

Telekomunikacja Polska's Sustainable Development Report for 2006

Warsaw, October 2007



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Vision and strategy

[1.1] Vision and strategy juxtaposed with sustainable growth

It is a TP Group's ambition to actively participate in the process of social transformations. Being a national operator, we find ourselves in a privileged situation that may provide us with unique opportunities, but at the same time imposes serious obligations. We are inextricably bound with Polish society. Having been separated from national structures, our company commenced a transformation process over many years in the 1990s, i.e. after Poland had entered the process of systemic changes. Our company's transformations correspond with transformations in our surroundings.

Today, TP is a far cry from the company it used to be at the beginning of the 1990s, and the panoply of improvements which have been implemented is both impressive and undeniable. A state-owned monopolist was transformed into a free-market company which every day competes in various markets to win new customers. Being aware of our shortcomings, we constantly attempt to streamline and perfect business processes to provide our customers with opportunities resulting from cutting edge innovative technologies.

Our aim is to maintain the position of a leading telecommunications operator in the region of Central and Eastern Europe, increasing the Group's value to benefit all shareholders while keeping a stable financial situation. We wish to intensively develop broadband Internet access services including the market of additional services and to keep developing the mobile telephony market. Growing demand induces TP Group to implement plans aimed at meeting customers' comprehensive telecommunications demands by introducing new integrated telecommunications and service packages into its offer. TP Group's competencies give the Group a unique opportunity to fully employ the strategy of an integrated telecommunications operator.

Being aware of the great responsibility we bear as national operator, we make sure that our decisions and activities directly translate into developing Polish society and determine the information society formation process. Our strategy postulating developments in broadband Internet access and other innovative telecommunications services never defies public interest, on the contrary, it directly facilitates social development. We have been building the new reality's fundamentals by developing our markets and creating new, innovative services.

[1.2] Letter of TP's President of Management Board

Dear Sir/Madam,

I am presenting the report on social responsibility by Telekomunikacja Polska.

Telekomunikacja Polska is one of the biggest companies in the Polish market. The wide range of our activities allows us the unique opportunity to support directly social development in our country while achieving our business targets. We grasp this opportunity everyday as we are involved in activities for the benefit of our customers, suppliers, employees, children, local communities and people in need.

I would like TP to be regarded as a national operator that is aware of its important role and that contributes substantially to the development of the information society and thus stimulates our country's faster development and Poles' prosperity. Making our business decisions, we always take into account not only our profits but long-term consequences that can affect our surroundings. I am certain that the company's long-term and sustainable development, which is not at the expense of others but in favour of them, is the only suitable solution.

In the forthcoming years Poland will take advantage of receiving substantial funds to build infrastructure and to educate the information society. Proper fund management involves close cooperation among telecommunication operators that possess and build their own infrastructure, social organisations, local governments and local communities. Thanks to that it will also be possible to build infrastructure where no public-private partnership supported investments are unprofitable. Because of its wide range of activities, TP seems at present to be the only institution that could build and modify successfully the telecommunications infrastructure in the whole of Poland.

For some time now, and on an exceptional scale, we have actively been supporting information education among youth. Our programme "Education with TP Internet" has enabled approx. 4 million children to have a fast access to the Internet in Polish schools. Simultaneously with the United Nations Development Programme we are implementing the programme "Republic of Internet". Under this programme we not only inform villagers how the Internet can be put into practice but we also counteract the risk of their digital divide at a time of information revolution.

Social responsibility does not exclusively comprise social programmes. That is why we bear in mind our customers, suppliers and employees. The tasks we took up some time ago have produced measurable effects. New convergent services that enter a market can more and more successfully meet customers' needs. The new and innovative solutions we offer determine market tendencies. In addition, we emphasise the professional development of our employees. Therefore, we are considered to be one of the most attractive employers in the market.

Our responsible approach towards the business environment has resulted in the company I manage being awarded a high third place in "Good Company Ranking", which is the first independent ranking of a company's social responsibilities in Poland.

Yours faithfully,



Maciej Witucki

President of the TP S.A. Management Board & CEO

Profile

Organisation Profile

[2.1] Name

Telekomunikacja Polska S.A. ("TP")

[2.2] Activity profile and area

TP Group is the largest telecommunications group in Central Europe. Being active in all segments of the telecommunications sector, the Group offers services of fixed and mobile telephony, data transmission, Internet access and Internet services (a portal), radio telecommunications and satellite transmission. Moreover, TP offers its customers modern digital TV services, video on demand as well as virtual game rental.

TP Group's technical infrastructure is the largest in Poland and operates over 10.1 m fixed telephony lines, provides services to over 12.5 m mobile telephony users and 1.7 m broadband Internet access users. Customers of the Group are both individual and corporate users.

[3.17] / [EC13] Activities' indirect influence

TP Group's size directly translates into the role that the company plays in everyday life of Polish society and its influence on the Polish economy. TP Group's turnover in 2006 comprised approximately 1.8% of Polish gross domestic product. The sums of taxes paid annually to the budget also prove how extensive the Group's activities are (further information can be obtained in the section on activities' economic aspects).

Telekomunikacja Polska is largely financed from the funds of Warsaw stock exchange investors. The company's shares make up an important element in investment portfolios, including those of investment and pension funds. Therefore, TP's success translates into the value of savings and prospective pensions of millions of Polish people.

The specific profile of the company's business activities is yet another factor to affect social and economic life, not to mention the scale of the Group's business activities. The group has a decisive effect on the process of creating a Polish information society, which is primarily connected with providing appropriate infrastructure, including that installed in country areas and areas of difficult accessibility. The issue of popularising the use of modern technology among citizens, who frequently lack basic computer and Internet skills, is equally important. A national operator and a signatory to "The pact for the information society development" and "The pact for the development of access to broadband services and the network of electronic telecommunications in Poland", TP tries to accompany its infrastructure investments with solutions facilitating investments in country areas and areas of difficult accessibility (for details see [PA1]), as well as investments in skills; TP also presents varied uses of the Internet by providing broadband Internet to schools and supporting country communities which face information exclusion (for details see [SO 1]). It is owing to such activities that Poland has entered the group of eight EU countries where the rate of Internet connected school computers exceeds 80%.

We are aware that our infrastructure investments directly translate into individual regions' investment attractiveness. Modern telecommunications infrastructure is absolutely crucial for prospective investors to take interest in a given region, moreover, investors would certainly lose interest without such infrastructure. Therefore, we keep collaborating with local governments to provide widespread access to telecommunications services. We also notice a great potential for telecommunications services in the fields where telecommunications has not been used yet, however, its use may bring tangible social benefits, telemedicine being one of such fields. An innovative Medical Care Continuity (MCC) project implemented by Telekomunikacja Polska and Kraków Jan Paweł II Specialist Hospital is an ideal example of these activities. The project's significance was highly appreciated by the European Commission, which announced it the project of October 2006. The venture aimed at drafting a detailed market analysis in 4 European Union countries (France, Belgium, Italy and Poland) accompanied by drafting a business plan for providing home monitoring services (so called home hospitalisation). Collaborating with the Kraków hospital within the MMC project, TP launched home monitoring tests for patients suffering from cancer.

We are also convinced that modern telecommunications services may be helpful in solving acute problems of the modern world. Such services are said to have a great potential, which frequently fails to be fully realized, for reducing carbon dioxide emissions and consequently for reducing greenhouse effect. Tele- and videoconferences as well as telework may be effective alternatives for long-haul business flights and may contribute to decreasing their number. Employing new technologies shall facilitate saving both the environment and money.

Telekomunikacja Polska is one of the companies whose expenditure on research and development have been extensive, which unfortunately was not common enough among Polish entrepreneurs in recent years. TP spent 53 m PLN on research and development in 2006.

[2.3] / [2.4] / [2.14] Operational structure

The following entities comprise the TP Group:

- Telekomunikacja Polska S.A. ("TP", "the Company", "the Controlling Entity") is the largest telecommunications operator in Poland. Providing fixed telephony services and Internet access are the company's basic business activities.
- Polska Telefonia Komórkowa Centertel Sp. z o.o. ("PTK Centertel") is a mobile telephony (both digital [GSM and UMTS] and analogue (NMT450i) network operator (100% dependent on TP).

The following companies also belong to the Group:

(table in next page)

The following companies also belong to the Group

Pos.	Entity	Registered office	Business activity range	TP Group's per cent share in the company's capital	
				31.12.2000	31.12.2005
1	2	3	4	5	6
1.	TP EmiTel Sp. z o.o.	Kraków, Poland	Radio-diffusion, data transmission, tele IT services, hiring technical infrastructure.	100,00%	100,00%
2.	Paytel Sp. z o.o. (formerly: Contact Center Sp. z o.o.)	Gdynia, Poland	Operating electronic sales points and electronic services, including, but not limited to, GSM telephony prepaid services, charging fees for bills and processing electronic payment transactions.	100,00%	100,00%
3.	DITEL S.A.	Warsaw, Poland	Operating subscriber database, producing and distributing phone directories.	100,00%	100,00%
4.	OTO Lublin Sp. z o.o.	Lublin, Poland	Producing fibre optic cables and electronic cards.	100,00%	100,00%
5.	Otwarty Rynek Elektroniczny S.A.	Warsaw, Poland	Data transmission, Operating an e-commerce platform, tele IT services, data processing.	100,00%	100,00%
6.	TP Edukacja Wypoczynek Sp. z o.o.	Warsaw, Poland	Hotel industry, catering for training services.	100,00%	100,00%
7.	TP Internet Sp. z o.o. ("TP Internet")	Warsaw, Poland	Providing telemarketing services.	100,00%	100,00%
8.	TP Invest Sp. z o.o.	Warsaw, Poland	Consulting services provided for Group entities, owner's supervision over the investment portfolio.	100,00%	100,00%
9.	Tel – Arp Sp. z o.o. liquidation in progress ¹	Warsaw, Poland	Marketing and publishing activities.	n/a	100,00%
10.	Telefon 2000 Sp. z o.o.	Warsaw, Poland	Designing and building telecommunications systems.	95,38%	95,38%
11.	Telefony Podlaskie S.A.	Sokolów Podlaski, Poland	Local fixed telephony operator.	55,11%	55,11%
12.	Telefony Opalenickie S.A.	Opalenica, Poland	Local fixed telephony operator.	25,00%	25,00%
13.	Radomska Wytwórnia Telekomunikacyjna S.A. bankruptcy proceedings in progress	Radom, Poland	Phone set production.	17,50%	25,09%
14.	TP TelTech Sp. z o.o.	Łódź, Poland	Monitoring alarm signals, operating local networks.	100,00%	100,00%
15.	TP MED Sp. z o.o.	Warsaw, Poland	Service activities within the scope of healthcare and other medical services.	100,00%	100,00%
16.	Pracownicze Towarzystwo Emerytalne Telekomunikacji Polskiej S.A.	Warsaw, Poland	Creating and monitoring an employee pension fund.	100,00%	100,00%
17.	Fundacja Grupy TP	Warsaw, Poland	Charity.	100,00%	100,00%
18.	Virgo sp. z o.o. ²	Warsaw, Poland	Consulting and finance, managing property investments.	100,00%	100,00%
19.	Wirtualna Polska S.A. („WP”)	Gdańsk, Poland	Providing services within the scope of the Internet portal, databases, software and advertisement.	100,00%	100,00%
20.	Sklep Wirtualnej Polski S.A. liquidation in progress	Gdańsk, Poland	No operational activity.	100,00%	100,00%
21.	TPSA Finance B.V.	Amsterdam, Holland	Investments and investment management.	100,00%	100,00%
22.	TPSA Eurofinance B.V.	Amsterdam, Holland	Investments and investment management.	100,00%	100,00%
23.	TPSA Eurofinace France S.A.	Paris, France	Investments and investment management.	99,96%	99,96%

1. As of 31 December 2006, the Group owned no shares in Tel-Arp Sp. z o.o., because the company was crossed off the KRS on 22 November.

2. As of 31 December 2005 TP Internet S.A. owned 100% shares of Wirtualna Polska S.A. and Sklep Wirtualnej Polski S.A. (being liquidated).

At the beginning of 2006 (as of 1 January 2006), the composition of the TP S.A. Management Board was as follows:

1. Marek Józefiak – the President of the TP S.A. Management Board & CEO.
2. Alain Carlotti – the Executive Vice President of the TP S.A. Management Board.
3. Bruno Duthoit – the TP S.A. Management Board Member in charge of Investments.
4. Pierre Hamon – the TP S.A. Management Board Member in charge of Marketing and Customer Service, COO.
5. Jacek Kałtaur – the TP S.A. Management Board Member in charge of Human Resources.
6. Konrad Kobylecki – the TP S.A. Management Board Member in charge of Technology.
7. Jean-Marc Vignolles – a TP S.A. Management Board Member.

