

# DRAFT PROPOSALS

for voting in writing outside the General Meeting of O2 Czech Republic a.s.  
pursuant to Section 19 Lex COVID

**Draft proposals for the first round voting not requiring a notarial deed  
with the deadline for submission of votes by 17 June 2020 at 5:00 pm**

Concerning item 1 on the order of decisions Approval of the Company's standalone financial statements for the year 2019

DRAFT RESOLUTION:

**Outside the meeting, the General Meeting approves in writing the regular financial statements of the Company for 2019 verified by an auditor, which were presented by the Board of Directors in the form of publication on the Company's website ([www.ico60193336.cz](http://www.ico60193336.cz)) under the tab Investor Relations, section Annual and Half-year Reports as part of the Company's Annual Report for the year 2019.**

*Justification: The Company is obliged to prepare standalone financial statements for the past accounting period pursuant to applicable laws, and the Board of Directors presents them to the General Meeting for approval in accordance with the Business Corporations Act. The standalone financial statements are part of the Annual Report for the year 2019 and are available to shareholders on the Company's website. Standalone financial statements provide a true and fair view of the state and movement of property and other assets, payables and other liabilities, as well as costs and revenues and the Company's financial results. The auditor gave an unqualified opinion on the standalone financial statements. The standalone financial statements have been also reviewed by the Supervisory Board, which did not find any irregularities, and therefore recommends them for approval.*

*In connection with the approval of the Company's standalone financial statements for the year 2019 within the per rollam procedure, reports and other documents are available to shareholders, which are as standard presented to shareholders at General Meetings of the Company before the approval of financial statements.*

Concerning item 2 on the order of decisions (Approval of the Company's consolidated financial statements for the year 2019)

DRAFT RESOLUTION:

**Outside the meeting, the General Meeting approves in writing the consolidated financial statements of the Company for 2019 verified by an auditor, which were presented by the Board of Directors in the form of publication on the Company's website ([www.ico60193336.cz](http://www.ico60193336.cz)) under the tab Investor Relations, section Annual and Half-year Reports as part of the Company's Annual Report for the year 2019.**

*Justification: The Company is obliged to prepare consolidated financial statements for the past accounting period pursuant to applicable laws, and the Board of Directors presents them to the General Meeting for approval in accordance with the Business Corporations Act. The consolidated financial statements are part of the Annual Report for the year 2019 and are available to shareholders on the Company's website. Consolidated financial statements provide a true and fair view of the state and movement of property and other assets, payables and other liabilities, as well as costs and revenues and the financial results for the consolidated whole. The auditor gave an unqualified opinion on the consolidated financial statements. The consolidated financial statements have been also reviewed by the Supervisory Board, which did not find any irregularities, and therefore recommends them for approval.*

*In connection with the approval of the Company's consolidated financial statements for the year 2019 within the per rollam procedure, reports and other documents are available to shareholders, which are as standard presented to shareholders at General Meetings of the Company before the approval of financial statements.*

DRAFT RESOLUTION:

Outside the meeting, the General Meeting decides in writing as follows:

I.

The distribution of the Company's unconsolidated profit for the year 2019 in the amount of CZK 5,350,524,416.86 after tax is approved as follows:

- 1) contribution to the reserve fund CZK 0.00
- 2) contribution to the social fund CZK 8,000,000.00
- 3) royalties CZK 0.00
- 4) dividends CZK 5,273,741,139.00
- 5) retained earnings of previous years CZK 68,783,277.86

The Company's business assets also include its own shares. In accordance with Section 309 (2) of the Business Corporations Act, the Company's right to a share in the profits associated with these shares expires upon its maturity. The unpaid profit attributable to these shares will also be transferred to the retained earnings account of previous years.

Each share with a nominal value of CZK 10 receives a pre-tax dividend of CZK 17, and a share with a nominal value of CZK 100 receives a pre-tax dividend of CZK 170.

II.

Whereas

- on 30 March 2020 the Board of Directors decided that, in the event that holding the General Meeting on 16 April 2020 proves to be impossible, to pay advances for the Company's profit for the year 2019 in the amount of CZK 17 before tax per share with a nominal value of CZK 10 and CZK 170 before tax per share in the nominal value of CZK 100 (hereinafter referred to as "Decisions on Advances" and "Advances"); with Advances becoming due and payable on 6 May 2020, the payment of Advances ending on 6 May 2023 and the record date for the payment of Advances on 6 April 2020,
- the General Meeting proved impossible to be held on 16 April 2020 and the Company proceeded to the payment of Advances, and
- the General Meeting, by this decision on the amount of the dividend, conclusively confirms the Decision on Advances,

the General Meeting notes the following:

- 1) the amount of the dividend per share fully corresponds to the amount of the Advances decided by the Board of Directors of the Company in the Decision on Advances,
- 2) on the basis of this resolution, the Advance and dividend from the profit for the year 2019 associated with each share of the Company will be settled by deducting the Advance per share (CZK 17 and CZK 170, respectively) from the dividend attributable to the same share (CZK 17 and CZK 170, respectively); the resulting balance will be zero and the dividend payable above the Advance already paid will be CZK 0 (in words: zero Czech crowns),
- 3) the relevant tax is to be withheld (deducted) by the Company under the conditions arising from Czech legislation within the approved Advances.

