

Report and  
declaration relating  
to Agora S.A.  
compliance with the  
corporate  
governance rules  
in 2011

April 13, 2012

# REPORT AND DECLARATION RELATING TO AGORA S.A. COMPLIANCE WITH THE CORPORATE GOVERNANCE RULES IN 2011

Agora S.A. complies with the corporate governance rules as described in the attachment to the resolution No. 12/1170/2007 of the Supervisory Board of the Warsaw Stock Exchange dated July 4, 2007 entitled Code of Best Practice for WSE Listed Companies amended by the resolution no. 20/1287/2011 dated October 19, 2011. These rules are disclosed on the web site <http://www.corp-gov.gpw.pl/>.

Agora S.A. understands the importance of the corporate governance rules and their role in strengthening the transparency of public companies therefore it pays a lot of attention to their implementation in everyday operations. The Company's efforts to become fully transparent are visible in its adherence to the Code of Best Practice since 2002.

The Company discloses current and periodical reports, which are subsequently published on the corporate website. On the Company's corporate website one can also find a list of the most important events, presentations of Company's financial results, conference call recordings concerning the aforementioned results and also information on current events in the Company.

The Company prepares quarterly presentations of its financial results, which are then discussed with analysts and investors during conference calls or meetings. Such discussions enable everyone interested full access to information about the Company and are a great occasion to meet with the members of the Management Board of the Company.

Meeting the expectations of the capital market, in 2004, Agora, as a one of the first companies listed on Warsaw Stock Exchange, introduced the rule on restricted external communication with the capital market participants before publication of financial results. According to the aforementioned rule, two weeks before publication of quarterly results, the representatives of the Company do not conduct any talks and do not participate in any meetings with analysts and investors. The purpose of this rule is to increase transparency and to ensure equal access to the information on the Company before the publication of its financial results.

## **1. LISTING OF THE CORPORATE GOVERNANCE RULES THAT WERE NOT OBSERVED BY THE ISSUER INCLUDING THE CIRCUMSTANCES AND REASONS FOR THEIR REJECTION AS WELL AS THE REMEDY FOR ITS POSSIBLE EFFECTS AND THE WAY THE COMPANY IS TO ELIMINATE RISK OF NOT APPLYING THE RULE OR MEASURES AND THE STEPS THE COMPANY IS TO TAKE IN ORDER TO REDUCE RISK OF NOT APPLYING THE RULE IN THE FUTURE.**

In 2011, the Company did not comply fully with the rule regarding providing shareholders with the possibility to participate in the meeting of shareholders by electronic means of communication as regards:

- providing shareholders with the possibility of real - time bilateral communication enabling them to take the floor during the meeting from a location other than the general meeting of shareholders and
- exercise their right to vote either in person or through a proxy during a general meeting.

The Company will analyse the possibility to comply fully with this rule providing that the software available on the market shall guarantee safety and efficiency of conducting the meeting of shareholders taking into account the Company's dispersed shareholding structure. The Company already provides real – life broadcast of the meeting of shareholders in Polish and English.

## I. RECOMMENDATIONS FOR BEST PRACTICE FOR LISTED COMPANIES

As far as the recommendation regarding the Company's pursue for a transparent and effective information policy with the use of both, traditional methods and modern technologies as well as latest communication tools ensuring fast, secure and effective access to information the Company plans to launch a new corporate website in the second quarter of 2012. Its objective is to provide shareholders with more coherent and easier access to information.

The Company puts a lot of effort to ensure adequate communication between the Company and the shareholders and participants of the financial market by means of the direct access to investor relations team and the representatives of the Management Board. Moreover, the Company provides additional information on different media segments to people who expressed their willingness to receive such information. Till now, the Company has not received any request to widen the range of possible communication means from the representatives of capital markets.

As far as the recommendation regarding general meeting of shareholders is concerned, the Company puts a lot of effort to make it possible for as many as possible Company's shareholders to participate in the meeting. The Company informs about the changes in the agenda of the meeting including the organizational details concerning the meeting.

All shareholders have the same rights as far as the transactions and contracts executed between the Company and its shareholders or related entities are concerned.

Currently all shares issued by Agora are traded solely on the Warsaw Stock Exchange, therefore all shareholders of Agora S.A. acquire their rights at the same time in accordance with Polish law.

As far as recommendation regarding remuneration policy is concerned the rules regarding remuneration of Agora's employees are based on internal regulations. This rule does not apply to the members of the Supervisory Board and Management Board. The remuneration of the Management Board members is set by the Human Resources and Remuneration Committee – an advisory body within Supervisory Board. Supervisory Board sets objectives and bonus criteria for individual Management Board members in a given year or for three – year – periods.

Eligible employees of the Group participate in the Three – Year – Long Incentive Plan (2010 – 2012) for the members of the Management Board and top managers based on achieving operating EBITDA objective and the degree of the Company's share price increase. The rules, objectives and conditions of settlement the Three – Year – Long Incentive Plan were set in case of the members of the Management Board by the Supervisory Board and in case of top managers by the Management Board by means of adequate resolutions. The detailed description of the Three – Year – Long Incentive Plan can be found in a note to the financial statements for 2011.