As of 28 April 2006 the TP S.A. Board of Trustees appointed Benoit Merel as a TP S.A. Management Board Member.

As of 16 August 2006 Bruno Duthoit resigned from his position as a TP S.A. Management Board Member.

As of 5 November 2006 Marek Józefiak resigned from his position as the President of the TP S.A. Management Board & CEO.

As of 6 November 2006 Maciej Witucki was appointed as the President of the TP S.A. Management Board & CEO.

As of 10 November 2006 Alain Carlotti resigned from his position of a TP S.A. Management Board Member.

TP S.A. Management Board's composition as of 31 December 2006:

1. Maciej Witucki – the President of the TP S.A. Management Board & CEO.
2. Pierre Hamon – the TP S.A. Management Board Member in charge of Marketing and Customer Service, COO.
3. Jacek Kałtaur – the TP S.A. Management Board Member in charge of Human Resources.
4. Konrad Kobylecki – the TP S.A. Management Board Member in charge of Technology.
5. Benoit Merel – the TP S.A. Management Board Member in charge of Finance, CFO.
6. Jean-Marc Vignolles – a TP S.A. Management Board Member.

The following changes were implemented into TP S.A.'s organisational structure in the second half of 2006:

As of 21 November, following the resignation of the President of the TP S.A. Management Board & CEO, the Office of the Executive Vice President of the TP S.A. Management Board and related responsibilities were transferred for the President of the TP S.A. Management Board & CEO's direct supervision:

- TP S.A. Group Financial Process Effectiveness Branch was established
- names of the following branches were changed: Controlling Branch – TP Group Controlling Branch, Accounting Branch – TP Group Accounting Branch, TP Capital Group Finance Branch – TP Group Corporate Finance Branch
- Administration Branch, which had been subordinated to the President of the TP S.A. Management Board & CEO, was transferred for the direct supervision of the TP S.A. Board Member in charge of Finance

As of 31 December 2006, the following organisational units functioned within the TP structure:

- 1 Executive Company Management
- 5 Central Departments
- 4 Offices
- 3 Divisions
- 15 Branches
- 5 Regional Executive Directors, i.e. TP Regional Executive Director in the Central Region, TP Regional Executive Director in the East Region, TP Regional Executive Director in the West Region, TP Regional Executive Director in the South Region, TP Regional Executive Director in the North Region.
- 3 Separate Business Units, TP Separate Business Unit – Polish Telecom Data Transmission Centre “POLPAK”, TP Separate Business Unit – Satellite Services Centre – “TP SAT”, TP Separate Business Unit Public Payphones – “PubliTel” (liquidation in progress as of 31 December 2006).

Regions are structured into 5 organisational units acting as field organisational cells – Personnel Branch, Network Branch, Accounting Branch, Administration Branch, and Services & Sales Division. Moreover, Functional Regions operate within the Services & Sales Division.

22 Personnel Branch Areas were liquidated as of 1 April 2006. The new organisational structure of the Personnel Branch was concentrated around 5 regional structures that complied with business unit structures. A post of Operational Director responsible for managing processes of personnel and pay operation and for supervising the quality of services provided from the Comprehensive Personnel Services Position. Such changes constitute the next stage in implementing TP Group’s new HR Model to provide for establishing Shared Services Centres for the Group. New organisation of the Personnel Branch is also to provide service higher specialisation level and adjusting them to the needs of individual customer groups. Key Management Personnel Department was established for this aim, which has provided services for employees and managers who are excluded from TP Employees’ General Collective Labour Agreement and those participating in FT Group’s international development programmes in Poland.

[2.5] Geographical range of activities

TP Capital Group Companies engage into operational activities throughout Poland.

[2.6] Ownership form

A joint stock company, Telekomunikacja Polska has its shares rated at, inter alia, the Warsaw Stock Exchange. As of 31 December 2006 the seed capital was 4 200 m PLN and was divided into 1 400 000 000 ordinary bearer shares, each of which has the value of 3 PLN.

The below table present the structure of TP seed capital on 31 December 2006.

(table in next page)

The structure of TP seed capital on 31 December 2006

Pos.	Shareholder	Shares	Votes at a General Meeting of Shareholders	Vote Rate at a General Meeting of Shareholders	Shares' Nominal Value (PLN)	Capital Share
1	2	3	4	5	6	7
1.	France Telecom S.A.	664 999 999	664 999 999	47,50%	1 994 999 997	47,50%
2.	GDR Owners (Bank of New York) ¹	70 211 279	70 211 279	5,02%	210 633 837	5,02%
3.	State Treasury ²	54 146 153	54 146 153	3,87%	162 438 459	3,87%
4.	Other Shareholders	610 642 569	610 642 569	43,61%	1 831 927 707	43,61%
5.	TOTAL	1 400 000 000	1 400 000 000	100,00%	4 200 000 000	100,00%

1. Data compliant with Bank of New York's notice as of 25 September 2006.

2. Presented facts and figures comply with the number of shares registered by the State Treasury during TP S.A.'s Special Meeting of Shareholders, which was held on 9 November 2006.

To the best of the Company's knowledge, the Polish government has declared it will grant France Telecom S.A. pre-emptive rights to purchase other shares which are presently at the disposal of the State Treasury, if it were to sell the Company's shares in a public offer. That apart, the Company has no information on other contracts in force, which might prospectively result in changes of the proportions of the shares which are presently owned by shareholders and bondholders.

To the best of the Company's knowledge, there are no shareholders possessing shares providing with special rights with respect to TP.

TP Statute features no constraints as to transferring TP shares' ownership rights and to exercising voting rights ascribed to TP shares.

To the best of the Company's knowledge, there are no other contracts which could potentially result in constraints with respect to the above.

TP did not issue employee shares, nor instigated any employee share programme in 2006.

[2.7] / [2.14] / [IO1] Characteristics of markets and offer changes

TP Group's strategic priority is to continuously increase its value by developing income sources and maintaining profitability. The Group intends to be a leader in the telecommunications market, which presently bases its activity upon the most promising fields, i.e. broadband Internet access (including Internet services) and mobile telephony, and to maintain the Company's position at the fixed telephony market. TP Group at the same time intends to emphasise its customer service quality and, develop its integrated services and innovative products.

Broadband Internet access services, which are based on the Livebox modem, are crucial fields for further growth. TP shall furnish access for mobile and fixed line telephony customers while implementing integrated environment services for communications, data, media, and entertainment. Development going beyond the fields of present-day activities make up additional sources of building TP Group's value. Systematic operational effectiveness growth still remains one of the most important elements in the Group's strategy.

TP Group's major strategic aims include:

- maintaining a leader position as an integrated telecommunications operator in Central and Eastern Europe
- increasing the Group's value to benefit all shareholders
- maintaining a stable financial position
- optimising the use of all financial transfers.

Fixed line telephony

In 2006 Polish fixed telephony market featured intensive price adjustments induced by competitors who aimed at offering convergence services. Cable TV operators concentrated on expanding the offer fixed line connections and Internet access.

The voice connection market was also targeted by mobile telephony operators who offered consecutive offer modifications, i.e. so called Home Zone. Consequent voice connection price reductions implemented by Polish mobile telephony operators resulted in boosting the process of fixed telephony being ousted by mobile telephony. The said process exerted pressure on TP incomes generated from these services. TP implemented connection services using VoIP technology in the 2006 first half year so as to meet market trends which have been registered in the segment of voice services. The TP offer is comprised by three highly functional and very cost effective tariff plans.

TP has been developing services based upon broadband access, which complies with the long-term strategy of compensating declines in incomes from voice services. The TV service market was developing very intensively in the 2006 second half year. TP firstly introduced the TP videostada service into its offer and then enriched its TV programme collection with video on demand services. Presently media concerns and cable operators have been active providing the market with TV content (ITI, TVP, digital platforms), as well as providers such as TP and mobile operators. Internet telephony and paid TV comprise significant elements of the Triple Play service, and consequently, they are important factors in additional increasing incomes within the strategy for building TP Group's integrated operator.

Wholesale Line Rental (WLR) and Bitstream Access services were both introduced into TP's wholesale offer in 2006 in result of the Electronic Telecommunications Office [UKE] Chairwoman's regulatory decision. TP forecasts that these decisions may prospectively affect the extensiveness of its PSTN subscriber base and broadband links.

In December 2006 TP owned the following shares in the fixed telephony market, including voice communications.

Market shares		
Pos.	Access / connections	Estimated market share
1	2	3
1.	Local access	88,5%
2.	Local connections	80,8%
3.	Inter-zone connections	76,2%
4.	International connections	67,6%
5.	Connections with mobile networks	78,9%

Internet access

In 2006 TP focused on promoting broadband Internet services, particularly on encouraging using greater flows. It is thanks to such activities that most popular Neostroda options were 512 and 1024 kbps, as their share reached 80% in the 2006 second half year. Given the whole customer base into account it is worth noticing that the share of greater speeds (512 kbps and more) was greater than 50% at the end of 2006. Presently (as of the end of 2006) 97% of TP phone subscribers are within the reach of ADSL. An increase in incomes from the broadband Internet access is an important factor in pursuing TP's strategic aim, i.e. stabilization of TP's income with fixed telephony services.

In 2006 TP was implementing the strategy of enriching its broadband offer with services added to access services (tp internet telephony videostrada).

Data Transmission

TP has been offering the IP VPN tp service within the data transmission segment in cooperation with Equant. Introducing the IP VPN service in cooperation with France Telecom contributed to cost optimisation and allowed the company to make use of FT's experience in this field. MPLS technology based IP VPN is a solution for the business segment which provides flexible, reliable and cost effective network infrastructure for integrated transmission of data, voice and pictures.

It was thanks to Equant's international experience that the TP offer was promptly recognised as one of the most technologically advanced products on the Polish market. The new service has already been purchased by numerous customers, including those trade, production and transport business.

Multimedia services

It is thanks to the multimedia tp livebox modem, which has been present in TP in the TP offer since December 2005, that customers can simultaneously use three attractive offers:

Wireless Internet access using the Wi-Fi technology (no necessity to use home cable connections between a computer and a modem, a possibility to create wireless networks for several computers), cheap VoIP telephony connections and digital TV including video on demand services. TP Livebox is a breakthrough product allowing TP to provide multimedia services and to be engaged in new strategic fields.

The Livebox offer has been dedicated to both present and new users of the tp neostroda service.

According to TP strategy, tp livebox modem is becoming a basic telecommunications device in individual customer's homes. It constitutes a focal element of a "cyber house" and facilitates using numerous innovative services (e.g. video on demand). New services are soon to be introduced into this offer.

Forecasts for a dynamic increase in tp livebox sales are based on a growing market demand for Wi-Fi wireless solutions, spreading VoIP services and expanding digital TV services.

TP introduced its digital TV service in June 2006. TP videostrada service facilitates watching chosen TV channels with DVD quality, which are relayed by means of a tp telephony line. Presently approximately 30 TV channels comprise the basic package of the tp videostrada service. A user may choose from Cyfra+'s wide programme offer in addition to tp TV package without the necessity to incur expenditures on purchasing and installing a satellite aerial. The TP offer was enriched with a video on demand service in September 2006. A TP videostrada user may order films 24 hours a day without leaving their home, choosing from the list of several hundred titles, which is being continuously extended.

In October TP commenced providing its tp multipakiet service – i.e. a digital quality integrated service (Triple play type) using tp livebox modem, facilitating TV services (digital TV and video on demand) Internet access and voice services based on VoIP.

TP videostrada and multipakiet services are further innovative services, which have been added to tp livebox and tp Internet telephony to facilitate making the best of the potential of broadband Internet access. Presently both services are available to customers from the six largest Polish cities, however, the services' range is going to be successively extended. TP videostrada service is going to be enriched with interactive services and functions.

Mobile telephony

The polish mobile telephony market in 2006 still featured intensive development and fierce competition. According to the data from the Central Statistical Office [GUS] the number of mobile telephone users increased by 26% in comparison to the respective period in the previous year and exceeded 36.8 m. PTK Centertel's share in the market reached 34.1% in 2006. Market penetration index for mobile telephony increased by 17 per cent points and reached 96.5%.

The pre-paid segment has remained a driving force for the mobile telephony market. The most popular offers were still those providing lowest connection fees and featuring minimal or no charges for telephone sets.