III.

The due date of the dividend has been set for 19 June 2020, on which day the settlement of dividends and Advances will take place; the record date for the dividend in accordance with the Articles of Association is 20 May 2020.

*Justification: According to the Business Corporations Act and the Company's Articles of Association, the decision on the distribution of the Company's profit and retained earnings from previous years falls within the competence of the General Meeting. Therefore, the shareholders of the Company may also decide on it by means of a per rollam decision, in accordance in particular with the provisions of Section 19 (1) of the Act on Measures to Mitigate the Impact of the Coronavirus Epidemic and in connection with Section 418 et seq. of the Business Corporations Act. The share of the profit is derived from the standalone financial statements. The Board of Directors proposes the distribution of profit for 2019 in an amount that meets the requirements of the Business Corporations Act and the Company's Articles of Association. The amount of the Company's distributed profit is stated in the proposed resolution. In the opinion of the Board of Directors, the proposed distribution of profit corresponds to the financial situation and needs of the Company. At the same time, the proposed dividend is in line with the Company's announced dividend policy, within which the Board of Directors intends to propose the distribution of 90% to 110% of*

net non-consolidated profit. The proposed dividend represents 99% of the Company's net non-consolidated profit for 2019. The Supervisory Board has reviewed the proposal of the Board of Directors and recommends it to shareholders for approval.

The fundamental difference with respect to deciding on dividends within the distribution of profit for this year is that, by a decision of the Company's Board of Directors dated 30 March 2020, advances have been granted for dividends from the profit for the year 2019. Shareholders were informed of the circumstances of the advances and their consequences in due course. Therefore, the Board of Directors now provides only a brief explanation of the significance of the proposed resolution on profit distribution in relation to the advances. The eligibility to advance payments has been set as of 6 April 2020 and the due date was set for 6 May 2020. At the same time, a dividend cannot be paid from a share if an advance had been already granted in the same amount from the same share. Therefore, the Board of Directors has already clearly stated in the resolution on the payment of advances that the payment of an advance on a dividend will have de facto similar effects as the payment of the dividend itself. As a result, neither a dividend advance nor a dividend in relation to newly acquired shares will be paid to shareholders who acquire shares in such a way that the change is reflected in the statement from the statutory records after 6 April 2020. The settlement of the advance and the dividend per share will therefore take place with a zero balance and the payment of the advance will continue until 6 May 2023. At present, the Company's shares are not entitled to a dividend payment from the 2019 profit in the scope corresponding to the advances (these shares may only be eligible for any dividend in excess of the advance payment, if any such dividend is approved by the General Meeting). At the same time, the shares are subject to the settlement of advances against dividends for 2019 approved within the scope of the General Meeting, with a zero balance. This settlement is linked to shares, not to shareholders, and will therefore be made in relation to all shares, regardless of, inter alia, whether existing shareholders had received an advance in the past. As the amount of the dividend per share proposed by the Board of Directors from the profit for 2019 is the same as the amount of the advance per share, no dividend will be effectively paid to shareholders as a result of this settlement. The record date and due date are proposed in connection with Art. Article 35 (5) of the Company's Articles of Association, only in order to determine the decisive moments for the said settlement of dividends and Advances.

In the case of shares that are part of the Company's business assets (treasury shares), their number has remained and will remain throughout the whole period starting with Board of Directors' decision to pay advances until the record date of the proposed decision, with unpaid earnings on these shares transferred to retained earnings account from previous years.

