

**ELEKTROTIM S.A. – Management Board annual report on activity in 2009**

**STATEMENT  
OF THE MANAGEMENT BOARD OF ELEKTROTIM S.A.  
ON APPLICATION OF  
CORPORATE GOVERNANCE PRINCIPLES  
IN THE YEAR OF 2009**

**Wrocław, April 2010**

## ELEKTROTIM S.A. – Management Board annual report on activity in 2009

### INTRODUCTION

This Statement of the Management Board of ELEKTROTIM S.A. on application of corporate governance principles at the Company is **an integral part of the Management Board Report on the Company's activity in the year of 2009 and is included in the content of the Management Board Report.**

The statement has been prepared in accordance with the requirements of Finance Minister Regulation of 19 February, 2009 on current and periodical information supplied by securities issuers and the conditions of acceptance as equal information required by principles of law of the country which is not a member country (Dz. U. (Journal of Law) of 2009 no 33, item 259) and also the provisions of § 29 of the Regulations of Stock Exchange and the Resolution of Stock Exchange Management Board no1013/2007 of 11 December 2007 on the issue of establishment of the scope and structure of a report concerning application of corporate governance principles by stock exchange companies.

The Management Board of ELEKTROTIM S.A. supplies the following information concerning application of the principles included in the attachment to the Resolution of Stock Exchange Council no 12/1170/2007 of 4 July 2007, titled “*Good practices of companies listed at Stock Exchange*” by the Company. The collection of corporate governance principles “*Good practices of companies listed at Stock Exchange*” is publicly available at the Internet website of Warsaw Stock Exchange concerning ideas of corporate governance principles: [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl)

#### **Content of the report:**

1. Description of corporate governance principles that were not observed by ELEKTROTIM S.A. in 2009
2. Description of operation of the general meeting and its principal competence, and the rights of shareholders and the way the rights are performed
3. Personal structure and operation principles of management and supervisory bodies of the Company and its committees
4. Description of basic features of internal audit and risk management systems applied at the Company concerning the process of preparing financial statements and consolidated financial statements.

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### **1. DESCRIPTION OF CORPORATE GOVERNANCE PRINCIPLES THAT WERE NOT OBSERVED BY ELEKTROTIM S.A IN 2009**

In relation with “Good practices of companies listed at Stock Exchange” coming into force on the day of 1 January 2008 the Management Board of the Company, in the attachment to the report on the activity of the Company in 2007, stated that it will use all reasonable endeavour to ensure that the principles, indicated in this document, are observed to the most extended scope in the Company.

At the same time the Management Board of ELEKTROTIM SA informs that the following principles were not observed by the Company in 2009:

1) The principle from Chapter 1 titled “Recommendation concerning good practices of stock exchange companies” item 1 – the part concerning the transmission of debates of the General Meeting with the use of the Internet, the register of the course of debates and making it public at the Internet website.

#### **Commentary:**

The Management Board of ELEKTROTIM S.A. explains that in 2009 the Company did not transmit and is still not planning to transmit the debates of the General Meeting with the use of the Internet, to register the course of the debates and making it public at the Internet website due to above all personal data protection and also the protection of image of persons taking part in the General Meeting of ELEKTROTIM SA.

The Management Board explains that in accordance with article 421 § 3 of Commercial Companies Code there is a Register of Protocols, which includes all protocols with the course of debates of each General Meeting of ELEKTROTIM S.A. , available at the premises of the Company. The shareholders may look through the register of protocols, and also require the issuance of copies of the resolutions authenticated by the management board.

2) The principle from Chapter 2 titled “Good practices observed by the management boards of stock exchange companies” item 2 in connection with item 1, concerning functioning of the Internet website of the Company in English version, at least within the scope indicated in part 2 item 1.

#### **Commentary:**

The Management Board of ELEKTROTIM S.A. explains that in 2009 and at present the Company manages the Internet website in English version, however, not within the full scope indicated in part 2 item 1 of the document titled “Good practices of companies listed at Stock Exchange”.

The Company plans to fill the website with information in the English language within the scope required by a subject principle in the future.

3) The principle from Chapter 3 titled “Good practices observed by members of supervisory boards” item 6, that is appointing to the structure of Supervisory Board at least two members which will meet the criteria of independence from the company and bodies being in significant relation with the company in accordance with the criterion established in the Attachment 2 to Recommendations of the European Commission of 15 February 2005 on the role of non-executive directors or being members of a supervisory board of stock exchange companies and members of a (supervisory) board commission, and also in content of item 6.

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### **Commentary:**

In 2008 there was a change made to the Status of the Company concerning the establishment of a criterion, applied in ELEKTROTIM S.A within the scope of acceptance of a particular candidate as an independent one. At the moment the Status of the Company includes the following provision: “Independent members should constitute at least two members of the Supervisory Board. Independent members are persons that are not spouses, descendant and ascendant ones, of members of the Management Board and persons that are not directly subordinate to a member of the Management Board or a liquidator.”

