

Law firm KAŇKA & ŠAFKA, advokáti s.r.o. wishes to inform you about select changes in the regulation of joint stock companies ("AS") effective from 1st January 2014.

JOINT STOCK COMPANY ESTABLISHMENT

From 1.1.2014 it will be possible to establish AS only through simultaneous manner, i.e. without a public offer of shares. .

SHARE CAPITAL

Minimum share capital remains the same (CZK 2.000.000), however newly it will be also be possible to determine the share capital in Euros. In that case the minimum amount shall be EUR 80,000.

WEBSITE

Please note that from 1.1.2014 each AS must have its own website. This website must contain the information required by law, and of the more important, we would like to introduce:

- identification information (business name, registration number, address of registered office, information about incorporation);
- invitations to General Meeting including proposals for resolution of the General Meeting;
- financial statements;
- information about the existence of concern group.

In that context we would like to draw the attention to the consequence of a breach of the duty to maintain a website, which will be the possibility of a fine by the Register court in the amount of CZK 100,000.

RESERVE FUND

Current legal regulation of reserve fund is cancelled; henceforth the

AS won't be required to create a reserve fund. It is however deduced, that it will be possible to cancel the existing reserve fund only if the reserve fund is not included in the Articles of Association; or rather when it will be removed by the decision to amend the Articles of Association.

CHANGE OF ARTICLES OF ASSOCIATION

Please note that the General Meeting will be able to change the Articles of Association only if its explicitly allowed in Articles of Association. We therefore recommend performing adequate changes of Articles of Association before 31.12.2013, so that it will be possible to for the General Meeting to change the Articles of Association even after 1.1.2014.

REPRESENTATION AT THE GENERAL MEETING

Representation of a shareholder at the General Meeting by proxy will still be possible. We would like to, however, draw attention to the problematic provision whereby apparently, if the decision of the General Meeting will require to be documented by a notarial deed, the proxy will also have to be granted in the form of a notarial deed.

GENERAL MEETING

It will newly be possible for a shareholder to waive his right for a proper and due convening of the General Meeting. He must do so in writing with a certified signature, or directly at the General Meeting. The Articles of Association however must allow a shareholder to waive his right to proper and due convening of the General Meeting, therefore we recommend to change the Articles of Association in time.

DECISION MAKING PER ROLLAM

It will newly also be possible for the shareholders to take decisions outside of the General Meeting in the same way as we knew it so far in regards to the shareholders of SRO. The condition is once again that the Articles of Association will allow decisions per rollam.

MONISTIC AND DUALISTIC SYSTEM OF AS

It will be possible for AS to have 2 kinds of internal structure of bodies from 1.1.2014:

- monistic, where the bodies of AS (apart from General Meeting) are Statutory Director and Management Board;
- dualistic, where the bodies of AS (apart from General Meeting) are Board of Directors and Supervisory Board (previously known internal structure)

In that regard we would like to draw attention to certain rules concerning the monistic system:

- Only a natural person can become a Statutory Director or a chairman of Management Board
- Unless the Articles of Association specify otherwise, the Management Board will have three members.
- It is allowed for the Statutory Director to also be a chairman of Management Board.
- The basic focus of business management is determined by the Management Board.

Please also not these select changes in regulation of dualistic system:

- Unless the Articles of Association specify otherwise, both the Board of Directors and the Supervisory Board will have three members. It is therefore deduced, that both the Board of Directors and the Supervisory Board will be able to have only one member, regardless of the number of shareholders.

- Unless the Articles of Association or the agreement on performance specify otherwise, the term of office of Board members will be one year and for the members of the Supervisory Board three years. It is therefore deduced, that the term could be determined so that the member in question shall be elected for an indefinite period of time. Any adjustment in the agreement on performance of the function will have priority over regulation provided in the Articles of Association.

