

# LPP

## THE INCENTIVE PROGRAMME 2011

*Resolution of the Supervisory Board of LPP SA with its registered office in Gdańsk, dated 9 August 2011, on the adoption of Rules and Regulations of the Incentive Programme*

In view of the adoption, by the Annual General Meeting of LPP SA on 27 June 2011, of: (1) Resolution No. 21 on the adoption of the incentive programme for key managers of the Company for the years 2011-2014, and (2) Resolution No. 22 on (i) the issue of series A subscription warrants for series L shares, (ii) conditional share capital increase, (iii) exclusion of pre-emptive right to series A subscription warrants and pre-emptive right to series L shares, (iv) authorisation for the Company bodies, (v) amendments to the Articles of Association, the Supervisory Board, acting pursuant to the provision of sec. 5 of the resolution of the Annual General Meeting of LPP SA No. 21 of 27 June 2011 on the adoption of the incentive programme for key managers of the Company for the years 2011-2014, hereby decides to adopt the rules and regulations of the incentive programme for key managers of the Company for the years 2011-2014 of the following contents:

### 1. DEFINITIONS

The following terms written in this resolution with a capital letter have the meaning assigned to them hereunder:

**Shares** - mean series L ordinary bearer shares in the share capital of LPP SA with its registered office in Gdańsk, with the nominal value of PLN 2 (two zloty) each, in the total number not greater than 21,300 (twenty one thousand three hundred), issued pursuant to the AGM Resolution;

**LPP or Company** - means LPP SA with its registered office in Gdańsk;

**Programme Implementation Period or Programme Business Year** - means a period of time covering LPP reporting years which form the basis for the implementation of the incentive programme established pursuant to Resolution No. 21 of the Annual General Meeting of LPP SA of 27 June 2011, i.e. business years 2011, 2012, 2013 and 2014 or one of the listed years;

**Incentive Programme** - means the incentive programme for the Entitled Persons conducted pursuant to Resolution No. 21 of the Annual General Meeting of 27 June 2011;

**Supervisory Board** - means the Supervisory Board of LPP SA with its registered office in Gdańsk;

**Regulations** - mean the Rules and Regulations of the Incentive Programme;

**Subsidiary** - means a subsidiary within the meaning of Article 3(1)(39) of the Act of 29 September 1994 on Accounting (consolidated text: Journal of Laws of 2009, No. 152 item 1223 as amended);

**Service Relationship** - means legal relationship on the basis of which the Entitled Person provides work or service (including an employment contract, contract of mandate, contract of specific work, contract for services, etc.) for LPP or its Subsidiary;

**AGM Resolution** - means Resolution No. 21 of the Annual General Meeting of LPP SA of 27 June 2011 regarding the adoption of the incentive programme for key managers of the Company for the years 2011-2014;

**Programme Participant** - refers to Mr. Marek Piechocki, Mr. Dariusz Pachla, Mr. Piotr Dyka, Mr. Jacek Kujawa, Mr. Hubert Komorowski and Mr. Sławomir Łoboda;

**Entitlement** - means the right to subscribe for Shares in the share capital of LPP vested under this incentive programme in the Programme Participant;

**Entitled Person** - means Programme Participant remaining in the Service Relationship on 31 December of the Programme Business Year;

**Subscription Warrant** - means series A subscription warrant (within the meaning of Article 453(2) of the Commercial Companies Code), issued by LPP as registered securities in the form of a written document pursuant to Resolution No. 22 of the Annual General Meeting of LPP SA of 27 June 2011 regarding: (i) the issue of series A subscription warrants with the right to acquire series L shares, (ii) conditional share capital increase, (iii) exclusion of pre-emptive rights to series A subscription warrants and pre-emptive rights to series L shares, (iv) authorisation for the Company bodies, (v) amendment to the Articles of Association, as part of execution of the Incentive Programme;