4) The principle from Chapter 3 titled „Good practices observed by members of supervisory boards” item 7, i.e. functioning of at least an audit committee within the scope of the supervisory board.

### **Commentary:**

**In 2009** the above principle was not observed.

On the day of 11 January 2010 the Extraordinary General Meeting of the Company of ELEKTROTIM S.A. changed the Status of the Company regarding among other things the introduction of the following provisions:

#### *§ 20 of the Status*

1. (...)

2. *The Supervisory Board performs tasks of an audit committee. The Supervisory Board may separate an audit committee appointing persons among members of the Supervisory Board to its panel.*

3. *The following duties, in particular, belong to tasks of the audit committee performed by the Supervisory Board or a separate audit committee:*

1) *monitoring financial reporting process,*

2) *monitoring of effectiveness of internal audit systems, internal audit system and risk management system,*

3) *monitoring performance of financial review activities,*

4) *monitoring independence of a statutory auditor and an entity entitled to examination of financial reports.*

## **2. DESCRIPTION OF OPERATIONS OF THE GENERAL MEETING AND ITS FUNDAMENTAL ENTITLEMENTS AND RIGHTS OF SHAREHOLDERS AND THE WAY THE RIGHTS ARE PERFORMED, IN PARTICULAR THE PRINCIPLES RESULTING FROM THE REGULATIONS OF THE GENERAL MEETING, IF SUCH REGULATIONS WERE ADOPTED, UNLESS SUCH INFORMATION WITHIN THIS SCOPE RESULT DIRECTLY FROM THE PROVISIONS OF LAW.**

**On 11 January 2010 the Extraordinary General Meeting of the Company of ELEKTROTIM S.A.** adopted the Resolution concerning the change of the Status of the Company and the Regulations of the General Meeting.

The aim of changes made to the Status of the Company and the Regulations of the General Meeting was to adjust the existing content to the changes made to Commercial Companies Code in August

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2009 by means of The Act of 5 December 2008 on a change to an act – Commercial Companies Code and the act on financial instrument transaction system.

**The following issues are presented in the version accepted in the Company after 11 January 2010.**

The General Meeting of ELEKTROTIM S.A. performs according to:

- Commercial Companies Code
- The Status of ELEKTROTIM S.A.
- The Regulations of the General Meeting of ELEKTROTIM S.A.

Ordinary General Meeting takes place not later than within six months after the end of a financial year, i.e. till the end of June. In 2009 the Ordinary General Meeting of ELEKTROTIM S.A. took place on 16 June.

The General Meeting (GM) is convened by the Management Board in cases predicted in the Status of the Company or the regulations of commercial companies code.

Extraordinary General Meeting:

- a) convene the Management Board at its own initiative,
- b) may convene the Supervisory Board, if convening it is agreed to be necessary,
- c) may be convened by Shareholders representing at least half of the share capital or at least half of all votes at the Company. The shareholders appoint a chairperson of this meeting
- d) may be convened on a request of a shareholder or shareholders representing at least 1/20<sup>th</sup> of the share capital. The shareholder or shareholders may require including particular issues in the agenda of the debates of such a meeting. The requirement of convening extraordinary general meeting should be introduced to the Management Board in writing or in an electronic form.

The General Meeting takes place in the premises of the Company in Wrocław, on the date indicated in the announcement on convening the General Meeting or at a different place at the territory of the Republic of Poland indicated by the Management Board.

In accordance with the Status of the Company of ELEKTROTIM S.A cases included in Commercial Companies Code, in particularly the following ones, require to be adopted by means of resolutions of the General Meeting.

- 1) examination and acceptance of the report of the Management Board on operation of the Company and the financial report of the Company on a previous financial year, and also the report on operation of the Capital Group and consolidated financial report of the Capital Group on a previous financial year,
- 2) adoption of a resolution on profit distribution or on loss coverage ,
- 3) granting a vote of acceptance to members of entities of the Company for the discharge of their duties,
- 4) change of an operation subject of the Company,
- 5) change of the Status of the Company,
- 6) increase or decrease of the share capital,
- 7) provisions concerning claims for compensation for damage done while setting up the Company or supervising or managing it,
- 8) sale or lease of the entity of the Company or its organized part and establishing limited property rights on them,

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- 9) issuance of interchangeable government securities or government securities with the right of priority and the issuance of subscription warranties, described in item 453 § 2 of Commercial Companies Code,
- 10) purchase of own shares, which can be offered to be purchased by employees or persons, which were employed at the Company or at an entity related to it for period longer than three years,
- 11) dissolution and liquidation of the Company,
- 12) merger with other company,
- 13) choice of members of the Supervisory Board and establishment of their remunerations,
- 14) dismissal of members of the Supervisory Board before the end of the term of office,
- 15) examination and resolution of issues introduced by the Supervisory Board,
- 16) choice and dismissal of liquidators and establishment of their remuneration,
- 17) date of acquiring dividend rights and date of payout of dividends.

