

LSE – Current report (105/2007)
Telekomunikacja Polska S.A
29 June 2007

Pursuant to art. 56, clause 1, item 1 of the Law of 29 July 2005 on Public Offering and Terms of Launching Financial Instruments on Organised Markets and on Public Companies (Journal of Laws of 2005, No. 184, item 1539), the Management Board of Telekomunikacja Polska S.A., Warsaw (hereinafter referred to as “the Company” or “TP” or “TP S.A.”), in accordance with art. 29, clause 3 of the Warsaw Stock Exchange by-laws, hereby encloses an up-to-date statement on compliance with corporate governance best practices in TP S.A.

The TP Management Board hereby declares that the Company complies with the governance practices mentioned in art. 29, clause 1 of the Warsaw Stock Exchange by-laws as specified in the table below, which is an integral part hereof.

In the Management Board’s opinion, corporate governance best practices in the Company are consistent with “Best practices in public companies”, except for the recommendation no. 20 providing that at least half of the members of the Supervisory Board should be independent members.

Corporate Governance Summary

The governance framework

The framework of TP Group’s corporate governance is set by the provisions of Polish law, the Company’s articles of association, and the regulations and the recommendations of the Warsaw Stock Exchange.

In February 2003, TP Group began a 12-month process to develop a Corporate Governance Charter. This is the most effective way of organising TP Group’s governance system and ensuring that the long-term interests of the Company and its shareholders are properly aligned. Initially, an external corporate governance audit was conducted to reveal how TP’s practices were viewed by investors and financial regulators.

Interviews were then conducted with members of the TP Supervisory Board to test the findings of the audit, and a Corporate Governance Steering Group was formed to oversee the drafting of the Charter. The draft Charter was then reviewed by both the TP Supervisory Board and the Management Board.

In addition, the institutional investor community, including Polish, European and US institutions also provided feedback on the draft. The revisions recommended by the institutions were reviewed by the Corporate Governance Steering Group, and the amended Charter was then passed to the TP Supervisory Board for final approval. It was formally adopted on 12 March 2004.

Key functions of the Corporate Governance Charter

- The Statement of Purpose enshrines shareholder value as the overriding purpose of TP, but also clearly identifies how that objective is to be pursued. It is consistent with TP’s mission, vision and corporate values statement.
- The Management Responsibilities cover key areas of concern and risk to the Group: internal control and risk management; information policies, systems and procedures; ethical framework and policies; and transactions with shareholders.
- The Governance Process Principles emphasises the role of the Management Board in preparing and validating information for the Supervisory Board and various committees, including the Audit Committee.

1 The role of shareholders

TP encourages shareholders to play an active role in the Company’s corporate governance. Indeed, shareholder consent is required for key decisions, including: the review and approval of the financial statements and Management Board Report on Activities; the approval of the Management Board’s

recommendations on dividend payments; review of the Supervisory Board Assessment of the Group's situation; the election of the members of the Supervisory Board (and, if necessary, their dismissal); amendments to the articles of association; the raising of capital; and the buy-back of shares. At the Company's General Meetings, each share in TP entitles its owner to one vote. Holders of the Company's GDRs are also encouraged to submit their voting instructions to the Company's Depository Bank. In addition to their participation in General meetings, members of the Company's Management Board and senior executives engage in active dialogue with the Company's shareholders. To ensure that investors receive a balanced view of the Company's performance, Management Board members – led by the President of the Management Board and the Chief Financial Officer – also make regular presentations to institutional investors and representatives of the domestic and international financial community.

2 The Supervisory Board

As of 30 June 2007, the Supervisory Board comprises thirteen members.

At present, TP has five independent members in the Supervisory Board, namely Messrs. Prof. Andrzej K. Koźmiński, Timothy Boatman, Prof. Jerzy Rajski, Dr. Wiesław Rozłucki and Andrew Seton. The other members are: Olivier Barberot, Michel Monzani, Vivek Badrinath, Jacques Champeaux Stéphane Pallez, Georges Penalver, Philippe Andres and Antonio Anguita.

The term of office of each member of the Supervisory Board is three years, and their remuneration is determined by the General Meeting of Shareholders. The Supervisory Board meets at least once a quarter and is responsible for the appointment and remuneration of the members of the Management Board, the appointment of the Company's independent auditors, and the supervision of the Company's business.

As part of this process, it examines the Company's strategic plan and annual budget and monitors the Company's operating and financial performance. In considering these matters, the Board takes into account the social, environmental and ethical considerations that relate to TP Group's businesses.

The work of the Supervisory Board is co-ordinated by the Board Chairman, with the assistance of the Board Secretary; and the responsibilities and obligations of the Board, together with its rules of procedure, are defined in a formal statement of the Board's role. Although the Board performs its tasks collectively, it delegates some of the work. The persons and committees to whom these tasks are delegated are described in further paragraphs.

