
13. THE STATEMENT OF THE MANAGEMENT BOARD ON THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES IN GRUPA KĘTY S.A. IN 2012

The statement of Grupa Kęty S.A. concerning the application of corporate governance principles in the Company prepared pursuant to § 91 Clause 5 item 4 of the Ordinance of the Minister of Finance of 6 August 2009 on current and periodic information to be published by issuers of securities and conditions of considering information required by the law of countries which are not EU members as equal (Journal of Laws No. 23/2009, item 259).

The information included in the statement meets the requirements of the report on the application of *The Code of Best Practice for WSE Listed Companies* set out in § 1 of Resolution No. 1013/2007 of the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. ('Warsaw Stock Exchange', 'WSE') of 11 December 2007. Therefore, pursuant to § 2 of Resolution No. 718/2009 of the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. of 16 December 2009, the submitting of this statement to WSE is tantamount to the submitting to WSE of the report indicated in § 29 Clause 5 of the Stock Exchange By-laws.

13.1. THE SET OF CORPORATE GOVERNANCE PRINCIPLES BY WHICH THE ISSUER IS GOVERNED, AND THE PLACES WHERE THE TEXT OF THE SET OF THE PRINCIPLES IS PUBLICALLY AVAILABLE

Grupa Kęty S.A., as the issuer of securities admitted to trading at Warsaw Stock Exchange, is obliged to apply the corporate governance principles in the form of *The Code of Best Practice for WSE Listed Companies*. The text of *The Code of Best Practice for WSE Listed Companies* is available at <http://corp-gov.gpw.pl>.

13.2. THE APPLICATION OF THE CORPORATE GOVERNANCE PRINCIPLES

In 2012, Grupa Kęty S.A. observed the valid corporate governance principles contained in the document titled *The Code of Best Practice for WSE Listed Companies* adopted on 19 October 2011 by the Board of Warsaw Stock Exchange by virtue of Resolution No. 20/1287/2011, and further amended on 21 November 2012 by virtue of Resolution No. 19/1307/2012. In 2012, the Company complied with the aforementioned valid corporate governance principles. At the same time, as regards 'Recommendations', the following items require a comment/additional information.

Item 5. The remunerations of the Members of the Supervisory Board are determined by the General Meeting of Shareholders, and the remunerations for Members of the Management Board are determined by the Supervisory Board, where the Remunerations Committee functions. It is responsible mainly for the determination of the remunerations of the Management Board members on the basis of the scope of their duties, competences and responsibilities resulting from performed functions and on the basis of accomplished economic results, as well as for the determination of recommendations and control of the remunerations of the members of the Management Board. The remunerations system is transparent and ensures the linking of the remunerations of the top management staff with financial results of the Company and the effects of the work of remunerated persons. The assumptions of the remunerations system comprise a number of principles resulting from the Commission Recommendation of 14 December 2004 concerning the fostering of an

appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and the Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC). The rules comprise, e.g. defining the fixed and variable elements of the remunerations of the Management Board; linking short-term variable components of remunerations with defined result-based criteria; and linking long-term variable components of remunerations in the form of options programmes.

Each year, in its annual report, the Company publishes information about the remunerations of members of supervisory and management bodies pursuant to §91 Clause 6 item 17 of the Ordinance of the Minister of Finance on current and periodic information (...) of 19 February 2009 (Journal of Laws of 2009 No. 33 item 259) and specific information concerning the options programme.

Item 9 referring to the demand concerning a balanced proportion of women and men in management and supervisory functions in companies. The selection of the Members of the Management Board and of the Supervisory Board is an independent decision of the Supervisory Board and of the General Meeting of Shareholders accordingly, and the main criteria behind the selection of members of the Company's authorities comprise the competences of the candidates for members of the Management Board and of persons recommended to the Supervisory Board by the Company's Shareholders.

Item 12. In 2012, Grupa Kęty did not make the decision concerning the application of the principle of ensuring the possibility for shareholders of participating in the General Meeting of Shareholders by means of electronic communications which comprise e.g. the two-way communication in real time, exercising voting rights personally or through proxy during the General Meeting of Shareholders (Chapter I Clause 12 and Chapter IV Clause 10).

