

**DECLARATION
ON APPLICATION OF
CORPORATE GOVERNANCE
PRINCIPLES AT
CITY INTERACTIVE S.A.
IN 2011**



Warsaw, April 30, 2011

DECLARATION ON APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES AT CITY INTERACTIVE S.A. IN 2011

I. Indication of the corporate governance principles adopted by City Interactive S.A.

City Interactive S.A. is subject to the corporate governance principles published in the document "Best Practices of WSE Listed Companies" in the wording constituting an appendix to Resolution no. 17/1249/2010 of 19 May 2010. The principles are publicly available on the website of **Giełda Papierów Wartościowych w Warszawie S.A.** (the Warsaw Stock Exchange) at <http://www.corp-gov.gpw.pl>.

II. Indication of the scope in which the Company has withdrawn from the principles referred to above, indication of such principles together with explanation of the reasons for withdrawal

In 2011 the Issuer applied the majority of corporate governance principles referred to above with the exception of the principles described below which were not applied or were applied with limitations:

- The recommendation contained in part I of "Best Practices of WSE Listed Companies" concerning online provision of the agenda for the General Meeting and its publication on the Company's website.

Justification:

City Interactive S.A. takes the position that the public distribution of all resolutions adopted by the General Meeting of Shareholders through a current report and on the Company's website ensures broad access to information and appropriate communication.

- The principle specified in part II of "Best Practices of WSE Listed Companies", sec. 1, point 6 states that annual reports on the activities of the Supervisory Board, taking into consideration the work of its committees, are published on the Company's website.

Justification:

Beginning with the annual report on the operations of the Supervisory Board for 2011, after its acceptance the Company will publish the annual report on the operations of the Supervisory Board on the Company's website: www.city-interactive.com in the Investor Relations section.

- The principle specified in part II of "Best Practices of WSE Listed Companies", sec. 1, point 7 states that shareholder queries concerning issues included in the agenda, raised before and during the general meeting, together with responses to queries raised, should be published on the Company's website.

Justification:

No detailed record of the General Meeting agenda is held at the Company. Questions and answers and the statements of shareholders participating in the General Meeting may be recorded in the minutes of the Ordinary General Meeting, which is decided by the

Chairperson of the meeting, guided by the provisions of law and the importance attached to the issue raised by the shareholder. The content of resolutions adopted by the General Meeting is provided by the Company pursuant to § 38, sec. 1, point 5) of the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information (...).

- The principle specified in part III of "Best Practices of Supervisory Board Members", sec. 8, states that within the tasks and operations of committees functioning within the Supervisory Board, Annex I to the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors (...)

Justification

In 2011 an Audit Committee was organized within the Supervisory Board, with the following composition:

Marek Dworak - Chairperson of the Audit Committee

Tomasz Litwiniuk - Deputy Chairperson of the Audit Committee

Krzysztof Sroczyński - Member of the Audit Committee.

The Audit Committee's tasks include in particular:

- a) monitoring the financial reporting process;
- b) monitoring the effectiveness of internal control, internal audit and risk management systems;
- c) monitoring financial audit;
- d) monitoring the independence of the statutory auditor and entity authorized to audit the financial statements;

No other committees were organized within the Supervisory Board since remaining tasks are undertaken by the Supervisory Board as a whole.

III. Description of the principal features of the internal control and risk management systems used in the Company with relation to the process of drawing up financial statements

The Company has a system of internal control in the field of accounting and preparation of financial statements which ensures reliable and clear presentation of City Interactive S.A.'s financial situation. The Company's Management Board supervises the system of control. In as far as it is connected with financial statements, the system of internal control covers in particular control of purchase and sales processes and turnover in cash and cash equivalents. The Company has implemented and applies appropriate methods for securing access to data and the computer systems used for data processing, including storage and protection of accounting information and account books. The Company's annual financial statements are subjected to audit while semi-annual reporting is subjected to inspection by an entity with appropriate authorizations, which is selected by the Supervisory Board.

The Company's financial statements are published in accordance with the appropriate provisions of law. Risk management is conducted on the basis of an effective system of internal control in financial reporting, the objective of which it to ensure the adequacy and correctness of the financial information contained in the financial statements and periodic reports. During the process of drawing up the Company's financial statements, one of the principal elements of control is verification of the financial statements by an independent