#### Concerning item 4 on the order of decisions (Decision on the distribution of the Company's share premium)

DRAFT RESOLUTION:

**Outside the meeting, the General Meeting approves in writing the distribution of a part of the Company's share premium in the actual amount of CZK 8,263,773,333.91 to shareholders as follows:**

- the Company's share premium will be distributed (reduced) in the amount of up to CZK 1,240,880,268.00,
- the Company's own assets also include the Company's own shares. The Company will not be entitled to the payment of the amount related to the payment of share premium; the applicable amount (i.e. the relevant part of the above maximum amount) will remain in the share premium account,
- for each share with a nominal value of CZK 10, an amount of CZK 4 before tax will be paid,
- the amount of CZK 40 before tax will be paid for the share with a nominal value of CZK 100,
- having regard to the above provisions of this resolution, the final aggregate amount paid to shareholders, as well as the remaining share premium, will depend on the actual number of treasury shares owned by the Company,
- under the conditions arising from Czech legislation, the relevant tax will be deducted (deducted) by the Company before the payment is made,
- the payment will be made on the basis of a statement from the statutory register, which will be procured by the Company on 23 May 2020 (unless it is proven that the date in the register does not correspond to the factual situation as of that date),
- the amount to be paid will become due on 22 June 2020. The Board of Directors is responsible for the payment of the share of the share premium and the payment will be made at the Company's expense through Česká spořitelna, a.s. In matters not regulated by this resolution, the payment will be carried out in particular in accordance with legal regulations and the Company's articles of association.

*Justification: According to the Company's audited standalone financial statements for 2019, the Company's share premium is part of the Company's equity. As of 31 December 2019, its amount reached a total of CZK*

8,263,773,333.91. Based on thorough analysis, the Board of Directors of the Company concluded that the distribution of part of the share premium among the shareholders is justified in the given case. The proposal is also based on analysis of the Company's results in the previous period, the current situation of the balance sheet and expected future results of the Company performed by the Company's Board of Directors, including investment plans and an estimate of cash flow generation. With regard to the foregoing, the Board of Directors came to the conclusion that the proposed payment of part of the share premium corresponds to the financial situation and needs of the Company, and will not limit the current or intended future operations of the Company. At the same time, the payment of part of the share premium represents another source of income for all shareholders.

Concerning item 5 on the order of decisions (Appointment of an auditor to perform the statutory audit of the Company for the year 2020)

DRAFT RESOLUTION:

**Outside the meeting and on the basis of a proposal from the Supervisory Board and the Audit Committee, the General Meeting appoints the audit firm KPMG Česká republika Audit, s.r.o., Company ID No. 49619187, with its registered office in Prague 8, Pobřežní 648 / 1a, Postal Code 186 00, to perform a statutory audit of the Company for accounting period corresponding to the calendar year 2020 and that the audit contract of KPMG Česká republika Audit, s.r.o. be extended accordingly**

*Justification: According to the Act on Auditors and the Company's Articles of Association, the appointment of the Company's auditor to perform the statutory audit falls within the competence of the General Meeting. In keeping with the provisions of Section 44 (a)(d) of the Act on Auditors, the Audit Committee, recommended to the Supervisory Board to propose the appointment of KPMG Česká republika Audit, s.r.o. as an external auditor, and thus to extend the audit contract of the said audit firm. In its recommendation, the Audit Committee stated that KPMG Česká republika Audit, s.r.o., which performed the statutory audit of the Company for the accounting period corresponding to the calendar year 2019, had performed all statutory audit services properly, met all requirements for statutory auditor independence, has sufficient expertise in the field telecommunications and in the field of audit of companies whose shares are listed for trading on a regulated market, and thus, by appointing KPMG Czech Republic Audit, s.r.o., proper conduct of the statutory audit for the accounting period corresponding to the calendar year 2020 will be ensured. The Audit Committee further stated that the extension of the audit contract of KPMG Česká republika Audit, s.r.o. for the said accounting period is in accordance with the limits for the duration of an audit contract pursuant to Regulation (EU) No. 537/2014 of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities. Based on this recommendation, the Supervisory Board proposes to appoint KPMG Česká republika Audit, s.r.o. as the auditor for the accounting period corresponding to the calendar year 2020.*

Concerning item 6 on the order of decisions (Measures related to the optimization of the capital structure: the decision to acquire the Company's own shares)

DRAFT RESOLUTION:

**Outside the meeting, the General Meeting agrees in writing that the Company may acquire its own shares, under the following conditions:**

- **the maximum number of shares that the Company may acquire: 30,088,214 dematerialized (book-entered) ordinary shares of the Company, while the nominal value of each share as of the date of adoption of this resolution is CZK 10**
- **the period during which the Company may acquire shares: 5 years from starting from 9 December 2020**
- **the lowest price at which the Company can acquire individual shares: CZK 10**
- **the highest price at which the Company can acquire individual shares: CZK 297**
- **the highest aggregate price of all shares that the Company may acquire on the basis of this resolution: CZK 5.5 billion.**

