**Appendix No. 1**
**to Resolution 9 /I/2014**
**of the Supervisory Board of**
**Polska Grupa Zbrojeniowa S.A.**
**of the session of 13 March 2014**

# REGULATIONS

# of the Management Board

# of Polska Grupa Zbrojeniowa S.A.

**Approved by the Supervisory Board**
**of Polska Grupa Zbrojeniowa S.A.**
**on 13 March 2014**
**by resolution 9 /I/2014**

## I. GENERAL PROVISIONS

§1

These Regulations specify the operational procedures of the Management Board of Polska Grupa Zbrojeniowa S.A., hereinafter referred to as the "**Company**".

§2

The Company's Management Board operates under:

- the Code of Commercial Partnerships and Companies;
- the Articles of Association of 26 November 2013 covered by the notarial deed, Repertory A no. 18676/2013;
- Resolutions of the General Assembly;
- Resolutions of the Supervisory Board;
- other applicable laws;
- these Regulations.

§3

The Management Board shall decide on matters that are not restricted to other governing bodies by the Code of Commercial Partnerships and Companies or the Articles of Associations.

§4

1. The Management Board shall be composed of one to five persons. The number of Members of the Management Board shall be determined by the governing body that appoints the Management Board.
2. The Management Board shall be appointed for a common term of office of three years pursuant to the provisions of § 18 par. 2 of the Articles of Association.
3. Members of the Management Board or the Management Board as a whole shall be appointed, dismissed or suspended pursuant to the provisions of § 19 par. 1, 2, 3 and 4 of the Articles of Association.
4. A Member of the Management Board shall submit the written letter of resignation to the Supervisory Board and to the attention of the minister competent for the State Treasury as long as the State Treasury remains the Company's shareholder.
5. Activities of the Management Board as a collective body shall be managed by the President.
6. All Members of the Management Board shall be equally competent regarding strategic management. All Members of the Management Board shall be obliged and entitled to manage the Company affairs jointly. The above shall not preclude assigning specific tasks or responsibilities to particular Members of the Management Board.
7. If a Member of the Management Board is temporarily unable to perform his/her functions (e.g. due to illness, holiday), such a Member shall immediately inform the President of the Management Board of the situation and its expected duration, and if this applies to the President – the Member of the Management Board being the deputy of the President.

§5

All matters related to management of the Company's affairs that are not restricted to the General Assembly or the Supervisory Board by laws or provisions of the Articles of Association shall be the competence of the Management Board.

§6

The Management Board shall provide the Supervisory Board with regular and exhaustive information on all relevant matters of the Company's activity as well as on risks related to the performed activity and methods of risk management.

## II. COMPANY REPRESENTATION

§7

The Management Board of Polska Grupa Zbrojeniowa S.A. Joint Stock Company shall manage the Company's affairs and represent the Company in all judicial and non-judicial activities.

§8

1. Making declarations on behalf of the Company shall require two Members of the Management Board or one Member of the Management Board and the holder of the commercial power of attorney (*prokurent*) to cooperate, subject to the provisions of § 15 par. 2 of the Articles of Association.
2. The Management Board may appoint holders of commercial power of attorney or attorneys-in-fact of the Company. Establishment of commercial power of attorney (*prokura*) or permanent power of attorney shall require a unanimous resolution of the Company's Management Board.
3. Power of attorney and commercial power of attorney may be revoked by any Member of the Management Board. Revocation shall be in writing.

