



**Report on the Application of Rules of Corporate Governance in
Barlinek SA in 2007**

The following report was drawn up based on art. 29 item 5 of the Regulations of the Warsaw Stock Exchange SA, in accordance with Resolution no. 1013/2007 adopted by the Stock Exchange's Board of Management on December 11th 2007. The report is an annex to Barlinek SA's annual unitary report for 2007.

PART A.

INDICATION OF THE RULES OF CORPORATE GOVERNANCE WHICH WERE NOT APPLIED BY THE ISSUER, ALONG WITH AN INDICATION OF THE CIRCUMSTANCES AND REASONS FOR THE NON-APPLICATION OF THE GIVEN RULE AND THE WAY IN WHICH THE COMPANY INTENDS TO RECTIFY ANY CONSEQUENCES WHICH MAY ARISE FROM THE NON-APPLICATION OF A GIVEN RULE OR WHAT STEPS IT INTENDS TO TAKE TO MINIMISE THE RISK OF NON-APPLICATION OF THE GIVEN RULE IN FUTURE.

The Board of Management of Barlinek SA (the Issuer, Company) fulfilling its obligation as defined in § 29 para. 5 of the Regulations of the Warsaw Stock Exchange SA, adopted by virtue of resolution no 13/1170/2007 of the Supervisory Board of the Warsaw Stock Exchange SA on July 4th 2007 and amended by virtue of the subsequent resolutions no. 18/1176/2007 of October 23rd 2007 and no. 20/1178/2007 of October 26th 2007, and on the basis of Resolution no. 1013/2007 of the Board of Management of the Warsaw Stock Exchange SA on December 11th 2007 concerning the definition of the scope and structure of the report on the application of rules of corporate governance by quoted companies, declares that in Barlinek SA in 2007 the following rules of corporate governance (contained in the "Good Conduct in Public Companies" document) were not applied by the Issuer.

GOOD CONDUCT AT GENERAL MEETINGS

POINT 2.

The demand for a general meeting and inclusion of particular topics on its agenda, declared by authorized parties, should be justified. Draft resolutions proposed for adoption by the general meeting and other relevant materials should be presented to shareholders along with a justification and the opinion of the supervisory board before the general meeting, allowing sufficient time for them to familiarize themselves with and assess them."

The Board of Management obtains the opinion of the Supervisory Board in matters where such an opinion is required by the Company Statute or the regulations of the Commercial Companies Code.

GOOD CONDUCT OF SUPERVISORY BOARDS

POINT 20.

„1.a) At least half of the members of the supervisory board should be independent members, bearing in mind pt d). Independent members of the supervisory board should be free of any connection with the

company, its employees or shareholders which could substantially influence the ability of the independent member to take impartial decisions;

b) detailed criteria of independence should be defined by the company statute;

c) without the agreement of the majority of independent members of the supervisory board, no resolutions should be adopted with regard to:

- **benefits (financial or otherwise) granted for whatever reason by the company or any party connected with the company to members of the board;**
- **consenting to and signing any crucial contract by the company or any of its dependent bodies with a party connected with the company, a member of the supervisory board or board of management or parties connected with them;**
- **the selection of expert auditor to conduct a review of a financial audit of the company.**

d) in any matters where a single shareholder possesses a block of shares giving over 50% of the total number of votes, the supervisory board should include at least two independent members, including an independent chair of the auditing committee, if such a committee has been established.”

Members of the Supervisory Board are appointed by a sovereign decision of the General Meeting of Shareholders of the Company in accordance with the applicable legal regulations. With this in mind, the Company is of the opinion that there exists no basis for limiting freedom of choice when choosing members of the Company's Supervisory Board. In addition, the criterion of “independence” does not help in correctly defining the positions and criteria which should guide a member of the Supervisory Board in taking decisions while executing his/her mandate. The very fact that that a board member is appointed and can be removed by the shareholders, as well as the fact that a member's function is to represent the shareholders mean that this concept is unclear and deceptive. The Company considers that the “independence” of members of Company bodies means the ability and necessity to act within the law and in the interests of the Company, and independence in this sense was respected by the Company.

POINT 24.

“Information about personal, actual and organizational relationships between a member of the supervisory board and a specific shareholder, and particularly a majority shareholder, should be publicly available. The company should have its own procedure for obtaining information from members of the supervisory board and making it public.”