Additionally, the members of the Management Board participate also in a motivation plan based on Company's shares. The Company informed about the plan in current report no. 71/2005 dated September 16, 2005. The description of this motivation plan can be found in a note to the financial statements for 2011.

The remuneration and other benefits due to the Management and Supervisory Board members are reported in the Annual Financial Statements.

The remuneration of the Supervisory Board is set by the General Meeting of Shareholders of Agora S.A.

As far as recommendation for balanced proportion of men and women in the governing bodies of the companies is concerned, the Management Board of Agora S.A. wishes to draw attention to the fact that candidates for the Supervisory Board members may be presented only by shareholders holding series A shares and shareholders who documented their entitlement to not less than 5% of the votes at the last Shareholders Meeting before the candidates were nominated and who at the time of making the nomination hold not less than 5% of the share capital of the Company, provided that in order to ensure a proper nomination, it is necessary for the shareholder making such nomination to prove his right to at least 5% of the votes at the Shareholders Meeting where such nomination shall be voted on (§21 sec.1 letter a of the Statutes). According to § 30 of the Statutes of Agora S.A. candidates for the Management Board shall be nominated exclusively by shareholders holding preferred series A shares, and following the expiry of the preferred status of all such shares, by the Supervisory Board, with the provisions regarding nomination of members to the Supervisory Board also applying to nominating members to the Management Board. In the event that the persons authorised to determine the number of members of the Management Board and to nominate candidates for such members do not exercise one or both of the above rights, the number of members of the Management Board elected by the General Shareholders Meeting shall be

determined by such Shareholders Meeting, while each shareholder during such Shareholders Meeting shall be able to nominate candidates for such members.

Moreover, the Management Board of Agora S.A. wishes to stress that the main criteria for selection of proper candidates for all managerial positions, remaining in the competencies of the Management Board, include knowledge, experience and abilities necessary to perform given function. The Management Board believes that using that criteria for recruiting all employees in the Company and in the Group, ensures efficient operation and overcoming new business challenges.

As far as the recommendation concerning the members of the Supervisory Board is concerned, it should be stressed that Agora's Supervisory Board members represent diversified fields of expertise and long professional experience allowing them to look at the Company and its Capital Group from the broader perspective. The members of the Supervisory Board receive all necessary information regarding the Company's and Group's operations. Moreover, if there is a need to provide any additional information or clarification to the Supervisory Board members the Company does it instantly.

Agora Group has a diversified portfolio of media and each of them as part of its operations undertakes cultural, sports and educational projects. These activities constitute a part of segments' or brands' development within the Agora Group. The most important information regarding these projects can be found on the Company's website. Actions undertaken by Agora's media are of serial or ad hoc nature as an answer to a specific social problem or event. To the actions of cyclical character one can include the action *Firma przyjazna matce* (Mother friendly company) organized by editorial office of the magazine *Dziecko* (Child) and *Poradnik Domowy* (Housekeeping) or the action *Rodzić po ludzku* (Humane birth) organized by *Gazeta Wyborcza*. Moreover, Agora's media promote spending free time in an active way, for example by means of the action *Polska biega* (Poland runs) or *Polska na rowery* (Poland on bikes). Our media also try to shape civil attitudes encouraging Poles to participate in elections within their own authorial actions or as patrons of actions organized by other entities, for example, *Kobiety na wybory* (Women go to vote) or *Wybory dla wszystkich* (Elections for everyone). Agora's media draw also attention to problems in different parts of the world and initiate actions supporting them. The example include actions undertaken in 2011 on the website *Podarnik.Gazeta.pl* for the inhabitants of Liberia and Japan and the action undertaken by *Sport.pl* supporting activities of Polish Humanitarian Action called *Movement for Africa*.

As far as the recommendation concerning the due care for the quality of reporting practice by means of communication expressed on the Company's corporate website with regard to untrue or partially untrue information on the Company, the Management Board of Agora S.A. shall make a decision to take their position in each case separately.

Below one can find the way the Company observed the aforementioned rules of corporate governance.

## II. BEST PRACTICE FOR THE MANAGEMENT BOARDS OF LISTED COMPANIES

According to the corporate governance rules of the companies listed on Warsaw Stock Exchange, the Company operate its corporate website in Polish and English. Despite legally required information Agora's corporate website offers basic corporate documents as its Statute and by-laws of its governing and supervising bodies. Additionally, the website presents the professional biographies of the members of the Management Board or Supervisory Board. According to the requirements the Company publishes on its website financial statements and regulatory filings. Additionally, to facilitate the analyses of the financial information, the Company provides PowerPoint presentations with the financial results and audio recordings from the teleconferences during which members of the Management Board discussed the Group's financial results in a given period of time.