Due to the amendment to *The Code of Best Practice for WSE Listed Companies* and its coming into effect on 1 January 2013, Grupa Kęty decided not to apply the principle set forth in Part IV item 10 of *The Code of Best Practice for WSE Listed Companies* as regards ensuring the possibility for shareholders of participating in the General Meeting of Shareholders by means of electronic communications as regards the two-way communication in real time, where shareholders can express their opinions during the General Meeting of Shareholders staying in a place other than the venue of the General Meeting of Shareholders. In the Company's opinion, introducing the possibility of participating in the General Meeting of Shareholders by means of electronic communications is associated with a number of risks, particularly such risks which may have significant impact upon the organisation of the proceedings of the General Meeting of Shareholders and, as a result, which may adversely affect the exercising of the rights of the shareholders present at the venue of the General Meeting of Shareholders. At the same time, the Company observes item 1 from principle No. 10 in Chapter IV, i.e. ensures the broadcasting of the proceedings of the General Meeting of Shareholders in real time, and, after the General Meeting of Shareholders, uploads the broadcast to its website.

13.3. THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF PREPARING FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The Company prepares consolidated and separate financial statements in accordance with the International Accounting Standards ('IAS') and the International Financial Reporting Standards ('IFRS'). IAS's and IFRS's cover the interpretations approved by the International Financial Reporting Interpretations Committee ('IFRIC'). The preparation of financial statements is supervised by the Management Board and the financial function headed by the Chief Financial Officer, a Member of the Management Board of Grupa Kęty S.A. The financial statements are prepared directly by Dekret Centrum Rachunkowe sp. z o.o., a wholly-owned subsidiary of Grupa Kęty S.A. Dekret employs accounting specialists, who have knowledge supported with required certificates and education, and appropriate experience needed to prepare financial statements according to the law in an appropriate way. Dekret Centrum Rachunkowe sp. z o.o. obtains the data needed to prepare financial statements from departments of the companies of the Capital Group engaged in the processes, whose description and data are elements of the full financial statements.

The accounting policy adopted by the Group's Management Board which stipulates the basic principles of recording economic events is the fundamental element of the process of preparing financial statements. The Company's accounting books are prepared as a result of recording economic events in line with the accounting policy. They are the basis for the preparation of the financial statements. The process of preparing financial statements entails control mechanisms of technical nature (numerical and logical control formulas) and substantive nature (the analysis of outcomes of control reports). The following risks were identified in the process of preparing financial statements:

- erroneous input data;
- faulty data presentation system;
- the application of erroneous estimates;
- lack of the integration of IT systems.

The risks are mitigated by:

- the uniform system of mapping data from source systems to financial statements, which ensures the proper presentation of data;
- the reviews by internal specialists, mainly so as to confront their knowledge with financial figures and detect any possible improper presentations of data and erroneous input data;
- Estimates are based on the best knowledge of the Management Board and certain estimates are prepared with the assistance of independent advisors (e.g. licensed actuaries or property appraisers).
- The Company's and the Capital Group's financial statements are audited on an annual basis and reviewed every six months by an independent auditor. The audits and reviews conducted every six months are to facilitate the detection of material irregularities, including omissions, in the process of preparing financial statements.
- The Company operates an integrated IT system, which ensures full data integration. The verification of data from the IT system is monitored according to the Company's IT systems security procedures. The books of account of the companies of the Group based in Poland are maintained in compliance with uniform principles, pursuant to the uniform Chart of Accounts valid in Grupa Kęty, applying the principles resulting from the International Financial Reporting Standards. Dekret CR sp. z o.o. has a tax department which maintains tax books of Polish companies of the Group and approves of material transactions for their compliance with accounting principles. The companies of the Capital Group maintain systems of internal regulations comprising normative acts (e.g. procedures, instructions and rules) which govern the most important processes. Controlling Departments are responsible for the compliance with internal regulations, except for the functional supervision being the responsibility of superiors. The departments run such controls on an ongoing basis. Compliance-related tasks ensure that the whole Company observes respective laws, regulations, supervisory requirements and internal principles and procedures, which ensures the elimination of the risk of losing the Company's reputation and exposure to risk of, e.g. fiscal penalties. The high quality of these financial statements reflects the effectiveness of control and risk management procedures in the process of preparing financial statements of Grupa Kęty S.A. It is confirmed by opinions, without objections, issued by auditors from the audit of these financial statements. In addition, Grupa Kęty participates in 'The Best Annual Report' contest organized by Instytut Rachunkowości i Podatków (Accounting and Tax Institute). In the most recent edition of the contest, the annual report of Grupa Kęty was ranked second in the category of 'Enterprises'.

