Report on the adherence to the principles of corporate governance

by Talex S.A., headquartered in Poznań,

in 2008

Annex to the annual report of
Talex S.A.
2008

1. **The set of principles which the Company adheres to and website where it is publicly available.**

   In 2008, the Company adhered to the principles of corporate governance, presented in the "Best Practices of WSE Listed Companies" document, adopted by The WSE Supervisory Board in Warsaw. The content of the document is available at http://corp-gov.gpw.pl/. Under the WSE regulations, the Company is not obliged to adhere to the indicated set of principles, but only to report on them.

2. **Information on the extent to which the company did not adhere to the indicated set of principles of corporate governance and explanation of the reasons of such a conduct.**

   In 2008, the Company adhered to all the principles of corporate governance specified in sections II, III and IV of the "Best Practices of WSE Listed Companies" document.

   The Company also follows the recommendations included in section I of the "Best Practices of WSE Listed Companies" document, except for:

   - *1. "A company should pursue a transparent and effective information policy using both traditional methods and modern technologies ensuring fast, secure and broad access to information. Using such communication methods to the broadest extent possible, a company should ensure adequate communication with investors and analysts, enable on-line broadcasts of General Meetings over the Internet, record General Meetings, and publish the recordings on the company website."*

   The above recommendation is not fully implemented as the Company does not record General Meetings, and so, does not publish the recordings on the company website. So far, General Meetings have not been broadcast on-line either.

3. **Description of the main characteristics of the internal control and risk management systems, related to the process of financial statement preparation, adopted by the Company.**

   The Company did not implement a separate system of internal control and risk management related directly to the process of financial statement preparation. Financial statements are prepared by the finance and accounting services of the Company, supervised by the Chief Accountant, and then approved by the Management Board. Financial statements approved by the Board are then verified by an independent chartered auditor selected by the Supervisory Board of the Company.

   The activity of the organizational units involved in the process of financial statement preparation is covered by the integrated quality management and information security system, which complies with the ISO 9001:2000 and ISO 27001 standards.

4. **Shareholders holding, directly or indirectly, significant blocks of shares, including the number of shares held, their percentage share in the share capital, the number of votes they carry and their percentage share in the total votes in the General Meeting.**

Shareholder's name	Number of shares	Share (%) in the capital	Number of votes	Votes (%) in the General Meeting of Shareholders
Total	3,000,092	100.00	3,408,092	100.00
Andrzej Rózga	755,544	25.18	891,544	26.16
Jacek Klauziński	755,544	25.18	891,544	26.16
Janusz Gocałek	755,544	25.18	891,544	26.16

5. **Holders of securities which entitle to special supervisory powers and description of such powers.**

The Company did not issue any securities which entitle to special supervisory powers over the issuer.

6. **Limitations related to the exertion of voting rights, such as the limitation of the voting rights of the holders owning a specific part or number of votes, time limitations of the exertion of voting rights or regulations, according to which, in case of the Company's cooperation, capital rights related to securities are separate from the ownership of securities.**

The shares of the Company and the exertion of voting rights to which the shares entitle are not limited in any of the above ways.

7. **Limitations related to the transfer of ownership rights to the securities of the issuer.**

Only the shares of series A, B and D, being registered shares, are subject to the limitation of the transfer of ownership rights. Additionally, shares of series A are preference shares regarding the voting right. The terms of conversion of those shares into bearer shares as well as of their disposal have been defined in par. 8 of the Company's Articles of Association. The shares of the Company are not limited as to the exertion of voting rights.

8. **Principles for appointing and dismissing managing persons and description of the rights of such persons, especially the right to take decisions about share issue or repurchase.**

The right to appoint and dismiss members of the Management Board of the Company has been granted to the Supervisory Board and defined in the Company's Articles of Association.

The right to take decisions about share issue or repurchase shall be exercised by the General Meeting.
At present, under the resolution of the General Meeting, adopted on 22 April 2008, the Management Board, having received the approval of the Supervisory Board, has the right to issue shares as part of the incentive program, implemented in the Company.

9. Principles of changing the Company's Articles of Association.

Changes in the Company's Articles of Association are made in accordance to the generally applicable provisions of law; the Company's Articles of Association do not introduce any special rights of the Company governing bodies in this respect. Changing the Company's Articles of Association is reserved only for the General Meeting.

10. The way in which the General Meeting functions, its basic powers and the description of the shareholders' rights and the way of their exertion, especially of the rules arising from the regulations of the General Meeting, in case such regulations have been adopted, unless they arise directly from the provisions of law.

The way in which the General Meeting of Shareholders of the Company functions is compliant with the generally applicable provisions of law and in particular with the Commercial Companies Code. The Company has not introduced any additional corporate internal regulations in this respect, except for the provisions specified in articles 13-19 of the Company's Articles of Association. The extent of powers of the General Meeting and the rights of shareholders defined in the Company's Articles of Association are compliant with the regulations of the generally applicable provisions of law.

