

**Stance of the Management Board of „Barlinek” S.A. in Barlinek
regarding compliance with the standards of corporate governance included in the document 'Best
Practices in Public Companies 2005'
adopted by the Resolution No. 44/1062/2004 of the Council of Warsaw Stock Exchange S.A. on
December 15, 2004.**

The Management Board of „Barlinek” S.A. in Barlinek hereby declares that the Company shall comply with the standards of corporate governance included in the document 'Best Practices in Public Companies 2005', adopted by the Resolution No.44/1062/2004 of the Council of Warsaw Stock Exchange S.A. on December 15, 2004 within the scope defined below.

The Management Board declares that with reference to the principles regarding the obligations of the authorities of the Company other than the Management Board it obliges to make all efforts, within its powers, to enable every obliged person to become acquainted with the contents of 'Best practices in public companies 2005' and with the stance of the Management Board regarding compliance with these practices.

	Corporate governance standards 2005	YES/ NO	Comments
	Objective of the Company		
I	The basic objective of operations of a company’s authorities is to further the interest of the company, i.e. to increase the value of the assets entrusted by its shareholders, with consideration of the rights and interests of entities other than shareholders involved in the functioning of the company, including in particular the company’s creditors and employees.	Yes	
	Majority rule and protection of minority		
II	A joint-stock company is a capital venture and therefore it must respect the principle of capital majority rule and the primacy of majority over minority. A shareholder who contributed bigger capital also bears a higher economic risk. It is therefore justified that his interest be taken into consideration in proportion to the contributed capital. The minority must have a guarantee of proper protection of their rights, within limits set by the law and commercial integrity. While exercising its rights, the majority shareholder should take into account the interests of the minority.	Yes	
	Honest intentions and no-abuse of rights		
III	The exercise of rights and the reliance on legal institutions should be based on honest intentions (good faith) and cannot reach beyond the purpose and economic reasons for which these institutions have been established. No activities should be taken which exceed the limits so set, and thus constitute an abuse of the law. The minority should be protected against abuse of ownership rights by the majority and the interests of the majority should be protected against abuse by the minority of its rights, thus ensuring the best protection of equitable interests of the shareholders and other market participants.	Yes	
	Court Control		
IV	The company’s authorities and persons chairing a general meeting cannot decide on issues which should be resolved by court judgments. This does not apply to activities which are within the powers of the company’s authorities and persons chairing general meetings or which they are obliged to undertake by force of law.	Yes	
	Independent opinions ordered by the company		
V	When selecting an entity which is to provide expert services, including in particular the services of an expert auditor, financial and tax advisory services, as well as legal services, the company should consider whether there exist circumstances limiting the independence of this entity when performing the entrusted tasks.	Yes	

BEST PRACTICES OF GENERAL SHAREHOLDERS MEETINGS			
No.	Corporate governance principles 2005	YES/ NO	COMMENTS
1	A general meetings should take place in a location and at a time to allow the participation of as many shareholders as possible.	Yes	
2	A request for convening a general meeting and placing certain issues on its agenda issues on its agenda, made by parties entitled to do that should be justified. Draft resolution proposed to be adopted by the general meeting and other key documents should be presented to the shareholders along with a justification and an opinion of the supervisory board prior to the general meeting, in advance so as to allow them to review and to evaluate the same.	Yes	<i>The Management Board acquires an opinion of the Supervisory Board on issues in which such an opinion is required by the statutes of the company or the provisions of the code of commercial companies.</i>
3	The general meetings convened at the request of shareholders should be held on a date given in the request and if this date cannot be kept, than on the closest date which will allow the general meeting to settle the issues placed on the agenda.	Yes	
4	A general meeting whose agenda includes certain issues at the request of authorized entities or which has been convened at such request may be cancelled only upon consent of the requesting parties. In all other instances, a general meeting may be cancelled if its holding is hindered (force major) or is obviously groundless. The meeting is called off in the same manner as it has been convened, ensuring as little negative consequences for the company and its shareholders as possible and in any case no later than three weeks prior to the original date of the meeting. A change in the date of the general meeting is made in the same manner as the cancellation even if the proposed agenda does not change.	Yes	
5	In order for a representative of a shareholder to participate in a general meeting, his right to act on behalf of the shareholder should be duly documented. It should be presumed that a written document confirming the right to represent a shareholder at a general meeting is in conformity with the law and does not require any additional confirmations and acknowledgement unless its authenticity or validity <i>prima facie</i> raises doubts of the company’s management board (upon drawing-up the attendance list) or the chairman of the general meeting.	Yes	
6	The general meeting should have regular by-laws setting forth the detailed principles of conducting the meeting and adopting resolutions. The by-laws should contain, in particular, provisions concerning elections, including elections to the supervisory board by voting in separate groups. The by-laws should not be subject to frequent changes; it is advisable that the changes enter into force as of the subsequent general meeting.	Yes	<i>On June 19, 2006 the Ordinary General Meeting adopted a resolution on approval of the Agenda of the General Meeting.</i>
7	A person opening the general meeting should procure an immediate election of the chairman of the meeting and should refrain from any substantial or formal decisions.	Yes	