### **The right to attend the General Meeting**

1. Only persons that are shareholders of the Company 16 days before the date of the general meeting (the date of the registration of attendance in the general meeting) have the right of attendance in the general meeting of the Company. The day of registration of attendance in the general meeting is uniform for persons entitled due to bearer shares and registered shares.
2. Persons entitled due to registered shares and temporary certificates and pledgees and users, which have the right to vote, have the right to attend the general meeting of the Company, if they are registered in the share register on the day of registration of their attendance in the general meeting.
3. Bearer shares have the form of a document granting the right to attend the general meeting of the Company, if shares documents are submitted at the Company not later than on the day of registration of attendance in the general meeting and will not be collected before the end of this day. Instead of a share it is possible to submit a certificate issued on the basis of a proof of submission of shares at a notary public, at a bank or at an investment company having its registered office or branch at the territory of the European Union or a country being a party of a contract on the European Business Area, indicated in the announcement on convening the general meeting. The certificate should include numbers of shares documents and states that shares documents will not be handed over before the end of the day of registration of attendance at the general meeting.
4. On demand of a person entitled due to dematerialised Company bearer shares made not earlier than after the notice on convening the general meeting and not later than on the first working day after the day of registration of attendance at the general meeting, business entity managing securities account issues individual name certificate on the right to participate in the general meeting.

### **Power of attorney**

Shareholders may participate in the general meeting and vote in person or by their attorneys. Power of attorney to participate in the general meeting of the Company and have voting rights requires to be issued in writing or in the electronic form, otherwise being null and void. Granting a power of attorney in the electronic form does not require a secure electronic signature verified by means of a valid classified certificate.

If at the general meeting of the Company the attorney is a member of the Management Board, a member of the Supervisory Board, liquidator, an employee of the Company or a member of authorities or an employee of the company or cooperative dependent of the Company the power of attorney may entitle to represent only at one general meeting. The attorney is obliged to inform the shareholder on circumstances indicating presence or possibility of occurrence of conflicts of interests. Granting further power of attorney is not possible.

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### **Attendance of members of the Management Board, the Supervisory Board and other persons in the General Meeting**

Members of the Supervisory Board and the Management Board have the right to attend the General Meeting. Statutory auditors and experts may take part in the general meeting on the basis of an invitation issued by the Management Board, if their attendance will be special-purpose due to the need for presenting opinions on discussed issues to the participants of the meeting. Media representatives, which are granted accreditation of the Management Board, have also the right to attend the General Meeting. Accreditation is granted to media representatives that reported the need to attend the General Meeting to the Management Board.

The General Meeting is valid and may accept resolutions regardless of the number of shareholders and shares represented during the meeting. Each share grants the right to one vote during the General Meeting.

#### **List of shareholders**

The Company establishes the list of persons entitled to take part in the general meeting of the Company due to bearer shares on the basis of the list concluded by the entity managing the deposit of securities according to the provisions concerning the financial instrument transactions.

The list of shareholders entitled to take part in the general meeting, signed by the Management Board, including surnames and names or companies (names) of the entitled, their place of residence (registered office), number, type and number of a share and number of votes entitled to them, is provided in the office of the management board for three working days before the date of the general meeting between working hours from 7.00 a. m to 3 p.m.

Each shareholder may look through the list of shareholders in the office of the management board and may require to be furnished with the copy of the list after covering the costs of its performance. Each shareholder of the Company may require to be sent the list of shareholders free of charge by means of an electronic mail, indicating e-mail address to which the list should be sent.

#### **Opening of the General Meeting**

The General Meeting is opened by the Chairperson of the Supervisory Board or their deputy. Next, a Chairperson of the Meeting is chosen among persons entitled to participate in the general meeting. In case of absence of persons mentioned above, the general meeting is opened by the president of the management board or other person designated by the management board. The person opening the General Meeting should lead to an immediate choice of the Chairperson of the General Meeting, refraining themselves from providing any other solutions. The person opening the General Meeting accepts offers of candidates for the Chairperson of the General Meeting among persons entitled to participate in the General meeting. In case of a greater number of candidates for the Chairperson of the General Meeting, the person opening the General Meeting orders first to perform the choice of a Vote Counting Commission. The person opening the General Meeting leads the election of the Chairperson of the General Meeting. The Chairperson of the General Meeting becomes a person that revives the highest number of votes at a secret ballot.