The General Meeting is held at the Company's headquarters or in Warsaw.

The Ordinary General Meeting is held annually, on the last day of June at the latest. Should the Management Board of the Company fail to convene the Ordinary General Meeting in due time, the Supervisory Board is entitled to convene it. For many years, the Company has been convening the Ordinary General Meetings as soon as possible after the closing of the fiscal year.

The Extraordinary General Meeting is convened by the Management Board on its own initiative, upon the request of the Supervisory Board or upon the request of shareholders who hold shares representing at least one tenth of total share capital. Should the Management Board fail to convene the Extraordinary General Meeting in due time, the following subjects are entitled to convene it: shareholders, requesting the General Meeting to be convened, or the Supervisory Board, if it filed a request to convene the Extraordinary General Meeting, addressed to the Management Board.

The person convening the General Meeting shall set its agenda, taking the motions filed into account. A shareholder (shareholders), representing at least one tenth of the share capital, shall file motions for the inclusion of particular issues on the agenda of the General Meeting, addressed to the Management Board. The motions must be made in writing or else be null and void. The General Meeting shall be announced in "Monitor Sądowy i Gospodarczy" at least three weeks prior to the date of the General Meeting. The announcement shall include the agenda of the General Meeting.

All shareholders have to right to attend the General Meeting in person or by proxies. The proxy authorization should be made in writing, or other be null or void, and attached to the minutes of the General Meeting. The Company's employees or members of the Management Board cannot be proxies. Shareholders holding shares admitted to trade shall have the right to attend the General Meeting after they submit, within at least a week prior to the General Meeting, a registered depository receipt, confirming their entitlement to the exertion of all the rights carried by securities and indicated in the receipt including an expiry date falling on the day after the General Meeting. Members of the Company's authorities and persons appointed by the Managing Board to manage the General Meeting shall also have the right to attend the General Meeting.

If convened correctly, the General Meeting can adopt resolutions. Each share carries the right to one vote, unless it is a preference share as to the voting power. The resolutions of the Meeting shall be adopted by a simple majority of the votes duly cast, unless an applicable provision of law or the Company's Articles of Association require differently. Shareholders shall vote by open ballot. Secret ballot shall be called for in cases of elections, motions to dismiss members of the Company's authorities or its liquidators or bring them to justice, as well as in cases of personal matters or at the request of at least one person present at the General Meeting.

The General Meeting shall:

- Analyze and approve the financial statements and the Management Board's reports on the Company's activity for the previous fiscal year as well as the Supervisory Board's statement and opinion on the Management Board's reports
- Adopt a resolution regarding the distribution of the profit or offset of losses for the previous fiscal year
- Adopt a resolution to clear the members of the Company's governing bodies for due performance of their duties
- Adopt a resolution regarding the election of new authorities of the Company, if they are elected by the General Meeting and their mandates expire on the day of the General Meeting

Moreover, the sole authority of the General Meeting shall include adopting resolutions regarding:

- Appointment and dismissal of members of the Supervisory Board
- Changes in the Company's Articles of Association
- Issue of convertible bonds or bonds with preemptive rights
- Determination of the rules of remunerating members of the Supervisory Board and the value of such remuneration
- Mergers with other companies
- Dissolution of the Company and selection of its liquidators
- Disposal and lease of the enterprise or its organized part and establishment of limited property rights
- Investigation of appeals of the Management Board against the decisions of the Supervisory Board, which refuses to grant its approval for a given action
- acquisition of treasury shares by the Company, which are to be offered for acquisition to the employees or persons who were employed by the Company or a related company for the period of at least three years

The Company has not adopted any regulations of the General Meeting.

11. The composition of members of the Management and Supervisory Boards, its changes during the last fiscal year, and the description of the way the bodies

managing, supervising and administrating the issuer as well as their committees function

Members of the Management Board:

- Janusz Gocałek
- Jacek Klauziński
- Andrzej Rózga
- Rafał Szałek

Members of the Supervisory Board:

- Grzegorz Ganowicz
- Tomasz Łodygowski
- Jerzy Nawrocki
- Marek Nawrocki
- Bogna Pilarczyk

The Management and Supervisory Boards were appointed by competent bodies on 22 April 2008, following the expiration of the Management and Supervisory Boards' terms of office. The composition of the Management Board did not change, compared with the previous term of office. Members the Supervisory Board during the previous term of office were:

- Grzegorz Ganowicz
- Tomasz Łodygowski
- Jerzy Nawrocki
- Marek Nawrocki
- Wojciech Osmólski

The governing bodies of the Company function in accordance with the generally applicable provisions of law. Detailed description of the way the Management and Supervisory Boards function has been included in the Company's Articles of Association as well as separate regulations of those bodies, approved by the Supervisory Board, that is: "Regulations of the Management Board of Talex S.A." and "Regulations of the Supervisory Board o Talex S.A." respectively. The above documents are available at the company website.

No committees of the managing and supervising bodies have been appointed.