According to the requirements, on the website one can find also the part dedicated to general meetings of shareholders, which traditionally take place in the Company's headquarters in Warsaw. On the website, one can find all the documents relating to a general meeting of shareholders, including announcement on convening the general meeting, the candidates to the managing or supervising bodies together with their professional biographies as soon as the Company receives them from the entitled entities. Here, one can also find all organizational information as a break in general meeting of shareholders or changes in the agenda of the meeting.

On June 22, 2011 the General Meeting of Shareholders of Agora S.A. took place in its headquarters in Warsaw and all the documents relating to that Meeting were published on the Company's website. The General Meeting was convened by the Management Board of Agora S.A. Its course took place in accordance with Commercial Companies Code and the By-laws of General Meeting. The Members of the Management Board and Supervisory Board as well

as the representatives of the Company's Auditor were present during the General Meeting of Shareholders and were ready to answer all the questions according to their competencies and law.

In case of questions from shareholders and answers to those questions during the general meeting of shareholders they are available for everyone due to the fact that the Company records the meetings of shareholders. Additionally, the Company prepares the list of questions and answers relating to a given meeting of shareholders if they appear. The answers are given by the Management Board and Supervisory Board members present during the meeting.

Here, one can also find the documents relating to the dividend, for example the Management Board recommendation on profit distribution, draft resolutions and final resolutions.

The Company publishes on its website reports relating to its compliance with corporate governance rules and information relating to the rule on changing the auditor examining the Group's financial statements. The Company, every year, in its quarterly report published on its website provides information on the cost of motivation plans in the Company (including the one based on the Company's shares).

In the section relating to the Supervisory Board, the Company provides information on one member of the Supervisory Board related to the shareholder entitled to more than 5% of votes during general meeting of shareholders. Here one can find the Supervisory Board reports together with the evaluation of the Company's internal risk control system and risk management system.

### **III. BEST PRACTICE FOR SUPERVISORY BOARD MEMBERS**

The Supervisory Board of Agora S.A. complies with all the requirements of the corporate governance rules.

As part of its duties the Supervisory Board prepares the concise evaluation of the Company together with the evaluation of internal control system and risk management system. This evaluation is published on the corporate website together with all the documents relating to general meeting of shareholders.

Additionally, the Supervisory Board examines and gives its opinion on all issues being the subject of the general meeting of shareholders. The representatives of the Supervisory Board participate in the general meeting in the composition enabling them answering possible questions voiced by shareholders. In 2011, the Supervisory Board was represented by its President Mr. Andrzej Szlęzak.

In case of relation between a Supervisory Board member and the shareholder entitled to more than 5% of votes during the general meeting of shareholders this person informs about that fact the Management Board of the Company and other members of the Supervisory Board. Similar situation takes place in case of conflict of interests or possibility that such a conflict of interests may arise.

In 2011 none of the members of the Supervisory Board resigned from his or her function. As far as independence of the Supervisory Board members is concerned it is discussed in detail in further part of the report.

### **IV. BEST PRACTICE OF SHAREHOLDERS**

Agora S.A., as a public company, allows the representatives of media to participate in its general meeting of shareholders. Also, during the last General Meeting of Shareholders held on June 22, 2011, the representatives of media were invited to participate. In case the Company plans to introduce the changes in the by-laws of general meeting of shareholders it tries to inform about it in advance to make it possible for shareholders to execute their rights.

During the General Meeting of Shareholders held on June 22, 2011 there were no changes introduced in the by-laws of the general meeting. In 2011 the general meeting did not resolve on share issue. The resolution on profit distribution provided for the compliance with the term – of no longer than 15 working days between the date setting the right to dividend and the day of dividend payment. The General Meeting did not resolve on conditional dividend or division of nominal value of the Company's shares.

Each year, the Company provides real-life broadcast of the general meeting of shareholders in Polish and in English. During the General Meeting of Shareholders held in 2011, the Company did not provide the shareholders with the possibility of bilateral communication by electronic communication means where shareholders could have taken the floor during the Meeting from a location other than the General Meeting or could have exercised their voting right either in person or through a proxy, inter alia, due to safety reasons. The Company will analyse the possibility to comply with this requirement in 2013 provided that the available software shall guarantee safety of the general meeting and its efficient course taking into account the dispersed nature of the Company's shareholder base.

## **2. DESCRIPTION OF THE GENERAL MEETING OF SHAREHOLDERS AND ITS FUNDAMENTAL AUTHORIZATIONS AS WELL AS THE RIGHTS OF SHAREHOLDERS AND THEIR EXECUTION.**

The general meeting of shareholders of Agora S.A. acts in compliance with the Commercial Companies Code and the Statutes of Agora S.A. The Statutes of the Company stipulates adoption by the General Meeting of Shareholders regulations defining its functioning (§ 16 of the Statutes). Adopting, amending or rejecting the regulations requires three quarters of votes cast. Such regulations were adopted and can be found at the following URL address: [http://www.agora.pl/agora\\_eng/1,67052,1659254.html](http://www.agora.pl/agora_eng/1,67052,1659254.html). The general meeting of shareholders is convened in compliance with the Commercial Companies Code.