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### **List of attendance**

The list of attendance including the list of participants of the general meeting with information on a number of shares, which each of them possess and use for voting, signed by the Chairperson of the general meeting, is concluded immediately after the choice of the Chairperson and is made available during debates of this meeting. The Chairperson orders the performance of a new list of attendance after each change in the state of members of the meeting. Each list of attendance includes the date and precise time of its conclusion. On request of shareholders being in possession of a 1/10<sup>th</sup> of the share capital represented at this general meeting, the list should be checked by a commission chosen for this purpose, consisting of at least three persons. Applicants have the right to choose one member of the commission.

### **Examination of the agenda of debates**

After signing and checking the list of attendance the Chairperson puts the agenda of debates to vote. The Meeting may adopt a proposed agenda of the debates without any changes, change its order or refrain from considering an issue put in the agenda of the debates. The application for omission of considering the issue put in the agenda of the debates may take place only in case when the omission is justified, supported with material evidence and should be justified in details. The meeting may also introduce new issues into the agenda of the debates and put them into discussion, however, without adopting resolutions on the issues.

After the introduction of each issue put in the agenda of the debates the Chairperson performs a list of persons willing to take part in the discussion, and after closing it the Chairperson opens the discussion granting the right to express opinion to speakers in the order of their application. Time of speech of each of the speakers in the discussion cannot be longer than two minutes, whereas time of retorts cannot be longer than half a minute. The Chairperson takes a decision on closing the discussion. The Chairperson may grant the right to speak out of turn to the members of the Management Board, the Supervisory Board and invited experts, whose votes are not taken into consideration while performing a list and number of speakers.

The Chairperson may order submitting applications to a discussion in writing with providing information on a name and surname of an applicant, and additionally in case of attorneys – of a Shareholder represented by this person. It is permitted to express one's opinion in the discussion explicitly on issues put in the agenda of the debates within the scope of a point of the agenda being currently discussed – the above does not concern the consideration of order issues. While considering each issue put in the agenda of the debates the Chairperson may decide on a different time than half a minute, which will be entitled to one speaker for a speech or a retort. The above restriction does not concern the member of the Management Board, the members of the Supervisory Board and experts. The participants of the Meeting are entitled to file an appeal against a decision of the Chairperson to the Meeting. The Chairperson may reprimand the speaker, which strays away from the subject being considered, exceeds the time granted to them for making a speech or expresses their opinion in the way that is not allowed. The speakers that do not act in accordance with the Chairperson's instructions or express their opinion in the way inconsistent with the Regulations, the Chairperson may withdraw the right to speak..The Chairperson may expel persons that disturb the peace the agenda of the debates from the room. On the interested person's motion the Meeting may take a different decision on the above issues.



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After the exhaustion of the agenda of the debates the Chairperson closes the Meeting. At this moment it stops functioning as a body of the Company, whereas present participants of the Meeting cannot longer adopt valid resolutions.

### **Resolutions**

Written projects of resolutions included in the agenda of debates indicated in the announcement on the Meeting are performed by the Management Board

### **Voting**

Resolutions require absolute majority of votes, unless provisions of the act or the Regulations of the General Meeting of Shareholders provide otherwise.

Voting is open. Secret ballot can be decided on in case of election or motions concerning the dismissal of the Members of authorities or liquidators of the Company or concerning holding them liable, as well as in case of personal issues and on demand of at least one shareholder or attorney present at the General Meeting.

Resolutions concerning the change in the subject of the business entity of the Company are always adopted by means of open roll-call voting.

Secret and open ballots take place by means of voting cards. The form of voting cards (paper card, magnetic card, other) is indicated by the Chairperson of the General Meeting.

Each of the participants of the General Meeting after signing the list of attendance receives a voting card (or voting cards). Shareholders may vote differently at each of the possessed shares. Before the first voting the person opening the General Meeting, the Chairperson of the General Meeting or a person appointed by them informs the participants of the General Meeting on the way of voting.

The procedure of voting is the following:

- a) Before the beginning of voting on each resolution the Chairperson of the Meeting establishes if any of the shareholders is willing to divide possessed votes into packages. If none of the shareholders expresses such a will, voting is performed at the same time for all by means of a voting electronic system or other voting form.
- b) If any of the shareholders expresses the will to divide their shares into packages, then the following provisions are taken into consideration:
  - b1. The shareholder which is willing to divide their shares expresses such a will to the Chairperson. The Chairperson orders the division of a package and sends the shareholder to the Vote Counting Commission. The shareholder informs the Vote Counting Commission on the details of the division (number of packages and number of votes in individual packages) in writing and receives in place of the possessed voting card (cards) new cards for each new package,
  - b.2. The Shareholder confirms the correctness of the division in writing,
  - b.3. The Vote Counting Commission introduces new data on shareholders' packages to the voting system
  - b.4. Actions mentioned above (points from b.1. to b.3.) are repeated for each Shareholder

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that expresses such a will.

b.5. The Vote Counting Commission by means of the voting system checks the correctness of the division and performs a print-out that after being signed by the Members of the Vote Counting Commission becomes a minutes of such operation.

