

## POLISH SECURITIES MARKET INFORMATION

*The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Managers or any of their respective affiliates or representatives in connection with the International Offering.*

### Stock Market Regulation

The principal legislation in relation to the Warsaw Stock Exchange is the Polish Commercial Code of 1934, as amended (the "Polish Commercial Code"), the Law on Public Trading, the statute of the Warsaw Stock Exchange and the rules of the Warsaw Stock Exchange (the "WSE Rules"), which contain detailed provisions concerning the admission of securities for listing and the terms of such listing, continuing obligations for issuers of securities, the organisation of the Warsaw Stock Exchange, and the rules of the Warsaw Stock Exchange arbitral forums.

### Public Issuance of Securities

The admission of any securities (including the Shares) to public trading in Poland requires the publication of a Polish language prospectus or information memorandum complying with the terms of the Ordinance of the Council of Ministers, dated 11th October, 1994, and the prior approval of the Polish Securities Commission.

Pursuant to the Polish Commercial Code, the management board of a company may have civil liability in respect of any false information concerning the company's share capital submitted to the relevant registration court. They are also liable for any injury to the company inflicted by an act violating Polish law or the provisions of the company's statutes and for any loss caused to the company by any failure on their part to exercise proper due diligence while performing their duties in relation to the same.

The Polish Commercial Code also provides that any person participating in the issue of shares by a company may be civilly liable if that person wilfully or negligently publishes false information or conceals material information. In addition, under the Polish Commercial Code, a company's management board may be criminally liable for acting to the detriment of the company and for allowing shares to be issued to a shareholder who has not fully paid all amounts due in respect of such shares.

Under the Law on Public Trading, any person who has participated in the publication of information in relation, *inter alia*, to a share issue is liable for damage incurred as a result of false information included in, or material information omitted from, such published information. In addition, any person responsible for information included in the prospectus or memorandum or other information connected with the introduction of securities to public trading who provides false information or conceals material information may be guilty of a criminal offence punishable by imprisonment or a fine.

### Listing

Trading of securities listed on the Warsaw Stock Exchange may be suspended for periods of up to three months if the suspension is necessary for the interests and safety of the market participants, in the event of the issuer's persistent non-compliance with the exchange's regulations and customary procedures or upon the application of the issuer.

In addition, securities may be de-listed if (i) such securities no longer meet the requirements concerning admission of securities for listing, (ii) the issuer persistently violates the Warsaw Stock Exchange's regulations and customary procedures, (iii) it is necessary for the public interest and protection of market participants, (iv) the issuer changes its legal form or it merges with another company or (v) the issuer applies for de-listing or becomes subject to liquidation proceedings. Securities shall be de-listed if they cease to be admitted to public trading or if the issuer has been declared bankrupt.

Listing of securities on the Warsaw Stock Exchange requires the decision of the Warsaw Stock Exchange Council ("Rada Gieldy"). Prior to the formal decision of the Warsaw Stock Exchange Council, an in-principle consent to such listing is given by the Board of Directors of the Warsaw Stock Exchange. During the period between the date of the formal decision of the Warsaw Stock Exchange Council and the date of the first quotation of securities, the Board of Directors of the Warsaw Stock Exchange may allow the execution, by members of the Warsaw Stock Exchange, of off-exchange transactions with respect to those securities provided that certain safeguards are followed. These include the simultaneous execution of buy and sell orders within certain price and volume parameters set under the WSE Rules. Such transactions must be concluded no later than one business day before the first quotation date of those securities.

## **The Warsaw Stock Exchange**

As at the date of this Offering Circular, the Warsaw Stock Exchange (which resumed operations on 16th April, 1991 after a 52 year suspension) is the only stock exchange in Poland. At the 1st of January, 1997, the Warsaw Stock Exchange consisted of 38 brokerage houses, 11 of which were foreign owned, employing approximately 930 licensed brokers. Although many are owned by banks, brokerage houses function as independent commercial entities. At 20th May, 1997, the equity shares of 98 companies as well as 15 Treasury Bond issues were listed on the Warsaw Stock Exchange and the total market capitalisation of the listed companies was approximately PLN 31.8 billion (approximately U.S.\$9.9 billion). In 1996, foreign participation was unofficially estimated to account for 30 per cent. of total market capitalisation and trading volume.

