directors and from its members;
- q) Elects and dismisses the Chairman, the Vice-Chairman and other members of the Board of Directors;
- r) Approves contracts on the performance of office between the company, including their changes;
- s) Approves other benefits of a member of the Board of Directors pursuant to the provisions of Section 61, Paragraphs 1 and 2 of the Business Corporations Act and decides on a salary and other benefits of an employee pursuant to the provisions of Section 61, Paragraph 3 of the Business Corporations Act, who is also a member of the statutory body;
- t) Approves draft contracts on the performance of office between the company and a registered agent, including their changes;

- u) Submits to the General Meeting drafts of amendments and additions to these Articles of Association.
 - v) Proposes to the General Meeting an auditor, taking into consideration the recommendation of the Audit Committee. In the case that Supervisory Board proposes an auditor other than the auditor recommended by the Audit Committee, the Supervisory Board shall be required to properly justify its proposal and provide in particular the reasons for deviating from the recommendation of the Audit Committee.
2. The members of the Supervisory Board:
- a) Participate in the General Meeting of the company, and the authorized member of the Supervisory Board informs the General Meeting about the results of the activity of the Supervisory Board. The members of the Supervisory Board must be given the floor anytime they ask for it;
 - b) Exercise other rights defined in valid legal regulations and in these Articles of Association.

Article 49

Supervisory Board Committees

1. The Supervisory Board is empowered to establish various committee (hereinafter "Supervisory Board Committees"). Committee members may be Supervisory Board members or third persons.
2. Supervisory Board Committee members are appointed and withdrawn by the Supervisory Board. The term for Supervisory Board Committee members who are third persons is five (5) years, while the term for a Supervisory Board member also serving on a Supervisory Board Committee is identical to his term as a member of the Supervisory Board.
3. A member of a Supervisory Board Committee ceases to perform his function upon his death, withdrawal, resignation, expiration of term limit, or other legal reason. In the event that the Supervisory Board Committee member is also a member of the Supervisory Board, then his term on the Committee ends at the same time as his Supervisory Board position. If a Supervisory Board Committee member ceases to perform his function, then the Supervisory Board must appoint a new Supervisory Board Committee member within two (2) months. A Supervisory Board Committee member may resign from his position at any time by giving written notice delivered to the Supervisory Board. The performance of the office of a member of the Supervisory Board ends one (1) month after the notification was delivered to the Supervisory Board, unless the Supervisory Board approves another moment of the office termination on the request of the resigning member of the Supervisory Board.
4. A Supervisory Board Committee member may not also be a member of the Board of Directors, a member of the Audit Committee, its registered agent, or other person authorized to act on behalf of the company.
5. Each Supervisory Board Committee elects its own Chairman by majority vote of all its members. The Chairman directs the activities of the Supervisory Board Committee.
6. Supervisory Board Committees meet as necessary, but at least twice annually.
7. Meetings of a Supervisory Board Committee are called by its Chairman or the authorized member of this Committee.
8. Each Supervisory Board Committee constitutes a quorum if more than half of the members of this Committee are present.
9. Resolutions of Supervisory Board Committees require the approval of a simple majority of all their members.
10. Meetings are chaired by the Chairman of the Supervisory Board Committee or, in the event of his absence, by a member of the Supervisory Board Committee designated by him (hereinafter the "chair"). In the event that the Chairman of the Supervisory Board Committee does not designate such a person, the chairing member is a member of the Supervisory Board Committee elected by the Supervisory Board Committee.
11. Minutes of Supervisory Board Committee meetings and their decisions shall be drafted and shall be signed by the chair and the minutes clerk; a list of the present persons is attached to the minutes. The minutes of a Supervisory Board Committee's meeting shall contain a list of the members of the Supervisory Board Committee who voted against the individual resolutions or abstained from voting. The non-mentioned members of the Supervisory Board Committee shall be considered to have voted for the adoption of a resolution. Each member of the Supervisory Board is entitled to give his dissenting opinion recorded in the minutes.
12. Details regarding the manner in which Supervisory Board Committee meetings are to be run are set forth in the procedural rules (statutes) of each Supervisory Board Committee, which are approved by the Supervisory Board.

Section D Audit Committee

The company establishes an Audit Committee.