The Chairperson of the General Meeting may order different operation procedure than the one mentioned above, which the Chairperson is obliged to inform the shareholders about before the beginning of voting.

### Minutes of the Meeting.

Resolutions of the General Meeting are recorded. The minutes is drew up in the form of a notarial deed. If this duty is failed to be met, resolutions are totally invalid. The following documents should be enclosed to the notarial deed: the proofs of convening the General Meeting and proposed agenda of the debates, signing the list of attendance by the members of the General Meeting and the Chairperson, power of attorney and other documents provided by the shareholders or their attorneys.

**Description of shareholders being in possession directly or indirectly of significant shares packages with the description of number of shares possessed by these entities, their percentage share in the share capital, number of votes resulting from them and their percentage share in general number of votes during the general meeting – the state on the day of 31 December, 2008.**

The list of shareholders being in possession of at least 5% of the general number of votes at the general meeting according to information possessed by the Company on the day of 22 March, 2010.

Shares of the Company are not shares privileged to a vote – each share entitles to one vote.

	Name and surname	Number of shares/votes	Percentage share in share capital/ in general number of votes during GM
1.	Krzysztof Wiczorkowski	1.808.685	18,48
2.	Krzysztof Folta	1.504.364	15,28
3.	Aviva Investors Poland S.A.	617.844	6,27
4.	Mirosław Nowakowski	607.000	6,16
5.	Millennium Dom Maklerski S.A. (with dependent entities)	506.657	5,14

The list of shareholders has been drew up in accordance with shares in the share capital of the Company, amounting to PLN 9,848,159.00.

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### **Description of holders of any shares that give special power to inspect documents with the description of such powers.**

None of the shareholders being in possession of shares of ELEKTROTIM SA has the power to inspect documents of the Company.

### **Description of any restrictions concerning the exercise of voting right, such as restriction of the exercise of voting right by holders of defined part or number of votes, time restrictions concerning the exercise of voting right or provisions, which in accordance with, in case of cooperation of the company, capital rights related to shares are separated from possession of shares.**

There are none restrictions concerning voting right at ELEKTROTIM S.A..

### **Description of any restrictions concerning transfer of ownership rights of issuer's shares**

On the day of 31 December, 2009 there are no restrictions concerning transfer of ownership rights of the Company's shares and there are no restrictions concerning the exercise of voting right per shares at the Company.

### **Description of principles concerning appointing and dismissing managing persons and their entitlements, in particular the right to take a decision on issuance or buyout of shares.**

The Management Board, which operates on the basis of common legal regulations in force, including Commercial Companies Code, the Status of the Company and the Regulations of the Company, is the managing body at the Company of ELEKTROTIM S.A.

In accordance with the status the Management Board of ELEKTROTIM S.A. consists of at least one and not more than five Members chosen for a common term of office by the Supervisory Board. Term of office of the Management Board lasts not longer than five years. Number of Members of the Management Board, length of the term of office and remuneration of the Members of the Management Board is established by means of a resolution on appointing the Management Board adopted by the Supervisory Board. The Supervisory Board may dismiss the Member of the Management Board before the end of the term of office. The Member of the Management Board may be dismissed or suspended from the performance of their duties by the General Meeting.

The Management Board manages matters of the Company and represents the Company. Any matters not reserved for competence of other bodies of the Company by legal regulations or the Status are included in the scope of operation of the Management Board. Procedure of operation of the Management Board, as well as matters, which may be mandated to its particular members, is established in details in the Regulations of the Management Board.

The Regulations of the Management Board is adopted by the Management Board of the Company, and confirmed by the Supervisory Board.

According to the Regulations the Management Board is obliged, in particular, to:

1. appoint and dismiss proxies.
2. appoint representatives of the Management Board for particular issues.
3. take decisions on all other cases not reserved for the Supervisory Board or the General Meeting.
4. indicate and realize strategies and plans of operation of the Company.

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5. indicate and realize the development policy, human resources policy, sales policy, financial policy, quality management policy and operational policy.
6. observe legal regulations in force and refrain from taking actions, which could violate or abuse the law.
7. perform notifications binding for the Company for the registry court within due time.
8. perform financial report of the Company and the report on operation of the Company.
9. convene the General Meeting of Shareholders of the Company.
10. participate in meetings of the Supervisory Board, for which it received an invitation.
11. provide the General Meeting and the Supervisory Board with explicit explanation and information together with any required documents and other materials.
12. perform in a particularly diligent way while performing transactions with shareholders and other persons, whose interests influence the interests of the Company, and ensure that the transactions are performed in accordance with the market conditions.
13. represent the Company in contacts with shareholders within the scope of internal empowerments and ensure the security of legitimate interests of all shareholders within the scope defined by law and good manners.
14. manage right information policy of the Company according to internal regulations and maintain relations with the media.