The Company considers that this principle draws on vague criteria and is unnecessary in the context of excluding a member of the Board from participation in Board decisions where a conflict of interests arises. In addition, members of the Supervisory Board are motivated exclusively by the interests of the Company and shareholders.

Point 26.

“A member of the supervisory board should enable the management to communicate publicly and in the appropriate manner information about the sale or acquisition of shares in the company or a company which is dominant or dependent on it, as well as about transactions undertaken with such companies, if they are of significance for its material situation.”

This rule makes the behaviour of a board member dependent, in an unclear way, on the influence of a transaction on his/her “material situation”. The rule is thus unnecessary owing to the unambiguous regulations in force regarding companies’ reporting obligations and those of persons managing and supervising them.

Point 28.

“The supervisory board should act according to its regulations, which should be publicly available. The regulations should provide for the appointment of at least two committees :

- audit and
- salaries.

The audit committee should include at least two independent members and at least one who possesses qualifications and experience in the field of accountancy and finance.

The regulations of the supervisory board should clearly define the tasks of the committees. The board’s committees should present the supervisory board with annual reports of their activities. The company should make these reports available to the shareholders.”

The part of this rule concerning committees was not adhered to by the company in 2007. It is the Company’s opinion that, because of the number of members on the Supervisory Board, there is no justification for separation of committees within the composition of the Supervisory Board. In matters which come within the jurisdiction of committees, the Company’s Supervisory Board carries out the work and takes decisions collectively. The Supervisory Board includes members who possess the relevant knowledge and competency in this field. Moreover, this rule refers to the concept, which the Company finds questionable, of the “independent member of the Supervisory Board”.

MANAGEMENT GOOD CONDUCT

Point 38.

“Management salaries should be established on the basis of transparent procedures and rules, taking into consideration their motivational nature and their ensurance of smooth and effective management of the company. Salaries should be appropriate to the size of the company, be reasonable in relation to its economic results and also bear a relation to the field of responsibilities accompanying the role undertaken and take account of the salary levels of management in similar companies in a comparable market.”

This rule excessively and imprecisely (“transparent procedures and rules”, “reasonable in relation to its economic results”, “salary levels of management in similar companies in a comparable market”) interferes with the freedom of Company bodies to define how management salaries are set.

Point 39.

“The combined salary levels of everyone, and the individual salary of each member of the board of management, along with a breakdown of its individual components, should be shown in the annual report along with information on the procedures and principles involved in establishing it. If salary levels of individual members of the board of managers differ significantly from one another, it is recommended that an appropriate explanation is published.”

A complete and sufficient regulation concerning the principles of making information public with regard to the salaries of management and supervisory board members is contained in the legislation about the rules for carrying out financial audits.

GOOD CONDUCT IN THE FIELD OF RELATIONS WITH EXTERNAL INSTITUTIONS AND PERSONS

Point 43.

“The selection of the body to fulfill the function of expert auditor should be made by the supervisory board after the presentation of the audit committee’s recommendations, or by the general meeting after the presentation of the supervisory board’s recommendations containing the audit committee’s recommendations. Any selection made by the supervisory board or general meeting which differs from that which is recommended by the audit committee should be justified in detail. Information on the choice of body to fulfil the function of expert auditor, along with a justification, should be included in the annual report.”

The part of this rule pertaining to the audit committee was not adhered to by the Company in 2007 owing to the lack of such a committee in the Supervisory Board. Adherence to this rule is connected to the application of rule 28, which the Company did not adopt for application in the field of justification of appointment of committees. The Company also questions the need to present a justification for the selection of expert auditor in the annual report. The choice of body to fulfill the function of expert auditor in the Company is made by the Supervisory Committee in accordance with the entries in the Statute.

Point 47

“The Company should have its own procedures and rules concerning contact with the media and implementing an information policy, which ensure consistent and reliable information about the company. The company should, as far as is required by law and in line with its interests, make information available to representatives of the media concerning its current activities and the company’s economic situation, as well as allowing them to be present at general meetings.”