*Justification: The buy-back of treasury shares has so far been carried out on the basis of Resolution 2015 (as described below in the draft resolution on paragraph 9 on the order of decisions above) adopted by the General Meeting to reduce equity, which should result in capital optimization, i.e. in this specific case an increase of the debt to equity ratio. The share buy-back program was approved in form of a resolution in the 2015 Resolution for the maximum possible duration allowed by law, which was 5 years. This period expires on 8 December 2020. The share buy-back program delivered the expected result. For this reason, the Board of Directors proposes to continue the share buy-back program under similar terms and conditions as those approved by way of Resolution 2015 beyond 8 December 2020. This will allow the Company to flexibly manage its capital structure in the future.*

*The approval of the proposed share buy-back program is without prejudice to other legal obligations and limits that the Board of Directors must comply with, either in relation to capital markets or in relation to shareholders and the Company itself (especially the obligation to treat shareholders equally or to exercise due diligence).*

Concerning item 7 on the order of decisions (Approval of the remuneration policy for members of the Board of Directors and the Supervisory Board of the Company)

DRAFT RESOLUTION:

**Outside the meeting, the General Meeting decides in writing on the adoption of the remuneration policy for the members of the Board of Directors and the Supervisory Board in the wording of the proposal presented by the Board of Directors, which had been distributed together with this proposal.**

*Justification: The submitted draft policy for the remuneration of the members of the Board of Directors and the Supervisory Board of the Company represents the fulfilment of the obligation imposed on issuers of securities by the amendment to the Capital Market Undertakings Act. The remuneration policy summarizes the premises, rules and criteria on which the remuneration of members of the Board of Directors and the Supervisory Board is based, as required by law. The policy proposal is based on the currently valid principles of remuneration of members of the Board of Directors and the Supervisory Board.*

Concerning item 8 on the order of decisions (Election of a member of the Audit Committee)

DRAFT RESOLUTION:

**Outside the meeting, the General Meeting elects in writing Mr. Michal Brandejs, born on 21 February 1967, resident at Bartáková 110/34, Prague 4, as a member of the Company's Audit Committee with effect from 9 December 2020.**

*Justification: The Board of Directors proposes the re-election of Mr. Michal Brandejs as a member of the Audit Committee in view of the fact that Mr. Michal Brandejs' term of office expires on 8 December 2020. The Board of Directors considers the proposed candidate suitable with regard to his qualifications, experience and history as an existing member of the Audit Committee of the Company.*

**Draft proposals for the second round voting requiring a notarial deed  
with the deadline for submission of votes by 2 July 2020 at 5:00 pm**

Concerning item 9 on the order of decisions (Measures related to the optimization of the capital structure: decision to reduce the Company's share capital by cancelling its own shares)

**DRAFT RESOLUTION:**

**Outside the meeting, the General Meeting decides in writing on the reduction of the Company's share capital by cancelling its own shares, in the amount of CZK 93,379,100 (in words: ninety-three million three hundred and seventy-nine thousand one hundred Czech crowns), i.e. from 3,102,200 CZK 670 (in words: three billion one hundred two million two hundred thousand six hundred and seventy Czech crowns) to CZK 3,008,821,570 (in words: three billion eight million eight hundred and twenty-one thousand five hundred and seventy Czech crowns).**

**This reduction in the Company's share capital will take place in the following circumstances:**

**- Reason and purpose of the share capital reduction**

**By its resolution of 8 December 2015 (hereinafter referred to as the "2015 Resolution"), the General Meeting of the Company agreed to acquire its own shares under the specified conditions, in connection with the Board of Directors' intention to flexibly manage the Company's capital structure. At the same time, this procedure was to increase the possibility for cash payment in favour of those shareholders who decide to use this option, or to increase value for those shareholders who keep their shares.**

**Pursuant to the 2015 Resolution, the Company has so far acquired its own shares in the number corresponding to 9,337,910 shares (in words: nine million three hundred and thirty-seven thousand nine hundred and ten) with a nominal value of CZK 10 (in words: ten Czech crowns; "Cancelled Shares").**

**By repurchasing its own shares, the Company reduced its equity, which led to the desired increase of the debt to equity ratio. With regard to the fact that the Company already holds shares exceeding 3% of all shares and the program period according to the 2015 Resolution is already approaching 5 years, the Board of Directors considers the optimal solution to cancel shares with a subsequent share capital reduction, thus completing the purpose of buying back the Company's own shares.**

**- Method of reducing the share capital**

**The share capital of the Company will be reduced by the cancellation of the Cancelled Shares.**

**The Cancelled Shares will be cancelled by deleting them from the statutory register of book-entered securities. The aggregate nominal value of the Cancelled Shares corresponds to the amount of the share capital reduction, i.e. CZK 93,379,100 (in words: ninety-three million three hundred and seventy-nine thousand one hundred Czech crowns).**