Article 50

Appointment of Audit Committee

1. Members of the Audit Committee are appointed and dismissed by the Company's General Meeting.
2. Members of the Audit Committee are appointed from the members of the Supervisory Board or third parties and the majority of the members of the Audit Committee must be independent and professionally competent. A professionally competent member of the Audit Committee is a person who, for at least two (2) years, held an executive position in an accounting entity operating in the same industry as the company or was responsible for risk management, compliance assessment, internal audit or actuarial calculations or any other similar activities.
3. At least one member of the Audit Committee must be a person who is or was a statutory auditor or whose expertise or experience in bookkeeping ensures the proper performance of the position of member of the Audit Committee with respect to the industry in which the company operates; this member must always be independent.

Article 51

Cessation of Membership of Audit Committee

1. Membership of the Audit Committee terminates upon the death or cessation of a member of the Audit Committee, his/her dismissal, his/her resignation from his/her position, the expiration of his/her term of office or due to other legal reasons.
2. In the event that a member of the Audit Committee dies, ceases to exist, resigns, is removed or his term of office is terminated in any other way, the General Meeting shall appoint a new member of the Audit Committee within two (2) months.
3. member of the Audit Committee can resign at any time from his/her position pursuant to the rights and obligations set in the agreement concluded between the member of the Audit Committee and the company, by written notification sent to the General Meeting or the Audit Committee. He/she may not do so at the time that is not suitable for the company. The performance of office of a member of the Audit Committee ends one (1) month after the notification was delivered to the General Meeting or the Audit Committee, unless the General Meeting or the Audit Committee approves another moment of the office termination on the request of the resigning member of the Audit Committee. If a member of the Audit Committee announces his/her resignation to the Audit Committee, the Audit Committee must inform about such a fact the General Meeting at its very next session.
4. In the event of the cessation of membership of the Audit Committee, the Audit Committee may immediately appoint a substitute member of the Audit Committee until the next General Meeting, provided the number of members of the Audit Committee has not fallen below half.

Article 52

Number of Members of the Audit Committee and their Term of Office

1. The Audit Committee has three (3) members. The term of office of individual members of the Audit Committee is 5 years.
2. A member of the Audit Committee can be re-elected.
3. During a meeting, the Audit Committee elects and dismisses its Chairman by a majority of votes of all its members. The Chairman of the Audit Committee, who must be independent, manages the activity of the Audit Committee.

Article 53

Convening of the Audit Committee

1. A meeting of the Audit Committee is convened by the Chairman of the Audit Committee or its vice-chairman, as needed, but no less than four (4) times a year, usually in the registered office of the company. An invitation to a meeting of the Audit Committee may be delivered by personal delivery against confirmation, via the data box information system to the data box of a member of the Audit

Committee, via a post license holder or in electronic form signed by a recognized electronic signature or via any other technical mean (telefax or public data network without a recognized electronic signature). The invitation must be sent at least ten (10) days before the day of the meeting. This term may be shortened with the consent of all members of the Audit Committee.

2. An invitation shall contain the following requirements:
 - a) Business name and registered office of the company;
 - b) Place, date and hour of the meeting;
 - c) Agenda of the meeting.
3. A meeting of the Audit Committee is held at any time this is requested in writing by any member of the Audit Committee, Supervisory Board, Board of Directors or shareholder, provided an urgent reason for convening is stated, no later than fifteen (15) days after such request is made.
4. The Audit Committee may invite members of the Board of Directors, members of the Supervisory Board or other parties to its meetings.

Article 54

Meetings of the Audit Committee

1. Meetings are chaired by the Chairman of the Audit Committee or, in the event of his absence, by its chairman (hereinafter the "chair")
2. Minutes of a meeting of the Audit Committee and its decisions shall be drafted and signed by the chair; a list of the present persons is attached to the minutes. The minutes of the Audit Committee's meeting shall contain a list of the members of the Audit Committee who voted against the individual resolutions of the Audit Committee or abstained from voting. The non-mentioned members of the Audit Committee shall be considered to have voted for the adoption of a resolution. Each member of the Audit Committee is entitled to give his dissenting opinion recorded in the minutes.
3. The costs related to meetings of the Audit Committee are borne by the company.

Article 55

Form of Deciding of the Audit Committee and Its Quorum

1. The quorum of the Audit Committee is attained if an absolute majority of all its members is present at its meeting. The office of a member of the Audit Committee shall be performed in person; however, this does not prevent a member to empower in writing for each case another member of the Audit Committee to vote for him/her in his/her absence.
2. The Audit Committee decides by voting, by an absolute majority of all its members. Each member of the Audit Committee has one (1) vote.
3. The Audit Committee may vote during its meeting by acclamation (a show of hands) or using technical means under the conditions set by the Audit Committee.