Unless the provisions of the Commercial Companies Code and the Company's Statutes provide otherwise, the resolutions of the general meeting of shareholders are adopted by an absolute majority of votes cast. According to the § 15 of the Statutes, resolutions concerning merger of the Company with another entity, other forms of consolidation and division of the Company that are or will be permitted by law are adopted by the absolute majority of three quarters of votes cast. The same rule applies to settlements concerning the remuneration of the Supervisory Board members, including individual remuneration of those members who were elected to a continuous supervisory. The absolute majority of three quarters of votes cast in the presence of shareholders representing at least 50 % of the Company's share capital, is required for resolutions concerning removal of matters from the agenda of the general meeting of shareholders. When the aforementioned motion for removal is submitted by the Management Board of the Company an absolute majority of votes cast shall be required to adopt such a resolution. Purchase and sale of property, perpetuity or share in property shall not require a resolution of the general meeting of shareholders.

In accordance with § 15 item 4 of the Company's Statutes, removal of any matters from the agenda of the general meeting of shareholders on request placed on the basis of Article 400 or 401 of the Commercial Companies Code by a shareholder, representing at least one tenth of the Company's share capital, shall require consent of the shareholder who made such request. Adoption of resolution relating to shareholder's responsibility to the Company, no matter the reason, shall require an absolute majority of three quarters of votes cast in the presence of shareholders representing at least 50% of all Company's shares entitling to adoption of such resolution.

In accordance with § 17 of the Company's Statutes none of the shareholders may exercise more than 20 % of the overall number of votes at the general meeting of shareholders. The above mentioned restriction is not effective when establishing obligations of purchasers of substantial stakes, stipulated in the Public Offer of Financial Instruments Act. The aforementioned restriction shall also not apply to:

- ▶ shareholders holding the preference A shares;
- ▶ the depository bank which, on the basis of the agreement with the Company, issued depository receipts based on the Company shares, when such an entity exercises voting rights attached to shares which constituted the basis for the issue of depository receipts;
- ▶ a shareholder who, having no more than 20% of the overall number of votes at the general meeting of shareholders, announced a tender for subscription for the sale or exchange of all the shares of the Company in compliance with the Public Offer of Financial Instruments Act. The restriction does not apply if as a result of the transaction described above, the number of shares owned by him, including the previously held Company's shares, authorizes him to exercise at least 75% of the overall number of votes at the general meeting of shareholders. When calculating a shareholder's share in the aforementioned overall number of votes at the general meeting of shareholders (the 20% share - mentioned in the sentence above) the restriction of the voting rights does not exist.

In accordance with § 17 item 5 of the Company's Statutes, percentage of votes at the General Meeting of Shareholders of foreign entities and entities controlled by them may not exceed 49%. The limit shall not refer to entities with their registered seats or residence in a member state of the European Economic Area.

Each share, whether preference or not, entitles its holders to one vote when passing a resolution regarding the withdrawal of the Company's shares from public trading.

According to § 7 of the Company's Statutes, apart from the registered series A shares, the share capital also comprises ordinary shares series B i D, bearer and registered. The registered shares of preference series A entitle their holders to five votes at the general meeting of shareholders.

According to § 11 of the Company's Statutes, sale or conversion of preference A shares require written consent of shareholders holding at least 50% of the preference A shares registered in the share register on the date of filing of an appropriate application. Within 14 days from the date of receipt of the request to sell or convert preference A shares, the Management Board is obliged to deliver a copy of that request to each holder of preference A shares, to the address disclosed in the share register.

Candidates to the Supervisory Board can be nominated by shareholders holding preference A shares. The same right is attributed to shareholders with formally documented entitlement to not less than 5% of the votes at the General Meeting of Shareholders preceding the nomination of candidates and who at the time of submitting the nomination hold not less than 5% of the share capital of the Company (§ 21 point 1 letter a of the Statutes). Should a Supervisory Board member's mandate expire due to his or her resignation the other Supervisory Board members may appoint a new member who shall perform his/her functions until the general meeting appoints a Supervisory Board member, however not longer than until the end of the term of its predecessor. Dismissal (removal) of the Supervisory Board member, prior to the end of his term of office, may be effected by a resolution of the general meeting of shareholders adopted by a simple majority of votes cast, provided that until the expiry of the preference status of the A series, 80% of votes attached to all preference A shares are cast in favour of such resolution.

Information on further rights and obligations of general meeting of shareholders and shareholders in relation to appointment and dismissal of the Management Board Members are included in consecutive parts of the present report.

Bearer shares cannot be converted into preference shares.

Rights of the Company's shareholders, including minority shareholders are performed in compliance with the provisions of the Commercial Companies Code.