The Audit Committee

The Audit Committee is a Committee of the Supervisory Board and reviews reports from the Chief Financial Officer and internal and external auditors. The Audit Committee is chaired by Mr. Timothy Boatman, an independent member of the Supervisory Board. He has relevant and up to date financial experience.

The Remuneration Committee

The Remuneration Committee's task is to advise the Supervisory Board and Management Board on the general remuneration and nomination policy of TP Group, determining the conditions of employment and remuneration (including the setting of objectives) of the Members of Management Board and giving recommendations to the Supervisory Board regarding salaries and the amounts of bonuses for the members of the Management Board. The Committee is chaired by Mr. Andrew Seton – an independent member of the Supervisory Board.

The Strategy Committee

The Strategy Committee was created in 2005.

The tasks of the Committee include:

- giving its opinion and recommendation to the Supervisory Board on the strategic plans put forward by the Management Board and any further suggestions made by the Supervisory Board regarding such strategic plan(s), and in particular on the main strategic options involved;

- consulting on all strategic projects related to the development of TP Group, the monitoring of the evolution of industrial partnerships within TP Group and projects involving strategic agreements for TP Group. It then reports and makes recommendations on each of these projects to the Supervisory Board.

In particular, the Committee is invited to consider projects such as:

- strategic agreements, alliances, and technological and industrial co-operation agreements, including aspects of the strategic partnership between France Telecom and TP Group;
- significant acquisitions and sales of assets.

Until 21 September 2006 the Committee was chaired by Mr. Jean-Paul Cottet and now its Chairman is Mr. Olivier Barberot.

3 The Management Board

The scope of the Board's remit includes the management of all aspects of the Company's affairs, with the exception of those matters which are stipulated by the Polish Commercial Code and the Company's Articles of Association as being within the competence of the General Meeting of Shareholders or the Supervisory Board. The responsibilities and obligations of the Board, together with its rules of procedure, are defined in a formal statement of the Board's role. The members of the Board share collective responsibility for managing the Company, but the work of the Board is co-ordinated by the President of the Board.

4 Internal control and risk management

The Supervisory Board is responsible for reviewing the effectiveness of the Group's system of internal control and risk management established by the Management Board. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

In 2006, TP SA and PTK Centertel completed a comprehensive assessment of their processes of internal control over financial reporting. Main deficiencies both in design and in effectiveness of the internal control have been either identified and remediated or appropriate action points have been launched. As a result of the assessment, the Management concluded that there were no weaknesses that would materially impact the internal control over the financial reporting at 31 December 2006.

Further key elements of this system include the following procedures:

- An internal audit function, which reports directly to the Management Board. The internal audit programme is annually reviewed by the Audit Committee which also analyses the Company's Internal Audit reports. In order to promote an appropriate independent outlook for the Internal Audit Department, Management Board decisions regarding the appointment and remuneration of the Head of the Internal Audit Department require, since 2005, an opinion of the Audit and Remuneration Committees. The external auditors also report to the Audit Committee on control weaknesses which they find during their financial statements audit. The recommendations arising from the review of risk management procedures and systems of internal controls are successively implemented.
- The Company conducts ongoing assessments of the quality of risk management and control. As part of this process, a Risk Map which identifies and classifies the Group's financial and non-financial risks is maintained. This Map was developed as a self-assessment exercise, but also includes findings from the risk assessment project carried out with the support of external experts.
- Procedures were implemented in order to identify, report and monitor significant risks (i.e. legal, regulatory, environmental and operational) effectively on an ongoing basis. It provides a framework for the Internal Audit Department's ongoing risk-controlling activities.

Disclosure

TP Group is diligent in its approach to reporting financial results and its ongoing communication with the Polish and international investment community, as well as fulfilling its disclosure obligations. In 2003/2004, the Disclosure Committee Statute was drafted, and the Committee began its activities in February 2004. Its role is to oversee public disclosures made by TP Group, ensuring that they are timely, exact, transparent, complete, and presented in accordance with all relevant laws, applicable regulations and

recognised practices, as well as being properly representative of the financial and operational condition of the Group.

In 2006 the TP Group Disclosure Committee had four regular and three ad-hoc meetings to discuss the following:

- evaluation and approval of the statutory financial reports (quarterly, half-year, full year);
- evaluation and acceptance of quarterly investors' presentations.

In 2006 TP published 191 regulatory announcements (as well as quarterly and half-year statements of results) that were sent to the Warsaw and London Stock Exchanges. Moreover, in the field of Investor Relations activities, TP Group held over 100 meetings with investors and analysts.

Code of Ethics

A new TP Code of Ethics was implemented in 2006, together with appointment of the Ethics Committee and the network of local ethics coordinators.

Key principles set out by the Code include:

- abiding by ethical principles in business activities;
- fair competition;
- employee care;
- high corporate governance and management standards;
- absolute no tolerance for corruption;
- apolitical stance;
- environmental care.

An alert handling system related to ethics has been implemented by the Company. Further work is being conducted on the processes and policies for the prevention and reporting of potential or actual fraud, including a 'whistleblowers' charter'.