## III. SCOPE OF MANAGEMENT BOARD'S ACTIVITY

§9

1. All matters that exceed the scope of the Company's ordinary activities shall require a resolution of the Management Board.
2. A resolution of the Management Board shall be particularly required to:
   1) establish the Regulations of the Management Board;
   2) establish the Organisational Regulations of the Company's business;
   3) establish or wind up branches;
   4) appoint a holder of commercial power of attorney;
   5) assume loans and borrowings;
   6) adopt annual progress and payment schedules as well as strategic multiannual plans, subject to the provisions of § 16 par. 3 and § 23 par. 1 subpar. 6 of the Articles of Association;
   7) assume contingent liabilities, including the Company's furnishing guarantees and sureties as well as issue bills of exchange, subject to the provisions of § 23 par. 2 subpar. 3 and 4 of the Articles of Association.
   8) acquire and dispose of fixed assets and encumber them with an amount equal to or exceeding the equivalent of EUR 10,000 (in words: ten thousand Euros), subject to the provisions of § 23 par. 2 subpar. 1 and 2, and § 41 par. 3 subpar. 2 and 3 of the Articles of Association;
   9) in the case of matters which the Management Board requests the Supervisory Board or the General Assembly to examine.

## IV. PROCEDURES FOR HOLDING MANAGEMENT BOARD SESSIONS

§10

1. Management Board sessions shall be convened regarding matters and within time-limits specified in the Code of Commercial Partnerships and Companies, the Articles of Association and these Regulations, as well as regarding other matters and within other time-limits that the President or a Member of the Management Board deems appropriate.
2. A Management Board session may be held without being formally convened if all Members of the Management Board are present and no Member objects to holding the session or to the proposed agenda.
3. Management Board sessions shall be convened by the President of the Management Board and in the event of his/her absence – by the Member of the Management Board being his/her deputy.
4. The President of the Management Board, and in the event of his/her absence the Member of the Management Board being his/her deputy, shall determine the place of the meeting and the agenda, taking into account requests of the Members of the Management Board and of the Supervisory Board, and shall notify all Members of the Management Board. The request to include a matter in the agenda shall be made in writing and provide appropriate legal and substantive justification. This requirement shall not apply if the session is convened in an ad hoc manner. The President of the Management Board may make the inclusion of a specific matter in the proposed agenda dependent on prior opinion of a Member or Members of the Management Board competent due to assigned tasks.
5. A Management Board session shall be held as soon as practicable upon written request of the Supervisory Board submitted to the President or another Member of the Management Board currently being his/her deputy.
6. A Management Board session may be attended by persons invited by the President of the Management Board, and such persons shall not have the right to vote
7. Persons participating in the Management Board session shall keep the proceedings of the session and the contents of the determinations confidential.

§11

1. Management Board sessions may be held in the Company's registered office or in Warsaw.
2. Organisation of a Management Board session at a different place than specified in par. 1 shall require consent of all Members of the Management Board.

§12

1. Members of the Management Board shall mandatorily attend Management Board sessions. Members of the Management Board shall perform their rights and obligations in person.
2. A Management Board session shall be valid if every Member of the Management Board has been invited.
3. A notice to Members of the Management Boards of the planned session shall be deemed effective if it is given in person, by telephone or in writing by the person convening the session to all Members of the Management Board who are performing their functions in the Company at the particular moment.
4. Management Board sessions shall be chaired by the President of the Management Board or a Member of the Management Board being his/her deputy.

§ 13

1. The person chairing the session shall open and close the session with an unequivocal statement. A Member of the Management Board shall be allowed to leave the meeting before it is closed only upon the consent of the Chairperson, which should be included in the minutes if requested so by any Member of the Management Board.
2. The agenda may be changed during the session unless any present Member of the Management Board objects thereto.

§14

1. If a Management Board session cannot be held as an ordinary session and the urgency of the matter requires a prompt decision, the President of the Management Board or, in the event of his/her absence a Member of the Management Board appointed by the latter, shall order the vote on the resolutions by circulation, in the following forms:
   1) in writing, where Members of the Management Board shall vote “For”, “Against” or “I abstain” on the voting form prepared for this purpose, whose enclosures shall be: the draft resolution to be passed and the request of the Company’s organisational unit;
   2) with use of direct remote communication resources, where Members of the Management Board shall inform the head of the organisational unit in charge of services for the Company governing bodies or an authorised employee about voting “For”, “Against” or “I abstain”. The voting procedure shall be confirmed at the next session of the Management Board at the latest, by signing the voting form, to which the draft resolution and the request in the relevant matter are enclosed.
2. Upon ending the vote on the resolutions passed by circulation, Members of the Management Board shall be immediately informed about results thereof.