Implementing transparency and effective information policy as well as trying to ensure all shareholders equal access to information on the Company Agora has been providing real-life broadcast of its general meetings of shareholders (in English and Polish) via Internet.

Agora's general meeting of shareholders is always attended by the representatives of the Management Board, Supervisory Board and the Company's statutory auditor.

### **3. THE COMPOSITION AND RULES OF FUNCTIONING OF THE COMPANY'S GOVERNING BODIES AND OF THE SUPERVISORY BOARD'S COMMITTEES.**

#### **3.1. The Management Board**

The Management Board of the Company acts in compliance with the provisions of the Commercial Companies Code and the Statutes of the Company. According to the Statutes of the Company, the Management Board shall consist of 3 to 6 members. The exact number is determined by shareholders holding the majority of preference A shares and after the expiration of such preference status - by the Supervisory Board (§ 28 of the Company's Statutes).

As of the day of publishing the report, the Company's Management Board is represented by:

- Piotr Niemczycki - the President of the Management Board,
- Zbigniew Bak - the Deputy President of the Management Board,
- Marek Jackiewicz - the Member of the Management Board,
- Grzegorz Kossakowski - the Member of the Management Board,
- Stanislaw Turnau - the Member of the Management Board.

On December 29, 2011, Tomasz Jozefacki - Agora's Board member - has resigned from the position of Agora's Management Board member. On January 4, 2012, pursuant to § 28 section 3 of the Company's Statute, the Management Board of the Company elected by way of co-option additional members of the Management Board, Stanislaw Turnau and Marek Jackiewicz.

The Management Board members are elected for five years (§ 29 item 1 of the Company's Statutes). Remuneration and other benefits of the Management Board are set by the Supervisory Board, after consulting them with the President of the Management Board. According to § 27 of the Company's Statutes the Management Board shall manage the Company's affairs and represent the Company in dealings with the third parties. The responsibilities of

the Management Board include all matters related to conducting the Company's affairs, provided they were not reserved for the competence of other governing bodies. The resolutions of the Management Board are adopted by a simple majority of votes cast (§ 34 of the Company's Statutes). Each member of the Management Board shall be authorized to make binding statements with respect to Company's proprietary rights and obligations and to sign on behalf of the Company. The Management Board determined its rules of conduct in its special regulations.

According to § 35 of the Company's Statutes, the Members of the Management Board shall be bound by a non-competition clause. In particular they cannot engage in any competitive business or be a participant, a shareholder or member of governing bodies of such business. The above restriction does not pertain to the participation in supervisory and managing bodies of competing entities in which the Company, directly or indirectly, holds any shares. The restriction also does not apply to the acquisition by members of the Management Board of no more than 1% of the shares in competing public companies.

### **3.2. The Supervisory Board**

The Supervisory Board acts in compliance with the provisions of the Commercial Companies Code and the Statutes of the Company. The Supervisory Board shall be composed of five members. The Chairman of the Supervisory board is chosen by the General Meeting of Shareholders. Members of the Supervisory Board may elect from among themselves a deputy of the chairman or persons performing other functions (§18 item 2 of the Company's Statutes).

As of the day of publication of this report, the Company's Supervisory Board consists of:

- Andrzej Szlezak - the Chairman,
- Marcin Hejka - the Member of the Supervisory Board,
- Wanda Rapaczynski - the Member of the Supervisory Board,
- Tomasz Sielicki - the Member of the Supervisory Board,
- Sławomir S. Sikora - the Member of the Supervisory Board.

The members of the Supervisory Board are elected for the common three - year - term of office. Due to that, the term of office of the current Supervisory Board member shall expire on the day the general meeting of shareholders resolves on the adoption of the financial statements for 2012.

According to §20 section 4 of the Company's Statutes at least three members of the Supervisory Board are independent members. Currently, the majority of the Supervisory Board members are independent. The Supervisory Board is responsible for setting, in agreement with the President of the Management Board, remuneration for the Management Board members, selection of the auditor and approving of the conditions concerning significant transactions with the affiliates (§ 19 of the Statutes). Such transactions cannot be conducted without the consent of the majority of the independent members of the Supervisory Board. According to § 23 item 4 of the Statutes, the Supervisory Board Meetings are convened at least once in a quarter. The Chairman convenes the meeting on the request of the member of the Management Board expressed in the form of the resolution and on the request of each of the Supervisory Board members. The meetings of the Supervisory Board may be held by distance means of communication in a manner allowing communication among all members taking part in such meeting. The place of the meeting held in this form is determined by the place of the person who chairs the meeting.

According to § 24 of the Company's Statutes, the resolutions of the Supervisory Board shall be adopted by an absolute majority of votes cast in the presence of at least three members of the Supervisory Board.

### **3.3. Committee and Commission acting within the Supervisory Board**

There is one Committee and one Commission operating within the Supervisory Board: the Audit Committee and Human Resources and Remuneration Commission created in compliance with the Company's Statutes performing advisory role to Supervisory Board. The course and scope of action of were set in By-laws of both bodies accepted by means of Supervisory Board resolutions.

