



TRANSPARENCY AS THE KEY TO REGAINING TRUST

REPORT ON CORPORATE GOVERNANCE. POLAND AND THE WORLD

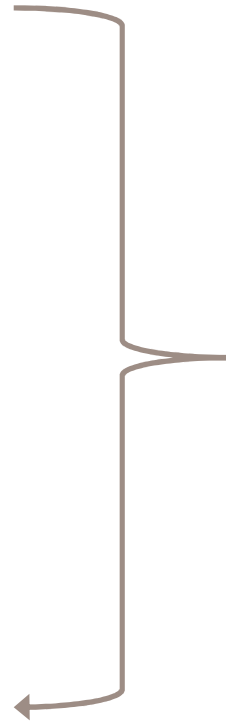
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11 JUNE 2010

WHAT IS TRANSPARENCY?

Access to information about the company

- Growth history
- Markets
- Areas of activity
- Strategy
- Financial condition
- Ownership structure
- Management structure
- Major risks
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WHAT IS TRANSPARENCY GOOD FOR?

Better basis to make decisions
Increased security
Transparent markets grow better
Better protection of investor interests



The Commercial Code
The Accounting Act
The Act on Public Offerings
The Act on Certified Auditors



Principles of corporate
governance



MILESTONES

- 1862 - Companies Act (UK) introduces the requirement to publish balance sheets
- 1935 - SEC introduces the requirement to publish profit and loss accounts
- 1973 - US GAAP are introduced
- 1974 - IAS are introduced
- 1978 - 4th Directive harmonizes accounting principles
- 1987 - Introduction of the cash flow statement
- 2002 - US GAAP and IAS/IFRS convergence plan
- 2009 - Poland: audit committees mandatory at public interest entities

AUDIT COMMITTEE

Audit Committee responsibilities

Monitor financial reporting process

Timeliness of reporting process
Compliance with standards/accounting practices
Errors in financial statements
Completeness of financial statements
Are accounting methods applied adequate to the Company's activities?

Monitor internal control system, internal audit and risk management

Main areas open for judgement and estimates
Review of internal control system, including the following control mechanisms: financial, operating, law compliance, risk assessment and management.
What areas are covered by its operations? Are they sufficient?
What is the risk? How is it monitored? What are risk mitigation procedures?
Analysis of internal auditor reports and the Management's responses to their observations, check of the degree of the internal auditors' independence.
Year-end internal audit program review, coordination of the work of internal and external auditors.

Monitor financial audit activities

Review of management accounting system
Monitor the work of the Company's statutory auditors and present to the Supervisory Board recommendations as to the selection and remuneration for the Company's statutory auditors.
What is the audit plan? What areas does it cover? Are the deadlines appropriate?
Are there any audit problems? What adjustments has the auditor proposed? Is the audit opinion unqualified?

Monitor auditor independence

Analysis of Management Letters prepared by the Company's auditor
Is the auditor independent of the Company?
Does the scope of additional services provided by the auditor have any negative effect on independence?

Case XYZ S.A.

To ensure the truth, fairness and compliance of the financial statements with binding regulations and to produce the financial data of high quality, the Company uses the following elements of internal control and risk management systems.

The internal control system is based on:

- The Company's Bylaws
- The Company's Accounting Policies
- ISO 9001: 2000 Quality Management System
- The Company's Integrated Computer System.

In the process of preparing the Company's financial statements, one of the main control elements is the verification of the financial statements by an independent auditor. The Audit Committee, appointed by the Supervisory Board, is the organ that oversees the Company's financial reporting process and works with the independent auditor.

Internal controls, exercised by the Company's internal audit unit, is an element of risk management with regard to the process of preparing financial statements. The internal control systems cover the Company's most significant processes, including those areas that have a direct or indirect effect on the accuracy of the financial statements. Internal audits are performed at the request of and are specified by the Management.

The preparation of the Company's financial statements is the responsibility of the finance department headed by Member of the Management Board - Finance Director. Financial data are first analyzed by the Supervisory Board and, once approved, presented in the financial statements.

To present financial data in its financial statements, financial reports and other reports provided to its shareholders, the Company continuously applies accounting policies that are consistent with International Financial Reporting Standards. The Company's books of account are kept using the Integrated Computer System. The system's operation is secured with an appropriate access structure. Access is controlled at every stage of preparation of the financial statements, from the input of source documents, through data processing, to the generation of output information.

The company uses following risk management procedures:

- to calculate provisions for retirement and disability benefits - the services of an independent actuary are used,
- to value financial instruments - bank valuations are used,
- to create provisions for employee and management bonuses - calculations are performed in accordance with the adopted bonus regulations,
- to value investment properties - appraisals performed by independent experts are used,
- to secure liquidity - trade credits and overdraft facilities are secured,
- to eliminate market risk, especially foreign currency risk - derivative financial instruments are used.



XYZ S.A. - Management Report

Management Report:

„The Company manages foreign currency risk by covering known risks by acquiring derivative financial instruments. The Company uses the options to buy and sell currencies and forward currency contracts to minimize the risk associated with changes in foreign currency rates.”



XYZ S.A. - Financial Statements

Financial statements:

„The derivative financial instruments held by the Company do not meet the criteria for the application of special hedge accounting methods.”

„Owing to the fact that the option structures applied by the entity constituted net issued options in accordance with the provisions of IAS 39 (the nominal values of the options issued exceeded the nominal values of the options purchased), the holding company was unable to apply hedge accounting in 2008, which would have made it possible to eliminate the accounting mismatch in the profit and loss account.”



XYZ S.A. - Auditor's opinion

Auditor's opinion:

„The information presented in the Management Report on the Group's activities for the period from 1 January to 31 December 2008 meets the requirements of the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities, and on the conditions for recognizing as equally valid the information required by the legal regulations of a state that is not a member state („the Decree” - Journal of Laws No. 33, item 259) and **is consistent with the information presented in the audited financial statements.**”

TRANSPARENCY AND VALUE

Company	Financial statements	Market
Budimex	26	100
BZWBK	43	100
CCC	16	100
CEZ	48	100
CyfrowyPolsat	10	100
HTLStrefa	23	100
PZU	40	100
Swiecie	36	100
WSIP	17	100
Żywiec	14	100

TRANSPARENCY AND VALUE

Company	Financial statements	Market
Advadis	200	100
Atlas Estates	250	100
Azoty Tarnów	200	100
Enea	125	100
Graal	167	100
Groclin	250	100
Hutmen	167	100
Komputronik	200	100
Lotos	167	100
Unicredit	250	100

THANK YOU FOR YOUR TIME



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Education

Doctor of Philosophy - Warsaw University; MA in Economics - Copenhagen University (Theory of Investments; Econometrics); MBA - Copenhagen Business School (Accounting).

Professional Experience

Several years of experience on the boards of Denmark's largest financial institutions. Has conducted more than 150 issues of eurobonds for such issuers as: The World Bank, IFC, Danish Finance, IBM, Cariplo, McDonalds, British Petroleum, Deutsche Bank, Coca-Cola, Toronto Dominion Bank, in cooperation with Deutsche Bank, Hambros Bank, Westpac Banking Corporation and Salomon Brothers. In Poland since 1990. Adviser to the State Treasury on the privatization of the brewing industry. Has performed more than 20 mergers and acquisitions in Poland. Has taken part in the introduction of more than 80 companies to trading on the Warsaw Stock Exchange, including Budimex, Indykpol, Mostostal Siedlce, Polimex.