The part of this rule which demands representatives of the media be allowed to attend general meetings was not adhered to in 2007. The regulations governing the functioning of public companies define precisely the principles

of reporting all those events which are subject to compulsory reporting. The publication of information is subject to fundamental limitations, the breaching of which may cause the Issuer to be liable. The Issuer abides absolutely by applicable legal regulations, including the Ministry of Finance's Decree of October 19th 2005 regarding current and periodic reports made by stock issuers, regulating the reporting obligations imposed on public companies with regard to openness and transparency of matters covered by proceedings of General Meetings of Shareholders. Persons who participate in General Meetings of Shareholders of the Company are those who are entitled to do so and who serve the General Meeting of Shareholders, and the event of questions to the Company from representatives of the media concerning the GM, the Company supplies prompt and appropriate responses.

PART B.

DESCRIPTION OF THE OPERATING METHOD OF THE GENERAL MEETING AND ITS FUNDAMENTAL ENTITLEMENTS, AND OF THE RIGHTS OF SHAREHOLDERS AND MEANS OF EXERCISING THEM

The General Meeting of Shareholders (General Meeting) is the highest constituent body of the Company, adequate to make the most important resolutions concerning the structure and functioning of the Company, and operating on the basis of regulations in the Act of September 15th 2000 (Commercial Companies Code) (Journal of Laws 2000, no. 94, item 1037 with subsequent amendments), the Company Statute and Regulations of the GM of Barlinek SA adopted by the Ordinary General Meeting of Shareholders of the Company on June 19th 2006.

A General Meeting can be either ordinary or extraordinary. A General Meeting functions in the form and according to the principles defined in the Commercial Companies Code, and in the entries of the Company Statute and Rules of Session of the GM of Barlinek SA.

An Ordinary General Meeting is called by the Company Management, and should be called no later than 6 months after the end of each fiscal year. An Extraordinary General Meeting is called by the Management on its own initiative or at the written request of the Supervisory Board, or at the request of shareholders representing at least 10% (ten per cent) of the initial capital. The Meeting should be called by the Management within two weeks of the request being made by the Supervisory Board or shareholders, the date of the session set as prescribed in the request, or, in the event of their being serious obstacles to this date being met, at the soonest possible time which will allow the General Meeting to settle the matters raised for inclusion at its session.

An Extraordinary General Meeting may be called by the Supervisory Board in the following circumstances:

- Management has not called an Ordinary General Meeting within 6 months of the end of each fiscal year,
- Management has not called an Extraordinary General Meeting within two weeks of the request being made by the Supervisory Board or shareholders for the date prescribed in the request.

The request to call a General Meeting and to include specific matters on its agenda, made by authorized bodies as mentioned above, should be justified. Such a request should also include draft resolutions proposed for adoption by the General Meeting. The General Meeting of Shareholders of Barlinek SA takes place in the Company's headquarters or anywhere else on the territory of the Republic of Poland indicated in the declaration

of the General Meeting. The General Meeting takes place at the date and time determined in the announcement published in the Court and Economic Monitor, in accordance with the applicable regulations. A General Meeting is called by declaration, which should be made at least 3 (three) weeks before the date of the General Meeting. The date, time and place of the General Meeting should be stated in the announcement, as should a detailed agenda. Draft resolutions proposed for adoption by the General Meeting and other important materials are presented to the shareholders (if so required by the Company Statute or generally applicable regulations along with justification and the opinion of the Supervisory Board) before the General Meeting at a time and place enabling shareholders to familiarize themselves with them and assess them. Draft proposals should be formulated in a concise and legible manner. The agenda of the General Meeting is established by the party calling the General Meeting. In the event that the body calling the General Meeting is the Management, it establishes the agenda in conjunction with the Supervisory Board. The Supervisory Board and shareholders possessing at least 10% (ten per cent) of the initial capital may request the inclusion of specific matters on the agenda of the next General Meeting. Such a request must be made to the Management in writing by a month at the latest before proposed date of the General Meeting. The Meeting cannot adopt legally binding resolutions on matters not included on the agenda, unless the entire initial capital is represented at the Meeting and none of the shareholders present has expressed opposition to the adoption of the resolution. It can, however, pass a motion to call an Extraordinary General Meeting, or motions on points of order, even if they are not included on the agenda.