Article 56

Decisions outside Meetings of the Audit Committee

1. The Audit Committee can also take decisions outside a meeting of the Audit Committee.
2. If the members of the Audit Committee decide outside a meeting of the Audit Committee (per rollam), the chairman of the Audit Committee shall send all members of the Audit Committee a draft decision via personal delivery against confirmation, via the data box information system to the data box of a member of the Audit Committee, via a post license holder or in electronic form signed by a recognized electronic signature or via any other technical mean (telefax or public data network without a recognized electronic signature).
3. The draft decision must contain:
 - a) The text and reason of the draft decision;
 - b) The time-limit for a member of the Audit Committee's response determined by the decision proposer based on the need of the company;
 - c) Information necessary for its adoption;
4. If a member of the Audit Committee does not send his consent with the draft decision to the chairman of the Audit Committee within the time-limit pursuant to Paragraph 3, Letter b) of this article, it shall mean that he does not agree with the draft decision.
5. A decision outside a meeting of the Audit Committee is accepted if all members of the Audit Committee agree with the draft decision.
6. The decision taken outside a meeting of the Audit Committee must be mentioned in the minutes of the very next meeting of the Audit Committee.

Article 57

Obligations of the Members of the Audit Committee

1. The members of the Audit Committee shall exercise their powers as a careful manager, i.e. shall exercise its powers with loyalty and necessary knowledge and due care, and maintain confidentiality about confidential information and facts the disclosure of which to third parties might be detrimental to the company. If during proceedings before court it is being judged whether or not a member of the Audit Committee acted as a careful manager, this member bears the burden of proof to show he acted as a careful manager, unless the court decides that this cannot be reasonably requested from him/her.
2. An individual who has fulfilled all the conditions defined in the Business Corporations Act for a member of the Audit Committee may be a member of the Audit Committee.
3. A member of the Audit Committee may not also be a member of the Board of Directors, the company's registered agent or another person authorized to act on the company's behalf.
4. The members of the Audit Committee are subject to competition ban and the rules of conflict of interest pursuant to the Business Corporations Act.

Article 58

Information Duty

A member of the Audit Committee must inform the company about any insolvency proceedings initiated with respect to his/her assets or the assets of the business corporation, in which he is or was active during the past three (3) years as a body or its member, pursuant to another legal act or about any obstacles on his/her part with respect to his/her position.

Article 59

Liability of Members of the Audit Committee for Damage to the Company

1. The liability of the members of the Audit Committee for damage caused to the company is defined in the Civil Code and the Business Corporations Act.
2. Legal acts between the company and a member of the Audit Committee or the provisions of these Articles of Association that exclude or limit the liability of a member of the Audit Committee for damage are not taken into consideration.

Article 60

Definition of Powers of Audit Committee

1. As a part of its remit, the Audit Committee shall:
 - a) Monitor the progress of the drafting of the financial statements and the consolidated financial statements; in this context the Audit Committee shall also monitor the integrity of financial information provided by the company, in particular by reviewing the consistency and suitability of accounting methods used by the company;
 - b) Monitor the effectiveness of internal controls in the company, risk management systems;
 - c) Monitor the effectiveness and independence of internal audit provided that the position of internal audit exists; in such a case, internal audit is subordinated to the Audit Committee. In this context the Audit Committee also reviews the internal control, internal audit and risk management systems at least once a year, with regard to ensuring that the company's main risks are properly identified and managed, and also submits to the Board of Directors and Supervisory Board of the company recommendations regarding matters concerning an internal audit and supports the efficiency of the operation of the internal audit;
 - d) Submit to the Board of Directors and the Supervisory Board of the company recommendations regarding matters that concern internal audit;
 - e) Monitor the process of the mandatory audit of the financial statements and the consolidated financial statements. In this context the Audit Committee also obtains and assesses information related to audit activities and reviews the efficiency of the mandatory audit;
 - f) Assess the independence of the statutory auditor and audit company (hereinafter referred to as the "auditor") and the provision of additional services to the audited entity by the auditor. In this context the Audit Committee also monitors and assesses the auditor's objectivity, works with the auditor and obtains and assesses information that could endanger its independence, reviews the nature and extent of additional services provided to the audited entity by the auditor;
 - g) Recommend an auditor to a supervisory authority, but must properly justify its recommendation;
 - h) Regularly receive reports from the auditor that concern major facts arising from a mandatory audit, in particular major shortcomings in internal control in relation to the preparation of a

- financial statement or a consolidated financial statement;
- i) Discuss with the auditor information, declarations and statements in accordance with legislation;
 - j) Submit to the General Meeting regular reports about the activities of the Audit Committee;
 - k) Monitor from its position whether the company is headed towards over-indebtedness, or whether the company is already over-indebted. If it ascertains that this is the case, it signals this state to the company's other bodies.
2. The Audit Committee also exercises other powers that may result from other regulations.
 3. The Audit Committee's remit is not affected by the remit of the company's other bodies in accordance with legislation and these articles of association.