	PRINCIPLE	YES/NO	TPSA COMMENTARY
<u>GENERAL RULES</u>			
I	<p>Objective of the Company</p> <p>The main objective of a company's authorities is to further the company's interests, i.e. to increase the value of the assets entrusted to them by the shareholders, taking into consideration the rights and interests of entities other than the shareholders that are involved in the functioning of the company, especially the company's creditors and employees.</p>	Yes	
II	<p>Majority Rule and Protection of the Minority</p> <p>A joint-stock company is a capital venture, therefore it must respect the principle of capital majority rule and the primacy of majority over minority. A shareholder who contributes more capital also bears a greater economic risk. It is, therefore, justified that his interest be considered in proportion to the capital he contributes. The minority must have a guarantee that their rights will be properly protected within the limits set by the law and commercial integrity. When exercising his rights, a majority shareholder should take into account the interests of the minority.</p>	Yes	

III	<p>Honest Intentions and No-Abuse of Rights</p> <p>The exercising of rights and reliance on legal institutions should be based on honest intentions (good faith) and cannot go beyond the purpose and economic reasons for which these institutions are established. No actions should be taken which, by exceeding the limits set, constitute an abuse of the law. The minority should be protected against an abuse of ownership rights by the majority and the interests of the majority should be protected against an abuse by the minority of its rights, thus ensuring the best possible protection of the equitable interests of the shareholders and other market participants.</p>	Yes	<hr style="border-top: 1px dashed black;"/>
IV	<p>Court Control</p> <p>The company's authorities and persons chairing the general meeting cannot decide on issues which should be resolved by a court judgment. This does not apply to activities which the company's authorities and persons chairing general meetings are authorised or obliged to undertake by force of law.</p>	Yes	<hr style="border-top: 1px dashed black;"/>
V	<p>Independent Opinions Ordered by the Company</p> <p>When choosing an entity to provide expert services, particularly an auditor, financial and tax advisors or legal advisors, the company should examine whether there are any circumstances that would limit the entity's independence when performing the tasks entrusted.</p>	Yes	<hr style="border-top: 1px dashed black;"/>

BEST PRACTICES OF GENERAL MEETINGS

1	A general meeting should take place in a location and at a time that allows the participation of as many shareholders as possible.	Yes	General meetings take place at the Company's head office in Warsaw. According to an adopted practice, general meetings are convened during working days, morning hours.
2	A request made by parties entitled to do so for a general meeting to be convened and for certain issues to be put on its agenda should be justified. Draft resolutions proposed for adoption by the general meeting and other key documents should be presented to the shareholders together with justification and a supervisory board opinion before the general meeting to allow them time to review and evaluate the same.	Yes	According to an adopted practice, a request to convene an extraordinary general meeting should be justified by the party which makes such request. Draft resolutions and any important materials together with the Supervisory Board's justification and opinion are made available to shareholders no later than one week before the intended date of the general meeting. Annual reports together with the Supervisory Board's evaluation and the Auditor's report are made available not later than 15 days before the intended date of the annual general meeting.
3	A general meeting convened on the shareholders' request should be held on the date given in the request and, if this date cannot be kept, on the nearest date that would allow the general meeting to settle the issues on its agenda.	Yes	The Management Board makes its best efforts to ensure that the general meetings convened upon request of shareholders are held on the day specified in the request, unless it is impossible for objective reasons (in such case, another date is set in agreement with the party which has made the request).

4	<p>A general meeting whose agenda includes certain issues at the request of authorised entities or which has been convened on such a request can only be cancelled with the consent of the requesting parties. In all other instances, a general meeting can be cancelled if its holding is hindered (force majeure) or is obviously groundless. A meeting is called off in the same way as it is convened, limiting negative consequences for the company and its shareholders as far as possible and no later than three weeks before the original meeting date. A change in the date of a general meeting is made in the same way as a cancellation, even if the proposed agenda does not change.</p>	<p>Yes</p>	<p>According to an adopted practice, the Company neither cancels nor changes the date of general meetings, once they have been convened. In case of any extraordinary or particularly justified circumstances, a general meeting will be cancelled or its date will be changed in the same manner it has been convened.</p>
5	<p>Before a shareholder's representative can participate in a general meeting, his right to act on the shareholder's behalf should be duly documented. It should be presumed that a written document confirming the right to represent a shareholder at a general meeting conforms with the law and does not require any additional confirmations or acknowledgement unless the company's management board or the chairman of the general meeting has doubts about its authenticity or validity <i>prima facie</i> (when drawing-up the list of attendance).</p>	<p>Yes</p>	<p>In order to attend a general meeting and exercise one's right to vote by proxy, one needs only a power of attorney (in writing, otherwise being null and void) granted by persons authorised to do so according to the excerpt from the relevant register or, in case of natural persons, drawn up in accordance with the provisions of the Civil Code. If the power of attorney is not in Polish language, one has to submit a sworn translation thereof. While drawing up the list of attendance at the general meeting, the Company checks the above-mentioned documents.</p>
6	<p>The general meeting should have regular by-laws setting out in detail the principles on which meetings are conducted and resolutions adopted. The by-laws should, in particular, contain provisions on elections, including elections to the supervisory board by voting in separate groups. The by-laws should not be subject to frequent</p>	<p>Yes</p>	<p>The Company's by-laws adopted by the General Meeting on 23 April 2003 include provisions concerning elections, including election of the Supervisory Board, by voting in groups.</p>