Any shareholder who fulfils the requirements of art. 406 § 3 of the Commercial Companies Code is entitled to participate in a General Meeting. The General Meeting consists of those shareholders who attend the meeting and participate in its proceedings. Shareholders may participate in the General Meeting and exercise their right to vote either personally or through statutory agents, or attorney. Power of attorney should be granted in writing on pain of invalidity by persons entitled to do so according to the extract from the appropriate register (not older than 3 months from the date of the Meeting, whose original was attached to the power of attorney) or, in the case of individual persons, in accordance with the regulations of the Civil Code and annexed to the protocol of the Meeting. A written document confirming the right to represent a shareholder at the General Meeting is assumed to be lawful and requires no additional confirmation, unless its authenticity or validity raises justifiable doubts by the Management of the Company (on registering themselves as present) or the chair of the General Meeting. Company shareholders participate in the General Meeting if they lodge with the company, at least a week before the General Meeting takes place, a titular certification issued by the body keeping the stock account, in accordance with the regulations of the Financial Instruments Turnover Act. A list of shareholders entitled to participate in the General Meeting, signed by the Management and containing the full names or company names of those entitled, the number of shares held and the number of votes conferred to them will be made available for review in the Company headquarters at least three working days before the Meeting is held. An individual person may give his/her address for service rather than place of residence. Each shareholder or his/her attorney may review the list of authorized persons and request that a copy of the list and copies of the motions in matters covered by the agenda be issued to him/her on covering the costs of creating such documents. Management introduces the persons invited to the General Meeting. Expert auditors are invited to the Meeting, if the Companies financial affairs are to be considered at the session. The Members of the Supervisory Board and Management, and the company's expert auditor should, within their competences and as far as is necessary to settle the matters in question at the General Meeting, supply the participants at the

session with explanations and information concerning the Company bearing in mind the fact that the company carries out its reporting obligations according to the legal requirements, and information may not be given in any other way than that specified in these regulations. The General Meeting is opened by the Chair or Vice-Chair of the Supervisory Board, a member of Management or other person indicated by the Chair of the Supervisory Board or, in the event of their absence, by the shareholder participating in the General Meeting who represents the greatest part of the Company's initial capital. The absence at a General Meeting of a Member of Management or the Supervisory Board requires an explanation, unless that absence occurs as a result of carrying out Company duty. The person entitled to open the General Meeting first of all conducts the election of a Chairperson of the Meeting from among those entitled to vote, while abstaining from any other formal or substantive decisions whatsoever. To do so, he/she may take decisions on points of order and administer the voting in the election. The Chair of the General Meeting ensures the efficient running of the session and respect for the rights and interests of all shareholders. The Chair should, in particular, counter any abuse of rights by participants of the session and ensure the rights of minority shareholders are respected. The Chair should not resign from his/her function without good reason, and may not delay signing the General Meeting's protocol without just cause.

A General Meeting called by shareholders based on a court decision is opened by a person nominated by the court as Chair of the Meeting. This person also chairs the Meeting.

The election of the Chair takes place in a secret ballot. Only an individual person (a shareholder, or a shareholder's statutory agent or attorney) may be elected Chair of the Meeting. If it becomes necessary and justified by the needs of the Meeting, it is possible to appoint one or more Deputy Chairs. The Chair of the General Meeting chairs its session in such a way as to ensure efficient and legal proceedings of the session and adoption of resolutions as anticipated on the agenda. In particular, the Chair undertakes the following actions:

- on accepting the function of Chair, he/she signs the attendance record and administers its display;
- confirms the propriety of the Meeting's being called;
- puts the agenda as given in the announcement to the vote;
- gives the floor to participants in the session, members of company bodies and invited persons;
- when necessary, participates in editing the text of motions submitted to a vote;
- administers the voting, informs shareholders of its rules and the procedures for adopting resolutions;
- announces the results of ballots;
- allows those voicing objections to resolutions to present their arguments and a brief justification of their objection;
- manages the work of the secretariat keeping the attendance register and the lists of appointees to the Meeting commission and assistant staff;
- takes decisions on points of order;
- at the General Meeting's request, accepts its written declaration for the protocol;
- closes the General Meeting once the agenda has been fully covered.

In certain justified cases, the Chair announce short intervals in the proceedings. These intervals may not amount to postponements of the proceedings, nor be intended to obstruct the shareholders in executing their rights.

Immediately after signing the attendance register, the Chair administers its display for review by the shareholders. The attendance register should contain a list of participants in the General Meeting, i.e. shareholders, their statutory agents and attorneys, with the number of shares and votes held.