Section E CEO of the Company

Article 60a Position of the CEO

The position of CEO is held by the Chairman of the Board of Directors of the company.

Article 60b Remit of the CEO

1. The CEO is responsible for managing the General Management. As part of his remit, the CEO shall in particular be authorized to:
 - a) Submit recommendations concerning the internal running of the company to the Board of Directors;
 - b) Implement the decisions of the Board of Directors and ensure their unified implementation in the company as part of the General Management and, for these purposes, coordinate and assign tasks to the individual departments, divisions or sections of the General Management or to any other department of the company;
 - c) Act as an advisor, initiator and assistant with respect to other bodies of the company.
2. The CEO must manage the General Management and other departments of the company as specified in the previous sentence in compliance with the decisions of the Board of Directors, which is exclusively authorized to make decisions concerning the business management of the company and other matters entrusted to the Board of Directors by law and these Articles of Association.
3. The CEO is not authorized to represent the company with respect to external entities.
4. The remit of the CEO does not affect the remit of the other bodies of the company in accordance with legal regulations and these Articles of Association.

PART V Acting on Behalf of the Company

Article 61 Acting on Behalf of the Company

1. Two members of the Board of Directors act together on behalf of the company whereas at least one of them is the Chairman or the Vice-Chairman of the Board of Directors. If those persons sign on behalf of the company, they add to its business name their signature and a designation of their function.
2. If managers are also a member of the Board of Directors of the company, they cannot be a representative of the company based on the title of their employment position or based on an authorization of the Board of Directors either.

PART VI Financial Management of the Company

Article 62 Fiscal Year

The company's fiscal year is the calendar year, unless legislation provides otherwise.

Article 63
Billing and Financial Statements

1. The company is a single accounting unit. If it performs activities other than the activity of operating rail passenger transport, it shall maintain separate internal accounts for such activities.
2. The company may not transfer monies from activities for the operation of rail passenger transport paid for from public funds to other activities.
3. As a part of its separate internal accounts, the company shall maintain separate accounts for activities paid for from public funds in accordance with other legislation.
4. The company shall meet the duty of an audit of its annual financial statements for the independent accounting groups in accordance with the above sections through an auditor designated for this purpose by the ministry.
5. Funds granted from the state budget, from territorial budgets or possibly from other public sources (state funds) cannot be used by the company in any other way than for the purposes fixed in advance. These funds are subject to clearing with the source and unused or incorrectly used means must be returned during annual clearing to the entity that granted them.
6. The Board of Directors shall submit the ordinary financial statements together with a proposal for dividing profit or other own funds or for settling losses of the company and the annual financial statements of the separate financial areas for examination to the Supervisory Board, for verification to the auditor and for approval to the General Meeting of the company.
7. The Board of Directors shall send the ordinary financial statements, together with a proposal of dividing profit or other own funds or for settling losses of the company and the annual financial statements of the separate financial areas, to the shareholders registered in the list of shareholders together with an invitation to the General Meeting.
8. The General Meeting can decide that a loss reported in the previous fiscal year can be moved to losses reported in previous accounting periods.