The right to take a decision on the issuance or buyout of the shares of the Company of ELEKTROTIM S.A. belongs to the competence of the General Meeting and requires adoption of a suitable resolution on the matter.

Taking the above into consideration the Extraordinary General Meeting of the Company on the day of 2 September, 2008 adopted the Resolution no 5/09/NWZA/2008 on purchase of own shares of the Company in order to redeem them. The resolution in question entitled the Management Board of the Company to purchase up to 1,000,000 ELEKTROTIM S.A. bearer ordinary shares for the amount not higher than PLN 4,500,000.00 until 30 April, 2010. The purchase of own shares by ELEKTROTIM S.A. will be financed from the financial resources collected in the form of a reserve capital of the Company, which according to the state on the date of 30 June, 2008 amounted to PLN 4,520,375.15. On 14 November, 2008 the Management Board of the Company signed the agency agreement concerning purchase of own shares of the Company in order to redeem them with Millennium Dom Maklerski S.A. with its registered office in Warsaw.

In accordance with the agreement, on 21 November, 2008, ELEKTROTIM S.A. started the process of purchasing own shares in order to redeem them on the basis of principles defined in the Resolution no 5/09/NWZA/2008 of 2 September, 2008 of the Extraordinary General Meeting of the Shareholders of ELEKTROTIM S.A. and on the basis of principles indicated in the Regulations titled "The programme of purchase of own shares by ELEKTROTIM S.A. with its registered office in Wrocław in order to redeem them" published in the current report no 32/2008 of 17 November, 2008.

In 2008 the Company did not purchase any share in order to redeem it. During the first quarter of 2009 the Company purchased 16,991 own shares. The above mentioned shares were purchased by the Issuer at an average price of PLN 7.36 per single share. Purchased shares amounted to 0.175% of the share in the share capital of ELEKTROTIM S.A. and amounted to 16,991 votes at the General Meeting of ELEKTROTIM S.A.

On 16 June, 2009 the General Meeting of the Company adopted the resolution on redeeming 16,991 own shares purchased by the Company. The redemption of shares took place upon the decrease of the share capital to the amount of PLN 9,774,009.00 after the performance of convocation procedure in accordance with item 456 § 1 of the Commercial Companies Code and

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after the introduction of changes made in the register of entrepreneurs of 1 December, 2009.

On 16 June, 2009 the General Meeting adopted also the resolution on extending the purchase of shares in order to redeem them. The Management Board of the Company is entitled to purchase up to 1,500,000 the Company's bearer ordinary shares at the amount not higher than PLN 6,000,000.00 till the day of 31 May, 2011. The purchase of own shares by ELEKTROTIM S.A. will be financed by means of resources collected in the form of the reserve capital of the Company.

On 31 December, 2009 the share capital amounted to PLN 9,774,009.00.

### **Description of principles concerning the change of the status or the contract of the company's issuer.**

In order to make changes in the Status it is required to provide the resolution of the general meeting adopted by the majority of  $\frac{3}{4}$  of the votes (item 415 § 2 Commercial Companies Code) and perform an entry to the register of entrepreneurs in the National Court Register.

The Supervisory Board, on the basis of the authorisation granted each time by the resolution of the General Meeting of Shareholders, possesses competence to establish uniform text of the Status of the Company or make any other changes of editorial nature defined in the resolution of the meeting.

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### **3. PERSONAL PANEL AND OPERATION PRINCIPLES OF MANAGING AND SUPERVISING ENTITIES OF THE COMPANY AND ITS COMMITTEES**

#### **THE MANAGEMENT BOARD**

**The Management Board – personal panel within the period from 1 January, 2009 to 31 December, 2009.**

In 2009 ELEKTROTIM S.A. was managed by the Management Board consisting of:

President of the Management Board: Andrzej Diakun

Vice-president of the Management Board: Dariusz Połetek

Current term of office of the Management Board of the Company lasts from 11 June, 2007, on the day of 18 October, 2008, after submission of resignation by Artur Wójcikowski - the Vice-President of the Management Board, in connection with appointment of the dependent Company of PROCOM SYSTEM S.A. to the Management Board of the Company, the panel of the Management Board of ELEKTROTIM S.A. was changed.

The Management Board of ELEKTROTIM S.A. performs on the basis of the following:

- Commercial Companies Code
- Status of ELEKTROTIM S.A.
- Regulations of the Management Board of ELEKTROTIM S.A.

The Management Board consists of at least one and not more than five Members chosen for a common term of office by the Supervisory Board. The term of office of the Management Board lasts not longer than 5 years. Number of the Members of the Management Board, length of the term of office and remuneration of the Members of the Management Board is established by means of the resolution on appointing the Management Board of the Supervisory Board. The Supervisory Board has the right to dismiss the member of the Management Board before the end of the term of office. The member of the Management Board may be dismissed or suspended from the performance of their duties by the General Meeting.