On the date of the report publication the members of the committees are:



*(i) The Audit Committee:*

- Marcin Hejka – the Chairperson of the Audit Committee,
- Wanda Rapaczynski,
- Tomasz Sielicki.

*(ii) The Human Resources and Remuneration Commission:*

- Wanda Rapaczynski – the Chairperson of the Human Resources and Remuneration Commission,
- Sławomir S. Sikora,
- Andrzej Szlezak.

The objective of the Audit Committee is to supervise the Management Board in terms of: monitoring of the Company's and the Group's financial reporting and financial revision, monitoring of internal control systems and internal audit as well as monitoring of risk management and independence of external auditor.

The Audit Committee, within the scope of its authority, may request Company to submit information on accounting, financials, internal audit and risk management necessary to perform duties of Audit Committee and review the Company's account books.

The meetings of the Audit Committee are convened at least four times a year, however, the meetings can be convened as often as it is required for its proper functioning.

The meetings of the Audit Committee are convened by its Chairperson on its own or by an Audit Committee member's motion. It can be also convened on the motion submitted by the Company's Management Board, internal and external auditor.

The Audit Committee presents to the Supervisory Board its conclusions, standpoints and recommendations according to the timeline enabling the Supervisory Board adoption of appropriate measures, as well as annual and semi – annual reports on its activities and the Company's evaluation in the scope related to its competencies.

On the basis of the Supervisory Board's resolution dated April 11, 2011 and in accordance with the stipulations of the Statutes, the company KPMG Audyt Spolka z ograniczona odpowiedzialnoscia spolka komandytowa with its registered seat in Warsaw at 51 Chlodna Street, registered under the number 3,546 as an entity entitled to audit financial reports, was elected for the auditor of the Company that is to audit financial reports of the Company for the years 2011, 2012 and 2013.

In accordance with the By – laws of the Human Resources and Remuneration Commission the objectives of the Human Resources and Remuneration Commission are to review the principles of remuneration of the Management Board and provide the Supervisory Board with appropriate recommendations in that respect, drafting a proposal for the remuneration of the individual Management Board members and additional benefits, for the purpose of their consideration by the Supervisory Board.

The Commission should specify in such a recommendation all forms of remuneration, especially salary, motivation plans and severance pay. Additionally, the Human Resources and Remuneration Commission advises the Supervisory Board on: selection criteria and appointment procedures for the Management Board members in the cases stated in the Company's Statutes, procedures to secure adequate succession of the Management Board members in cases stated in the Company's Statutes.

The meetings of the Human Resources and Remuneration Commission are convened as often as it is required for its proper functioning, at least once a year.

The Commission meetings are convened by its Chairperson on its own or other Commission member's motion. The meeting can be also convened on the motion submits by the President of the Management Board or Supervisory Board member.

The Commission presents to Supervisory Board its conclusions, standpoints and recommendations according to the timeline enabling Supervisory Board adoption of appropriate measures, as well as annual reports on its activities and Company's evaluation in the scope related to its competencies.

#### **4. DESCRIPTION OF THE BASIC CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS APPLIED BY THE COMPANY IN TERMS OF PREPARATION OF ITS SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS.**

The Management Board of the Company is responsible for the internal control system and its effectiveness in the process of drawing up financial statements and current reports prepared in accordance with the Regulation of the Minister of Finance dated 19 February 2009 with subsequent amendments on current and periodic information published by issuers of securities and on the conditions under which such information may be recognized as being equivalent to information required by the regulations of law of a state which is not a member state.

The factual process of drawing up financial statements is supervised in subsidiaries adequately by the Chief Financial Officer - the member of the Management Board – or the financial director/board member of the subsidiary. The process of drawing up annual and interim financial reports is coordinated by the Reporting Department functioning within the Finance and Administration Department as well as financial departments of all companies from the Group. The Company, on a current basis monitors amendments required by the law provisions and external regulations concerning the requirements of the reporting and also prepares in advance to their introduction.

Each month, after the financial books closure, the reports, with the information analyzing key financial data and operational ratios of business segments, are distributed among the Management Board Members and the Group's directors. Once a month the meetings of the Management Board with the directors are convened in order to discuss the results of each segment and department of the Company and the Group.

The financial data that constitutes the basis of the financial statements and interim reports stem from the accounting - financial system which registers all transactions in compliance with the accounting standards of the Company (accepted by the Management Board) and based on International Financial Reporting Standards. Agora has prepared financial statements in compliance with International Financial Reporting Standards (previously International Accounting Standards) since 1992.

The unconsolidated and consolidated financial statements of the Company as well as the Group are conveyed, for the purpose of verification, to the Chief Financial Officer and then to the Management Board for the final verification. The unconsolidated and consolidated financial statements before publication are also submitted to the members of the Audit Committee.