	change; it is advisable for any changes to enter into force as of the following general meeting.		
7	The person opening a general meeting should immediately organise the election of the meeting chairman and should refrain from making any substantial or formal decisions.	Yes	As provided in §4 of the General Meeting Regulations, immediately upon opening of the general meeting the person who has opened it carries out the election of the chairman of the meeting.
8	The chairman of the general meeting ensures that the meeting is run efficiently and that the rights and interests of all shareholders are observed. The chairman should, in particular, counteract any abuse of rights by meeting participants and should guarantee that the rights of minority shareholders are respected. The chairman should not, without good reason, resign from his function or delay signing the meeting minutes.	Yes	As provided in §6 clause 2 of the General Meeting Regulations, “the Chairman of the General Meeting shall ensure an efficient conduct of the meeting and protect the interests of all shareholders; in particular, he shall prevent any abuse of rights by the participants and ensure that the rights of minority shareholders are respected.” In the Company’s practice hitherto there has been no case of resignation by the Chairman. The minutes were signed by the Chairman immediately upon their preparation.
9	A general meeting should be attended by the members of both the supervisory board and the management board. The auditor should also be present at an annual general meeting and an extraordinary general meeting if the company’s financial matters are to be discussed. The absence of a supervisory or management board member from the general meeting requires an explanation, which should be given at the meeting.	Yes	It is an established practice that all members of the Management Board attend the Company’s General Meeting. Also all members of the Supervisory Board are always invited to attend. Six members of the Supervisory Board did not attend the last General Meeting (on 10 May 2007) for justifiable reasons. If the agenda includes any financial matters, the General Meeting is attended by the auditor.

10	Supervisory and management board members and the company's auditor should, within their powers and to the extent needed to settle issues discussed at the general meeting, provide meeting participants with explanations and information about the company.	Yes	The members of the Management Board and Supervisory Board, as well as the auditor (if required), who attend general meetings, provide explanation and information about the Company within their scope of competence and to the extent required to settle the matters discussed and within the limits set forth by the mandatory provisions of the law.
11	All answers provided by the management board to questions posed by the general meeting should take into account the fact that a public company carries out its reporting obligations in the way stipulated in the Law on Public Trading in Securities; certain information cannot be provided in any other way.	Yes	The Company's bodies provide information requested by the participants of the general meeting but within the limits set forth by the provisions of the law on public trading in securities (especially concerning disclosure obligations), the Code of Commercial Companies and other applicable regulations
12	Short breaks in the session which do not constitute an adjournment and are ordered by the chairman in justified cases cannot be aimed at hindering the exercising by the shareholders of their rights.	Yes	Short breaks in a meeting are announced by the Chairman only in justified cases.
13	Voting on administrative issues may only concern issues related to the running of the meeting. Resolutions which may have an impact on the exercising by the shareholders of their rights cannot be voted on in this way.	Yes	As provided in §17 of the General Meeting Regulations, the matters related to order include only issues related to the manner of the conduct of the meeting or voting.

14	A resolution not to consider an issue on the agenda may be adopted only if it is supported by sound reasons. Any motion in this respect should be accompanied by a detailed justification. A decision to remove an item from the agenda or not to consider an issue put on the agenda at a shareholder's request requires a general meeting resolution, once all the shareholders present who put the issue on the agenda have given their consent, supported by 75% of the votes present at the meeting.	Yes	According to the Company's practice any decisions to remove an item from the agenda or not to consider an issue placed on the agenda were adopted only on the request of the shareholders present who placed the issue on the agenda, supported by no less than 75% of the votes present at the meeting – thus in compliance with the requirements from rule no. 14; however, such requirement has not been formally incorporated into the Company's Articles of Association.
15	Any party objecting to a resolution must be given the opportunity to put forward concise reasons for its objections.	Yes	According to the Company's practice hitherto, any shareholder objecting a resolution had a chance to present his arguments and reasons for such objection.
16	As the Code of Commercial Companies does not provide for court control in the event of a resolution not being adopted by the general meeting, the management board or the meeting chairman should form resolutions in such a way that any one who does not agree with the merits of a decision being the subject of the resolution has the possibility of challenging the same, provided that he is entitled to do so.	Yes	According to an adopted practice, the Chairman of the General Meeting ensures that the resolutions are formulated in a clear and transparent manner. The Management Board gives the Chairman a chance to use legal advice offered by the Company.
17	Written statements made by a participant at a general meeting are recorded in the minutes at the participant's request.	Yes	According to an adopted practice, written statements of the participants of the general meeting are recorded in the minutes.