The Management Board performs the issues of the Company and represents the Company. Any matters not reserved for competence of other bodies of the Company upon the law regulations or the Status are included in the scope of operation of the Management Board. The procedure of operation of the Management Board, as well as matters, which can be mandated to its particular members, are defined in details by the Regulations of the Management Board. The Regulations of the Management Board is adopted by the Management Board, and confirmed by the Supervisory Board.

The following persons are required to cooperate in order to perform statement on behalf of the Company:

1. two members of the Management Board or
2. one member of the Management Board together with a proxy.

The Supervisory Board represents the Company in the agreement concluded between the Company and the member of the Management Board, as well as in any disputes between the parties. The Supervisory Board may entitle, by means of the resolution, one or more members to fulfil such legal procedures.

## **ELEKTROTIM S.A. – Management Board annual report on activity in 2009**

### **THE SUPERVISORY BOARD**

#### **The Supervisory Board functioning at the Company during the period from 1 January, 2009 to 31 December, 2009.**

The term of office of the current Supervisory Board started on 11 June, 2007. The Supervisory Board was appointed by means of the Resolutions from no 13/WZA/2007 to no 17/WZA/2007 at the Ordinary General Meeting of Shareholders on 11 June, 2007.

In accordance with the state on 31 December, 2009 the Supervisory Board consists of the following persons:

Chairperson: Krzysztof Folta.

Members: Robert Machała,  
Wojciech Szymon Kowalski,  
Jan Walulik,  
Zdzisław Gajek

The term of office of the above mentioned Supervisory Board ends on the day of the General Meeting of Shareholders approving the financial report concerning the year of 2009.

The Supervisory Board of ELEKTROTIM S.A. performs in accordance with the following:

- Commercial Companies Code
- Status of ELEKTROTIM S.A.
- Regulations of the Supervisory Board of ELEKTROTIM S.A.

**On 11 January 2010 the Extraordinary Meeting of the Company of ELEKTROTIM S.A.** adopted the Resolution on the change of the Status of the Company and the Regulations of the General Meeting. The aim of making changes to the Status of the Company and the Regulations of the General Meeting was to adjust the previous content to changes introduced to the Commercial Companies Code in August 2009 by means of the act of 5 December, 2008 on the change of the act – Commercial Companies Code and the act on the financial instrument transactions.

On 15 February 2010 the Supervisory Board of the Company, taking the changed Status into consideration, adopted changed Regulations of the Supervisory Board.

#### **Issues indicated below are presented according to regulations in force at the Company in the year of 2010.**

The Supervisory Board consists of five members chosen by the General Meeting. The term of office of the Supervisory Board lasts not longer than 5 years. The length of the term of office of each of the members of the Supervisory Board, and also remuneration of the Chairperson and the Members of the Supervisory Board is established by the General Meeting.

The Supervisory Board calls its meetings at least three times a year. The Chairperson of the Supervisory Board is obliged to call the meeting of the Board on the basis of a written motion of the member of the Supervisory Board or the Management Board. The meeting should take place within two weeks from the date of the motion.

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The Meeting of the Supervisory Board is called by means of an effective delivery of invitations to all members of the Supervisory Board at least seven days before the established date of the meeting. The Meeting of the Supervisory Board may take place without being formally called, if all its members agree on this on the day of the meeting at the latest and will confirm this in writing or will put their signature at the list of attendance. Invitation of all members of the Supervisory Board may be provided in the written form or by means of an electronic mail with receipt confirmation. The Supervisory Board adopts resolutions by absolute majority of votes in the presence of at least half of the panel of the Supervisory Board and the invitation of all its members. In case of equality of votes the vote of the Chairperson of the Supervisory Board is decisive. The members of the Supervisory Board may take part in adopting resolutions of the Board by voting in the written form through a third party, i.e. other member of the Supervisory Board. Voting in writing cannot concern issues put in the agenda during the meeting of the Supervisory Board. The members of the Supervisory Board may adopt resolutions in the written form or by means enabling direct remote communication. The resolution adopted in such a way is valid if all members of the Board have been informed on the content of the project of the resolution.

Organizing voting in the written form or by means enabling direct remote communication may be called by the Chairperson, and if it is not possible to call the meeting by the Chairperson, their deputy or person indicated by the Chairperson is entitled to call the meeting.

Adopting resolutions through a third party, i.e. different member of the Supervisory Board or in the written form or by means enabling direct remote communication does not concern election of the Deputy of the Chairperson and the Secretary, appointing members of the Board and dismissing or suspending them from performance of their duties.

The Supervisory Board supervises operation of the Company.