Despite fierce competition PTK Centertel maintained its leading position with respect to modern solutions and competed with other operators not only with prices, but first of all with transparent and flexible tariff structures.

PTK Centertel has been extending its network on the basis of cutting edge technologies: WiFi and EDGE and 3G: UMTS/HSDPA. Launching UMTS in 2005 allowed PTK Centertel to provide 3G telephony services. UMTS facilitates using advanced multimedia services requiring quick data transmission (e.g. video conference, better quality video streaming).

PTK introduced a new improved 3G offer in April 2006. PTK is the first operator to have dedicated its special dedicated 3G tariff plans: Top Firma 300/800 for the business segment and special 3G packages (videoconference, MMS, data transmission) for business and individual customers.

On 1 December 2006 PTK Centertel introduced a new innovative HSDPA technology into its offer, which considerably increased comfort and opportunities to use wireless Internet. HSDPA (High Speed Downlink Packet Access) technology is a development of currently used UMTS/3G which allows us to considerably improve data transmission, i.e. from 384 kbps to 1.8 Mbps, and in the future even to 14.4 Mbps.

The number of PTK Centertel users reached 12.5 m at the end of 2006, which means an increase by 2.6 m users, i.e. by 26% in comparison to the state at the end of 2005. The number of pre-paid net activations in the segment was 1,835,000 (which makes 70% of all activations), post-paid activations accounted for 768,000 (i.e. 30% of all activations).

A considerable increase in the number of customers was accompanied by a decrease in acquisition costs. In 2006 SAC (Subscriber Acquisition Costs) decreased to 135 PLN, i.e. by 15 % in comparison with 2005. The ARPU's index decreased marginally, i.e. it fell from 60 PLN in 2005 to 55 PLN in 2006.

Investments

Between 2000 and 2006 Telekomunikacja Polska made material investments of nearly 21.7 billion PLN calculating nominally (the actual sum accounting for inflation was 23.9 billion). In 2006 non-finance expenditures on fixed assets, fixed telephony and broadband Internet access reached over 1.9 billion PLN. Investments included, but were not limited to:

- developing an access network being the basis for providing voice services and broadband Internet access
- building and developing broadband Internet access (ADSL, Livebox)
- creating and launching new services based on broadband access: voice services in VoIP technology and Internet TV using TVoDSL
- consequent developing the IP VPN access service
- developing new services: Business Everywhere, IP PABX, Business Pack & Talk
- continuous development of an integrated customer service system
- centralising IT systems – the project aims at providing high level support for business processes to be accompanied by cost optimisation reached through concentrating IT systems and consolidating infrastructure in a modern Data Processing Centre in Łódź
- building access points and a system for settling accounts with other operators
- building and developing a MAN network
- liberating a local loop and facilitating number transfers
- developing and modernising the system to signal burglaries and assaults, for access control and CCTV according to current standards
- developing POLPALK network – network framework and edge (FR/ATM/IP)

The scale of investments which have been made since 2000 might be better depicted thanks to a comparison with motorway building costs: TP investments reach a sum that would allow the building of nearly 1,500 km of motorways.

Acting in Poland, our company is naturally aware that Polish telecommunications infrastructure indirectly, but considerably, affects industrial and social development in the country and translates into appraisals made by prospective foreign investors and the process of building a Polish information society. Consequently, making material investments must be used as one of the indicators proving our company's social responsibility.

[2.8] Range of activities

As of 31 December 2006, employment in TP was at the level of 27,400 jobs, and 33,421 jobs in the whole TP Group. Employment level in TP Group decreased by 0.5% in comparison to the end of 2005.

In 2006 TP Capital Group registered incomes of 18.6 billion PLN while TP registered 11.3 billion PLN in incomes. TP Group's balance sums according to the consolidated balance sheets of 31 December 2006 was 32,611 m PLN, where own capital was 18,103 m PLN while TP's aggregated assets (data has not been consolidated) was 29,370 m PLN, where own capital was 16,498 m PLN.

[2.9] Stakeholders

Implementing social responsibility programme, Telekomunikacja Polska identified the following groups of most important stakeholders:

- customers (including consumer organisations)
- employees (including trade unions)
- suppliers
- investors
- communities (including public interest organisations, local and academic communities)
- natural environment (including organisations aiming at environmental protection).

The following stakeholders constantly play important roles in TP Capital Group's environment:

- competitors,
- government organisations (including Electronic Communications Office [UKE], Antitrust Office and others)
- media.

Report range

[2.10] Contact person

Contact person: Jacek Dymowski, Head of CSR, Corporate Communications Branch,
e-mail: odpowiedzialny.biznes@telekomunikacja.pl, website: www.tp.pl, www.tp-ir.pl.

[2.11] Reporting period

From 1 January 2006 to 31 December 2006.

[2.12] Previous report's publication date

Previous report was published in June 2006 and covered the period from 1 January to 31 December 2005 (including references to former years).

[2.13] Report constraints

Financial data included in this report comply with data presented in TP and TP Group's financial reports. Other quantity data come from individual TP reporting units. Report range covers Telekomunikacja Polska only. Each case of the presented information range being broader and covering other TP Group's companies has been explicitly indicated.

[2.14] Capital changes in the TP Group

In 2006 TP Capital Group companies entered into the following capital transactions:

1. An agreement was reached with two creditors of Radomska Wytwórnia Telekomunikacyjna S.A. ("RWT") on 15 February 2006, which provided for converting debts into RWT shares of a new emission. Consequently, RWT's seed capital was increased by 902,052.00 PLN to the sum of 2,981,722.00 PLN. Creditors took hold of 451,026 shares, each of which had a nominal value of 2.00 PLN and the total sum of 902,052.00 PLN. Having increased the capital, TP Invest share in both the seed capital and in votes at RWT's General Meetings of Shareholders decreased to the level of 17.50%.
2. On 1 March 2006 ownership of 14,846,521 WP shares, each of which had the nominal value of 4.00 PLN and made up 94.44% of the total number of votes at a General Meeting of Shareholders was transferred to the Virgo company pursuant to the sales contract entered into on 22 December 2005 between TPI and Virgo. The total price for the shares in question was 97,200,000.00 PLN.
3. On 22 November 2006 Telekomunikacyjna Agencja Reklamy i Promocji "TEL-ARP" Sp. z o.o. (being liquidated) with its registered office in Warsaw, whose 100% votes and seed capital was owned by TP INVEST was crossed off the National Court Register [KRS] pursuant to the order by the District Court for the Capital City of Warsaw, 12th Economic KRS Division.

The company purchased neither external shares nor own shares in 2006.

[2.15] Comparability with previous reports

Data included in this report can be compared with data from the previous year report.

[2.16] Amendments to previous reports

A new appraisal was made of greenhouse effect gas emissions in 2005; the previous report featured underestimated amounts of carbon dioxide emissions involving producing the electricity used by TP. Presently, it is thanks to using converters dedicated for the Polish market (mostly based on burning hard bituminous and lignite coal) rather than more general ones, it was finally possible to present appraisals which were closer to actual emissions. It must be also pointed out that the juxtaposition for 2005 did not account for carbon dioxide emissions connected with heating premises using city heating networks.

Report Profile

[2.17] Complying with GRI Principles

Telekomunikacja Polska aims at reporting issues connected with social responsibility in accordance with GRI standards. The report was drafted in reference to GRI standards as presently meeting all requirements of the GRI standard proved impossible.

However, all necessary steps have been taken to make sure this report reflects GRI Principles as closely as possible. Drafting the report we referred to GRI Sustainability Reporting Guidelines 2002 and to GRI Telecommunication Sector Supplement indicator. We plan to present prospective reports using the most recent G3 standard.

[2.18] Criteria employed in calculating costs and incomes

Details are to be found in the Company's financial reports (www.tp-ir.pl).

[2.19] Changes in measurement methodology

Information on the changes in 2006 accountancy policy have been inserted in financial reports to be found at www.tp-ir.pl.

[2.20] Report's completeness and reliability

We have done our best to make sure that data included in this report reliably reflect the company's situation. Information collected for the report had been acquired from persons who had been directly engaged in individual projects, which guaranteed obtaining best first-hand information. Numerical data come from TP's individual reporting units, and financial data presented in this report comply with financial reports for consecutive periods, which are a subject to external verification.

[2.21] Report's independent verification

Presently the report is not being verified by an independent auditor. Nevertheless, it was included into an obligatory verification by TP CG Internal Audit Department within the scope of:

- compliance of indices presented and discussed in the report with GRI (Global Reporting Initiative)
- accuracy of data included in the report, measured on the basis of source documents (financial reports, Management Report reports and reports from factual units).

Concluding their internal verification internal auditors stated: "It must be emphasised that the report has been drafted in reference to GRI standards".

The auditor made the following comment on the reliability of information that had been presented:

"We have checked accuracy of financial and numerical data included in individual sections of the "Report" as well as accuracy of data referring to persons from the Company's Management on the basis of source documentation:

- financial data comply with data from financial reports for consecutive periods which are subject to a verification by an external auditor (Ernst&Young sp z o.o.)
- numerical data is identical with source data provided by TP's individual reporting units
- data referring to persons from the Board of Trustees and TP S.A. Management board complies with facts (changes in the composition of the Company's Management occurring throughout 2006 were presented accurately)."

It also must be emphasised that TP was subjected to a CSR audit in March 2007, which had been commissioned by France Telecom, and whose point was to verify quality information included in FT Group's social responsibility report. The report was administered by the French branch of Ernst&Young.

[2.22] Acquiring additional information

Additional current information on economic activity as well as social and environmental aspect of TP's functioning can be downloaded from TP's website: www.tp.pl.

Additional information on TP's operation may also be published on investors' website: www.tp-ir.pl. Specific queries referring to any aspects of the Company's operation may be directed to the Company's Press Office, at the following address:

TP Group Press Office

ul. Twarda 18

00-105 Warsaw, Poland

phone: +48 22 527 19 39

fax: +48 22 527 19 77

e-mail: biuro.prasowe@telekomunikacja.pl

The Forum for Responsible Business may also be used as an additional objective source of information on Telekomunikacja Polska's social activities owing to Telekomunikacja Polska being a Strategic Partner of the Forum.

Management system and structure

Structure and management

[3.1] Management structure

Telekomunikacja Polska wishes to shape corporate practices according to best international patterns with this respect. International character of corporate practices inside TP Group reflects the company's special character: a considerable rate of company's shares belongs to foreign investors and its shares are rated at the London Stock Exchange (as GDRs), and some of the members of the Management Board and the Board of Trustees are foreigners.

TP commenced a 1-year project aimed at drafting a corporate order Code in February 2003. Such a code will be the most effective tool for specifying corporate order principles and it guarantees that a shareholders' long term vested interest reflects the company's vested interest. The first step was commissioning an external audit of a order so as to ascertain how internal practices are perceived by investors and regulatory bodies. Talks with members of the Board of Trustees followed in order to confirm audit's results. Furthermore, the Corporate Order Committee was established to monitor works on drafting the code. Draft version of the Code was then presented to be appraised by the Management Board and the Board of Trustees. Moreover, comments on the project were also given by representatives of institutional investors, including Polish, European, and American financial institutions.

Having analysed all comments, the Committee on Corporate Order presented an amended version of the Code to be approved by the Board of Trustees. The Corporate Order Code was formally accepted on 12 March 2004.

Fundamental functions of the Corporate Order Code:

- Declaration of Objectives states that guaranteeing appropriate increase rates to shareholders is TP's major objective, and it clearly specifies methods for accomplishing that objective. The declaration of Objectives is consistent with TP's mission, vision and values
- executive constraints binding the Management Board concentrate on the Company's activity risk fields and they concern: internal control and risk management; IT policy and system procedures; ethical principles; and transactions entered into with shareholders
- corporate order principle accentuate Management Board's role in preparing and verifying information materials for the Board of Trustees and its committees, including the Audit Committee.

TP S.A. Management Board hereby declares that the company abides by corporate order principles which were specified in §29 section 1 of Warsaw Stock Exchange Regulations within the scope that has been specified below¹.

TP S.A. Management Board deems the Company's corporate order practices to be compliant with Good Practices for public companies in 2005, except rule 20, which provides that at least a half of the Management Board should be comprised by independent members.

1. Detailed and binding information on abiding by Corporate Order principles may be found in Declarations on the Company abiding by Corporate Order principles and in Current Reports (Current Report 85/2006 of 29.06.06) which can be downloaded from: www.tp-ir.pl. The character of the said data is that of a simplified overview.