In order to ensure the effectiveness of its internal control system, Grupa Kęty undertakes measures focused on:

1. Efficiency and effectiveness of activities — financial statements are prepared as fast as possible following the termination of the period, in order to plan measures of the Capital Group adjusting it to the present economic environment. To this effect, the Company established an internal system of collecting reporting data, which accelerates the preparation time and, hence, ensures the timely preparation and eliminates the possibility of errors related to the entering of data.
2. Reliability, completeness and current status of financial and management data (information-related tasks).

The Group implements the above through:

- the accounting policy determined and approved by the predominant entity and applied in all subsidiaries, defining the uniform method of documenting and presenting transactions of a similar nature;
- an integrated IT system for the majority of the Capital Group's companies which ensures uniform and high data processing standard;

- all new planned transactions are discussed in detail with specialists, which results in the development of the method of documenting such an event in books of account;
- the active internal control system supervising the implementation and adherence to approved solutions and procedures.

The above solution allows for:

- preparing information of proper quality and integrity so that the users can rely on it in the decision-making process;
- eliminating the risk of incompleteness and, at the same time, of the lack of reliability of the prepared financial statements.

3. The observance of respective laws and regulations (compliance-related tasks)

The risk management structures functioning in Grupa Kęty S.A. allow for the coordination of actions aiming at the limiting of the basic risks in particular business segments and at the level of the Capital Group. The structures comprise: Controlling Departments in particular segments, which estimate the scales of particular risks (mainly of currency risk and price risk) and submit the proposed hedging strategy (and following its acceptance, they order its implementation); the Department of the Chief Risk Management Specialist, which - verifies the strategies of segments in terms of their effectiveness and compliance with the Group's interest, is responsible for the negotiations of agreements and contracts concluded on the financial and insurance markets, and coordinates the activities at the level of the Capital Group. This is the place of establishing guidelines which indicate the areas of potential risks and required regulations. The established system of guidelines allows the companies of the Capital Group to take advantage of the knowledge and have a proper approach to the issues related to the legal requirements and the conducting of business activities. The Capital Group also has in place a mechanism of the annual verification of the effectiveness of the system of hedging the related risks and a mechanism of improving the system of guidelines for the whole Group.

13.4. SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY SUBSTANTIAL STAKES

For many years now, open-end pension funds and investment funds have been the largest shareholders of Grupa Kęty. In 2012, as in previous years, there were no important changes in the shareholding structure, which resulted in its further stabilisation. According to the data derived from the reports on the structure of assets of Open Pension Funds ("OPFs") as at 31 December 2012, OPFs held ca. 75.5% of the shares of Grupa Kęty S.A. (75.6% the year before). This share is one of the highest shares among the companies listed at Warsaw Stock Exchange and is a sign of the deep faith of OPFs' managers in the Company's growth prospects and its policy of sharing the profits with its shareholders. The Company's openness in its relations with shareholders and the effective informational policy contributed to higher equity investments. The Company's Management Board, as in all previous years, shared their knowledge about the market and prospects through the presentation of the long-term, annual and quarterly forecasts. When publishing annual forecasts, the Management Board of Grupa Kęty S.A. referred to the implemented strategy, highlighting the elements which the Company managed to accomplish and the ones which are under the risk of incompleteness. All the data crucial from the point of view of the assessment of the present situation and growth prospects were published, including financial forecasts announced just after the adoption of respective resolutions by the Supervisory Board. In 2012, the Company also began to broadcast the proceedings of the General Meeting of Shareholders, making it possible to follow this event, so important from the point of view of all shareholders.

As of 31.12.2012	No. of shares equal to No. of votes	Share in votes and in initial capital (%)
Otwarty Fundusz Emerytalny ING	1 638 843	17.76%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	1 636 930	17.74%
OFE PZU "Złota Jesień"	471 350	5.11%
Others	5 478 540	59.39%
TOTAL	9 225 663	100%

13.5. SPECIAL CONTROLLING RIGHTS

The Company's shares are regular bearer shares. The Company's Articles of Association do not provide for any special rights associated with the Company's shares. No shares are privileged, and each share entitles its holder to one vote at the General Meeting of Shareholders.