## V. PROCEDURE FOR PASSING RESOLUTIONS

§15

1. The Management Board shall pass resolutions during sessions, subject to § 14.
2. A Management Board session shall have the power to pass resolutions if the “validity” condition as specified in § 12 par. 2 and 3 is met.
3. Resolutions of the Management Board shall be passed by an absolute majority of votes. Should the number of votes for and against the resolution be equal, the President of the Management Board shall have the casting vote.
4. Each member of the Management Board may request that a dissenting opinion be included in the minutes. A dissenting opinion shall be substantiated.
5. A dissenting opinion voiced shall be minuted or submitted in writing within 3 days of passing the resolution.
6. If a conflict occurs between the Company’s interests and personal interests of a Member of the Management Board, his/her spouse, relatives by blood or relatives by affinity to the second degree, such Member of the Management Board shall abstain from voting. The fact of abstaining from voting shall be minuted together with the reason therefor.
7. Voting shall be by open ballot.
8. In voting by open ballot, the first person to vote shall be the Member of the Management Board who puts forward the proposal to pass the resolution. The President of the Management Board, unless he/she proposed passing the resolution, shall vote last.
9. Voting by secret ballot shall be ordered for personal matters concerning Members of the Management Board or where so decided by the Management Board.
10. Members of the Management Board within the scope of their competence specified in

the Organisational Regulations of the Company, these Regulations or a relevant resolution of the Management Board shall be responsible for substantive preparation of draft resolutions for Management Board sessions as well as for supervision of execution thereof.

11. Resolutions of the Management Board shall be examined in terms of procedural law and initialled by the Company's legal counsel, who shall declare conformity thereof with the Code of Commercial Partnerships and Companies, the Articles of Association and other generally applicable laws.

§16

1. The Chairperson shall allow session participants to speak.
2. In the case of matters regarding substance, the Chairperson may deprive a person of the right to speak or refuse a person the right to speak if the person has already been once allowed to speak on this matter. The Chairperson may limit the speaking time for the person who has been allowed to speak.
3. The member of the Management Board who has been deprived of or refused the right to speak shall be entitled to present his/her opinion or standpoint in writing in the form of an enclosure to the minutes of the Management Board session.
4. In the case of formal matters, the right to speak shall not be refused. The formal matters shall include:

    1) proposal of an amendment to the minutes of the previous session;
    2) request regarding (objection to) establishing or changing the agenda;
    3) request to vote by secret ballot;
    4) request to exclude a visitor's presence from the session;
    5) request to adjourn (postpone) the session;
    6) request regarding (objection to) announcing an adjournment;
    7) request to change the order of voting on requests;
    8) request to reject another request;
    9) request to deprive a person of the right to speak, end the discussion or end the session;
    10) objection to recognise a request in a formal matter as informal.

§ 17

Members of the Management Board shall control the course of execution of the resolutions of the Management Board on an ongoing basis within assigned areas of work and submit information on the progress of their execution during the Management Board session.

## VI. DOSSIERS FOR MANAGEMENT BOARD SESSION AND MINUTES

§ 18

1. Each Management Board session shall be minuted.
2. Minutes of the Management Board session shall be taken by a minutes clerk appointed by the President or, in the event of his/her absence, by the person convening the meeting. Minutes shall be taken during the session.
3. Minutes of the Management Board sessions shall be concise and include:
    1) successive number, date and place of the session held;
    2) statement that all Members of the Management Board have been invited, as well as full names of the Members of the Management Board who participate in the session;
    3) list of persons attending the session;

4) agenda;
5) summary of the matter presented;
6) declaration of passing the resolution and full text thereof, enclosed to the minutes;
7) full text of request or decision;
8) number of votes cast regarding particular resolutions
9) dissenting opinions;
10) signatures of the Members of the Management Board present at the session.