Shareholders' role

TP has been encouraging its shareholders to play an active role within the corporate order and their agreement is necessary while arriving at key decisions, such as analysing and accepting annual reports and financial reports, appointing members of the Board of Trustees (if necessary, also dismissing them), changing the Company's Statute, increasing the seed capital and purchasing shares back.

Each TP share gives a right to exercise one vote at a General Meeting of Shareholders. GDR owners are also entitled to give their instructions on voting to a bank holding their deposit. Not only do Management Board Members and executive managers participate in General Meetings of Shareholders, but they also actively participate in a dialogue with the Company's shareholders. Management Board members – headed by the President of the TP S.A. Management Board & CEO and TP S.A. Management Board Member in charge of Finance, CFO – have been organising regular presentations for institutional investors as well as representatives of national and international finance institutions.

The Board of Trustees

The Board of Trustees' supervising functions involve examining a strategic plan and the Company's annual budget, and monitors its operational and financial results. Examining the said cases, The Board of Trustees accounts for the social, ecological and ethical conditions of TP's business activities. Board of Trustees' works are coordinated by its Chairperson, who is assisted by the Secretary of the Board of Trustees. The Board responsibilities as well as rules and regulations are specified in a formal document that sets out its role. The Board performs its responsibilities collectively, however, it has delegated some of its competencies to individual persons and committees, which have been specified below:

- The Audit Committee examines reports from TP S.A. Management Board Member in charge of Finance, CFO as well as those from internal and external auditors. 15 sessions of the Audit Committee were held in 2005. The Committee is headed by Timothy Boatman, an independent member of the Board of Trustees, who has appropriate experience concerning finance issues
- The Remuneration Committee's objective is advising the Board of Trustees on remuneration principles referring to TP Group's employees, specifying employment terms and remuneration for Management Board Members (including specifying aims to be met, which are based on budget and strategic premises agreed upon with the Board of Trustees and its Committees), and advising the Board of Trustees on bonus sums to be awarded to Management Board Members. 7 sessions of the Remuneration Committee were held in 2005. The Committee is headed by Andrew Seton, an independent member of the Board of Trustees.
- The Strategy Committee was established in 2005. Its tasks include: 1. submitting recommendations and opinions for the Board of Trustees on strategic plans prepared by the Management Board and Board of Trustees' comments on such plans, particularly those concerning key strategy variants; 2. consulting all strategic projects within the scope of TP Group's development, monitoring partner cooperation within the Group and projects connected with contracts which have of strategic importance to the whole Group (the Committee prepares reports and recommendations on individual projects of this type for the Board of Trustees). The Strategy Committee in particular examines the following projects: a. contracts and strategic alliances and contracts on technical and engineering cooperation, including those resulting from TP Group's strategic partnership with France Telecom; b. significant transactions involving purchasing and selling property. The Committee is headed by Jean-Paul Cottet.

Report from 2005 activities of the Board of Trustees and its Committees can be found at the Company's website: www.tp-ir.pl, the section on General Meeting of Shareholders – Investors.

Management Board

TP S.A. Management Board is comprised of eight members. Management Board's competence include managing all Company matters, excluding those which have been delegated to the exclusive competence of the General Meeting of Shareholders or the Board of Trustees, pursuant to the Code of Commercial Companies or the Statute. Management Board's responsibilities have been specified in a formal document which states its role. Board members collectively manage Company's activities and its work are coordinated by the President.

[3.2] Independent Members of the Board of Trustees

Composition of the TP S.A. Board of Trustees as of 1 January 2006 and 31 December 2006.

Composition of the TP S.A. Board of Trustees as of 1 January 2006 and 31 December 2006.		
Pos.	1 January 2006 person / function	31 December 2006 person / function
1	2	3
1.	Jan Kulczyk – Chairman	prof. Andrzej K. Koźmiński – Chairman (independent)
2.	Jean-Paul Cottet – Deputy Chairman, Chairman of the Strategy Committee	Olivier Barberot – Deputy Chairman, Chairman of the Strategy Committee
3.	Andrew Seton – Deputy Chairman, Chairman of the Remuneration Committee (independent),	Michel Monzani – Secretary
4.	Michel Monzani – Secretary	Vivek Badrinath – Member
5.	Claude Benmussa – Member	Julien Billot – Member
6.	Timothy Boatman – Member (independent) , Chairman of the Audit Committee	Timothy Boatman – Member, Chairman of the Audit Committee (independent),
7.	André Cathelineau – Member	Jacques Champeaux – Member
8.	Jacques Champeaux – Member	Tadeusz Han – Member (independent)
9.	Jerzy Drozd – Member	Stéphane Pallez – Member
10.	Tadeusz Han – Member (independent)	Georges Penalver – Member
11.	Yves Le Moüel – Member	prof. Jerzy Rajski – Member (independent)
12.	Krzysztof J. Ners – Member (independent)	dr Wiesław Rozłucki – Member (independent)
13.	Jean-Pierre Temime – Member	Andrew Seton – Member, Chairman of the Remuneration Committee (independent)

69% of Members of the Board of Trustees were foreigners. Six independent members belonged to the Board of Trustees at the end of 2006: prof. Andrzej K. Koźmiński, Timothy Boatman, Tadeusz Han, prof. Jerzy Rajski, dr Wiesław Rozłucki and Andrew Seton (at the end of 2005 there were four such members). Consequently the proportion of independent members of the Board of Trustees was merely 46% and TP did not comply with the corporate order principle demanding that at least a half of all members of the Board of Trustees be independent members.

The Stock Exchange amended the said principle in 2005 so that in case of companies whose one shareholder owns a block of shares granting over 50% of all votes, it is enough if the Board of Trustees includes two independent members. In case of TP, France Telecom owns a block of shares granting merely 47.5% of all votes although it is TP's strategic shareholder.

[3.4] Risk management

Appraising the effectiveness of the internal control and risk management system which has been implemented in the TP Group by the Management Board is one of the responsibilities of the Board of Trustees. This system allows management of the risk connected with failing to meet business objectives although it does not eliminate it entirely. Nevertheless, it considerably protects the Company against significant losses or reporting irregularities. The following procedures are some of the system's key elements:

- Internal Auditors report to the Management Board. Audit Committee administers an annual inspection of internal audits and analyses reports from the Company's Internal Auditors. Internal Auditors inform the Audit Committee on shortcomings in control mechanisms which have been discovered while inspecting financial reports. All recommendations resulting from inspecting risk management procedures and internal control mechanisms are being implemented successively. Management Board's decisions on appointing a director of this Department and their remuneration presently require involvement of the Audit Committee and Remuneration Committee in order to guarantee required independence of the Internal Audit Department.
- Internal Auditors regularly appraise the quality of the control and risk management system. The appraisal involves updating the risk map which allows to specify and classify financial risk factors for the group as well as those which do not involve finances. The map was drafted independently, however, it accounts for results of the project on the risk appraisal made by external experts.
- Procedures were introduced that aim at continuous monitoring all risk factors (legal, regulatory, operational, involving environment protection, etc.), which specifies general directions for internal audit within the scope of risk control.
- The Company has procedures governing TP's employees, managers and supervisors dealing in TP's financial instruments.

Issues were addressed concerning insuring TP Group so as to protect its property and to eliminate or reduce risk factors which are covered by the insurance. Cooperating with FT, a general policy on insurance was adopted and specific principles were specified for the whole group in individual fields (insurance against civil liability, property insurance, insurance against stoppages etc.).

[3.5] Bonuses vs. the Company's results

The Management by Objectives (MBO) system, which is presently used by TP, allows us to concentrate management staff's activities on pursuing the Company's strategy, indicates vital Company objectives and specifies prospects for further activities, all of which is possible owing to encouragement and gratification for individual achievements. This is also an "early warning system" that facilitates diagnosing and indicating progress with approved priority objectives. The MBO system also makes it possible to pass objectives down from the company strategy level to the workstation level. KPIs resulting from the accepted budget, Balance Score Cards and Performance Indicators and objectives specified by process owners comprise fundamental sources of objectives in MBO sheets. Satisfaction Increase Programme and, at lower levels, passing down senior officers' objectives make up additional source of objectives. MBO objectives are specified during two half-year cycles, which provides their consistency with the TP budgeting process. Officers who are directly senior in the matrix structure are responsible for specifying objectives and appraising their achievement – superior officers agree one MBO sheet per one employee. Additionally, an MBO-based motivation system promotes effective, committed and ambitious people, which contributes to the company's value model and organisational structure.

Telekomunikacja Polska is planning to launch a Motivation Programme for TP Capital Group's Managerial Staff. The Programme will consist in granting TP Managerial Staff with option rights to TP shares. The Board of Trustees has accepted basic principles of the Programme. It is to be implemented by emitting TP bonds with pre-emptive purchase rights to entitle Programme users to take hold of TP shares to be issued during a conditional increase in the Company's capital (in total there will be fewer than 7,113,000 shares). An approval from the General Meeting of Shareholders for issuing bonds with pre-emptive purchase rights and for conditional increase in the Company capital were some of the conditions necessary for implementing the Programme so the final decision on implementing the Programme will be arrived at by the General Meeting of TP Shareholders.

A fundamental objective of the programme is binding remunerations for approximately 300 key managerial staff members with their input into the development of the Company's Capital Group.

The objective is to be achieved by allowing the staff to enjoy benefits from planned increases in the Company's value and increasing their involvement in active management of the TP Group in order to trigger an increase in its profitability. Specified objectives reflect shareholders' vested interest. According to the Management Board, the Programme is presently the most beneficial way of motivating managerial staff, which will positively affect pursuing development strategy for the Group.

[3.6] Structures responsible for current monitoring

The issue was discussed in detail in point [2.20].

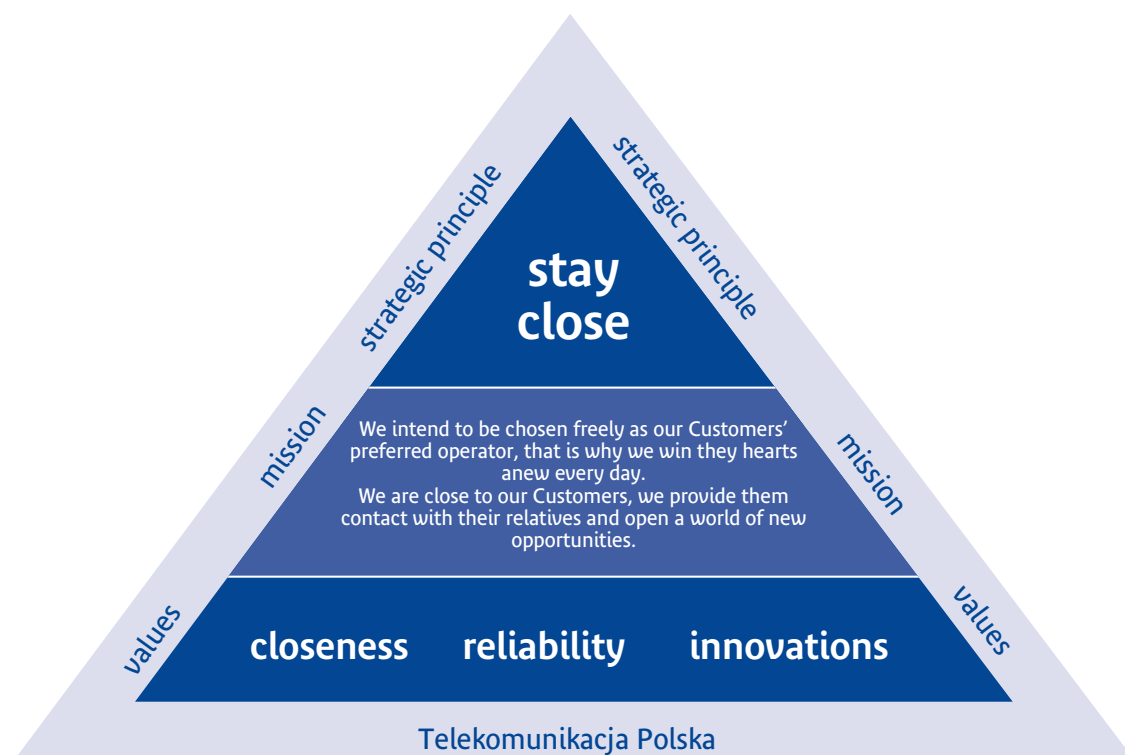
[3.7] Mission vision and values

Telekomunikacja Polska's mission, system of values, and strategic principles were published by TP S.A. President of the Management Board and CEO during a meeting of TP Group Managers TP TOP 500 in Poznań May 2003.