13.6. THE LIMITATIONS CONCERNING THE EXERCISING OF VOTING RIGHTS

The voting rights of shareholders are not limited in any way.

13.7. THE RESTRICTIONS ON THE TRANSFER OF OWNERSHIP TITLES TO THE ISSUER'S SECURITIES

The Articles of Association of Grupa Kęty do not provide for any restrictions on the transfer of ownership titles to the securities issued by the Company.

13.8. THE RULES OF APPOINTING AND DISMISSING MEMBERS OF THE MANAGEMENT BOARD AND THE RIGHTS OF THE MANAGEMENT BOARD, INCLUDING THE RIGHT TO DECIDE TO ISSUE OR REDEEM SHARES

Members of the Management Board are appointed by the Supervisory Board for the joint term of three years. According to the Articles of Association, the Management Board may be composed of 1-5 members, where the remaining Members of the Management Board are appointed upon the motion of the President of the Management Board. The Supervisory Board may dismiss any Member of the Management Board at any time. The Company's Management Board directed by its President manages the Company's affairs and represents it vis-a-vis third parties. Any matters related to the management of the Company's affairs, not reserved to other authorities of the Company, are resolved by the Management Board. The work of the Management Board is determined in detail in the By-laws of the Management Board approved by the Supervisory Board.

If the Company's Management Board consists of more than one member, two members of the Management Board acting jointly or one member of the Management Board acting jointly with a Proxy are authorized to represent the Company. When the Management Board consists of more than one member, the Management Board is a collective body which exercises its rights through resolutions.

The meetings of the Management Board, convened by the President, are held at least once a month. The resolutions of the Management Board may be passed if all Members of the Management Board are invited to the meeting. In order for a resolution to be valid, at least two Members of the Management Board must be present at the meeting. The Company's Management Board passes resolutions in open voting with an absolute majority of the votes cast. In the case of an equal number of votes cast for and against a resolution, the casting vote is exercised by the meeting chairman. Members of the Management Board do not have the right to decide on the issue or redemption of shares; they only have the rights to initiate the taking of measures concerning the issue or redemption of shares.

13.9. AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

As regards amendments to its Articles of Association, the Company applies the provisions of the Code of Commercial Companies, according to which an amendment to the Articles of Association of a joint stock company requires: a resolution of the General Meeting of Shareholders; an entry in the National Court Register (Article 430 of the Code of Commercial Companies). The procedure begins with the adoption by the Company's Management Board of a resolution containing draft amendments, which is further presented for the approval of the Supervisory Board of Grupa Kęty. When the approval is granted, the draft amendments are presented to the General Meeting of Shareholders. Resolutions of the General Meeting of Shareholders concerning amendments to the Articles of Association are made with a majority of votes pursuant to the principles set out in the Code of Commercial Companies and the Company's Articles of Association. Amendments to the Articles of Association become effective upon the entry of an amendment to the National Court Register. The duty to report the amendment to the Articles of Association is the responsibility of the Company's Management Board. The Management Board has an obligation to report an amendment to the Articles of Association within three months from the making of an appropriate resolution. The most recent amendment to the Company's Articles of Association was adopted by the Ordinary General Meeting of Shareholders on 29 May 2012.

13.10. THE OPERATION OF THE GENERAL MEETING OF SHAREHOLDERS AND ITS BASIC RIGHTS; THE RIGHTS OF SHAREHOLDERS AND THE METHOD OF EXERCISING THEM

13.10.1. THE OPERATION OF THE GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders, as the Company's authority, acts under the law in force (particularly the Code of Commercial Companies), the Company's Articles of Association and the adopted By-laws. All the documents can be downloaded from the website of Grupa Kęty. The following matters are within the powers of the General Meeting of Shareholders (except for other matters set forth in the law):

- 1) examining and approving of the Management Board's report on the Company's activities and of financial statements for the previous financial year;
- 2) adopting resolutions on distribution of profit or the covering of the loss;
- 3) discharging members of the Company's authorities from their duties;
- 4) changing the Company's objects;
- 5) amending the Company's Articles of Association;
- 6) increasing and reducing the Company's initial capital;
- 7) merger, division or transformation of the Company;
- 8) dissolution and liquidation of the Company;