At the request of shareholders possessing one tenth of the initial capital represented at the General Meeting, the attendance register may be checked by a commission elected to do so and consisting of at least three members. The applicants making this request are entitled to choose one member of the commission. The interested shareholder has the right to appeal to the General Meeting against the commission's decision. Each person entitled to participate in the General Meeting should sign the attendance register, statutory agents and attorneys of entitled shareholders should lodge the originals of their written letters of authority. The attendance register is on display for review throughout the entire session of the General Meeting.

Also included on the attendance register should be any shareholder or his/her representative who is missing from the list of shareholders but present at the General Meeting and demonstrates an entitlement to participate in the session. Similarly, the attendance register should also be supplemented if more shareholders entitled to participate in the Meeting declare their presence after the Chair has signed the register. In the event that a person participating in the Meeting leaves the session or a shareholder entered on the register is refused the right to participate in the Meeting when it is confirmed he/she is not entitled to do so, the register should be appropriately corrected by striking that person from it. A session of the General Meeting is valid and may adopt legally effective resolutions regardless of the number of shareholders present or shares represented at the Meeting, unless decrees of the Commercial Companies Code or other generally applicable legal regulations state otherwise. Secret ballots are held for elections and for motions to recall members of Company bodies or receivers, or to bring them to account, as well as in matters of a personal nature. In addition, secret ballots should be held at the request of at least one of the shareholders present or represented at the General Meeting.

Resolutions are carried at a General Meeting by a simple majority of votes cast, unless the regulations of the Commercial Companies Code or Company Statute require a different majority for the successful adoption of particular resolutions. Resolutions should be formulated in such a way that any entitled person who disagrees with the substance of the decision in question in the resolution has the opportunity to appeal it.

A qualified majority of $\frac{3}{4}$ (three quarters) of the votes cast is required to adopt resolutions in the following matters:

- 1) changes to the Company Statute, including the issuing of new shares;
 - 2) the issue of convertible bonds and priority bonds for share assumption;
 - 3) share redemption;
 - 4) lowering the initial capital;
 - 5) sale of Company business or an organized part thereof;
 - 6) merger of the Company with another company;
 - 7) dissolution of the Company;
 - 8) continuation of the Company despite circumstances arising which justify its dissolution and liquidation;
- as well as in other matters provided for in universally applicable legislation.

A majority of $\frac{2}{3}$ (two thirds) of the votes is required for a resolution proposing fundamental change to the

subject of the Company's business activities.

Such a resolution must be passed in the presence of persons representing at least half of the initial capital.

Voting at a General Meeting may take place using electronic vote counting equipment.

The following matters belong to the exclusive competences of the Ordinary General Meeting:

- examination and approval of the Company's financial report for the previous fiscal year;
- examination and approval of the Management's report on the Company's activities in the previous fiscal year;
- passing a resolution about profit sharing or the method of covering the previous fiscal year's losses;
- exonerating Company bodies for executing their duties in the previous fiscal year.

The General Meeting's competences also include all matters reserved by the Company Statute, i.e. the election, recall and suspension of members of the Supervisory Board and adoption of resolutions on the subject of establishing rights and collecting dividends, the method of collection of which is established by Management. The General Meeting of Shareholders may decide by resolution to exclude the Company's annual profit from being shared among the shareholders and to keep it within the Company for business needs. The General Meeting designates dividend day by way of a resolution. Dividend day may not be set later than three months after the adoption by the General Meeting of the resolution allocating the profit to be shared among the shareholders.

The resolutions of the General Meeting are recorded in the minutes. A notary draws up the minutes of the General Meeting in the form of a notarial act. Failure to execute this duty renders the resolutions absolutely invalid. The minutes of the General Meeting should include:

- 1) a statement of the regularity of the Meeting being called;
- 2) a statement of the ability to adopt resolutions;
- 3) the contents of the resolutions passed by the General Meeting;
- 4) the number of votes cast for each resolution;
- 5) a note of objections raised;
- 6) mention of whether voting was open, secret or in groups;
- 7) written declarations of the participants in the General Meeting where such a request was made by a participant in the session and is relevant to important matters subject to discussion at the session of the General Meeting.