Settlement on the Warsaw Stock Exchange is made on a delivery-versus-payment basis. Transactions are normally effected for settlement and delivery on the third working day after the day of the transaction. Each investor must hold a securities account and a cash account with a local broker or custodian and each broker and custodian must hold a securities account in the NSD and maintain a cash account with a clearing bank. The process of accounting, and the preparation of data for settlement and registration, are fully computerised.

All securities admitted for trading on the Warsaw Stock Exchange are required to be deposited in the form of a global certificate with the NSD and are traded in book-entry form only. Shareholders are supplied with depositary receipts and account statements from the broker or custodian with whom they hold an account.

The detailed provisions concerning settlement are contained in the WSE Rules and in the rules of the NSD (together, the "Settlement Rules"). According to these Settlement Rules, the Warsaw Stock Exchange is required to arrange, on the basis of contract notes submitted by Warsaw Stock Exchange members, for the settlement of the executed trades between Warsaw Stock Exchange members. In turn, the Warsaw Stock Exchange members coordinate settlement with the clients on whose account the trades were executed. Transactions on the Warsaw Stock Exchange are settled simultaneously in cash and securities through the NSD.

## **Stock Exchange Trading Mechanisms**

Trading sessions on the Warsaw Stock Exchange are held regularly from Monday to Friday between 9.00 a.m. and 2.30 p.m., unless the Board of Directors of the Warsaw Stock Exchange decides otherwise. There are no market lots.

Much of the trading on the Warsaw Stock Exchange is based on the single-price auction system, and is entirely screen-based. The price for each session is established on the basis of all the orders being submitted in a way that maximises turnover and matches buy and sell orders as closely as possible. In addition to the single-price auction system, selected equities are now being traded in a continuous trading system. The continuous trading system was introduced in August 1996 for five of the most liquid equity securities listed on the Warsaw Stock Exchange and, as of 18th February 1997, there were a total of 22 companies trading under the continuous trading system.

Under the continuous trading system the opening price of shares is determined according to the single-price quotation system but, during each trading session, the price of the shares is allowed to fluctuate according to the buy and sell orders that are placed. However, price variations are limited to a maximum of plus or minus 5 per cent. from the opening price. After every trading session the Warsaw Stock Exchange publishes the prices of all transactions concluded.

Prices quoted by market makers on the basis of the single-price auction system are required to be within 10 per cent. of the previous trading session, unless the Board of Directors of the Warsaw Stock Exchange decides otherwise. A resolution of the Board of Directors of the Warsaw Stock Exchange to such effect with respect to a given security requires notification to the exchange members at least one day before the day it comes into effect. Price tendencies and trading volume, together with surpluses and/or reductions in sale and purchase orders and any specific rights (e.g. pre-emption or dividend rights) attached to the relevant securities, are published daily in the Warsaw Stock Exchange Quotation, which is the official journal of the Warsaw Stock Exchange.

A system of uniform daily price quotations restricts price fluctuations. If an initial price quotation does not fall within 10 per cent. of the previous bid price for the relevant security, the specialist broker for the stock of the issuer commences the taking of additional orders in order to balance the market at the price equal to the upper or lower limit of fluctuations. In extraordinary cases where the imbalance between the buy and sell orders is excessive, the session chairman may delay or suspend quotations of one or more securities at a given session and announce a non-transaction based price quotation.

Brokerage commissions in Poland are not fixed by the Warsaw Stock Exchange or other regulatory bodies, but rather vary depending on the brokerage house executing the trade and the size of the transaction.

Under the Law on Public Trading, dealing on the basis of insider information is illegal. The Law on Public Trading defines "insider information" as "information regarding the issuer or the securities which has not been provided to the general public and the disclosure of which could materially influence the price of the securities". In addition, the WSE Rules define "insider information" as "information concerning the issuer or several issuers or the security or several securities, which has not been made public and which, after publication, could substantially influence the price of a security". Any person wrongly publicising or using such information may be guilty of an offence punishable by imprisonment or a fine.

According to the WSE Rules, issuers of securities listed on the Warsaw Stock Exchange are obliged to prepare rules relating to the access to insider information and the purchase and sale of their securities by employees and members of authorities who have access to such information, and such issuers must inform the Warsaw Stock Exchange about these rules.

The Polish Commercial Code prohibits the purchase by issuers (but not affiliates of such issuer) of their own shares, except that issuers are allowed to purchase their own shares for redemption, or for the purposes of execution of a judgement against a shareholder where the sole recourse of the company is to the shareholder's shares.