The Supervisory Board meetings are held at least once a quarter. During these meetings, depending on the questions posed by the Supervisory Board, the Management Board presents key financial data and operational ratios of the business segments.

Annual and semi-annual unconsolidated and consolidated financial statements are audited and reviewed by the Company's auditor. The results of the audit and review are presented to the management of financial division (including the Financial Chief Officer of the parent company – also the Member of the Management Board) during the sum up meetings and are also published in statutory auditor's report.

Conclusions from the audit review are submitted to the Audit Committee. During the closed-door meetings with the auditors the representatives of the Audit Committee analyze the results of the review (also without the presence of the Management Board).

Additionally the statutory auditor submits to the Audit Committee recommendation concerning improvements of the internal control system in the Company that were identified during the audit of the financial statements.

The Company has its own Internal Audit Department. Its main task is to identify weakness of the internal control and risks in terms of the registration and transactions processing. The Audit Committee during its meetings discusses the results of the work performed by the Internal Audit Department with the Head of the Internal Audit, also without the presence of the Management Board.

The auditor's and Internal Audit's recommendations are discussed by the Audit Committee and the Company's Management Board.

#### **5. SHAREHOLDERS WITH A SUBSTANTIAL HOLDING IN THE COMPANY**

*To the best of the Company's knowledge as of the day of publication of the 2011 report, the following shareholders were entitled to exercise over 5% of voting rights at the General Meeting of Shareholders of the Company:*

	no. of shares	% of share capital	No. of votes	% of voting rights
<b>Agora-Holding Sp. z o.o.</b> <i>(in accordance with the last notification obtained on January 3, 2012)</i>	5,692,420	11.18	22,818,820	33.53
<b>BZ WBK Asset Management S.A.</b> <i>(in accordance with the last notification obtained on March 8, 2012)</i>	6,360,642	12.49	6,360,642	9.35
<b>ING Otwarty Fundusz Emerytalny</b> <i>(in accordance with the last notification obtained on September 29, 2011 )</i>	3,758,637	7.38	3,758,637	5.52

## 6. THE RULES GOVERNING ELECTION AND DISMISSAL OF MANAGEMENT BOARD MEMBERS AND THEIR RIGHTS, INCLUDING THE RIGHT TO DECIDE ABOUT SHARE BUYBACK OR ISSUE PROGRAM.

### 6.1. Election/ nomination

According to § 28 of the Statutes the Management Board is elected by the general meeting of shareholders, except for provisions regarding election by co – option.

With the exception of the situation when co – option of additional members of the Management Board takes place, the Management Board is composed of from 3 to 6 members with the exact number determined by the shareholders holding the majority of preferred series A shares, and following the expiration of such preferred status of all series A shares, by the Supervisory Board.

During the term of its office the Management Board may elect by co-option not more than two additional members; the co-option of additional members is effected by a resolution of the Management Board. In case a member of the Board is appointed by way of co-option, the Management Board is obliged to include in the agenda of the nearest general meeting of shareholders an item concerning confirmation of appointment of a new member of the Board by way of co-option and propose an appropriate draft resolution. Should the general meeting of shareholders not accept the appointment of the new member of the Board by way of co-option, such Management Board member's mandate expires on conclusion of the general shareholders meeting.

According to the Company's Statutes the majority of members of the Management Board shall be Polish citizens residing in Poland.

According to the § 30 of the Company's Statutes candidates for the Management Board shall be nominated exclusively by shareholders holding preferred series A shares, and following the expiry of the preferred status of all such shares, by the Supervisory Board.

In the event that the persons authorized to determine the number of members of the Management Board and to nominate candidates for such members do not exercise one or both of the above rights, the number of members of the Management Board elected by the general shareholders meeting shall be determined by such shareholders meeting, while each shareholder during such shareholders meeting shall be able to nominate candidates for such members.

### 6.2. Dismissal

According to § 31 of the Statutes individual or all members of the Management Board may be dismissed (removed), due to important reasons, prior to the end of their term of office on the basis of the resolution adopted by the general meeting of shareholders adopted by a simple majority of votes, provided that until the expiry of the preferred status of series A shares 80% of voting rights attached to all outstanding series A shares are cast in favor of such resolution. A resolution on dismissal (removal) of Management Board members should state the reasons for which such dismissal is made.

Members of the Management Board elected by co-option may be dismissed in the manner referred to above or by the resolution of the Management Board but the persons concerned can not vote in this case.

In the event that some members of the Management Board are dismissed or their mandate expires during the term of office for other reasons, supplementary elections shall be held only at such time as when the number of members of the Management Board performing their functions is less than three or when the composition of the Management Board does not comply with the requirement of the majority of members of the Management Board being Polish citizens residing in Poland.

If the number of members of the Management Board is even less than that required in the previous Section, the Management Board shall be obligated to immediately convene an extraordinary general meeting of shareholders in order to hold supplementary elections. Supplementary elections may take place also during the ordinary general meeting of shareholders if, in accordance with provisions of law, such meeting must be convened within a short period of time, while convening an extraordinary general meeting of shareholders would not be appropriate in such case.