	The chairman of the general meetings ensures an efficient conduct of the meetings and observance of the rights and interests of all shareholders. The chairman should counteract, in particular the abuse of rights by the participants of the		
8	meeting and should guarantee that the rights of minority shareholders are respected. The chairman should not, without sound reason, resign from his function, or put off the signing of the minutes of the meetings.	Yes	
9	A general meetings should be attended by members of the supervisory board and the management board. An expert auditor should be present at an annual general meeting if financial matters of the company are to be discussed thereat. The absence of a supervisory or management board member from the general meeting requires an explanation, which should be given at the meeting.	Yes	<i>Members of the Management and Supervisory Board endeavour to attend the General Meeting unless it is in contradiction with the performance of their current duties.</i>
10	Members of the supervisory board and the management board and the expert auditor of the company should, within their powers and to the extent necessary for the settlement of issues discussed by the general meeting, provide the participants of the meeting with explanations and information concerning the company.	Yes	<i>Shall a need to provide explanations concerning the company arises at the meeting, then members of the Management Board and the Supervisory Board and an expert auditor are ready, within their powers, to provide such explanations.</i>
11	All answers provided by the management board to the questions posed by the general meeting should take into account the fact that the reporting obligations are performed by a public company in a manner which follows from the Law on Public Trading in Securities and certain information cannot be provided otherwise.	Yes	
12	Short breaks in the session which do not defer the session - ordered by the chairman in justified cases, cannot be aimed at hindering the exercise of the rights by the shareholders.	Yes	
13	Voting on issues placed on the agenda may be carried out only on issues related to the conduct of the meeting. This voting procedure cannot apply to resolution which may have impact on the exercise by their shareholders of their rights.	No	<i>The Management Board points out that the contents of this standard is unclear and thus it facilitates voting on "regulatory" resolutions, which have impact on the performance of rights by shareholders (e.g. the issue of placing or removing a person from the attendance list, which falls within the authority of the general meeting).</i>

	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		<i>Exclusion of the general meeting's right to remove an issue from the agenda, which was placed on the agenda at the request of a shareholder constitutes a material and</i>
14	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.	No	<i>unjustified limitation of the general meeting's competences, which is particularly fragrant if also the requesting party present at the meeting wishes to cast its vote in favour of such removal.</i>
15	A party objecting to a resolution must have an opportunity to concisely present the reasons for its objection. Due to the fact that the Code of commercial companies does not provide for court control in the event where a resolution is not adopted by the general meeting, the management board or the	Yes	
16	or the chairman of the meeting should form the resolution in such a way that each person who does not agree with a decision being the subject of the resolution, have the possibility of challenging the same; provided he is entitled	Yes	
17	At the request of a participant in the general meeting, his written statement is recorded in the minutes.	Yes	