**Management Board** - means the Management Board of LPP SA with its registered office in Gdańsk.

## **2. GENERAL RULES OF THE INCENTIVE PROGRAMME**

2.1. The Incentive Programme is implemented based on and in accordance with the AGM Resolution, taking into account provisions of Resolution No. 22 of the Annual General Meeting of the Company of 27 June 2011 regarding: (i) the issue of series A subscription warrants for series L shares, (ii) conditional share capital increase, (ii) exclusion of pre-emptive rights to series A subscription warrants and exclusion of pre-emptive rights to series L shares, (iv) authorisation for the Company bodies, (v) amendment to the Articles of Association.

2.2. Rules and Regulations of the Incentive Programme have been approved by the Supervisory Board on the basis of the competence granted by the Annual General Meeting in sec. 5 of the AGM Resolution.

2.3. The Incentive Programme will be conducted during the Programme Implementation Period.

2.4. The Participants of the Programme are:

1. Mr. Marek Piechocki;
2. Mr. Dariusz Pachla;
3. Mr. Piotr Dyka;
4. Mr. Jacek Kujawa;
5. Mr. Hubert Komorowski;
6. Mr. Sławomir Łoboda.

2.5. Under the Incentive Programme, the Company will issue no more than 21,300 (twenty one thousand three hundred) Subscription Warrants carrying the right to take up no more than 21,300 (twenty one thousand three hundred) Shares.

### **3. PROGRAMME PARTICIPANTS AND THE CONDITIONS FOR ENTITLEMENT**

3.1 Taking up the Warrants by Programme Participants will be conditional upon meeting the following conditions in a given Programme Business Year:

3.1.1. Net profit of LPP SA Capital Group per share for a given Programme Business Year constituting the basis for allocating Warrants will be 10% higher than the net profit of Capital Group LPP SA per share obtained in the previous business year, and 3.1.2 The compound annual growth rate (CAGR) of the net profit of LPP SA Capital Group after a given Programme Business Year, for which the Warrants are allocated, in relation to the net profit of LPP SA Capital Group for the year 2010, will not be lower than 10%.

3.2 In the event the conditions described in Article 3.1. above are met:

3.2.1 Mr. Marek Piechocki will be entitled to take up the Warrants in the number equal to the product of: (i) the percentage increase in net profit of LPP SA Capital Group between the Programme Business Year for which the Warrants are granted and the previous business year and (ii) the number 39, but not more than 4,500 Warrants throughout the duration of the Incentive Programme;

3.2.1 Mr. Dariusz Pachla will be entitled to take up the Warrants in the number equal to the product of: (i) the percentage increase in net profit of LPP SA Capital Group between the Programme Business Year for which the Warrants are granted and the previous business year and (ii) the number 26, but not more than 3,000 Warrants throughout the duration of the Incentive Programme;

3.2.1 Mr. Jacek Kujawa will be entitled to take up the Warrants in the number equal to the product of: (i) the percentage increase in net profit of LPP SA Capital Group between the Programme Business Year for which the Warrants are granted and the previous business year and (ii) the number 26, but not more than 3,000 Warrants throughout the duration of the Incentive Programme;

3.2.1 Mr. Sławomir Łoboda will be entitled to take up the Warrants in the number equal to the product of: (i) the percentage increase in net profit of LPP SA Capital Group between the Programme Business Year for which the Warrants are granted and the previous business year and (ii) the number 26, but not more than 3,000 Warrants throughout the duration of the Incentive Programme;

3.2.5 Mr. Piotr Dyka will be entitled to take up the Warrants in the number equal to A) the product of: (i) the percentage increase in net profit of LPP SA Capital Group between the Programme Business Year for which the Warrants are granted and the previous business year, and (ii) the number 10, and B) additional number of Warrants, as specified by the Supervisory Board, depending on performance results obtained through distribution channels supervised by Mr. Piotr Dyka in a given Business Year, provided that the total number of Warrants allocated to Mr. Piotr Dyka does not exceed 3,900 Warrants throughout the duration of the Incentive Programme;

