

# COMARCH



## **Managerial Option Program for Members of the Management Board and Other Key Employees** for 2008-2010

On the 28<sup>th</sup> of June, 2007, the Annual General Meeting of Shareholders passed Resolution no. 40 on the managerial options program for company's Key Employees for 2008-2010. The objective of the program is to additionally motivate members of the Management Board and Key Employees by options on Comarch shares (hereinafter referred to as the "Option") dependent on increases in the value of the company and increase in its capitalization. The program was executed through offers of newly-issued shares in the company in 2009, 2010 and 2011 to Key Employees. The value of the Option is to be at all times equivalent to the difference between the average closing price of the company's shares as of December of each year of the execution of the program (beginning with 2008) and the issue price of shares offered to Key Employees.

The basis for the calculation of the value of the Option shall be increases in company capitalization, calculated as follows:

- For 2008 - as the difference between the average capitalization of the Company in December 2007 and the average capitalization of the Company in December 2008,
- For 2009 - as the difference between the average capitalization of the Company in December 2008 and the average capitalization of the Company in December 2009,
- For 2010 - as the difference between the average capitalization of the Company in December 2009 and the average capitalization of the Company in December 2010.

In the fourth quarter of the year that precedes the year of the Programme execution, the Supervisory Board of the company shall establish a list of Key Employees and single option factors. List of Key Employees and single option factors shall be established independently for each subsequent year. The total value of the all single option factors for each Key Employee in the given year shall amount to 3% (in words: three percent) of increase in the company's capitalization.

Pursuant to IFRS2, the Company was obliged to calculate the value of the Option and classify it as a cost in the income statement in the Option period, i.e. from its issue date until its expiry date. The Company recognised the value of the particular options beginning from the options' acquiring, i.e. an establishment by the Supervisory Board a list of Key Employees and single option factors for each subsequent year.

The Company notes that despite the fact that the value of the Option decreases the net profit of the company and of the Group, this operation did not affect the value of cash flows. Moreover, the economic cost of the Option shall be classified in the income statement through its inclusion in the "diluted net profit" of newly issued shares for the participants of the programme. Despite the fact that the IFRS2 standard was officially adopted by the European Union to companies listed on the stock exchange in the preparation of consolidated statements, many experts pointed out its controversial nature – in their opinion, placing the cost of the Option in the income statement results in the double inclusion of the effect of the Option programme (once by result and second by dilution).

### **Execution of the program for 2008**

On the 10<sup>th</sup> of December, 2007, with the resolution no. 3/12/2007, the Supervisory Board of Comarch S.A. established a list of Key Employees and single option factors for 2008. The total value of the all single option factors for each Key Employee in 2008 shall amount to 3%.

The difference between the average capitalization in December 2008 and the average capitalization in December 2007 was negative, which means that the basic condition of the Program was not met. As a result, in 2009 no shares for Management Board Members and Key Employees were issued.

Pursuant to IFRS2, the company has valued the Option with Black & Scholes model. Apart from the assumptions resulting from the nature of the Option program described above, the following additional assumptions were adopted for the needs of the valuation:

- 5.74% risk-free rate (the interest rate on 52-week treasury bills);
- 0% dividend rate (the dividend rate in the period forecast as at the date of the passage of the program);
- 34.45% anticipated volatility (anticipated volatility based on historical volatility from the last 200 quotations prior to the date of the passage of the program on the basis of the average price of shares from opening and closing prices).

The determined Option's value amounted to PLN 5,943 thousand and was recognised in the income statement for 2008.

The impact of recognizing the value of options in the income statement for the fourth quarter of 2008 was PLN 1,486 thousand.

### **Execution of the program for 2009**

On the 8<sup>th</sup> of December, 2008, with the resolution no. 1/12/2008, the Supervisory Board of Comarch S.A. established a list of Key Employees and single option factors for 2009. The total value of the all single option factors for each Key Employee in 2009 amounted to 3%.

Pursuant to IFRS2, the company has valued the Option with Black & Scholes model. Apart from the assumptions resulting from the nature of the Option program described above, the following additional assumptions were adopted for the needs of the valuation:

- 5.792% risk-free rate (the interest rate on 52-week treasury bills);
- 0% dividend rate (the dividend rate in the period forecast as at the date of the passage of the program);
- 38.62% anticipated volatility (anticipated volatility based on historical volatility from the last 200 quotations prior to the date of the passage of the program on the basis of the average price of shares from opening and closing prices).

The determined Option's value amounted to PLN 2,981 thousand and was recognised in the income statement for 2009.

Pursuant to Act on Accounting dated 29<sup>th</sup> of September, 1994 managerial option program is not presented in the income statement. The Option is recognised as cost in the consolidated income statement prepared in accordance with IFRS.

On the 15<sup>th</sup> of February, 2010, pursuant to Art. 431 § 1 and Art. 432 of the Commercial Companies Code, and in relation to Art. 446 of the Commercial Companies Code and Art. 9 sec. 3 of the Company's Articles of Association, as well in execution of Resolution no. 40 of the Ordinary Annual General Shareholders' Meeting dated 28<sup>th</sup> of June, 2007, regarding the managerial option program for key employees and according to Resolution no. 1/01/2010 of the Supervisory Board regarding execution of the managerial option program for 2009, the Management Board of Comarch S.A. passed the resolution regarding an increase in share capital by

way of emission of 91,041 ordinary bearer series J2 shares, of a nominal value of PLN 1 and issue price of PLN 1, excluding a stock right of the current company's shareholders, in addition to changes in the company's Statute within the abovementioned scope. Shares will be offered to the entitled persons according to the rules of the managerial option program for key employees, passed with Resolution no. 40 of the Ordinary Annual General Shareholders' Meeting dated 28<sup>th</sup> of June, 2007.

A subscription of 91,041 J2 shares took place between the 17<sup>th</sup> of February, 2010 and the 26<sup>th</sup> of February, 2010. They were allocated to 7 persons (current report no. 4/2010 dated the 9<sup>th</sup> of March, 2010).

On the 31<sup>st</sup> of March, 2010 the District Court for Kraków-Śródmieście, XI Economic Division of the National Court Register registered an increase in the Comarch S.A. share capital to the amount of PLN 8,051,637. After this increase the company's share capital is divided into 8,051,637 shares. It corresponds to 15,045,237 votes at the company's AGM.

### **Execution of the program for 2010**

On the 7<sup>th</sup> of December, 2009, with the resolution no. 1/12/2009, the Supervisory Board of Comarch S.A. established a list of Key Employees and single option factors for 2010. The total value of the all single option factors for each Key Employee in 2010 amounted to 3%.

Pursuant to IFRS2, the Company valued the options for 2010. The options were valued using the Black and Scholes option valuation model. Apart from the assumptions resulting from the nature of the Option program described above, the following additional assumptions were adopted for the needs of the valuation:

- 4.223% risk-free rate (the interest rate on 52-week treasury bills);
- 0% dividend rate (the dividend rate in the period forecast as at the date of the passage of the programme);
- 35.46% anticipated volatility (anticipated volatility based on historical volatility from the last 200 quotations prior to the date of the passage of the program on the basis of the average price of shares from opening and closing prices).

The determined Option's value amounted to PLN 2,643 thousand and was recognised in the income statement for 2010.

The difference between the average capitalization in December 2010 and the average capitalization in December 2009 was negative, which means that the basic condition of the Program was not met. As a result, in 2011 no shares for Management Board Members and Key Employees were issued.