- 9) issue of bonds;
- 10) transfer and lease of an enterprise of the Company or of an organized part thereof and creation of a limited right in things thereon;
- 11) the acquisition or sale of real estate of the Company related to its core business;
- 12) making any decisions in respect of claims for making good on damage suffered through the formation of the Company or exercise of management or supervision;
- 13) granting the consent to the Company to conclude credit, loan, guarantee or other similar contracts with a member of the Management Board, of the Supervisory Board, Proxy, Liquidator or in favour of any of these persons;
- 14) determining the date of the acquisition of rights to dividend and of the date of payment of the dividend;
- 15) adopting resolutions on the redemption of the Company's shares.

13.10.2. BASIC RIGHTS OF THE GENERAL MEETING OF SHAREHOLDERS

The By-laws of the General Meeting of Shareholders set out the principles and procedure of Ordinary and Extraordinary General Meetings of Shareholders ('GMS') of Grupa KĘTY S.A. ('Company'). These By-laws and the provisions of the Code of Commercial Companies as well as the provisions of the Company's Articles of Association are the legal basis for the Company's GMS operation. The General Meetings of Shareholders (both ordinary and extraordinary) are held in the Company's seat in Bielsko-Biała or in Warsaw, and they are summoned by the Management Board through a notice published on the Company's website and in the manner defined for the publication of current information according to the provisions on public offer and the conditions of introducing financial instruments to an organized trading system and on public companies. A General Meeting of Shareholders may be convened also by the Supervisory Board or shareholders representing at least half of the initial capital. Shareholders representing at least 5% of the initial capital may request the summoning of the General Meeting of Shareholders and including certain specific items in the agenda of the Meeting. Due to the fact that the Company is a public company, only the shareholders who are owners of bearer shares sixteen days prior to the date of the General Meeting of Shareholders may participate in it and exercise their voting rights. They must properly register the participation in the General Meeting of Shareholders pursuant to the Code of Commercial Companies. Furthermore, members of the Management Board and of the Supervisory Board as well as the Company's Certified Auditor and other persons invited by the body convening the General Meeting of Shareholders may participate in the General Meeting of Shareholders, unless, upon the request of shareholders filed before proceeding to the discussion over issues included in the agenda, the General Meeting of Shareholders resolves otherwise with a simple majority of votes. The list of shareholders entitled to participate in the General Meeting of Shareholders, signed by the Management Board, including the names of authorised persons or companies, their addresses (registered offices), the type and number of shares and the number of their votes, is available in the Company's seat for the three business days prior to the General Meeting of Shareholders.

13.10.3. RIGHTS OF SHAREHOLDERS

Shareholders may participate in the General Meeting of Shareholders and exercise their voting rights in person or through proxies. Shareholders present at the General Meeting of Shareholders confirm their presence with their own signatures on the roll placed in the meeting room and collect their voting ballots. Furthermore, proxies file the originals of their powers of attorney granted to them by the shareholder and legibly sign on the roll, with their full name and surname, at the empowering shareholder's name.

The General Meeting of Shareholders is opened by the Chairman of the Company's Supervisory Board or a person indicated by him/her; afterwards the aforementioned person orders to elect the Chairman of the General Meeting of Shareholders from among persons having voting rights. Candidates for the

position of the Chairman of the General Meeting of Shareholders may be put forward by persons authorized to vote at the General Meeting of Shareholders. Following the election of the Chairman, he/she declares that the General Meeting of Shareholders is validly held and that it is capable of adopting resolutions as regards matters included in the agenda, and orders to adopt the agenda. During the meeting, the Chairman is responsible and has the right to supervise the compliance of the proceedings of the General Meeting of Shareholders with the Code of Commercial Companies, the Company's Articles of Association and the By-laws of the General Meeting of Shareholders, to give and take the floor to the participants of the General Meeting of Shareholders, to order breaks during discussions, to order voting on resolutions, to confirm that the discussion on them is properly held and its results are correct and valid.