**- The manner in which the amount corresponding to the reduction in share capital will be treated**

**As the Cancelled Shares are the Company's own shares, the relevant amount corresponding to the total amount of the share capital reduction, i.e. CZK 93,379,100 (in words: ninety-three million three hundred and seventy-nine thousand one hundred Czech crowns), cannot be paid to the Company's shareholders nor transferred to another equity account of the Company. The share capital account will be reduced by this amount. The amount corresponding to the reduction in share capital will therefore effected only in the accounting sense.**

**The total acquisition price at which the Company acquired the Cancelled Shares amounts to CZK 2,347,554,154.72 (in words: two billion three hundred and forty-seven million five hundred and fifty-four thousand one hundred and fifty-four Czech crowns seventy-two hellers). The share premium will be reduced by the difference between the acquisition price and the nominal value of the Cancelled Shares, i.e. by the amount of CZK 2,254,175,054.72 (in words: two billion two hundred and fifty-four million one hundred and seventy-five thousand fifty-four Czech crowns seventy-two hellers). For the avoidance of doubt, this amount cannot be paid to the Company's shareholders.**

**- Special provisions - key rules governing the procedure of share capital reduction**

**In reducing its share capital, the Company's Board of Directors will comply with the law and International Financial Reporting Standards ("IFRS"), which the Company is required to follow,**

including the management of the amount corresponding to the share capital reduction and the related accounting operations.

Without prejudice to the obligations of the Board of Directors under the law and the Company's Articles of Association, the Board of Directors will announce on the Company's Website ([www.ico60193336.cz](http://www.ico60193336.cz)) under the tab Investor Relations without undue delay:

- (i) the date of entry of this decision on the reduction of the Company's share capital in the Commercial Register and the date on which it became effective against third parties within the meaning of Section 518 (1) of the Business Corporations Act;
- (ii) the date of the first publication of the announcement and the notice to creditors within the meaning of Section 518 (2) of the Business Corporations Act;
- (iii) the date of the second publication of the announcement and the notice to creditors within the meaning of Section 518 (2) of the Business Corporations Act.

The Board of Directors will also notify the date on which the reduction of the share capital will be entered in the Commercial Register at least two weeks in advance in the manner specified in the previous point. The Board of Directors will ensure that the Cancelled Shares are deleted from the statutory register, where the Company's shares are registered and which replaces the list of shareholders.

*Justification: The reasons and purpose of the proposed reduction of share capital are fully described in the relevant point of the resolution.*

*The reduction of the share capital and the cancellation of the Cancelled Shares will not change the mutual proportions of the shares of individual shareholders in the Company. This transaction will not have any negative effects for the shareholders or the Company (the reduction of the share capital will not have an immediate impact on the rights of the shareholders), nor will it negatively impact the recoverability of the Company's creditors' claims.*

*An amendment to the Articles of Association reflecting a reduction in the number of shares and a reduction in share capital will be made once the legal conditions have been met, in accordance with Section 433 of the Business Corporations Act.*

#### Concerning item 10 on the order of decisions (Decision to amend the Company's Articles of Association)

DRAFT RESOLUTION:

**Outside the meeting, the General Meeting decides in writing on the amendment of the Company's Articles of Association by approving the new full wording of the Company's Articles of Association in the wording presented by the Board of Directors, which forms an appendix to this proposal. The new full wording of the Company's Articles of Association will take effect as of 1 January 2021.**

*Justification: The proposal of the Board of Directors is based on the effects of legislative changes that are necessary, or appropriate, to incorporate in the text of the Articles of Association. These include the following changes: (i) adjustment of the powers of the General Meeting and the Supervisory Board in relation to the remuneration policy and the conclusion of significant agreements with related parties, (ii) the report of the Board of Directors on the Company's business and assets will not be made and therefore will not be presented to the General Meeting for discussion, (iii) regulation of participation of persons other than shareholders in the General Meeting (iv) invitation to the General Meeting and (counter) proposals of shareholders delivered before the General Meeting will be published on the Company's Website and the invitation will be published in the Commercial Bulletin; (v) the right of the trade union to nominate a candidate for employee representative to the Supervisory Board has been added, (vi) the quorum for the validity of the election of the employee representative to the Supervisory Board has been made more precise. In addition, the Board of Directors proposes only minor terminological improvements to the text, which have no material impact.*

*The proposed postponement of the effectiveness of the full text of the Articles of Association is related to the fact that most of the legislative changes, according to which the change takes place, will also take effect as of 1 January 2021.*