General belief and intention to make our company even more modern and customer friendly was the basic premise for working on our mission. Developing the mission, TP employees firstly wondered what kind of company TP ought to be in the future. Nobody intends TP to be a monopolist, on the contrary, it is intended to be a company which its customers will choose freely. On the other hand, TP should remain the largest telecommunications company in Poland.

It is TP's mission to provide constant development and to follow its customers' needs. Therefore, we have been one step ahead of our customers' expectations in introducing new products and services for the home and the business. This is the way to constantly win the hearts of our customers anew.

We want to be close to their needs and provide them with new communication opportunities, by means of which they will be able to be close to matters they find important.



“Stay Close” is the basis for long term TP business activities, philosophy, an element of our company’s everyday work and culture. The “Stay Close” principle and the mission must be used daily by every TP employee so as they do not stay mere empty slogans. They both must be supported by such values as reliability, closeness and innovations in order to be effectively implemented. Announcing the mission and the strategic principle by TP S.A. President of the Board and CEO was followed by a process whose aim was to provide employees with knowledge concerning the mission and the strategic principle through individual managerial levels, so that every TP employee could understand their point, origin and rationale behind them.

Telekomunikacja Polska S.A. has been shaping relations with its environment on the basis of partnership and responsibility principles. The most importance principles from the new Ethical Code adopted in 2006 include: responsibility, honesty, open communications, honesty, sharing skills, partnership cooperation and initiative.

[3.8] / [3.9] / [3.10] / [3.11] / [3.12] / [PR8] Dialogue with the environment

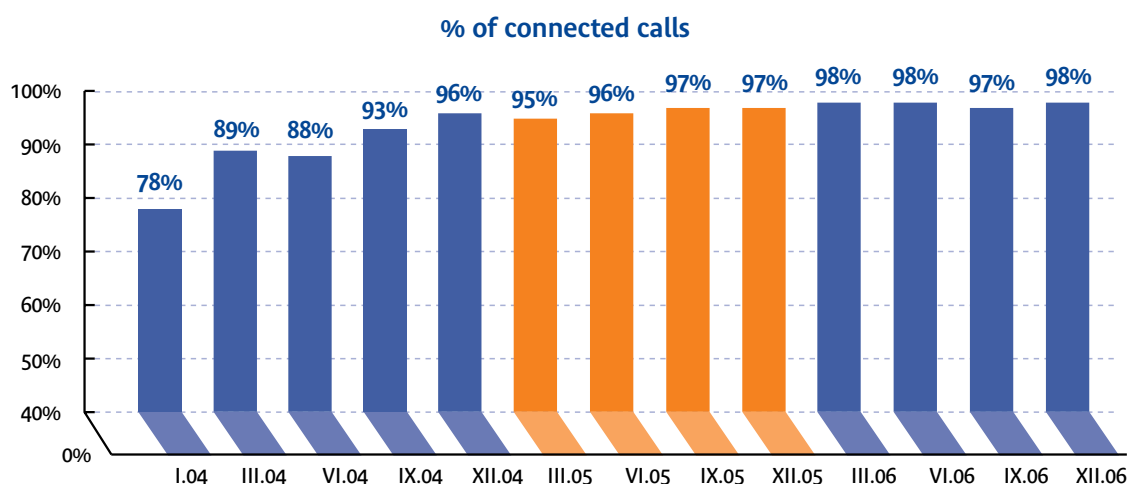
Customers – constant monitoring of customers’ satisfaction

Increasing customers’ satisfaction with services provided by the company and consequent improvement of TP’s image is TP’s long-term strategic objective. Telekomunikacja Polska is still plagued by clichés describing it as a “monopolist” and “red-tape company” which is intrinsically hostile to customers and blind to their opinions. The image changing process is time consuming and it definitely involves deep structural changes within the company, including changes of employees’ mentality.

It was as soon as in 2002 that the Satisfaction Increase Programme was created within TP structures in answer to such company strategy, whose main objective was to improve customer satisfaction indices, to improve customer service and changing employees’ attitudes. It is since the beginning of 2004 that meeting all employees’ bonus tasks has depended upon meeting global customer satisfaction objectives. Customers’ expectations are being recognised, fields requiring improvement are identified and initiatives targeted at improving customer satisfaction are implemented within the scope of the Customer Satisfaction Programme. Satisfaction management is supported by systematic satisfaction survey. Approximately 20 separate market surveys are administered monthly, they are focused on various aspects of the company’s activities (including offer, sales, installation process, handling complaint and even debt recovery process).

Research provides the total of approximately 30 satisfaction indices for the mass market and approximately 20 indices for the business market. These indices’ values make up bases for calculating bonuses and MBO.

Operational indices whose analysis was possible in case of e.g. Blue Line (several years ago it was the main source of customers’ dissatisfaction) can be compared to those in Western Europe.



Regular dialogue with consumer organisations

It was as early as in 2003 that Telekomunikacja Polska initiated the cycle of bilateral workshop meetings with consumer organisations so as to get an opportunity to discuss the most important problems from a customer's viewpoint. Such meetings have allowed TP to broaden its knowledge concerning malaises bothering customers. The initiative of holding bilateral meetings contributes to meeting the long-term company objective, i.e. increasing customer satisfaction with the customer service level and services which are being provided. The dialogue also allows us to facilitate reducing the risk of disputes and litigations because early communication of contentious matters in the partnership atmosphere gives an opportunity to work out appropriate solutions.

TP organises meetings with representatives of consumer organisations and consumer ombudsmen biannually. This is a forum for exchanging opinions on services and customer service standards. Issues to be discussed are usually reported earlier to TP by those organisations' representatives. These are usually "hot issues" that have been reported to these organisations by customers. TP always does its best to guarantee attendance of specialists responsible for a given field to try and resolve any controversial issues. Typically, reported problems are solved on the spot. Resolutions of complicated, time-consuming matters are given to parties with vested interest in writing.

In 2006, like in previous years, meetings were held in five Mass Market Customer Service regions in spring and autumn. Acting on consumer ombudsmen's suggestions, PTK Centertel's representative participated in the spring meeting for the first time and the operator declared constant participation in conferences with consumer organisations. Presentations of new services were included so as to familiarise consumer ombudsmen with problems connected with service and product offer.

Benefits of using tp livebox were presented during the spring meeting in selected cities (Olsztyn, Gdańsk, Warsaw), and participants of the autumn Warsaw meeting visited TP Group's Innovation Gardens where they were familiarised with issues that included, but were not limited to: voice dialling, Video Contact Centre, videostrada, Realmeet Room and Orange World – a portal offering the largest TV and music bulletin service in Poland.

Video on demand and videostrada services were also demonstrated during meetings in Gdańsk and Poznań. Moreover, spring meeting programmes gave participants opportunities to learn about work in call centres in Olsztyn, Gdańsk, Poznań, Katowice and Kraków).

As forums for exchanging views and opinions, the meetings are still popular among consumer organisations' representatives. In total, 142 consumer organisations' representatives and the consumer ombudsman participated in the 2006 conferences.

TP Consumer Ombudsman

TP Consumer Ombudsman's basic function is to adopt customer viewpoint and representing customers' interests despite being employed by TP. Nevertheless, TP Consumer Ombudsman is not yet another complaint instance. The Ombudsman monitors fields where problems with customer service problems may arise and administers independent service quality research, initiates quality-oriented initiatives for the benefit of customers.

The Ombudsman obtains first-hand information (either from customers or employees who have direct contact with customers), and monitors opinions on the quality of relations between the company and the customers, including opinions published in mass media and the Internet. These are directly taken to a higher management level in the company, which considerably shortens the way that information usually must go through and prevents a potential information distortion process.

The dialogue with Operator Customers

The Dialogue Operator Branch has been organising meetings with its largest and most important customers, both national and foreign, since 2003. TP's and operator's representatives enjoy this unique opportunity to meet in informal circumstances – i.e. far from negotiating tables. Such meetings help integrate the community of those cooperating within the scope of inter-operator services in Poland and abroad. They are geared towards maintaining and improving customer relations and in the long run facilitate everyday cooperation and allow to nip any disputes in the bud. Moreover, they provide TP with a unique opportunity to promote its products and inter-operator services. TP is also able to collate customers' opinions on current cooperation, services and products. Acquired information is then used to support activities aimed at further cooperation improvement, bettering services, and streamlining products and services whenever TP discovers scope for improvement.

Satisfaction surveys have also been carried out among Operator Customers since July 2005. Survey scope include a comprehensive appraisal of cooperation between TP and Polish as well as foreign operators. Customer Assistants, After-sales Package for Operator Services, account settlements and individual products. Satisfaction surveys comprise an intrinsic element of the Operator Customer Branch and are geared towards improving customer satisfaction while analysing results is aimed at fostering activities to improve satisfaction with service offer and handling individual matters.

Dialogue with employees

At the end to December 2006, trade union organisations engaged in dialogue with TP (the employer) were comprised by approximately 31.3% of all employees. Collective Labour Relations Agency was established within the Personnel Branch, and Management Board Representative for Contacts with Social and Trade Organisation was affiliated with the Management Board so that relations of employees, trade unions and the company may truly straightforward. Employee Council was established in TP with its registered office in Warsaw on 25 July 2006, which is comprised of seven representatives of works' trade union organisations. The Employer is obliged to consult the Council in matters affecting levels, structure, forecast employment changes as well as activities geared towards marinating employment levels and steps which may induce significant changes in the work organisation or employment basis. It has always been trade unions' and TP Management Board's ambition to resolve all contentious issues via discussions rather than disputes.

Matters which were discussed, including the issue of employment optimisation, have been triggering hot and long-lasting debates between the parties.

Signing Social Agreement for 2007-2009 whose aim is to stabilise working atmosphere by hammering out a long-term, i.e. three-year, outlook for company employees (for details see [LA4]) was a mutual success of the Management Board and company trade union organisations.

TP employees' vested interest is also represented in France Telecom's European Works Council, where TP has eight representatives.

Dialogue with investors

TP S.A. Management Board organises meetings with key shareholders in Warsaw and abroad (London, New York, and Boston) biannually. Furthermore, the Investor Relations Department regularly meets investors and analysts during conferences and individual visits where the list of issues discussed includes, but is not limited to, financial and operational results and the Company's strategy. Each year approximately 100 such meetings take place. At the same time, pursuant to corporate order good practices, the company biannually administers opinion surveys among investors with respect to key issues (e.g. financial results, strategy, appraisal of the Management Board, appraisal of IR activities, dividend policy, etc.) and their results are presented to the Management Board and the Board of Trustees.

Apart from traditional communication forms, investors may make use of a dedicated Internet website (www.tp-ir.pl), featuring information on share price indices, current reports and financial results, annual reports and presentations.

Dialogue vs. natural environment

Telekomunikacja Polska constantly cooperates with Voivodeship Environment Protection Inspectorates and subjects itself to their monitoring and recommendations. Telekomunikacja Polska also maintains contact with the Ministry for the Environment with respect to both training and provisions' interpretation.

Dialogue vs. providers

TP actively participates in implementing FT Group's joint QREDIC programme for appraising providers. The process of appraising providers and meetings summarising these appraisals comprise key elements of the programme. The appraisal involves numerous aspects of providers' activities, including those which do not concern financial matters. Meetings aim at streamlining the cooperation and they often result in working out agendas suitable for bettering the cooperation.

Dialogue vs. communities

Direct contacts with individual communities' representatives (e.g. the unemployed, schools, hospitals, associations and foundations representing individual communities' interests) are connected not only with the company's business environment, i.e. telecommunications services for those social groups, but they also primarily concern obtaining financial and material support for the company. A household name and a big company engaged in numerous social projects, TP has been addressed by several dozen supplicants requesting help every week.

Being a socially responsible company, we have taken steps to make sure that our social activities are not limited to answering requests for help and one-off support. Therefore, we have established a social activity strategy aimed at implementing own, long-term social programmes and participating in socially significant actions within the scope of health protection and education for children and youth.

TP Group Foundation was established in 2005 whose aim is to hold social and educational activities, and it will help to separate pro publico bono activities from purely business activities, and to improve the cooperation with the Company's social environment. The foundation supports socially significant initiatives and administers own national programmes within the scope of education, building information society and protecting the environment. Its activities focus on helping children and youth, and supporting their development. Establishing the Foundation means that social activities will play an important role in the Company's social responsibility policy and the process of dialogue with social organisations will function on a new plane.

Dialogue vs. historical objects

Telekomunikacja Polska cooperates with local restorers on a daily basis while completing earth works which accompany telecommunications infrastructure investments, or while restoring historical objects or objects covered by architectural monitoring.