3.2.6 Mr. Hubert Komorowski will be entitled to take up the Warrants in the number equal to A) the product of: the percentage increase in net profit of LPP SA Capital Group between the Programme Business Year for which the Warrants are granted and the previous business year and (ii) the number 10, and

B) additional number of Warrants, as specified by the Supervisory Board, depending on performance results obtained through distribution channels supervised by Mr. Hubert Komorowski in a given

Financial Year, provided that the total number of Warrants allocated to Mr. Hubert Komorowski does not exceed 3,9000 Warrants throughout the duration of the Incentive Programme;

3.3 Regardless of the provisions in Articles 3.2.5 and 3.2.6 above, in each year of the Incentive Programme, Mr. Piotr Dyka and Mr. Hubert Komorowski may not get the Warrants: (i) in the number greater than 140% of the number of Warrants received by Mr. Dariusz Pachla or Mr. Jacek Kujawa or Mr. Sławomir Łoboda, (ii) in the number less than 60% of the Warrants received by Mr. Dariusz Pachla or Mr. Jacek Kujawa or Mr. Sławomir Łoboda, and in the case of any difference between the number of warrants received by the above-mentioned persons, there will be taken into account the highest number of the warrants.

3.4 The Warrants will be granted on condition that the Programme Participant remains in the Service Relationship on 31 December of the Programme Business Year for which the Warrants are to be granted.

3.5 Programme Participants who meet the conditions of the Incentive Programme to take up the Warrants for a particular Programme Business Year will be entitled to take up the Warrants in the number calculated in accordance with the provisions of Article 3.2 above, within one month from the publication by the Company in accordance with the relevant applicable law of the Company's financial statements for the Programme Business Year, for which the Warrants are to be granted.

#### **4. SUBSCRIPTION WARRANTS**

4.1. At the end of the Programme Business Year, within one week from the date the Company publishes, in accordance with applicable regulations in this regard, the Company's financial statements relating to the Programme Business Year for which the Warrants are to be granted, the Supervisory Board will adopt the resolution to determine the number of Warrants Mr. Piotr Dyka is entitled to in line with Article 3.2.5 above, and the number of Warrants Mr. Hubert Komorowski is entitled to in accordance with Article 3.2.6 and on the fulfilment of the entitlement conditions by each Programme Participant.

4.2. The Company will present to each of the Entitled Persons an offer to acquire Subscription Warrants free of charge in the number resulting from Article 3.2 and the resolution of the Supervisory Board referred to in Article 4.1. above.

4.3. The offer will not form public offering to purchase securities and will not constitute a public offering as defined by the provisions of Article 3(1) and Article 3(3) of the Act of 29 July 2005 on public offering and conditions for introducing financial instruments into organised trading and on public companies (consolidated text: Journal of Laws of 2009, No. 185 item 1429).

4.4. The Entitled Persons may accept the offer referred to in Article 4.2 by submitting an appropriate written declaration.

4.5. Together with the declaration of acceptance of the offer to acquire Subscription Warrants free of charge, each Entitled Person will submit to the Company an offer to dispose of Subscription Warrants free of charge to the Company in a situation the conditions for loss of the Entitlement set forth in Article 5.1 are met.

4.6. With the acceptance of the offer to acquire Subscription Warrants free of charge, each Entitled Person will deposit them in a share account maintained by the Company.

4.7. The Subscription Warrants will be issued in a physical form (as documents or collective coupons).

4.8. One Subscription Warrant will entitle to take up one Share.

4.9. Subscription Warrants will not be transferable to third parties (i.e. they can be transferred to the Company), they will be subject to inheritance and will not be exchangeable for bearer subscription warrants.

4.10. Subscription Warrants will be issued by the Management Board on the basis of resolutions adopted by the Management Board and the Supervisory Board in accordance with Article 4.1. above in the number and tranches referred to in those resolutions.