Except for issues indicated in the act, as far as other provisions of this status or resolutions of the General Meeting are taken into consideration, competence of the Supervisory Board consists, in particular, of the following:

- 1) examination of financial reports of the Company and consolidated financial reports of the Capital Group as far as compliance with books and documents as well as the actual state of affairs are taken into consideration,
- 2) examination of the report of the Management Board on operation of the Company and motions of the Management Board concerning profit distribution or loss coverage, and also examination of the report on operation of the Capital Group,
- 3) providing the General Meeting with an annual written report on the result of activities, defined at item 1 and 2, including the result of the examination of the internal audit system and risk management system significant for the Company and the examination of operation of the Supervisory Board,
- 4) choice of a statutory auditor conducting examination of financial reports of the Company,
- 5) approval of annual business activity plans and long-term plans of the development of the Company, as well as examination of reports of the Management Board on the execution of these plans,
- 6) election and dismissal of members of the Management Board and establishment of their remunerations,
- 7) suspension particular or all members of the Management Board from the performance of their duties due to important reasons,
- 8) delegating the member or members of the Supervisory Board, for the period not longer than 3 months, to the temporary performance of the duties of the members of the Management Board that



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have been dismissed, submitted their resignation or cannot perform their duties due to different reasons,

9) adoption of the regulations of operation of the Supervisory Board,

10) approval of the Regulations of the Management Board,

11) expressing its consent on contracting a credit, loan, as well as issuance of securities except for the issuance of interchangeable securities or issuance of securities with the right of priority of the total value exceeding 20% of own capitals,

12) expressing its consent on purchasing or disposal of property of the value not exceeding 10% of own capitals,

13) expressing its consent on creating departments and purchasing or taking up shares at commercial companies, as well as joining commercial and civil law companies,

14) expressing its consent on purchasing or disposal of property, perpetual usufruct or shares in the property,

15) expressing its consent on granting a loan, guarantee or other financial burden of the property of the Company to a natural person or a legal entity for the benefit of any third parties by the Company,

16) expressing its consent on concluding significant, untypical transaction/contract signed upon the circumstances different than the market ones (not routine ones) by the Company with a related entity,

17) other issues within competence of the Supervisory Board defined by unconditionally applicable law regulations or resolutions of the General Meeting

The Supervisory Board performs its duties collectively, may, however, delegate its members to perform particular supervisory operations independently.

**In January 2010** – in relation to the change made in the Status the Extraordinary General Meeting introduced the following provision to the Status of the Company:

### *§ 20 of the Status*

1. (...)

2. ***The Supervisory Board performs the tasks of the audit committee. The Supervisory Board may create the audit committee appointing persons among the members of the Supervisory Board to its panel.***

3. ***Duties of the audit committee performed by the Supervisory Board or separated audit committee are, in particular, the following:***

*1) monitoring the process of financial reporting,*

*2) monitoring effectiveness of internal audit systems, internal audit and risk management systems,*

*3) monitoring performance of financial review operations,*

*4) monitoring independence of the statutory auditor and the entity entitled to examine financial reports.*

Current Status of the Company and Regulations: of the General Meeting, the Supervisory Board and the Management Board are available at the Internet website of the Company:

[www.elektrotim.pl](http://www.elektrotim.pl).

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### **4. DESCRIPTION OF BASIC FEATURES OF INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS USED IN THE COMPANY IN RELATION TO THE PROCESS OF THE PERFORMANCE OF FINANCIAL REPORTS AND CONSOLIDATED FINANCIAL REPORTS**

In accordance with the Regulation of the Council of Ministers Regulations of the Council of Ministers of 19 February, 2009 on current and periodical information transferred by issuers of securities and circumstances of acceptance of information required by the provisions of law of a country not being a member state (Dz. U. (*Journal of Laws*) of 2009 no 33, item 259) as equal the Management Board of ELEKTROTIM S.A. is responsible for internal audit system and its effectiveness in relation to the process of the performance of financial reports.

Supervision over the performance of consolidated and individual financial reports is performed by a person responsible for keeping accounting records of the holding company, ie. Chief Accountant of the holding company. Accounting Division functioning at the holding company is responsible for the performance of individual and consolidated financial reports.

Consolidated financial report is performed on the basis of the financial report of the holding company and financial reports of entities controlled by the holding company.

Financial reports of dependent entities, after changes adjusting them to International Financial Reporting Standards are introduced, are performed on the basis of uniform principles of accounting used for transactions and business ventures of a similar nature.

In order to ensure uniform principles of accounting accounting policy used by the Company has been delivered for use to the companies of the Capital Group of ELEKTROTIM on the performance of the consolidation packages.

Published six-month and annual individual and consolidated financial reports and financial date being the basis for such reporting are subject to the review or examination by the statutory auditor.

The result of the review or examination are presented to the Management Board of the Company, the Supervisory Board and the General Meeting of ELEKTROTIM S.A. by the auditor.