[3.13] / [3/14] Obligations voluntarily incurred by the Company

The largest Polish telecommunications operator, Telekomunikacja Polska, feels morally obliged to get actively involved in events, particularly those which prove important for the society, which concern our activities, depend on our infrastructure, and our competence. Consequently, TP has incurred obligations resulting from two documents of key importance for building a Polish information society by joining the group of their signatories.

Agreement for developing an information society

Telekomunikacja Polska was the agreement's originator and initiator. It was signed in the Lower Chamber of the Polish Parliament in 2002 by the TP Capital Group, Onet.pl, Energis Polska Sp. z o.o., the National Chamber of Electronics and Telecommunications, Netia Telekom S.A., Niezależny Operator Międzysztrefowy Sp. z o.o., Polkomtel S.A., Polish Chamber of IT and Telecommunications, Polska Telefonía Cyfrowa Sp. z o.o., Polish Electricians' Association, and Telefonía Dialog S.A.

Signatories declare the support to be provided by IT and telecommunications sectors within the following scopes of activities:

1. Activities aimed at developing telecommunications infrastructure.
2. Activities aimed at improving Internet's accessibility.
3. Joint initiatives that foster accelerating the process of national IT and telecommunications market's liberalisation.
4. Activities aimed at education within the scope of information society.
5. Joint educational and promotional programmes within the scope of developing telecommunications services and new technologies.
6. Supporting initiatives facilitating access to culture and science resources via the Internet.
7. Improving using the Internet within the scope of education, tele-work and administration functions.
8. Activities supporting the process of integrating Poland with European Community countries.

Pact for developing broadband access to electronic communication networks and services in Poland

Signing the Pact in 2004 concluded the series of two-day workshop discussions on developing broadband technologies in Poland. The Pact was signed by Telekomunikacja Polska (workshops' patron), Telefonía Dialog, Telekomunikacja Kolejowa, ATM, NASK, Energis Polska, Netia, Aster City Cable, UPC Polska, Crowley Data Poland, Poznańskie Centrum Superkomputerowo-Sieciowe, Pionier and Exetel networks' operator.

Signatories of the Pact declare their intention to cooperate and intend to agree a common approval for principles and norms fostering Polish access infrastructure, in order to provide:

1. Increasing accessibility to broadband electronic communication networks, also with respect to financial aspects.
2. Promoting widespread education concerning the use of services and knowledge resources available via the Internet, especially those dedicated to a Polish user.
3. Cooperating with institutions allowing use of the Internet for educational purposes and with science and research centres so as to exchange know-how and develop technology.
4. Improving activities within the scope of building broadband Internet access and require involving public means, which is to be achieved by drafting optimum economic and legal model for public and private partnership in conditions of a competitive services' market.
5. Cooperating with public administration, including self-government.

6. Safety in using electronic communication and preventing violations against users' vested interest and personal property.
7. Preventing breaching law by means of using electronic communications services and networks.
8. Implementing modern technologies and solutions which improve accessibility to the broadest-possible offer of services and which improve their quality.

Telekomunikacja Polska has also been a signatory of the Global Compact initiative since 1 February 2006, which was proposed by UN's Secretary General Kofi Annan.

[3.15] Participation in trade organisations

Telekomunikacja Polska has also been a member of numerous national trade organisations, including, but not limited to the following:

- Business Centre Club
- Forum for Responsible Business
- Foundation for Supporting Developments in Radio-communications and Multimedia Techniques
- Polish Chamber of IT and Telecommunications
- Polish Council of Financial Directors
- Association of Stock Exchange Issuers
- Association of Telecommunications Engineers
- ISO 9000 Polish Forum Club
- POLLAB Club of Polish Research Laboratories
- Coalition for Money Transfer Payments
- Direct Marketing Association
- Polish Confederation of Private Employers "Lewiatan"
- Polish Personnel Management Association

and international ones, including, but not limited to:

- Baltic Sea Cable Maintenance Agreement (BSCMA)
- C7 Planning Meeting (C7PM)
- Chambre de Commerce et d'Industrie Française en Pologne
- Civil Communications Planning Committee North Atlantic Treaty Organization
- DSL Forum
- European Network Planning Meeting (ENPM)
- European Telecommunications Network Operators' Association (ETNO)
- Forum for International Irregular Network Access (FIINA)
- EUROJUMELAGES Jumelages International Union of Post and Telecommunications
- Gemeinschaft der Schwerbehinderten bei der deutschen DBP e.V. (G.d.S.)
- Global Compact
- Global Settlements Carrier Group (GSCG)

- Home Gateway Initiative (HGI)
- International Cable Protection Committee (ICPC)
- International Inbound Services Forum (IISF)
- International Telecommunication Union (ITU)
- The Intersputnik International Organization of Space Communication
- RIPE Network Coordination Centre (RIPE NCC)
- Single and Billing Data Solution (SEB / Data Solution)
- TeleManagement Forum (TM Forum)
- The Union for Sports, Tourism International in the Postal and Telecommunication Sector

[3.16] Vertical management systems

For details see points [3.9]-[3.12] oraz [HR2], [HR3], [EN1] i [EN8].

[3.18] Changes of location or activity range

Not applicable.

[3.19] Management support programmes

The state company legacy that burdens Telekomunikacja Polska makes it necessary to emphasise issues concerning operational effectiveness. Necessary changes involved both the soft sphere connected with corporate structure and hard management aspects (including, but not limited to management supporting information systems). Transformation and quality improvement processes are by definition long-term ones and their implementation features numerous offshoots. TP has already completed the most difficult transformations. Nevertheless, like every other modern organisation, TP constantly attempts to streamline and optimise business processes. Some major projects which are to help accomplish the said objectives were discussed below.

Think Process! – process approach

Telekomunikacja Polska presents the viewpoint that it is an ability to meet both customers' and stakeholders' demands that is a condition for effective action and a venture's success. Required business result is met more effectively when resources and activities involved in meeting it are managed as a process.

TP is implementing a Quality and Process Management system which specifies rules and regulations for responsibility and cooperation geared towards achieving process objectives rather than merely organisational units' objectives so that process management could be effectively used for managing a company. This system provides for methods, tools and mechanisms for collating and analysing information on processes rather than organisational units, which allows us to implement operational changes and launch streamlining projects on the basis of results of monitored processes.

All TP Group's strategic aims and activities were joined into groups of so called strategic processes. Each strategic process is managed by a process sponsor to be elected from the group of TP's and PTK Centertel's Management Board Members. Apart from tasks including, but not limited to specifying objectives and process gauges, monitoring results, administering process appraisals, a sponsor process also divides a strategic process into more specific major processes. A sponsor nominates a process owner for each major process and specifies objectives for them to achieve. Strategic and major processes were agreed by the Management Board and TP Group's Management during September 2004 workshops whereas process architecture was approved by TP Management in 2005. The system is constantly developed, detailed process specification and formalisation started in 2006. Monitoring them is systematically developed, mostly by means of managing indices. Quality audits are systematically administered by a team of registered and specialised auditors (250 people).

Six Sigma – process optimisation

Transformation Process & Performance (TPP) programme has been carried out in the TP Group since 2004, which is geared towards increasing operational effectiveness by implementing a homogenous standard methodology system (Six Sigma, Lean Management, Kazein) and tools for improving effectiveness in all TP Group's and FT Group's units. Six Sigma methodology is a central element of the programme. World renowned Six Sigma methodology comprises the central element of the programme, however, a kit of techniques and tools has been extended with additional effectiveness tools and techniques used in individual units. Activities implemented in TP within the scope of the TPP Programme also comprise significant elements in building quality and process management system.

119 improvement programmes were implemented within the scope of the 2006 Programme, primarily within the scope of customer service related processes. At the same time, the process of implementing 54 improvement projects was completed in 2006.

395 TP Group's employees participated in training concerning Six Sigma methodology in 2006 (in total 877 TP Group's employees have participated in training concerning optimisation methods and Six Sigma approach since 2004). The Effectiveness Driving Forces project geared towards implementing the Kaizen method – an approach based on constant activity improvement drafted in Toyota – was a parallel method implemented in all TP organisational units in the South Region within the scope of the TPP Programme. Implementing constant improvement methodology based on the Kaizen kit of techniques and tools has been implemented in other TP units since the beginning of 2007 on the basis of experiences from this project.

“Constant improvement of virtual processes, i.e. Effectiveness Driving Forces in TP” was one of the issues presented during the 3rd International KAIZEN Congress in November 2006.

Masaaki Imai, the creator of KAIZEN, the founder and the honorary president of the KAIZEN Institute

made the following comment during the congress: solutions I have seen referring to implementing Kaizen in Telekomunikacja Polska are world unique within the scope of services. It is worth continuing this line of actions and they will certainly result in considerable business effects in the long run.

New Convergence

2006 proved crucial for implementing the New Convergence (NC) programme in TP and consequently for streamlining financial system operation and related reporting. It was owing to implementing Oracle Financials integrated finance and accounting system (Enterprise Resource Planning [ERP] class) that TP has been enjoying a high quality of reports and a considerable acceleration of reporting times for the Warsaw Stock Exchange as well as a greater effectiveness of control processes. The company can make use of complete and precise financial and accounting information and collating data in real time facilitates making prompter and more accurate decisions.

The process of reorganising TP Groups Accounting Branch lasted over 4 years. A modern Shared Service Centre was established in Lublin in result of reorganisation activities. It was formed by transferring 103 accounting books into one ledger. It is the first of such centres in the FT Group to meet all cutting edge global standards. So far, only the largest global concerns, e.g. Philips, Thomson, Citibank, and Fiat have established such centres in Poland. The greatest advantages of modern accounting centres include better and quicker customer service, smaller operational costs, on-line access to finance data and high quality reporting.

Implementing one-ledger-based solution in TP has allowed us to eliminate the manual data aggregation process. Keeping one ledger for all TP facilitates better management for keeping record of liabilities, fixed assets and amounts due as well as managing financial means, settling accounts and reporting.

Telekomunikacja Polska's Accounting Operations Centre in Lublin was launched in April 2006 and was accompanied by a pilot phase for migrating accountancy data from the East Region Accounting Branch in Kraków. The pilot phase was aimed at checking and stabilising the solution to be implemented, business processes and the new system. Taking over accounting activities completed by the Accounting Operations Centre was administered in the following order: Katowice, Olsztyn, Poznań – in July 2006; Warsaw and the Company's Management – in October 2006.

Implementation of the purchase module (Oracle PO). i.e. implementing the new stage of the New Convergence Project, is planned for 2007.

Training was implemented in Lublin and in other locations in new finance and accounting Oracle system functionalities, new Works Account Plan, the INAWA system supporting purchase document circulation as well as business processes and procedures concerning New Convergence implementation, all of which referred to implementing the New Convergence (NC) Programme and building the new Accounting Operation Centre. Leading Coaches for the New Convergence Project provided full-time training for 2,938 TP employees within the scope of implementing New Convergence in 2006, moreover, 11,841 employees were invited to e-learning training sessions drafted within the New Convergence Programme.

The Accounting Operations Centre in Lublin took over Telekomunikacja Polska's full financial and accountancy operations at the beginning on November 2006. The Centre keeps record of all TP's accounting documents. Formerly, each Accounting Branch Region had held separate accountancy books and data was only consolidated for reporting purposes in the Company's Management. The IT system had been technologically obsolete, functionally imperfect and increasingly difficult to operate. The new Enterprise Business Suite Oracle platform-based system is one of the best solutions in the world in the Enterprise Resource Planning. Implementing the New Convergence Programme involves core solutions, i.e. functionalities which are common to the whole FT Group as well as local solutions concerning a unique company or a country. The INAWA system providing for proper circulation and approval of TP purchase documents is the largest and most extensively used TP supplementary application.

Tele-creator

The Tele-creator Contest took part in 2006 for the fifth time. The first one was administered in 2002. The contest formula has been evolving every year, however, its major objective, i.e. promoting and encouraging innovations in the TP Group has remained unchanged.

Innovativeness is one of three values that form the basis for TP Group's Mission and Strategic Principle. Categories for entering concepts have not changed since the very beginning of the contest. These categories are: organisational competence, technical innovations, the company's image and services.