## **5. ENTITLEMENT LOSS**

5.1. The Entitlement will expire if, between the date of taking up the Warrants and the initial date of entitlement of the Programme Participants to the Shares referred to in Article 6.1 below, the Entitled Person terminates Service Relationship.

5.2. In the event referred to in Article 5.1 above, the fact of the Entitlement expiry is declared by the Management Board in the form of a resolution.

5.3. In the event of Entitlement expiry the Company acquires Subscription Warrants issued and granted to the Entitled Person free of charge.

5.4. The Supervisory Board is entitled to make a discretionary decision not to enforce the right of acquisition of the Warrants from the Entitled Person by the Company despite the Entitlement expiry, in particular when the fulfilment of the conditions set out in Article 5.1 is due to contingencies beyond the control of the Entitled Person.

5.5. The contingencies referred to in Article 5.4 include in particular:

- (a) death of a spouse, descendants, ascendants or adopted persons,
- (b) a long-term serious illness or disability due to an accident of the Entitled Person,
- (c) significant deterioration of the Entitled Person's economic position,
- (d) other events causing the need for financial support for the Entitled Person.

## **6. ACQUISITION OF SHARES**

6.1 Entitled Persons holding Subscription Warrants, provided that the events causing Entitlement loss set forth in Article 5.1 have not occurred, will be able to take up Shares in the number resulting from the Subscription Warrants held in exchange for the issue price of PLN 2,000, which constitutes the value of an average daily closing price of LPP SA shares quoted on the Warsaw Stock Exchange in the period from 1 September 2010 - 31 March 2011, rounded off to the nearest one hundred zloty, within the date specified in the offer of Warrants acquisition, and the date shall be defined as the period from 1 January of the second year following the year in which the Entitled Person took up the Warrants of particular series to 31 December of the fifth year following the year in which the Entitled Person took up the Warrants of particular series, but not later than by 31 December 2020.

6.2 In the event the Programme Participant submits an application for taking up Shares in exchange for the acquired Warrants, the Company should undertake all steps necessary to take up Shares by the Programme Participant within one month from the receipt of the application.

6.3 The issue price of series L Shares will be PLN 2,000, constituting the value of an average daily closing price of LPP SA shares quoted on the Warsaw Stock Exchange in the period from 1 September 2010 to 31 March 2011, rounded off to the nearest one hundred zloty.

6.4 The Shares will be acquired for cash only.

6.5 The Management will determine time limits for payments for Shares separately for each tranche of Shares issued under this Programme.

6.6 The shares will be acquired pursuant to Article 451 of the Commercial Companies Code, i.e. on the way written statements submitted on the forms prepared by the Company.

6.7 With the acquisition of the Shares, the Entitled Person will execute a declaration and authorise the Management to deposit the securities to the share account maintained by the National Depository of Securities in Warsaw, and to take all actions necessary to admit and introduce the Shares to trading on the Stock Exchange in Warsaw and their dematerialisation, and also entrust operations in this area to an investment company selected by the Management.

6.8 The Shares will participate in the dividend according to the following rules:

(a) in case the Shares are issued in a period between the beginning of a business year and the dividend day specified in the provision of Article 348(2) of the Commercial Companies Code, including that day - they participate in a profit generated in a period from the first day of the business year prior to the year in which they were issued.

(b) in case the Shares are issued in a period starting after the dividend day specified in the provision of Article 348(2) of the Commercial Companies Code, until the end of a business year - they participate in a profit generated in a period from the first day of the business year in which they were issued.- and if the Shares are materialised, the term "issuing the shares" will mean crediting the Shares in the securities trading account of the Shareholder.

## **7. FINAL PROVISIONS**

The resolution is effective when adopted.

The estimated cost of the Programme, reflected in the performance results for the years 2011-2014, is approx. PLN 15.8 million.