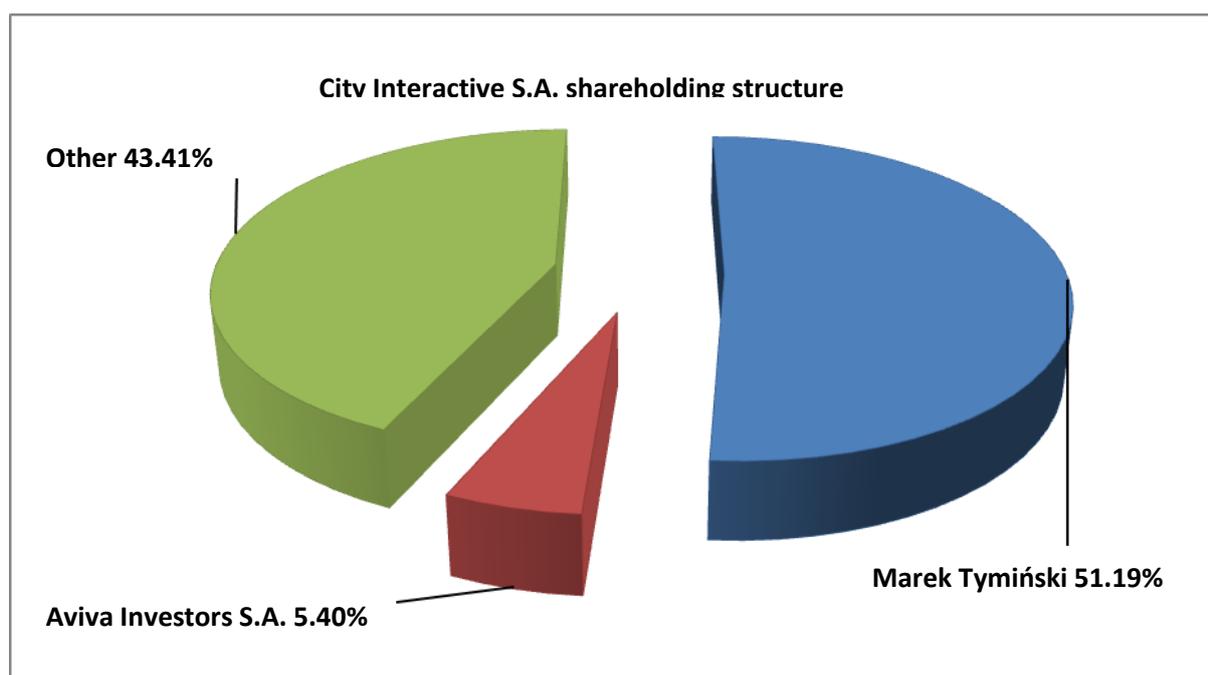
auditor whose tasks include in particular analysis of the semi-annual and audit of the annual financial statements – both separate and consolidated. Selection of an independent, statutory auditor is made by the Supervisory Board through adoption of an appropriate Resolution. Once per year the Board assesses the Company's previously audited financial statements in the scope of their compliance with the accounts, documents and the actual state of affairs. The Supervisory Board informs shareholders of the results of its assessment in its annual report.

IV. Indication of shareholders directly or indirectly holding significant stakes together with indication of the number of shares held by such entities, their share in capital, number of votes carried by such shares and their share in the total number of votes at the general meeting

The Company's share capital amounts to PLN 1 265 000 (say: one million, two hundred and sixty-five thousand Polish zloty) and is divided into 12 650 000 shares of a nominal value of PLN 0.10 each. The total number of votes at the general meeting of shareholders carried by all issued shares is 12 650 000.

City Interactive S.A. shareholding structure as at the publication date of the 2011 report:

Details	Number of shares held	% in share capital	Number of votes at GM	% share of votes at GM
Marek Tymiński	6 475 794	51.19%	6 475 794	51.19
Aviva Investors Poland S.A.	683 104	5.40	683 104	5.40
Total other shareholders	6 169 206	43.41		43.41%



V. Indication of the holders of any securities which carry special control entitlements

The Company does not have any securities which carry special entitlements for their holders.

VI. Indication of all limitations relating to exercising the right to vote

There are no limitations on Company shares relating to exercise of the right to vote.

VII. Indication of all limitations concerning transfer of ownership to securities in the Company

All shareholders whose stake in the Issuer's share capital as at the date of approving the issue prospectus exceeded 2% undertook towards the Parent that during the twelve-month period from the date of the first listing of rights to the Issuer's shares on the Warsaw Stock Exchange they would not encumber or pledge – with the exception of the possibility to establish a pledge for a bank in order to provide collateral for loans, nor dispose nor in any other manner transfer ownership, nor undertake to perform such action in relation to the entirety or part of shares, in any manner for the benefit of any person or entity unless consent for such action is expressed by the Parent's Supervisory Board. The obligation was intended to cease being binding in the event that City Interactive S.A. share price (closing rate on the WSE) exceeded the issue price by at least 20%.

The above obligation concerned a total of 8 987 265 series A shares held by the above-mentioned shareholders, which constituted 90% of shares held by them as at the date on which the prospectus was approved.

All shares which were subject to agreements on limitation of their assignability were deposited in brokerage accounts held by Dom Maklerski IDMSA.