[3.20] Certification for management systems

At the end of 2006 Telekomunikacja Polska had no certificates referring to management systems (quality, environment, integrated system). Nonetheless, TP has been strongly emphasising the necessity for changes within the scope of management effectiveness and has been introducing Quality and Process Management Systems. TP tries to implement effective, transparent, tried and tested quality and process management tools in the TP Group, certification for which shall be the last implementation stage. It must be absolutely clear that the company's overriding objective is to have operational and reliable management tools, which is to be confirmed by appropriate certificates, not the other way round – striving to obtain certificates to which management systems could be adjusted. Implementation of the Quality and Process Management System is presently greatly advanced. Over 253 internal auditors were trained at the end of 2006 (certified by BSI) and 14 internal audits were administered.

Presently PTK Centertel already has a Quality Management System which complies with the ISO 9001 international norm. Its compliance with applicable norms has been confirmed by a certificate issued by the British Standards Institution (London). The system comprehensive covers all activities. In 2006 PTK Centertel was also granted BSI certificates confirming that its environmental management system is compliant with requirements of the ISO 14001 norm and its information security management system is compliant with the BS 7799 (ISO 27001) norm.

It must be also pointed out that selected telecommunications laboratories comprising TP's Research and Development Centre have management systems which comply with ISO 17025 (the norm compliant with ISO 9001, extended with special requirements for laboratories), which is confirmed by applicable accreditation certificates issued by Polish Accreditation Centre.

Furthermore, Telekomunikacja Polska was the first and only Polish operator to have obtained the highest Cisco certificate that confirms TP's competence in building, managing and maintaining corporate IT telecommunications networks. TP has met very stringent criteria for possessing its own service and presentation laboratory and the possibility to guarantee services with one-hour reaction time.

Cisco and Telekomunikacja Polska have signed a letter of intent in October 2003 which concerned their cooperation with defining, building and implementing new services for corporate customers and medium-sized businesses. Since then TP has constructed from scratch a very strong implementation and technical support team and has obtained new Cisco certificates confirming its competence.

Telekomunikacja polska meets most stringent global standards within the scope of handling IT telecommunications incident safety, which was confirmed with a CERT certificate awarded to TP by the main centre monitoring Internet threats – i.e. CERT Coordination Centre by the Carnegie Mellon University. This way TP joined an elite group of few teams to have been awarded a right to use this name. Telekomunikacja Polska was the first Polish commercial company to have been granted a CERT certificate.

Economic Activity

Customers

[EC1] Net sales

Net sales				
Pos.	Entity	Net incomes (PLN m)		
		2006	2005	2004
1	2	3	4	5
1.	TP Group	18 625	18 342	18 530
2.	TP	11 299	12 188	13 167

[EC2] Market shares

Market shares				
Pos.	Market share ¹	year		
		2006	2005	2004
1	2	3	4	5
1.	Local connections (LC)	80,8%	82,3%	99,7%
2.	Domestic Long Distance (DLD) Connections	76,2%	74,1%	80,0%
3.	Fixed to Mobile (F2M) Connections	78,9%	74,6%	76,6%
4.	International Long Distance Connections	67,6%	64,2%	70,2%

1. TP estimated data. Shares in TP network traffic on the basis of TP billing data for sectors of mass market and corporate customers.

Providers

[EC3] Costs of external services

Costs of external services			
Pos.	Entity	Costs of external services (PLN m)	
		2006	2005
1	2	3	4
1.	TP Group	7 438	6 971
2.	TP	3 573	3 837

[EC4] Solvency

In previous years over 70% of invoices were paid timely. Although this is a relatively high rate, it did not satisfy the company and consequently steps were taken to introduce electronic circulation which is to result in increasing the effectiveness of the invoice acceptance process. However, introduction of the new system, which was commenced in the second half of 2006 and involved significant structural changes, caused payment timeliness to considerably shift in the transitory period, therefore analysing the average for this period brings unreliable results.

[EC11] Dominant providers

In 2004, two providers exceeded the 10% level of the total value of investment purchases:

- Lucent Technologies Sp. z o.o. (17.7% of purchases)
- Siemens Sp. z o.o. (10.4% of purchases)

In 2005 and 2006 purchases from no provider exceeded the level of 10% share in the total value of purchases, so much so, no purchases came close to the level of 5% of the gross domestic product.

Employees

[EC5] Remunerations

Costs of remunerations - Management Board			
Pos.	Entity	Costs (PLN m)	
		2006	2005
1	2	3	4
1.	TP Group	2 352	2 381
2.	TP	1 888	1 938

Costs of remunerations, social security and other employee benefits amounted to 2,352,067 K PLN in the TP Group in 2006 and were lower by 1.2% in comparison to 2005.

Remunerations, awards, gratuities, compensations, including those for competitive employment bans (in cash, in kind and in the form of other benefits) paid or due from Telekomunikacja Polska to Management Board Members in 2006 and 2005 are presented below:

Specification			
Pos.	TP S.A. Management Board	(PLN K)	
		2006	2005
1	2	3	4
1.	Maciej Witucki	440	not applicable
2.	Benoit Merel	1 252	not applicable
3.	Pierre Hamon	2 433	2 327
4.	Konrad Kobylecki	1 703	1 560
5.	Jacek Kallaur	1 587	469
6.	Jean-Marc Vignolles	-	-
7.	Marek Józefiak ¹	4 431	3 714
8.	Alain Carlotti ¹	3 265	not applicable
9.	Bruno Duthoit ¹	1 770	1 614
10.	Roger de Bazelaire ¹	923	1 492
11.	Bertrand Le Guner ¹	not applicable	237
12.	Wojciech Roman ¹	not applicable	2 598
13.	Razem	17 804	14 011

1. Persons who were not Management Board Members as of 31 December 2006, but had performed this function in previous periods.

Furthermore, in 2006 the Company created special reserves for costs of gratuities for Marek Józefiak and Alain Carlotti, which respectively amounted to 5,340 K PLN and 879 K PLN.

[EC6] Capital costs

Net financial costs			
Pos.	Entity	Costs (PLN m)	
		2006	2005
1	2	3	4
1.	TP Group	733	946
2.	TP	487	751

Net financial costs in the TP Group in 2006 were lower by 213 m PLN in comparison with the previous year, which first of all results from considerably lower interest costs resulting from debt payments and the positive influence of positive appraisal of instruments securing TP Capital Group's debts.

In the financial year that closed on 31 December 2006, TP paid dividends of 1,400 m PLN, which was comprised of 1,221 m PLN profit from 2005 and 179 m PLN withheld profits from previous years. Dividend payment of 1 PLN per share was endorsed at the General Meeting of Shareholders of 28 April 2006. The dividend, less tax withheld at source, was paid in June 2006.

[EC7] Retained earnings

Retained earnings			
Pos.	Entity	(PLN m)	
		2006	2005
1	2	3	4
1.	TP Group	13 143	12 449
2.	TP	11 537	11 882

[EC8] Taxes

Taxes			
Pos.	Tax-payer	Tax for 2006 (PLN K)	
		CIT paid	VAT paid
1	2	3	4
1.	Telekomunikacja Polska S.A.	210 036	1 439 512
2.	PTK-Centertel Sp. z o.o.	271 787	642 651
3.	TP Internet Sp. z o.o.	-	3 788
4.	TP Invest Sp. z o.o.	1 337	55
5.	Telefon 2000 Sp. z o.o.	819	3 417
6.	Telefony Podlaskie S.A.	786	1 851
7.	TP TelTech Sp. z o.o.	-	1 779
8.	TP EmiTel Sp. z o.o.	24 481	55 331
9.	Ditel S.A.	-	12 624
10.	TP Edukacja i Wypoczynek Sp. z o.o.	-	1 257
11.	OTO Lublin Sp. z o.o.	4	-
12.	Otwarty Rynek Elektroniczny S.A.	2 401	4 144
13.	TP Med. Sp. z o.o.	45	16
14.	Wirtualna Polska S.A.	-	6 169
15.	Virgo Sp. z o.o.	19 508	-
16.	Fundacja Grupy TP	-	-
17.	PTE TPSA	68	-
18.	TOTAL	531 272	2 172 594

TP Group contributed over 2.7 PLN billion to the state budget in the form of value added tax, and corporate income tax. Therefore, it may be stated that TP Group's taxes financed 1.4% of state budget's expenditures in 2006². State incomes from TP Group's taxes were nearly two times higher than those from customs.

[EC9] Subsidies obtained

TP obtained no subsidies from the state budget in 2006.

[EC10] Donations transferred

Shareholders made a resolution on dividing previous year profits and decided to allot 24,620,000 PLN to the donation fund during the General Meeting of Shareholders on 28 April 2006. TP Group Foundation carried out its activities on the basis of the fund allotted by shareholders (see: Current Report 51/2006).

2. According to the estimated implementation of the state budget (www.mf.gov.pl).

[EC12] Expenditures on infrastructure which is not connected with company's activities

Medical Care

Telekomunikacja Polska has been offering its employees free medical care in the TP Med clinic, which belongs to TP. Medical care also covers pensioners and TP's ex-employees. Additionally, there is a possibility to purchase special family packages for TP employees' families. The value of the clinic as of 31 December 2006, measured against TP Med Sp. z o.o.'s values was 6,821 K PLN.

Employee Retirement Programme

TP Employees also have an opportunity to participate in Telekomunikacja Polska's Employee Retirement Programme. The programme has been functioning within the scope of the 3rd social security pillar, where premiums are fully covered by the employer (7% of gross revenues). Furthermore, each Employee Retirement Programme participant has a legally guaranteed opportunity to contribute with their voluntary additional premium financed from their pay packet. TP Employee Retirement Programme was established in the form of an Employee Retirement Fund – a financial institution which is a legal entity and is managed by Pracownicze Towarzystwo Emerytalne Telekomunikacji Polskiej S.A.

Telekomunikacja Polska S.A. is the only shareholder of Pracownicze Towarzystwo Emerytalne Telekomunikacji Polskiej S.A. PTE TP is a non-profit organisation and its sole shareholder does not have rights to participate in profits. PTE's statute objective is to collect individual savings for an employee's prospective pension. As of 31 December 2006, the sum of PTE's assets was 1,023 K PLN.

Training and holiday infrastructure

Telekomunikacja Polska owns an extensive training and holiday infrastructure. Although the infrastructure has been considerably reduced due in order to introduce savings, TP employees can still use nearly 2 000 lodging places.

The value of training and holiday infrastructure measured against the value of Exploris company assets, which manages it, was 68,618 K PLN as of 31 December 2006.

Social involvement and charity

Telekomunikacja Polska and PTK Centertel established TP Group Foundation. As of 31 December 2006, Foundation's assets were 3,181 K PLN (for details see [SO1]).

Natural environment

According to the viewpoint presented by TP, its telecommunications services do not pose significant threat to the natural environment. TP's range of activities does not include production processes which could pose considerable threat to rare or non-renewable resources, natural resources (water, air, etc.) or to natural environment diversity. Moreover, we are deeply convinced that popularising services offered by the TP Group (e.g. tele- and video- conferences) may be alternatives to business trips and contribute not only to reducing costs incurred by companies, but also directly reduce greenhouse gas emissions. Presently, such solutions are promoted within the Company. In 2006 over 28 thousand tele- and video- conferences were held whose total length nearly amounted to 4.4 m minutes. Popularising tele-working may bring about similar results.

Industrial rubbish, such as obsolete electronic equipment, old batteries, replaced cables and telegraph pylons, is produced as a result of TP's activities, however, its utilisation is strictly controlled.

Since 1998 TP has been implementing procedures aimed at reducing the influence of its activity on natural environment. TP was subjected to control in 2002 and 2003 which proved its activities complied with Polish legal provisions and listed the Company's activities within the scope of reducing impact on the natural environment. Teams were established within TP in order to monitor progress within the scope of environmental protection. The main objective for those teams is to control infrastructure and devices, monitoring emission levels and providing training in environment training. Moreover, special teams are responsible for constant monitoring changes in legal provisions and abiding by them in the scale of the whole TP.

TP created a special reserve for the costs of liquidation and disposal of its fixed assets pursuant to requirements of regulations on environmental protection.

[EN1]-[EN5] / [EN17]-[EN22] Using natural resources and energy

Using natural resources and energy				
Pos.	material / energy	Unit	Estimated amount	
			2006	2005
1	2	3	4	5
1.	Paper [EN1]	ton	599	691
2.	Electric energy [EN3]	MWh	410 818	399 907
3.	Water [EN5]	m3	804 047	760 874

[EN6] Lands which prove valuable to biosphere

Telekomunikacja Polska is the owner of 13 real estate plots which covered by environment conservation officer's monitoring, most of which are situated in świętokrzyskie (4) małopolskie (3) voivodeships. The two most notable ones include plots in Wolsztyn and Hajnówka, famous for their valuable oak trees which have been considered nature monuments.