In the event of supplementary elections, provisions regarding the election of members of the Management Board for their full term shall apply.

According to § 33 of the Statutes members of the Management Board may elect the chairman or persons performing other functions among themselves.

### **6.3. The rights of the Management Board**

According to § 27 of the Statutes, the Management Board manages the Company's affairs and represents the Company in dealings with third parties.

The responsibilities of the Management Board include all matters related to conducting the Company's affairs, provided they were not delegated otherwise.

Only, the general meeting of shareholders has the right to decide about share issue or share buyback.

## **7. HOLDERS OF ALL SECURITIES WHICH GRANT SPECIAL CONTROL RIGHTS IN RELATION TO THE ISSUER**

### **series A shares**

Agora Holding Sp. z o.o. is the only holder of registered preferred series A shares. The series A shares carry preferences regarding the number of votes per one share and right to define a number of Management Board members and to propose candidates for the Management and Supervisory Board members, to dismiss the members of the Management and Supervisory Board, and to grant the consent to dispose the series A shares or convert them into bearer shares. Each series A share entitles its holder to 5 votes at the general meeting of shareholders.

The shareholder holding series A shares has the exclusive right to present candidacies for the Management Board. They also belong to the limited number of entities with the exclusive right to present candidates for the Supervisory Board as well as are able to define the exact number of the Management Board Members.

Further preferences carried by series A shares include the right to dismiss the member of the Management or Supervisory Board prior to the end of his/her term of office. The dismissal can be made on the basis of the resolution adopted by the general meeting of the shareholders adopted by a simple majority of votes, provided that until the expiry of the preferred status of series A shares 80% of voting rights attached to all outstanding series A shares are cast in favour of such resolution.

The Company's Statutes contains provision that none of the shareholders may exercise more than 20% of the overall number of votes at general meeting of shareholders, provided that for the purposes of establishing obligations of purchasers of material blocks of shares as provided in the Law on Public Trading of Securities such restriction of the voting rights does not exist. The restriction of the voting rights referred to above does not apply to the shareholders holding series A shares.

Each share, whether preferred or not, entitles its holder to one vote in connection with passing a resolution regarding the withdrawal of the Company's shares from public trading.

## **8. LIMITATIONS REGARDING THE TRANSFER OF OWNERSHIP RIGHTS TO THE ISSUER'S SECURITIES**

According to the Statutes of Agora S.A. the sale or conversion of preferred series A shares into bearer shares requires the written consent of shareholders holding at least 50% of the preferred series A shares registered in the share register on the date of filing the written request for such consent. Additional limitations regarding the transfer of ownership apply to shares owned by the employees as part of motivation plans described in a note to financial statements for 2011.

## **9. REGULATIONS CONCERNING RESTRICTION OF THE VOTING RIGHTS**

According to Company's Statutes stipulations, none of the shareholders may exercise more than 20% of the overall number of votes at general meeting of shareholders. For the purposes of establishing obligations of purchasers of material blocks of shares as provided in the Law on Public Trading of Securities such restriction of the voting rights does not exist. The restriction of the voting rights referred to the sentence above shall not apply to:

- a) shareholders holding the preferred series A shares;
- b) the deposit bank which, on the basis of agreement with the Company, issued depository receipts based on the Company Shares, in the event that such entity exercises the voting rights attached to shares which were the basis for the issuance of depository receipts; and
- c) a shareholder who, while having no more than 20% of the overall number of votes at the General Meeting of the Shareholders, announced a tender for subscription for the sale or exchange of all the shares of the Company and in result of such tender purchased shares which, including the previously held Company shares, authorize it to exercise at least 75% of the overall number of votes at general meeting of shareholders. For the purposes of calculating a shareholder's share in the overall number of votes at general meeting of shareholders referred to above it is assumed that the restriction of the voting rights provided in § 17 section 1 of the Company's Statutes does not exist.

Percentage of votes at general meeting of shareholders of foreign entities and entities controlled by them may not exceed 49%. The limit shall not refer to entities with their registered seats or residence in a member state of the European Economic Area.

Each share, whether preference or not, entitles its holders to one vote when passing a resolution regarding the withdrawal of the Company's shares from public trading.

## **10. RULES OF INTRODUCING CHANGES INTO COMPANY'S STATUTES**

The Company's Statutes does not contain stipulations different from the Commercial Companies Code stipulations regarding introducing changes into Company's Statutes.

Warsaw, April 13, 2012

*Piotr Niemczycki – President of the Management Board*

*Signed on the Polish original*

*Zbigniew Bak – Deputy President of the Management Board*

*Signed on the Polish original*

*Marek Jackiewicz – Member of the Management Board*

*Signed on the Polish original*

*Grzegorz Kossakowski – Member of the Management Board*

*Signed on the Polish original*

*Stanislaw Turnau – Member of the Management Board*

*Signed on the Polish original*