The costs of drawing up the notarial record are covered by the Company. The notarial record should have the following annexes: evidence that the General Meeting was called, its proposed agenda, the attendance register signed by the Meeting's participants and the Chair, warrants of attorney and other documents lodged shareholders' representatives. Irrespective of the notarial record, the Chair of the General Meeting may have a full set of minutes of the General Meeting drawn up, recording the entire proceedings of the Meeting and the content of individual statements.

These minutes are drawn up by a secretary chosen by the Meeting.

The minutes of all General Meetings are added to the minute book kept by the Management.

Any shareholder, even those not participating in a General Meeting, may study the minute book request minutes be issued to him/her in whole or in part, for a fee.

PART C.

MEMBERSHIP AND OPERATING PRINCIPLES OF THE COMPANY'S MANAGING AND SUPERVISORY BODIES AND THEIR COMMITTEES.

COMPANY MANAGEMENT – LIST OF MEMBERS IN 2007

The Board of Management of Barlinek SA comprised of the following members on December 31st and on the day this report was published:

1. Paweł Wrona – Chairman of the Board of Management
2. Wioleta Bartosz – Member of the Board of Management
3. Ryszard Pyrek – Member of the Board of Management
4. Marek Janke – Member of the Board of Management

A board of management consisting of:

1. Paweł Wrona - Chairman of the Board of Management
2. Wioleta Bartosz – Member of the Board of Management
3. Ryszard Pyrek – Member of the Board of Management

was appointed by the Supervisory Board of Barlinek S.A. on June 22nd 2007 for a new 3 year term of office. On October 8th 2007, the Supervisory Board of Barlinek S.A. appointed Mr Marek Janke as a member of the Board of Management of Barlinek S.A.

COMPANY MANAGEMENT – OPERATING PRINCIPLES IN 2007

The management of Barlinek SA operated based on the regulations of the Commercial Companies' Code Act (Journal of Laws 2000 No. 94, item 1037, with subsequent amendments), the Company Statute and in accordance with the accepted principles of "Good Conduct in Public Companies 2005".

The Company Management consists of one or more persons. The Board of Management or its individual members are appointed, recalled and suspended by the Supervisory Board, which chooses the Chairperson of the Board of Management and, if necessary, a Vice-Chair of the Board of Management. The term of office of the first Management lasts two years, terms of subsequent Boards of Management last three years. Members of the Board are appointed jointly for the term, which does not preclude any of them from being recalled early. Management members' mandates expire on the day of the General Meeting of Shareholders which is responsible for approving the financial report for the final year of the Board of Management's term of office. Management members may be chosen again for the Board. The Board of Management or its individual members may be recalled by the Supervisory Board before its term has expired.

Persons who are not Company shareholders may be appointed to the Company's Board of Management.

Management represents the Company externally in relation to third parties. An appointed Agent may also act in the Company's name in the same scope. Two members of the Board of Management are required to take part in making declarations in the name of the Company, or one member of Management and the appointed Agent (where such an Agent has been appointed).

Management manages all current Company affairs, unless the regulations of the Commercial Companies' Code and the present Statute dictate otherwise. The sale and acquisition by the Company of property,

perpetual usufruct, shares in property and shares in perpetual usufruct fall within Management's competences, subject to § 20 item 2 pt. 6 of the Statute. Company Management, in executing the rights of the Meeting of Partners in dependent companies, is obliged to obtain beforehand the consent of the Company's Supervisory Board, as also in the event of obligations incurred or disposal of rights by a dependent company exceeding the limits defined in art. 20 item 2 pt 6 or 7 of the Statute.

When taking decisions in Company matters, Management is particularly obliged to act within the limits determined by economic risks, after astute analysis and allowance for all available information, expertise and opinions which should, according to the Management's assessment, be taken into account when considering the Company's interests.

Moreover, Management will present the Company's Supervisory Board with its conclusions regarding matters presented to the General Meeting, in order to obtain its opinion. Information concerning opinions issued are made public by the Company immediately on their being obtained from the Company's Supervisory Board. In their contact with the media, members of the Management Board may only communicate generally available information concerning the Company. No statement to the media whatsoever regarding financial forecasts or business strategies of the Company or Management is permitted by the Chairman of the Board of Management.

Management makes its decisions by resolution. Management resolutions are passed by an absolute majority of votes.

Minutes are taken of sessions of the Board of Management.

The minutes are kept in the Office of the Company's Management.