BEST PRACTICES OF SUPERVISORY BOARDS

18	The supervisory board submits a concise evaluation of the company's standing to the general meeting every year. The evaluation should be made available to all shareholders early enough to allow them to become acquainted with the contents before the annual general meeting.	Yes	Pursuant to the Supervisory Board's by-laws, the Supervisory Board evaluates the company's standing every year. The Management Board makes such an evaluation available to the shareholders (also in the form of a current report).
19	A member of the supervisory board should have the relevant education, the appropriate professional and practical experience, be of high moral standing and be able to devote the time required to perform his supervisory board function properly. Supervisory board candidature should be announced and supported by reasons sufficiently detailed to enable an informed choice to be made.	Yes	Relevant provision in compliance with this rule has been introduced to the Articles of Association of the Company. As provided in §22 clause 1 of the General Meeting Regulations, justification should be offered in case of any candidates proposed for the election to the Supervisory Board. The Company believes that so far the members of the Supervisory Board have met the criteria ensuring proper performance of their duties.
20	(a) At least half the members of the supervisory board should be independent members, subject to point d) below. Independent members of the supervisory board should not have relations with the company and its shareholders or employees which could significantly affect the independent member's ability to make impartial decisions. (b) Detailed independence criteria should be laid down in the company's statutes. (c) Without the consent of the majority of independent supervisory board members, no resolutions should be adopted on the following issues: - performance of any kind by the company and any entities	No	The Company has drawn up a definition and detailed criteria of members of the Supervisory Board's independence and incorporated them into the Articles of Association. The criteria have been adopted in compliance with the European Commission's recommendations. Pursuant to §19 clause 4 of the Articles of Association, the independent members of the Supervisory Board shall satisfy the following conditions: 1) not to be, or have been for the previous five years a member of the Management Board of the

<p>associated with the company in favour of management board members;</p> <ul style="list-style-type: none"> - consent to the execution by the company or a subsidiary of a key agreement with an entity associated with the company, a member of the supervisory board or management board, or with their associated entities; and - appointment of an auditor to audit the company's financial statements. <p>(d) In companies where one shareholder holds a block of shares carrying over 50% of all voting rights, the supervisory board should consist of at least two independent members, including an independent chairman of the audit committee, should such a committee be set up.</p>		<p>Company, or its dominant or subsidiary company and not to belong to senior management in such entities,</p> <ol style="list-style-type: none"> 2) not to be, or have been within the previous five years an employee of the Company, or its dominant or subsidiary company, 3) not to receive, or have received, significant additional remuneration or any pecuniary performance from the Company, or its dominant or subsidiary company apart from a fee received as a member of the Supervisory Board, 4) not to be or to represent in any way, particularly as a management board's member, a supervisory board's member or senior employee of a dominant shareholder, 5) not to have, or have had within the previous year, a significant business relationship (as a significant supplier of goods or services, including financial, legal, advisory or consulting services, or significant customer) with the Company or an associated company, either directly or as a partner, significant shareholder, director or senior employee of an entity having such a relationship, 6) not to be, or have been within the previous three years an external auditor of the Company, or its dominant or subsidiary company or an employee of such auditor, 7) not to be a member of a management board in a company in which a member of the Management Board of the Company is a member of the supervisory board, 8) not to have served on the Supervisory Board of the Company for more than twelve years from the date of the first appointment, 9) not to have, or have had family connections with a
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			<p>member of the Management Board of the Company, senior employee of the Company, or a dominant shareholder.</p> <p>According to this rule 20, in companies where there is a major shareholder holding more than 50% of the voting rights, the presence of two independent Supervisory Board members is sufficient. As far as TP S.A. is concerned, France Telecom is a strategic shareholder, although it only holds 47.5% of the voting rights.</p> <p>Currently, the Supervisory Board has five independent members. The presence of five independent Supervisory Board members is in line with the spirit of the <i>Best Practices in Public Companies 2005</i> and intended to protect the interest of minority investors.</p> <p>With the effect from 15 June 2005, the Audit Committee is chaired by Timothy Boatman, an independent member of the Supervisory Board.</p> <p>The resolutions referred to in clause c) of this rule 20 were adopted with the consent of the majority of independent supervisory board members</p>
21	A supervisory board member should, above all, keep the company's interests in mind.	Yes	Supervisory Board members, above all keep the Company's interests in mind. In particular, they monitor the implementation of strategies and long-term plans.