Basic rights and obligations of persons authorized to vote are as follows:

- exercising their voting rights freely;
- submitting motions;
- demanding confidential voting;
- demanding that his/her objections and other statements are included in the minutes;
- making enquiries and demanding explanations from members of the Management Board and of the Supervisory Board present at the meeting;
- observing the agreed agenda, the law, the provisions of the Company's Articles of Association, the By-laws and decency.

The proceedings of the General Meeting of Shareholders are recorded in the minutes by a notary public and an excerpt from the minutes along with the proof of convening the General Meeting of Shareholders and the powers of attorney granted by shareholders are attached by the Company's Management Board to the book of minutes that the shareholders may view and demand issuing from it copies of resolutions certified by the Management Board. Resolutions of the General Meeting of Shareholders are adopted with the majority of votes as set out in the Articles of Association and the Code of Commercial Companies. Votes are cast and counted in an electronic votes counting system. The voting is open. A confidential vote is ordered during the elections and with regard to motions to dismiss members of the Company's authorities, bringing them to justice as well as with respect to personal issues. Confidential vote is also ordered when at least one shareholder present or represented at the General Meeting of Shareholders requests so. After discussing all matters included in the agenda, the Chairman announces the closing of the General Meeting of Shareholders.

13.10.4. THE ORDINARY GENERAL MEETING OF SHAREHOLDERS IN 2012

The Ordinary General Meeting of Shareholders was held on 29 May 2012 and its proceedings complied with the provisions of the Code of Commercial Companies and the provisions of the By-laws of the General Meeting of Shareholders. The members of the Management Board and of the Supervisory Board participated in the meeting, in the composition which allowed for replying to answers in a factual way. The General Meeting of Shareholders discussed all the issues on the planned agenda and there were no objections raised to the minutes during the proceedings. None of the adopted resolutions were appealed against in court proceedings. Shareholders or their proxies representing jointly 46.39% of the initial capital were present at the General Meeting of Shareholders. Shareholders may vote with their shares at the General Meeting of Shareholders in a non-uniform manner, which means that they may vote differently from each share.

The resolutions of the Ordinary General Meeting of Shareholders and detailed results of votings are available at http://www.grupakety.com.pl/relacje_inwestorskie in the section regarding General Meetings of Shareholders.

13.11. THE COMPOSITION AND RULES OF THE OPERATION OF THE COMPANY'S MANAGING AND SUPERVISORY AUTHORITIES, AND OF THEIR COMMITTEES

13.11.1. THE COMPOSITION OF THE MANAGEMENT BOARD

Due to the termination of the term of office of the Company's Management Board, the Company's Supervisory Board, at its meeting held on 17 April 2012, appointed members of the Management Board for the eighth term of office of three years. The new Management Board comprised the existing members, i.e.:

- Dariusz Mańko, President of the Management Board, Chief Executive Officer
- Adam Piela, Member of the Management Board, Chief Financial Officer

The composition of the Management Board of Grupa Kęty as at 31.12.2012 was as follows:

- Dariusz Mańko, President of the Management Board, Chief Executive Officer
- Adam Piela, Member of the Management Board, Chief Financial Officer

The Company's Management Board, when making decisions within their powers resulting from the Articles of Association, observed the provisions of the Code of Commercial Companies regarding listed companies and *The Code of Best Practice for WSE Listed Companies*. When implementing the Company's strategic objectives approved by the Supervisory Board as well as its ongoing tasks, the Management Board were guided by the Company's interests, having regard for the interests of shareholders and employees of the Company. In an attempt to ensure the transparency and effectiveness of the management system, the Management Board observed the principles of acting within the limits of reasonable business risk, taking into account professional studies, analyses and opinions. The Management Board decided jointly on all matters that required resolutions of the Supervisory Board or of the General Meeting of Shareholders, including resolutions concerning the approval of interim financial statements and of the Management Board's reports on operations as well as of the annual financial statements and the annual Management Board's report on operations.