4. Contents of discussions as well as formal applications which are voiced and put to vote shall not be minuted. Significant organisational determinations may be minuted upon request of a Member of the Management Board.
5. The minutes shall be signed by every Member of the Management Board present at the session. The minutes may be signed individually or during the subsequent Management Board session. The minutes clerk shall hand over the original minutes to the President, whereas exemplified copies (photocopies) to each Member of the Management Board.
6. The minutes of the previous session shall be deemed as prepared without errors and qualifications unless at the subsequent session a Member of the Management Board formally proposes amendments to the minutes of the previous session. Decisions on including the amendments shall be passed by majority of votes cast by the persons present at the session to which the amendments apply.
7. Minutes of the Management Board together with enclosures shall be kept in the book of minutes. Exceptions shall be resolutions designated as “confidential”, which shall be kept in the Company’s Secret Office.
8. Each Member of the Management Board and the head of the organisational unit in charge of services for the Company governing bodies or a different authorised person shall be authorised to certify exemplified copies of or extracts from minutes and resolutions of the Management Board.

## VII. COOPERATION WITH COMPANY GOVERNING BODIES

§19

1. The Management Board shall execute its own resolutions as well as resolutions of the Supervisory Board and the General Assembly on an ongoing basis.
2. The President shall regularly control the execution of resolutions of the Supervisory Board and the General Assembly, as well as supervise the execution of resolutions of the Management Board.

§ 20

1. The Management Board shall convene the General Assembly in accordance with the provisions of the Code of Commercial Partnerships and Companies and the Articles of Association.
2. The Management Board may request that a meeting of the Supervisory Board be convened, stating a proposed agenda.
3. A resolution of the Management Board shall be required to:
   1) convene the General Assembly and set the agenda;
   2) request that a meeting of the Supervisory Board be convened and propose the agenda;
   3) convene a meeting of the Supervisory Board as described in Article 389 § 2 of the Code of Commercial Partnerships and Companies.

§ 21

1. Dossiers for the Supervisory Board and the General Assembly shall be prepared by the Management Board.
2. Head of the organisational unit in charge of services for the Company governing bodies or an authorised employee shall compile the dossiers intended for the Supervisory Board or the General Assembly, and subsequently prepare a draft cover letter (which shall contain a detailed list of the dossiers submitted) for the President to sign.
3. Head of the organisational unit in charge of services for the Company governing bodies or an authorised employee shall provide each Member of the Management Board with the draft referred to in par. 2 in reasonable advance so that they can examine its substance and submit comments to the President, prior to signing the letter.

**§ 22**

1. The Management Board shall attend meetings of the General Assembly.
2. During meetings of the General Assembly, the Management Board shall provide shareholders with information on the Company upon request if it is justified for the purpose of evaluating the matter included on the agenda.
3. The Management Board shall refuse to provide information where:
   1) this could be detrimental to the Company, its related company or subsidiary, particularly by revealing technical, trade or organisational secrets of an enterprise;
   2) this could expose a Member of the Management Board to criminal, civil or administrative liability;
4. In duly justified cases, the Management Board may provide information in writing within 2 weeks after end of the General Assembly.
5. The Management Board may provide a shareholder with information on the Company outside the General Assembly taking into account constraints resulting from par. 3. Such information together with indication of the date of submission thereof and the person provided with information should be revealed by the Management Board in writing in the dossiers submitted to the next General Assembly. The dossiers may exclude information released to the public and provided at the General Assembly.

## VIII. FINAL PROVISIONS

§ 23

These Regulations were adopted by the resolution of the Management Board No. 2/I/2014.

§ 24

These Regulations shall enter into force on the date of their approval by the Supervisory Board.

§ 25

Any amendment to the contents of the Regulations shall be made pursuant to the procedure determined for the adoption thereof.