22	Supervisory board members should take the relevant action to receive from the management board regular and complete information on any and all significant issues concerning the company's operations and on any risks related to the business and ways of managing such risks.	Yes	<p>At each meeting of the Supervisory Board, the Management Board presents information about the progress in the achievement of the Company's plans and about the most important developments related to the Company's business.</p> <p>The Company's Articles of Association define matters which require a Supervisory Board's opinion (i.e. incurring obligations above the equivalent of EUR 100 mln). In addition, according to the procedure adopted by the Company, the Audit Committee of the Supervisory Board is informed about any legal transactions above the equivalent of EUR 5 mln and any agreement with related entities. Any agreement with related entities above the equivalent of EUR 5 mln requires an opinion of the Audit Committee of the Supervisory Board prior to conclusion. The Audit Committee (with participation of independent directors) analyses the risks related to such transactions on behalf of the Supervisory Board.</p>
23	A supervisory board member should inform the other members of the board of any conflict of interest that arises, and should refrain from participating in discussions and from voting on any resolution on the issue in respect of which the conflict of interest has arisen.	Yes	As provided in §9 of the Supervisory Board's by-laws, in case of any conflict between the Company's interest and the personal interest of the member of the Supervisory Board or his spouse, relatives or relations by affinity to the second degree, the member of the Supervisory Board shall refrain from participation in settling such matters and shall demand it to be recorded in the minutes.

24	Information on a supervisory board member's personal, actual, and organisational connections with a given shareholder, particularly, with the majority shareholder, should be made publicly available. The company should have a procedure in place for obtaining such information from supervisory board members and for making it publicly available.	Yes	According to the procedure adopted by the Company information on personal, actual and organisational connections of a Supervisory Board member with a given shareholder, and, in particular, with the majority shareholder are obtained and made available to the public.
25	Supervisory board meetings should be accessible and open to management board members, save for issues which directly concern the management board or its members, especially the removal, liability and remuneration (of management board members).	Yes	According to an adopted practice, the members of the Management Board attend the meetings of the Supervisory Board except for the matters directly related to the Management Board or its members, particularly their removal or liability or amount of their remuneration. The relevant provision has been introduced to the Supervisory Board's by-laws.
26	A supervisory board member should make it possible for the management board to present publicly and in an appropriate manner information on the transfer or acquisition of shares in the company or in its dominant company or subsidiary and of transactions with such companies, provided that such information is relevant to his financial standing.	Yes	At the beginning of their term, the members of the Supervisory Board are informed what kind of information they should release to enable the Company to meet its obligations related to current information; in addition, they are regularly requested to release information required for the Company to meet its obligations related to periodical information (periodical reports). There have been no cases known to the Company of improper performance of the above-mentioned informational obligations.

27	<p>Supervisory board members' remuneration should be set on the basis of a set of transparent procedures and rules. The remuneration should be fair, but should not constitute a significant cost item in the company's business or have a material impact on its financial results. It should also be in reasonable relation to the remuneration of members of the management board. The total amount of all supervisory board members' remuneration, as well as the remuneration of individual members, with a breakdown of its various elements, should be disclosed in the annual report together with information on the procedures and rules applied to determine it.</p>	<p>Yes</p>	<p>The remuneration of the members of the Supervisory Board does not constitute a significant item in the Company's operating expenses and does not significantly affect its financial results and in the Company's opinion is in reasonable proportion to the remuneration of the members of the Management Board.</p> <p>The total amount of all Supervisory Board members' remuneration, as well as the remuneration of individual members is disclosed in the annual report.</p>
28	<p>The supervisory board should operate in accordance with its by-laws which should be publicly available. The by-laws should stipulate that at least two committees should be set up:</p> <ul style="list-style-type: none"> - audit, and - remuneration. <p>The audit committee should consist of at least two independent members and at least one person possessing the relevant qualifications and experience in accounting and finance. The committee's tasks should be specified in the board by-laws.</p>	<p>Yes</p>	<p>The Supervisory Board's actions are consistent with its by-laws (available on the Company's website). Provisions setting up the Audit Committee, the Remuneration Committee and the Strategy Committee have been introduced to the Supervisory Board's by-laws. The committees act in accordance with their respective by-laws, which are appendices to the Supervisory Board's by-laws.</p> <p>The Audit Committee consists of two independent members and several members possessing the relevant qualifications and experience in accounting and finance. Every year the committees report on their activities and such reports are made available to shareholders and placed on the Company's website.</p>

29	<p>The agenda of a supervisory board meeting should not be amended or supplemented during the meeting to which it relates. This requirement does not apply if all the supervisory board members are present and agree to the amendment or supplementation, and if certain actions have to be taken by the supervisory board to protect the company against damage and in the case of a resolution assessing whether there is a conflict of interests between a supervisory board member and the company.</p>	<p>Yes</p>	<p>As provided in §13 clause 3 of the Supervisory Board's by-laws, the agenda of the Supervisory Board's meeting is determined and approved by the Chairman and then sent, together with the relevant materials, to the other members of the Supervisory Board not later than 7 days before the intended date of the meeting unless a shorter time limit is justified due to extraordinary circumstances.</p> <p>The agenda may be changed during the session or additional items may be added to it if all members of the Supervisory Board are present and approve of such change or addition.</p>
30	<p>A supervisory board member delegated by a group of shareholders to permanently exercise supervision should submit detailed reports on the performance of his task to the supervisory board.</p>	<p>Yes</p>	<p>In the Company's practice hitherto there has been no case of delegating a member of the Supervisory Board by a group of shareholders to carry out continuous supervision.</p>