13.11.2. THE COMPETENCES AND THE RULES OF THE OPERATION OF THE MANAGEMENT BOARD

The Company's Management Board passes resolutions in open voting with an absolute majority of the votes cast. In the case of an equal number of votes cast for and against a resolution, the casting vote is exercised by the meeting chairman. The following affairs require the resolution of the Management Board:

- a) presenting, to the General Meeting of Shareholders, the Management Board's annual report on the Company's operation and the financial statements for the preceding financial year along with a motion on the distribution of profit or the covering of losses;
- b) presenting, to the General Meeting of Shareholders, motions with the Supervisory Board's opinion on the following issues:
 - changing the Company's objects;
 - amending the Company's Articles of Association;
 - increasing and reducing the Company's initial capital;
 - merger, division or transformation of the Company;
 - dissolution and liquidation of the Company;
 - issue of bonds;
 - transfer and lease of an enterprise or an organized part thereof and creation of a limited right in things thereon;

- acquisition or transfer of a real estate related to the Company's core business;
- c) summoning the Ordinary or Extraordinary General Meeting of Shareholders:
- upon the Management Board's own initiative;
 - upon a written request of the Company's Supervisory Board;
 - upon a written request of Shareholders representing at least one tenth of the Company's initial capital;
- d) dividing duties among members of the Management Board;
- e) establishing the organisational by-laws and the structure of the Company;
- f) establishing and closing departments, units, plants and other separated organizational units of the Company;
- g) appointing and dismissing proxies and representatives of the Management Board for particular matters;
- h) establishing the working rules for the Company's employees and rules concerning the corporate payroll, award and incentive system for the employees;
- i) approving of annual and long-term strategies, plans and action plans, including changes in the directions of the Company's business;
- j) concluding agreements by the Company or performing other legal acts binding the Company to make a performance with a value exceeding 25% of the Company's initial capital;
- k) expressing consent to the disposal of and giving fixed assets for use, except for matters to be resolved by the General Meeting of Shareholders;
- l) making charitable or social donations;
- m) making decisions on employee redundancies.

Members of the Management Board do not have the right to decide on the issue or redemption of shares; they only have the rights to initiate the taking of measures concerning the issue or redemption of shares.

13.11.3. THE COMPOSITION OF THE SUPERVISORY BOARD

The composition of the Supervisory Board of Grupa Kęty S.A. did not change during the year and, as at 31.12.2012, was as follows:

Maciej Matusiak	- Chairman
Szczepan Strublewski	- Vice-Chairman
Krzysztof Głogowski	- Member
Tadeusz Iwanowski	- Member
Jerzy Surma	- Member

All Members of the Supervisory Board are independent members. The Company's Supervisory Board, when adopting resolutions within their powers resulting from the Articles of Association, observed the provisions of the Code of Commercial Companies, the By-laws of the Supervisory Board and the principles under *The Code of Best Practice for WSE Listed Companies*. The Supervisory Board adopted resolutions by a simple majority of votes at its meetings, observing the requirement of reaching quorum, or by circulation if all its members were notified of the text of a draft resolution.

13.11.4. THE COMPETENCES AND THE RULES OF THE OPERATION OF THE SUPERVISORY BOARD

The competences of the Supervisory Board are in particular as follows:

The Supervisory Board exercises supervision and control over the Company's activities. Save for matters that are within the authority of the Supervisory Board pursuant to the Polish Code of

Commercial Companies and the Articles of Association, special duties of the Board shall include the following:

- 1) assessing the Company's financial statements and the Management Board's report on the Company's operations;
- 2) assessing the Management Board's motions on the distribution of profit or the covering of losses;
- 3) submitting to the General Meeting of Shareholders written reports on findings concerning actions mentioned in items 1 and 2;
- 4) submitting to the General Meeting of Shareholders a brief assessment of the Company's situation;
- 5) deleted
- 6) appointing and dismissing members of the Management Board and determining the rules of remunerating them;
- 7) suspending the Management Board or a member thereof in their duties because of important reasons;
- 8) delegating member(s) of the Supervisory Board to temporarily perform duties of members of the Management Board who are incapable of discharging their duties;
- 9) approving of the By-laws of the Company's Management Board;
- 10) approving of annual budgets and strategic plans of the Company;
- 11) electing the auditor to audit the Company's financial statements.

Furthermore, the Management Board must obtain the consent of the Supervisory Board before performing any acts enumerated in the Company's Articles of Association. The Supervisory Board is composed of 5–6 members appointed and dismissed by the General Meeting of Shareholders. The joint term of office of the Supervisory Board is three years. At least half of the members of the Supervisory Board should be independent members. Independent members of the Supervisory Board should be free from any connections which might substantially influence the capacity of the independent member to take impartial decisions.