In 2007, Company Management, in designating its strategic aims and current tasks, was guided by the best interests of the Company and by legal regulations, and also took into account the interests of shareholders, partners, clients, Company employees and creditors. Attempting to ensure the transparency and effectiveness of the system of management, the Board of Management adhered to the principles of professional action within the limits of justifiable economic risk, taking into account the broad range of information, analyses and opinions available.

THE COMPANY'S SUPERVISORY BOARD - MEMBERS IN 2007

The membership of Barlinek SA's Supervisory Board was as follows on December 31st 2007, and on the day the present report was made public:

1. Mariusz Gromek – Chairman of the Supervisory Board,
2. Mariusz Waniółka – Vicechairman of the Supervisory Board,
3. Grzegorz Miroński – Member of the Supervisory Board,
4. Kamil Latos – Member of the Supervisory Board,
5. Rafał Kwiatkowski – Member of the Supervisory Board.

In 2007, there were no changes to the composition of the Company's Supervisory Board.

THE COMPANY'S SUPERVISORY BOARD – OPERATING PRINCIPLES IN 2007

The Supervisory Board of Barlinek SA operated based on the regulations of the Commercial Companies' Code Act (Journal of Laws 2000 No. 94, item 1037, with subsequent amendments), the Company Statute and in accordance with the accepted principles of "Good Conduct in Public Companies 2005".

The Supervisory Board consists of at least 5 (five) members, appointed and recalled by the General Meeting for a period of three years. The members are appointed jointly for the term of office, which does not preclude any of them from being recalled early. Members of the Supervisory Board may be re-elected to the Supervisory Board.

A resolution of the General Meeting determines the numerical and personal composition of each Supervisory Board. The Supervisory Board elects a Chairperson of the Supervisory Board, a Vice-Chair and a Secretary from amongst its members. A member of the Supervisory Board may only perform his/her duties in person.

The members of the Supervisory Board delegated to regular individual supervisory duty may not, without the Company's permission, engage in competing interests or participate in a competitor company as a partner in a civil company or private company, or as a member of a body. This prohibition also covers participation in a competitor capital company in the event that the Supervisory Board Member holds at least a 10% share in it, or is entitled to appoint at least one member of its management.

Members of the Supervisory Board may be recalled at any time by the General Meeting of Shareholders.

A member of the Supervisory Board may resign from his/her function before the term of office to which he/she was appointed expires, by making a declaration to this effect to the General Meeting. A Supervisory Board Member's mandate expires, at the latest, on the day of the General Meeting responsible for confirming the Company's financial report for the last full fiscal year in which that Supervisory Board member held the function. The mandate also expires as a result of the death or recall, effective from the moment this takes place. The main regard of a member of the Supervisory Board should be the interests of the Company.

Sessions of the Supervisory Board are held according to necessity, but no fewer than three times per fiscal year.

Sessions of the Supervisory Board are called by the Chair or Vice-Chair. Sessions of the Supervisory Board are called at the initiative of the Chair, or at the written request of the Board of Management or a member of the Supervisory Board.

Sessions of the Supervisory Board called at the request of Management or a member of the Supervisory Board must take place within two weeks of the request being made.

Members of the Supervisory Board make decisions concerning execution of the right to supervise and monitor, in the form of a resolution by the Supervisory Board. Validity of a resolution of the Supervisory Board requires all members of the Board to be invited to the session, and at least 50% of the members to be present at the session. It is permissible for resolutions to be passed by the Supervisory Board in writing, or by means of long distance direct communication, with the exception that resolutions adopted in this way may not concern the election of Chair or Vice-Chair of the Supervisory Board, the appointment of members of the Management Board, or the recall or suspension of these persons. In such a case, for the resolution to be valid, members of the Board must be informed in advanced of the contents of the drafts of these resolutions.

Resolutions of the Supervisory Board are passed by a majority of votes cast. Where there is no majority of votes, the Chair of the Supervisory Board has the deciding vote. Minutes are taken of sessions of the

Supervisory Board. Resolutions of the Supervisory Board are recorded so as to form an annex to the minutes, or are included in the minutes themselves.

The minutes should also include the agenda, date and location of the session, full names of Board members present, number of votes cast for individual resolutions. The minutes must be signed by all Board members present at the session. Any individual opinions of members present at the session should be attached as an annex to the minutes. The minutes are kept in the Company Management's Office.