31	<p>A supervisory board member should not resign from his function during his term of office if this would make it impossible for the board to function, particularly if it could hinder the timely adoption of an important resolution.</p>	<p>Yes</p>	<p>On 7 October 2006, Jerzy Drozd resigned from the membership in the Supervisory Board. As a result, the number of Supervisory Board's members fell below thirteen, that is the required minimum set forth by the General Meeting. However, the resignation did not cause inability to adopt by the Supervisory Board an important resolution.</p> <p>On 9 November 2006, the Extraordinary General Meeting replenished the composition of the Supervisory Board by appointing Wiesław Rozłucki to it.</p> <p>At the last Annual General Meeting, a special procedure was incorporated to the Articles of Association to avoid such situations in the future. Pursuant to amended §19 clauses 7 & 8 of the Articles of Association:</p> <p>“7. In case the mandate of a member of the Supervisory Board expires for reasons other than the end of its term of office or dismissal from the Supervisory Board, the other members of the Supervisory Board shall appoint, by a majority of two thirds of the votes cast, a new member of the Supervisory Board. The mandate of such a newly appointed member shall expire on the date of the next General Meeting held not earlier than five weeks after the appointment.</p> <p>8. Number of members of the Supervisory Board appointed in accordance with clause 7 shall not exceed three persons.”</p>
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BEST PRACTICES OF MANAGEMENT BOARDS

32	<p>With the company's interest in mind, the management board sets out the strategy and the main objects of the company's operations and submits them to the supervisory board. The management board is responsible for the implementation and performance of the same. The management board sees that the company's management system is transparent and effective and that its business is conducted in accordance with the legal regulations and best practice. practice.</p>	<p align="center">Yes</p>	<p>The Management Board adopts annual and long-term economic and financial plans for the Company, upon consulting the Supervisory Board, and is responsible for their execution. The Supervisory Board carries out regular discussion and evaluation of the progress in the achievement of such plans.</p>
33	<p>While making decisions on corporate issues, management board members should act within the limits of justified business risk, i.e. after considering all information, analyses and opinions, which, in the reasonable opinion of the management board, should be taken into account in a given case in view of the company's interest. While determining the company's interests, the long-term interests of the company's shareholders, creditors and employees, as well as the interests of other entities and persons cooperating with the company and of the local community should be kept in mind.</p>	<p align="center">Yes</p>	<p>The Management Board carefully examines any actions and decisions made. The members of the Management Board perform their duties with due diligence, using their best knowledge and general experience.</p>

34	In transactions with shareholders and other persons whose interests affect those of the company, the management board should act with the utmost care to ensure that the transactions are carried out at arm's length.	Yes	The Management Board ensures that such transactions are made on market terms and conditions. In particular, any transactions with related entities are subject to prior analysis in terms of possible tax effects and risks. In addition, the Company introduced a procedure for identification of related entities and conclusion of agreements with them. According to this procedure, the Audit Committee is informed about all agreement with related entities, and any agreement with related entities above the equivalent of EUR 5 mln requires an opinion of the Audit Committee (including an opinion of independent directors) prior to conclusion.
35	A management board member should be always loyal to the company and avoid actions which could lead to the advancement of his own material interests only. If a management board member receives information about the opportunity to make an investment or another advantageous transaction relating to the company's objects, he should put this information immediately before the management board to be reviewed in terms of the company taking advantage of it. Such information may only be used by a management board member or passed on to a third party with the consent of the management board and only if it does not infringe the company's interests.	Yes	The members of the Management Board perform their duties in compliance with this rule.
36	A management board member should treat his shares in the company and in its dominant companies and subsidiaries as a long-term investment.	Yes	The members of the Management Board comply with this rule.

37	Management board members should inform the supervisory board whenever a conflict of interests arises or if there is a risk of a conflict of interests arising connection with the function performed.	Yes	In the Company's practice hitherto, there has been no case of the conflict of interests related to the duties performed by a member of the Management Board.
38	The remuneration of management board members should be set on the basis of transparent procedures and principles, taking into account its incentive nature and ensuring effective and smooth management of the company. The remuneration should correspond to the size of the company's business enterprise, should be in a reasonable relation to business results, and be related to the scope of liability in a given function, taking into account the level of remuneration of members of management boards in similar companies on a similar market.	Yes	The remuneration of the members of the Management Board is determined by the Supervisory Board; it consists of a fixed component and a variable component which depends on the evaluation of their performance by the Supervisory Board. Moreover, the Remuneration Committee has been set up in the Company to lead the process of setting the remuneration of the Management Board members.
39	The total amount of all management board members' remuneration, as well as the remuneration of individual members, with a breakdown of its various elements, should be disclosed in the annual report together with information on the procedures and rules applied to determine it. If the amount of remuneration of individual members of the management board significantly differs, it is recommended that a relevant explanation be published.	Yes	Since 2004, the Company has been publishing the total amount of all Management Board members' remuneration, as well as the remuneration of individual members in the annual financial report. The Company has found that such method of presentation of the Management Board members' remuneration, without a breakdown of its various elements (the amended version of the rule 39 introduced in January 2005 recommends a breakdown of various elements of the individual remuneration) is sufficient for the appropriate presentation of the data. In the Company's opinion, the differences in individual remuneration result only from one's function and related scope of duties.