BEST PRACTICES OF THE SUPERVISORY BOARDS			
No.	Corporate governance standards 2005	YES/ NO	COMMENTS
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	
19	A member of the supervisory board should have relevant education, professional and practical experience, be of high morale and be able to devote all time required to properly perform the function on the supervisory board. Candidates for members of the supervisory board should be presented and supported by reasons in sufficient detail to allow an educated choice.	No	<i>The standard in question contains such a large number of ambiguous evaluation terms: ('relevant education', 'high morale', 'professional experience') that being a significant limitation of the shareholders' sovereignty to make decisions it creates multiple and unclear interpretations and possible conflicts.</i>
20	<p>a) At least half the members of the supervisory board should be indep 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;</p> <p>b) Detailed independence criteria should be laid down in the company's statutes;</p> <p>c) Without the consent of the majority of independent supervisory board members, no resolution should be adopted on the following issues:</p> <ul style="list-style-type: none"> • performance of any kind by the company and entities associated with the company in favor of management board members; • 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>	No	<i>The criterion of 'independence' serves to correctly determine the position and criteria which should guide a supervisory board member in making decisions related to his mandate; it can be questioned whether, once elected, a supervisory board member becomes permanently 'dependent' on shareholders due to the fact that they can dismiss him any time; the Management Board believes that based on the effective legal regulations the criterion of objective and result that a supervisory board member wishes to produce by his activities is sufficient, i.e. activities for the advantage of the company (all its shareholders) and liability for possible activities for the disadvantage of the company or its shareholders.</i>
21	A supervisory board member should, most of all, bear in mind the interests of the company.	Yes	
22	Members of the supervisory board should take relevant actions in order to receive from the management board regular and complete information on any and all significant issues concerning the company's operations and on the risk related to the carried out business and ways of managing such risk.	Yes	

23	A supervisory board member should inform the remaining members of the board of any conflict of interest that arises, and should refrain from participating in discussions and from voting on passing a resolution on the issue in which the conflict of interest has arisen.	Yes	
24	Information on personal, actual, and organizational connections of a supervisory board member with a given shareholder, and in particular with the majority shareholder, should be available to the public. The company should have a procedure in place for obtaining information from members of the supervisory board and for making it available to the public.	No	<i>This standard employs unclear criteria, and additionally it is unnecessary in the context of a management board member refraining from his participation in the decision-making process of the board when there is a conflict of interests.</i>
25	Supervisory board meetings, save for issues which directly concern the management board or its members, and in particular, removal, liability, and setting remuneration, should be accessible and open to members of the management board.	Yes	
26	A supervisory board member should enable the management board to present publicly and in appropriate manner information on the transfer or acquisition of the shares of the company or of its dominant company or a subsidiary, and of transactions with such companies, provided such information is relevant for his financial standing.	No	<i>This standard unclearly subordinates the activities of a board member to his 'material situation'; this standard is unnecessary in view of the effective, and explicit regulations concerning information obligations of companies and their management and supervisory personnel.</i>
27	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 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.	No	<i>This standard interferes to a great extent and in an imprecise manner with the freedom of shareholders to set the principles of the supervisory board members' remuneration - ('have material impact on the company's financial result', 'reasonable relation to the remuneration of the management board members').</i>
28	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: - audit, and - remuneration. The remuneration 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. The committees should present reports on their activities to the supervisory board every year. The company should then make these reports available to its shareholders.	No	<i>The standard refers to the concept of an independent member of the Supervisory Board, which is questioned by the Company, and it limits the freedom of shareholders to elect members of the Supervisory Board.</i>

29	The agenda of the supervisory board meeting should not be amended or supplemented during the meeting which it concerns. This requirement does not apply if all members of the supervisory board are present and agree to the amendment or supplementation of the agenda, and in instances where the adoption of certain activities by the supervisory board is necessary in order to protect the company against damage and in case of resolution which concerns the determination whether there exists a conflict of interest between a supervisory board member and the company.	No	<i>This standard in its fragment: „..., and in instances where adoption of certain activities by the supervisory board is necessary in order to protect the company against damage and in case of resolution which concerns the determination whether there exists a conflict of interests between a supervisory board member and the company.”, allowing to adopt resolutions in such cases also in situations where an absent supervisory board member has not been informed of such a change in the agenda of the session may violate the provisions of art. 388 §1 of the Code of commercial companies.</i>
30	A supervisory board member delegated by a group of shareholders to permanently exercise supervision should submit to the supervisory board detailed reports on the performance of his task.	Yes	
31	A supervisory board member should not design from his function during a term of office if this could render the functioning of the board impossible, and in particular, if it could hinder the timely adoption of an important resolution.	Yes	