In order to fulfil its duties, the Supervisory Board has the right to examine any area of the Company's activities, particularly:

- to request that Management presents documents and other materials concerning the Company's activities,
- to check Company files and documentation,
- to request reports and explanations from Management and employees,
- to examine the state of company assets.

The Supervisory Board has the right to approach the General Meeting with motions in all matters which constitute its tasks and rights. The Supervisory Board carries out its duties collectively, it can, however, pass a resolution delegating its members to fulfil specified supervisory functions independently. The Supervisory Board may appoint commissions to manage individual affairs.

Clerical services for the Supervisory Board are managed by the Company Management's Office. No committees operate within the Supervisory Board of Barlinek SA. The Company's Supervisory Board operates and takes decisions collectively in matters which would fall within the competences of a committee. Seats on the Supervisory Board are held by members possessing the appropriate knowledge and competences in this field.

In 2007, Barlinek SA's Supervisory Board adopted 14 resolutions concerning matters arising from the Commercial Companies' Code and the Company Statute of Barlinek SA.

The level of salaries awarded in 2007 to Supervisory Board Members, established in a transparent manner by the Company's General Meeting, were set out in the Company's annual report, and in the annual report of the Barlinek Capital Group for 2007.

On June 22nd 2007, the Company's Supervisory Board submitted to the Ordinary General Meeting of Barlinek SA Shareholders a concise assessment of the state of the Company and of Barlinek Capital Group, as part of the Supervisory Board's report on the inspection carried out in the Company in 2006. The General Meeting passed a resolution accepting the report of the Board.

PART D.

DESCRIPTION OF THE BASIC CHARACTERISTICS OF THE INTERNAL INSPECTION AND RISK MANAGEMENT SYSTEMS APPLIED WITH REFERENCE TO THE PROCESS OF DRAWING UP FINANCIAL REPORTS

The Company Management is responsible for the internal inspection system in the Company, and its

effectiveness in the process of drawing up financial reports and periodic reports prepared and published in accordance with the Ministry of Finance's decree of October 19th 2005 concerning current and periodic information published by stock issuers (Journal of Laws 2005, no. 209, item 1744). The essential features of the internal inspection and risk management systems used in the Company, ensuring the effectiveness of the financial reporting process, include:

- established competency and division of duties during the preparation of the financial reports,
- established competency and scope of the financial report,
- regular assessment of Company business based on financial reports,
- verification of the Company's financial reports by an independent expert auditor,
- carrying out valuations of fundamental influence for the financial,
- the process of analyses, inspections and risk management.

The persons responsible for preparing the financial report and the periodic financial and current management reporting of the Company belong to the Financial Section, managed by a Member of the Board of Management, the Finance Director.

In accordance with the applicable legislation, the Company appropriately submits its financial reports for review or examination by an independent expert auditor chosen by the Supervisory Board. The Supervisory Board carries out an assessment of the audited financial reports, and includes the results of its assessment in the annual report.

In the course of the year, the Company Management analyses the financial results, comparing them with the budget approved for that given year.

The Company's risk management is carried out by identifying and assessing areas of risk for all sections of the Company's business and that of its Group, while simultaneously defining which actions are crucial for limiting or eliminating risk.

The most important actions undertaken in the Company in 2007 with the aim of strengthening the functioning of internal inspection:

- a. The tasks of the unit fulfilling the actual function of internal auditing and reporting to Management were defined,
- b. All main functioning processes in the firm were subject to an audit analysis, to assess whether the mechanisms and procedures constituting the internal inspection system were adequate and effective for the Company to operate correctly. Re-inspections were also carried out to verify the effectiveness and correctness of the implementation of corrective actions,
- c. The existing financial, commercial and operating procedures (verification of operating processes, circulation of documentation and inspection tools and mechanisms) were fundamentally updated and formally implemented,
- d. New procedures for safeguarding the functioning processes in the firm were developed and implemented.

Report on the Application of Rules of Corporate Governance in Barlinek SA in 2007

Kielce, June 12th 2008

Paweł Wrona

Wioleta Bartosz

Ryszard Pyrek

Marek Janke

Chairman of the Board

Member of the Board

Member of the Board

Member of the Board

of Management

of Management

of Management

of Management