40	The management board should lay down in the by-laws the principles and procedures for operating and allocating powers. These principles should be clear and generally available.	Yes	The rules and manner in which the Management Board operates as well as the allocation of powers amongst its members are set forth in the Management Board's by-laws and the Company's Articles of Association. These documents are not confidential and are generally available at the Company's head office and on the Company's website.
<u>BEST PRACTICES IN RELATIONS WITH THIRD PARTIES AND THIRD PARTY INSTITUTIONS</u>			
41	When selecting an auditor, the company should ensure that he will perform the tasks entrusted to him impartially.	Yes	According to a procedure adopted by the Company, the Supervisory Board selects the auditor upon reviewing the recommendation of the Audit Committee of the Supervisory Board. The members of the Audit Committee are appointed from amongst the members of the Supervisory Board who have expertise and experience required to develop an accurate recommendation.
42	In order to ensure an impartial opinion, the company should change its auditor once every five years at the least. The change of auditor should also be understood as a change of the individual carrying out the audit. Additionally, over a long period of time the company should not use the services of the same auditing entity.	Yes	In the Company's practice hitherto, the auditor has been changed more frequently than every five years.

43	The auditor should be selected by the supervisory board on the recommendation of the audit committee, or by the general meeting on the recommendation of the supervisory board containing the audit committee recommendation. If an auditor other than the one recommended by the audit committee is chosen by either the board or the general meeting, detailed reasons should be given. Information on the selection of an auditing entity together with the relevant justification should be disclosed in the annual report.	Yes	Under art.23 clause 2 item 8 of the Company's Articles of Association, the selection of the auditor is reserved to the competence of the Supervisory Board. Such selection is made upon reviewing the recommendation of the Audit Committee of the Supervisory Board.
44	The current auditor or the auditor auditing the annual accounts of the company or its subsidiaries in the period under examination cannot act as a special purpose auditor for the same company.	Yes	The Company has not appointed a special purpose auditor so far.

45	A company should acquire its own shares in such a way that no group of shareholders is privileged.	Yes	On May 10, 2007, the Annual General Meeting adopted a resolution authorizing the Company to buy back its own shares for the purpose of their redemption. The Program pertains to the Company's shares listed on the main market of the Warsaw Stock Exchange (WSE). The Program will be realised on the regulated markets on which the Company's shares are quoted (Warsaw), namely on the anonymous market so that no discrimination will be suffered by the Company's shareholders. Realisation of the Program will be in accordance with the relevant legislation of Poland and European Union (including EC Commission Regulation No. 2273/2003). The brokerage bank, acting on a basis of the contract executed with the Company, will purchase the Company's shares exclusively through the WSE, first on behalf of its own and for its own benefit and subsequently in the same day all such acquired shares will be resold to the Company.
46	The company's statutes, its basic internal regulations, information and documents related to general meetings, and its financial statements should be made available in the company's registered office and on its website.	Yes	The Company's Articles of Association, key internal regulations and documents related to general meetings, as well as financial statements are available at the Company's head office and on the Company's website.

47	<p>A company should have appropriate media relations procedures and regulations and an information policy ensuring coherent and reliable information about the company. The company should, in compliance with legal regulations and to safeguard its interests, make information on its current operations and business standing available to media representatives and allow them to attend general meetings.</p>	<p>Yes</p>	<p>The Company has adopted proper procedures and principles related to public relations and disclosure policy. Pursuant to these principles, the Company's officials (especially its PR officer) ensure that accurate information about the current business activity and standing of the Company is released to media representatives, in compliance with the mandatory provisions of the law on public trading in securities concerning disclosure obligations of public companies. According to an adopted practice, the Company holds press conferences and regular road shows for investors and other market players. The Company enables media representatives to attend its General Meetings. Moreover, the Disclosure Committee, that supervises release of regular reports and all public disclosures, was established in the TP Group in 2004.</p>
48	<p>In its annual report, a company should include a statement to the effect that corporate governance standards are applied. Any departure from these standards should also be publicly explained.</p>	<p>Yes</p>	<p>In accordance with art. 29(3) of the Warsaw Stock Exchange by-laws, the Company is going to submit to WSE and publish a valid corporate governance statement by 1 July.</p>