BEST PRACTICES OF MANAGEMENT BOARDS			
No.	Corporate governance standards 2005	YES/ NO	COMMENTS
32	Bearing in mind the interest of the company, the management board sets forth the strategy, and the main objects of the company's operations, and submits them to the supervisory board. The management board is liable for the implementation and performance of the same. The management board cares for transparency and effectiveness of the company management system and the conducts of its business in accordance with the legal regulations and best practice.	Yes	<i>The Management Board is in permanent contact with the Supervisory Board, and in particular, with relation to issues required by the Statutes of the Company.</i>
33	While making decisions on corporate issues, members of the management board should act within the limits of justified economic risk, i.e. after consideration of 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 interest of the company, one should keep in mind the justified long-term perspective interests of the shareholders, creditors, employees of the company and other entities and persons cooperating with the company, as well as the interests of local community.	Yes	<i>The Management Board points out to the fact that conducting the business in an effective manner unites the interests of all interested parties. The Management Board observes due diligence to implement the basic objective of the company, understood as increasing the capital entrusted by shareholders while preserving the rights of the remaining groups.</i>
34	In transactions with shareholders and other persons whose interests have impact on the interest of the company, the management board should act with utmost care to ensure that the transactions are at arms' length.	Yes	
35	A management board member should display full loyalty towards the company and avoid actions which could lead to implementing exclusively own interest. If a management board member receives information on the possibility of making an investment or another advantageous transaction concerning the objects of the company he should present such information immediately to the management board for the purpose of considering the company's taking advantage of it. Such information may be used by a management board member or be passed over to a third party only upon consent of the management board and only when this does not infringe the company's interest.	Yes	
36	A management board member should treat his shares in the company and in its dominant companies and subsidiaries as a long-term investment.	No	<i>The effective legal provisions related to information obligations imposed on the management board members in case of trading shares of the managed company are sufficient and ensure transparency of the activities of a management board member and provide other participants of public trading with a possibility to completely evaluate the management board member activities.</i>

'Best Practices in Public Companies 2005' adopted by the Management Board of Barlinek S.A. on 19th of June 2006

37	Management board members should inform the supervisory board of each conflict of interest in connection with the performed function, or of the risk of such conflict.	Yes	
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38	The remuneration of management board members should be set based on 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 reasonable relation to the economic results, and be related to the scope of liability resulting from a given function taking into account the level of remuneration of members of management boards in similar companies in a similar market.	No	<i>This standard interferes to a great extent and in an imprecise manner with the freedom of shareholders to set the principles of the management board members' remuneration ('transparent procedures and principles', 'reasonable relation to the economic results', 'level of remuneration of management board members in similar companies in a similar market').</i>
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 the remuneration of individual members of the management board significantly differs, it is recommended that a relevant explanation is published.	No	<i>The provisions on the principles of compiling financial statements contain complete and sufficient regulations regarding making the information on remuneration of supervisory and management board members available to the public.</i>
40	The management board should lay down the principles and procedure of operations, and allocation of powers in the by-laws which should be open and generally available.	Yes	

BEST PRACTICES IN RELATIONS WITH THIRD PARTIES AND THIRD PARTY INSTITUTIONS			
No.	Corporate governance standards 2005	YES/ NO	COMMENTS
41	The selection of an expert auditor for a company should guarantee impartiality of performance of the entrusted tasks.	Yes	<i>The Supervisory Board selects an expert auditor, upon the motion of the Management Board, taking into account his professional approach towards the tasks entrusted to him.ejściem entrusted to him.</i>
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 in 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.	No	<i>Independence of an expert auditor results from his competences and reliability and not from changes made at least once every five years which reduce the important factor, i.e. knowledge of the specificity of the company's operations.</i>
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 selected 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	<i>With the stipulation that the Company challenges the standard no. 28 in scope of selecting the audit committee and the need to justify the selection of an expert auditor in the annual report.</i>
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	<i>If it is necessary to use the services of a special purpose auditor, the company shall use the services of an entity other than the company's auditor or subsidiary entities.</i>
45	A company should acquire its own shares in such a way that no group of shareholders be privileged.	Yes	
46	The statutes of the company, its basic internal regulations, information and documents related to general meetings, and the financial statements should be made available in the registered office of the company and on its website.	Yes	

47	The company should have proper media relations procedures and regulations and an information policy, ensuring coherent and reliable information about the company. The company should, in compliance with the legal regulations and taking into account its interests, make available to mass media representatives information on its current operation and business, standing, and enable their presence at general meetings.	No	<i>This standard, in its part where it requires enabling mass media representatives their presence at general meetings, may act against the interests of the company - without the necessity resulting from the obligation to ensure transparency of the company’s business; the effective legal regulations, imposing information obligations on public companies, sufficiently guarantee transparency of its operations.</i>
48	In its annual report, a company should make public its statement on the application of corporate governance standards. If the standards are not applied to any extent, the company should also publicly explain this fact.	Yes	

Barlinek, June 20, 2006.

Paweł Wrona

the President of the Management Board