In July 2007 the Parent issued 40 000 series B shares at an issue price of PLN 1 under a motivational program for its employees and significant associates. Persons subscribing for series B shares entered into a lock-up agreement with the Parent, limiting the assignability of shares for a period of either two or three years. In this manner the Issuer's employees and associates holding a total of 40 000 series B shares in City Interactive S.A., constituting in total 100% of series B shares in the Issuer, entered into an agreement with the Parent pursuant to which they undertook not to dispose of any of series B shares held for a period of 1 year and:

- 70% of series B shares held for a period of one subsequent year for a total of 20 150 shares,

- 90% of series B shares held for a period of one subsequent year for a total of 19 850 shares,

Furthermore some persons under the aforementioned motivational program also became the holders of series A shares at a price of PLN 1. Employees and associates holding a total of 35 650 series A shares in City Interactive S.A. submitted an official obligation not to dispose of any of the shares held for a period of 1 year and 90% of shares held for a period of two subsequent years.

All shares which were subject to agreements on limitation of their assignability were deposited in brokerage accounts held by Dom Maklerski IDMSA.

In the event of employment or cooperation being terminated with a shareholder holding shares covered by the motivational program, his/her shares were or are transferred to another person designated by the Parent's Management Board.

110 000 ordinary series D shares in the Company were issued on 30 June 2009. These shares were subscribed for by City Interactive S.A. employees at the issue price – PLN 1 per share.

There are also no limitations on exercise of the right to vote carried by the Issuer's shares subscribed for under the employee scheme.

VIII. Description of principles concerning the appointment and dismissal of management personnel and their entitlements, in particular the right to take decision on the issue or buy-back of shares

The principles concerning the appointment and dismissal of management personnel within the Company are specified in the provisions of the Polish Commercial Companies Code and the Articles of Association of City Interactive S.A.

The most significant principles in force in this area are as follows:

- the number of Management Board members is established by the Company's Supervisory Board – between 1 and 5 members;
- members of the Management Board are appointed and dismissed by the Supervisory Board; a 5-year term is in force;
- the Management Board represents the Company externally and manages the Company's business, with the exception of issues reserved for the General Meeting or Supervisory Board.

Resolutions concerning the issue or buyback of shares are adopted by the General Meeting. Resolutions of the General Meeting concerning the issue of convertible bonds and bonds with a priority right concerning subscription for shares, amendment to the Articles of Association, redemption of shares and increase or decrease of share capital are passed with a 3/4 majority of votes.

IX. Description of amendments to the Company's Articles of Association

The principles concerning amendment to the Company's Articles of Association are specified in the provisions of the Polish Commercial Companies Code and the Articles of Association of City Interactive S.A. The text of the Articles of Association is available on the Company's website: www.city-interactive.com in the Investor Relations section.

X. Description of the means by which the General Meeting operates and its principal entitlements together with shareholder rights and the means by which they are exercised

The Company's General Meeting of Shareholders takes place in accordance with the principles specified in the provisions of the Polish Commercial Companies Code, the Company's Articles of Association and the Bylaws of the General Meeting of Shareholders. The text of the Articles of Association and Bylaws of the General Meeting of Shareholders is available on the Company's website at www.city-interactive.com in the Investor Relations section.

The rights and obligations of Company shareholders concerning participation in General Meetings and exercise of the right to vote are specified in the provisions of the Polish Commercial Companies Code, the Company's Articles of Association and other provisions of law concerning the operation of the capital market.

XI. Composition and means of operation for management and supervisory authorities at the Company and their committees

Management Board of City Interactive S.A.

Mr. Marek Tymiński – President throughout 2011

Mr. Artur Winiarski – Member until March 10, 2011

Wojciech Kutak – Member from March 10 to May 17, 2011

Michał Sokolski – Member from August 22, 2011 to March 14, 2012

Andreas Jaeger – Member from March 14, 2012

Artur Winiarski and Wojciech Kutak resigned from the Management Board of City Interactive S.A. in 2011. On March 14, 2012 Michał Sokolski also resigned from the Management Board. The Supervisory Board of City Interactive S.A. simultaneously appointed Andreas Jaeger, finance and operations director, as Member of the Management Board.

Supervisory Board of City Interactive S.A.

Krzysztof Sroczyński Chairman throughout 2011

Marek Dworak Member throughout 2011

Lech Tymiński Member throughout 2011

Grzegorz Leszczyński Member throughout 2011

Tomasz Litwiniuk Member throughout 2011

The principles for the operation of the Company's management and supervisory authorities are specified in the provisions of the Polish Commercial Companies Code, the Company's Articles of Association, the Bylaws of the Management Board and the Bylaws of the Supervisory Board. The text of the Articles of Association, Bylaws of the Management Board and Bylaws of the Supervisory Board are available on the Company's website at www.city-interactive.com in the Investor Relations section.

No committees are in operation within the Supervisory Board.

Marek Tymiński

President of the Management Board

Andreas Jaeger

Member of the Management Board

Warsaw, April 13, 2012