Article 64
Method of Profit Distribution and Settling Losses

1. Net profit shall be used according to decisions of the General Meeting and in the following order, unless the General Meeting provides otherwise:
 - a) For allocations to the reserve fund;
 - b) For allocations to the social fund;
 - c) For other purposes set by the General Meeting;
 - d) To pay bonuses to the members of the Board of Directors and Supervisory Board;
 - e) To pay dividends to the shareholders.
2. The sum assigned to be divided into dividends is fixed by a decision of the General Meeting, which is not bound by the order given in paragraph 1 of this article when deciding on the method of profit distribution. The General Meeting may also decide that the complete net profit or its undivided part shall be transferred to the retained earnings account. These retained earnings can be used by the same way as net profit. Profit of the company can also be used to increase the company's registered capital in accordance with the conditions defined in the Business Corporations Act.
3. The company may not distribute profit or other own funds among shareholders if, as of the last day of the fiscal year, the equity shown in the ordinary or extraordinary financial statement or the equity after this distribution is lower than the subscribed registered capital increased for the funds that, pursuant to the Business Corporations Act or these Articles of Association, cannot be distributed among shareholders. Furthermore, the sum to be distributed among shareholders may not exceed the profit (loss) of the last ended fiscal year increased for retained profit from previous years and lowered for losses from previous years and for additions to reserve and other funds in compliance with the Business Corporations Act and these Articles of Association.
4. Based on an interim financial statement showing that the company has enough funds for profit distribution, the company can pay a profit share advance. The profit share advance cannot be higher than the sum of the profit (loss) of the current fiscal year, retained profit from previous years and other profit funds lowered for losses from previous years and mandatory additions to the reserve fund. The advance cannot be paid from the reserve funds that are created for other purposes or from own funds that are blocked for a special purpose and the company is not authorized to change their purpose.
5. The company may not pay profit or funds from other own funds or pay advances on profit or other funds if it could bankrupt the company.
6. The General Meeting decides on the way of settling possible losses of the company arising in the previous fiscal year.

7. Any losses arising during the economic management of the company may be settled especially from its reserve funds, unless the Business Corporations Act prohibits this. The General Meeting may decide further on the method of settling a loss:
 - a) By using retained earnings;
 - b) By using other funds of the company including capital funds and subscription surplus;
 - c) By decreasing the registered capital of the company.This order of ways for settling a loss is not binding for the General Meeting.
8. The General Meeting may also decide that the loss shall not be covered and shall be transferred to the retained earnings deficit account, unless legal regulations provide otherwise.

Article 65

Reserve, Social and Other Funds of the Company

1. The company shall create a reserve fund from net profit reported in the ordinary financial statements for the year in which it makes a profit for the first time, equaling 20% of net profit, but no more than 10% of the value of registered capital. This fund shall be supplemented annually by the sum of 5% of net profit until it is equal to 20% of the value of registered capital.
2. The Board of Directors decides on the use of the reserve fund, unless the Business Corporations Act or these Articles provide otherwise. The reserve fund thus created can be used only for settling losses.
3. The social fund is created pursuant to the law. The way of using the social fund is decided by the Board of Directors together with the appropriate trade union bodies.
4. The General Meeting can decide, based on a proposal of the Board of Directors, on the creation of other funds of the company and set rules for their creation and drawing on them.

Article 66

Property and Liability of the Company

The company is liable for its obligations with all of its property.

PART VII Concluding Provisions

Article 67

1. The General Meeting shall decide on any amendments to these Articles of Association.
2. Should an amendment to the Articles of Association of the company be on the agenda of a General Meeting, the invitation to the General Meeting shall at least characterize the nature of the amendments proposed and the draft amendments to these Articles of Association must be available to the shareholders for inspection at the company's registered office for thirty (30) days before the day of the relevant General Meeting. A shareholder is entitled to request a draft of the amendments to the Articles of Association at his own expense and risk. The shareholders shall be advised of these rights in the invitation to the General Meeting.
3. If, during a General Meeting, a shareholder intends to make counterproposals to the matters on the agenda of the General Meeting or to the matters, about which a public deed must be drafted, the shareholder must deliver it to the company at least five (5) working days before the day of the General Meeting. This does not apply if it concerns proposals regarding the election of specific persons to the bodies of the company. The Board of Directors shall inform shareholders about the shareholder's counterproposal and the Board of Directors' opinion in the way specified for convening the General Meeting in the Business Corporations Act and these Articles of Association at least three (3) days before the announced day of the General Meeting.
4. After the approval of amendments to the Articles of Association by the General Meeting, the Board of Directors shall arrange the drafting of a full text of the Articles of Association of the company and shall file them together with the documents proving the change in the collection of deeds of the Commercial Register. Amendments to the Articles of Association take effectiveness on the day they were decided on by the General Meeting, unless this decision set their later effectiveness or the Business Corporations Act indicates that they take effectiveness on the day they are registered in the Commercial Register.

Article 68

Archiving

The company must keep a filing service pursuant to Act No. 499/2004 of Coll., on archiving and a filing service and amendments of some laws, in its latest amendments.

Article 69

Effectiveness

The Articles of Association take effectiveness on the day of creation of the company.

**Minister of Transport and Communications of the Czech Republic
Ing. Jaromír Schling**