The eighth term of office of the Supervisory Board expires on the date of the General Meeting of Shareholders approving of the financial statements for the financial year ended on 31 December 2013.

13.11.5. THE FOLLOWING COMMITTEES OPERATE WITHIN THE SUPERVISORY BOARD: THE AUDIT COMMITTEE AND THE REMUNERATIONS COMMITTEE

THE AUDIT COMMITTEE

The Audit Committee in the Supervisory Board of Grupa Kęty S.A. was appointed on 23 September 2004 by virtue of the Resolution of the Supervisory Board No. V/13/04. The Committee's works are governed by the by-laws adopted by the Supervisory Board on 23 September 2004. The Committee Members are appointed by a resolution passed by the Supervisory Board, from among the Board's members, and perform their functions until their resignation has been accepted or until their dismissal, in accordance with the appointments procedure. Committee members do not receive any additional consideration for their work in the Committee.

The fundamental aim of the Audit Committee is the cooperation with the Management Board of Grupa Kęty S.A. in order to ensure coherence of financial statements of the Company, conformance to legally binding regulations and principles, independence of auditor's opinion and conducting internal audits in the Company, as well as drawing a Committee's report, which is attached to the annual report on the operations of the Company's Supervisory Board submitted to the General Meeting of Shareholders.

The Committee's most important tasks are as follows: the review of selected issues related to the application of accounting principles and the presentation of financial statements; the rules of applying

transfer prices by the companies of the Capital Group; the provisions establishment policy; reporting according to the IFRS; the cooperation with certified auditors auditing subsidiaries. The Committee also discusses, with the Management Board and the Company's internal and external auditors, the risk assessment and risk management policies. Such discussion should account for major financial risks for the Company and measures taken by the Management Board with a view to monitor and control these risks. The Committee presents recommendations to the Supervisory Board in the form of resolutions; however, the Committee's resolutions are not binding for the Supervisory Board.

In 2012, the Audit Committee was composed of three members: Maciej Matusiak (chairman), Szczepan Strublewski and Jerzy Surma.

THE REMUNERATIONS COMMITTEE

The Remunerations Committee was appointed on 19 May 2005 by the Resolution of the Supervisory Board No. VI/4/05. The Committee is mainly responsible for establishing and controlling remunerations of the Members of the Company's Management Board. The basic objective of the Remunerations Committee is as follows: the control and supervision over the remuneration system for members of the Management Board of Grupa Kęty S.A.; an analysis of the system of remuneration for members of the Management Board as compared with other systems implemented in other entities operating on the market; drawing a report of the Committee, which is attached to the annual report on the operations of the Company's Supervisory Board submitted to the General Meeting of Shareholders.

In 2012, the Remunerations Committee was composed of two members: Krzysztof Głogowski (chairman) and Tadeusz Iwanowski.

14. OTHER STATEMENTS OF THE MANAGEMENT BOARD

THE STATEMENT OF THE MANAGEMENT BOARD OF GRUPA KĘTY S.A. CONCERNING THE TRUTH AND FAIRNESS OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Grupa Kęty S.A. hereby declare that, according to their best knowledge:

- the annual consolidated financial statements and comparable data were prepared according to the accounting principles in force and they present a true and fair view of the financial standing, assets and financial result of the Capital Group of Grupa Kęty S.A.

- the Management Board's report on the operation of the Capital Group of Grupa Kęty S.A. for 2012 presents a true view of the development and accomplishments as well as of the standing of the Capital Group of Grupa Kęty S.A., including the description of basic risks and threats.

THE STATEMENT OF THE MANAGEMENT BOARD OF GRUPA KĘTY S.A. ON THE SELECTION OF THE ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS

The entity authorized to audit financial statements, i.e. PricewaterhouseCoopers sp. z o.o. that audits the annual consolidated financial statements of the Capital Group of Grupa Kęty S.A. for 2012 was selected according to the law. The entity and the auditors performing the audit observed the conditions for the issuance of an impartial and independent opinion on the audit, according to the law and professional standards.

Dariusz Mańko

President of the Management Board

Adam Piela

Member of the Management Board

Kęty, 21 March 2013