However it is Ślęża Mountain (718 metres above sea level situated in a nature reserve), which is visible from the outskirts of Wrocław, and Święty Krzyż Mountain (595 m above sea level in the Świętokrzyski National Park) – the second highest range of the Świętokrzyskie Mountains which houses a telecommunications mast that must be considered most extraordinary places. Operation of both transmission masts has been adjusted to demands of environmental conservation officers.

Real estate plots which covered by environment conservation officer's monitoring		
Pos.	Address of the plot	Comments
1	2	3
1.	Hajnówka, Zina 2	Oak – nature monument
2.	Bielsko-Biała, Krasińskiego 20	Sphere covered by environmental conservation officer's monitoring
3.	Kielczówka 44a, Moszczenica district	"Kielczówka" Landscape Park
4.	Chęciny, Sosnówki 1b housing estate	Chęcińsko-Kielecki Landscape Park
5.	Wiślica, Długosza 1	Nadnidziański Landscape Park
6.	Mniów, Centralna 9	Suchedniowsko-Oblęgorski Landscape Park
7.	Święty Krzyż	Świętokrzyski National Park
8.	Zadroże, Trzyciąż district	Ojcowski National Park Buffer Protection Zone
9.	Jerzmanowice, Jerzmanowice district	Ojcowski National Park Buffer Protection Zone
10.	Wolsztyn, 5-go Stycznia 4	Environmental conservation officer's protection zone, oak – nature monument
11.	Ślęża –Ślęża Mountain	Nature reserve
12.	Skala, Rzeźnicza 2	Ojcowski National Park Buffer Protection Zone
13.	Pszczyna, Korfańtego 4	Environment conservation officer's protection zone

[EN7] Biosphere affecting factors

TP has been carrying out inventory works in liquid fuel tanks it uses to specify that tank's documentation complies with applicable provisions. A procedure for controlling liquid fuel tanks has been drafted and implemented, on the basis of which controlling activities were administered to make sure that the use of the tanks complies with applicable environmental protection provisions. The number of devices requiring inspection of Technical Supervision Office and tightness tests was specified as a result of tanks' inspection.

Preventing pollution of soil and underground water is constantly carried out thanks to a comprehensive modernisation of all spare generators and oil tanks. TP uses the best technologies and devices which guarantee optimum environmental safety while new liquid fuel tanks. These actions have been listed in the Company's environmental policy for 2007-2009. New fuel tanks for electricity generators are two-sheet steel containers with leak signalling systems. In case of heating tanks, these are plastic tanks fitted into concrete tubs preventing leakage.

[EN8]-[EN10] Greenhouse gas emission

Greenhouse gas emission			
Pos.	CO2 emission sources	Emission (in tonnes)	
		2006	2005
1	2		
1.	Burning fuels in the Company's premises (mostly heating)	15 453.04	18 881.97
2.	– burning fuel oil	9 327.34	9 725.18
3.	– burning gas	9 050.40	9 156.11
4.	– burning coal	533.00	672.00
5.	– burning other fuels (including heat from community heating network)	135 619.67	no data
6.	Production of electrical energy purchased by the Company	273 194.29	265 937.96
7.	Vehicles in total	17 079.00	18 161.02
8.	– unleaded petrol	14 949.90	15 813.62
9.	– leaded petrol	0	0
10.	– diesel oil	2 127.41	2 342.27
11.	– LPG	1.69	5.13
12.	Total	444 803.70	302 980.95

NOTA BENE: A new estimation of greenhouse gas emissions was made for 2005; in the previous year's report carbon dioxide amounts emitted while producing energy used by TP was underestimated. Carbon dioxide emissions connected with heating buildings from community heating networks were not accounted for in the juxtaposition for 2005.

Converting calculations were made by means of conversion rates proposed in the GHG Protocol.

[EN11] Waste

Waste				
Pos.	Kind of waste	Unit	in year	
			2006	2005
1	2			
1.	Wooden poles (withdrawn from use)	tonne	593.69	609.80
2.	Copper cables (withdrawn from use)	tonne	996.3	642.43
3.	Network batteries over 3kg (withdrawn from use)	tonne	35.24	41.46
4.	Toners	tonne	15.95	13.00
5.	Other waste (considered hazardous)	tonne	1718.91	2 095.78

Telephone poles are examples of waste which is considered hazardous because of conservation substances used (oil residue substances). They are successively disposed of by a specialist company. 301 tonnes of telephone poles (i.e. 51% of poles withdrawn from use) were disposed of. Other telephone poles withdrawn from use are stored waiting to be disposed of.

Having been withdrawn from use, copper cables are transferred to non-ferrous metal collection points. Cables whose insulating materials might pose threat to environment are sent to specialised firms where they are disposed of. However, all copper used to produce cables is fully recycled.

Similarly, 100% of network batteries are disposed of by specialist entities. TP entered into contracts with companies providing batteries, according to which they are obliged to collect and dispose of worn-out elements during maintenance works.

Similar solutions are provided for by general sourcing agreements with providers of operation materials for copying machines, printing machines and faxes.

Few devices whose batteries include PCB – i.e. a substance which boosts the battery power index, but is dangerous for the ozone layer – are still in use. Devices including PCB are being successively withdrawn from use. Relevant works are commissioned to specialist companies with necessary permissions for activities of this type. The process will be completed pursuant to the date provided by applicable provisions, i.e. 30 June 2006 (Act on Substances Depleting the Ozone Layer, Journal of Laws of 2004, No. 121, position 1263).

TP uses homogeneous waste classification principles according to the order by the Minister for the Environment of 27 September 2001 on the waste catalogue (Journal of Laws of 2001, No. 112, position 1206) and homogeneous waste record principles according to the order by the Minister for the Environment of 11 December 2001 on sample documents to be used for keeping waste records (Journal of Laws of 2001, No. 152, position 1736). TP possesses all administrative decisions required for producing waste.

TP Group enters into global sourcing contracts and cooperates only with those waste collectors who take full responsibility for waste they receive (collecting, transport, recycling or disposal) and are able to document each stage waste goes through from the producing entity to the entity that disposes of it.

Obsolete electrical and electronic equipment is given to units which have appropriate approvals for managing waste pursuant to the Act on waste electrical and electronic equipment, and since 1 October 2006 to those who are also registered by GIOS. In 2006 over 13 tonnes of IT equipment and 17 tonnes of other electrical and electronic equipment were passed to such units.

[EN16] Breaching environmental protection provisions

No case of breaching environmental protection provisions was recorded in TP throughout 2006. Consequently, no penalties were imposed on TP with respect to breaching environmental protection provisions.

[EN35] Environmental protection expenditures

Environmental expenditures may be divided into:

- ecology supporting investment expenditures
- charges for using the environment
- costs incurred through analyses and research
- waste management charges

Social aspects of business activity

Employment

[LA1] Employment level

Employment level				
Pos.	Employment	day		
		31.12.2006	31.12.2005	31.12.2004
1	2	3	4	5
1.	Employment in the number of jobs	27400	27 590	30 456
2.	– open-ended employment contract	26790	27 049	29 648
3.	– temporary employment contract	610	541	808
4.	Employment in the number of people	27438	27 633	30 493
5.	– full-time work	27346	27 530	30 410
6.	– par-time work	92	103	83

[LA2] Changes in employment levels

Changes in employment levels				
Pos.	Employment	Period		
		2006	2005	2004
1	2	3	4	5
1.	Employment level at the beginning of the year	27590	30 456	36 171
2.	Recruitment	1488	1 047	1 833
3.	Leavers	-1678	-3 913	-7 548
4.	Employment level at the end of the year	27400	27 590	30 456
5.	Net employment change in a given period	-190	-2 866	-5 715

Reductions in the number of posts are connected with:

- a decrease in incomes from selling company services and consequent necessary reductions
- the necessity to change the model and conditions of implementing company tasks within the context of growing market demands for attractive prices for offers
- technology changes and introducing automatic work processes

Employment reductions are carried out on the basis of employees' voluntarily leaving their jobs. No group redundancies occurred in the Company in 2006. Many people (approx. 2 thousand) changed their qualifications within the Employee Relocation Programme, thanks to which they stayed with the company.

[LA12] Employment privileges

Joint-Enterprise Collective Labour Agreement

A great majority of Company employees enjoy privileges specified in the Joint-Enterprise Collective Labour Agreement, which specifies principles including, but not limited to, recruitment and termination of employment contracts, time of work, holidays, remuneration and other work related benefits, industrial safety and hygiene issues, training and social activities. The Agreement grants employees more rights than only those resulting from applicable general provisions or general rights. The rights granted by the agreement include, but are not limited to:

- higher gratuities in case of terminating employment contacts because of reasons which do not concern an employee
- higher old age and disability pension gratuities and anniversary awards
- guaranteed qualification change training for employees who are to change the location of their work within TP
- the right to sick leave for sanatorium treatment
- right to discounts in tariff charges for telecommunications services (free tp standard subscription and a specified volume of units)

No changes were introduced to the Joint-Enterprise Collective Labour Agreement in 2006.

Employee Pension Programme

Telekomunikacja Polska's Employee Pension Programme is an organised form of saving for pension benefits. The Programme functions within the 3rd social security pillar and the premium for an employee is paid by the employer. The height of the premium depends on the basic remuneration of a given employee and presently is at the level of 7% of gross remuneration of a given employee. Each month the premium is calculated for a participating employee and on a payment day is transferred to their individual account in the Fund. Moreover, every participating employee has a legal guarantee to contribute with additional premium from their own remuneration.

Such a premium is a voluntary initiative of the employer. At the end of 2006 over 22 thousand (81.1% of employees) were members of Employee Pension Programmes and were receiving their basic premiums at their individual accounts in the TP Employee Retirement Fund. Additional premiums were contributed by 2.8 thousand TP Employee Pension Programme participants.

Central Housing Fund

Central Housing Fund is used to grant housing loans to be paid backs within 5 years. Such help is provided to employees to:

- purchase, build, extend, or improve their house or flat
- renovate their house or flat – this applies only to employees suffering from force majeure
- pay back bank loans for the abovementioned purposes
- obtain rights to a flat in a Social Housing Development Association

A loan can also be granted to tenants of TP-owned flats who wish to purchase a flat from TP housing resources.

Priority for granting loans is respectively given to:

- employees who were granted benefits from allocation packages, i.e. employees changing their working locations within TP in result of organisational changes and other employees for whom changing a job within TP involves changing a place of work and abode (distance over 100 km)
- employees who have lost their house or flat, or whose house or flat was damaged in result to force majeure such as flood, fire, construction disaster, etc.
- tenants who have decided to purchase a TP flat, which was offered for sale, although they are not TP employees
- other TP employees who need housing (depending on available resources in the Central Housing Fund)

447 employees used the Fund's resources in 2006. The popularity of the Central Housing Fund has been growing among tenants and employees.

Central Holiday Fund

It allows TP employees, old age and disability pensioners with specified income to obtain funding for their holidays in TP Group's holiday resorts. Over 7 thousand employees made use of the fund's help in 2006.

Central Social Help Fund

The fund aims to help TP employees, old age and disability pensioners as well as entitled members of their families, whenever they suffered from serious random incidents or found themselves in a difficult situation (e.g. serious illness, fire, flood, etc.). Help may be granted for purposes including, but not limited to:

- full or partial covering of surgery costs
- purchasing medical and rehabilitation equipment
- purchasing medicines
- total or partial covering of costs incurred due to a fire, flood, etc

Employees' and trade unions' representatives have been engaged in the works of the administration and trade union committee. 134 petitions were granted in 2006 and a total of nearly 700 petitions have been handled since 2002.

Central Fund for Sport Tourism and Culture

The Fund allows to finance sports and cultural events for TP employees and consequently to integrate them on an unofficial plane. Events' organisers encourage common and active ways of spending free time by employees and their families. Since 2003, on average 6 thousand people have participated every year in events organised by the fund.

Subsidizing TP employee's studies

Persons whose open-ended employment terms in Telekomunikacja Polska were not altered and who have worked for at least two years in TP Group Companies may be granted subsidy for their postgraduate studies, including MBA. Refund rate for costs depends on study results. Implementing the studying refund programme is an important motivating element which increases employees' loyalty towards their Company. It also proves the company policy of investing in employees' development and building long-term relations to be consequent. Over 630 TP employees used TP support, 270 of whom graduated from university departments.

Subsidizing language courses

In 2005 just like in 2006 employees whose employment contracts are open-ended may apply for refunds for their language courses (English or French). Partial refund of costs can maximally amount to 500 PLN (no more than 1000 annually). Apart from learning a foreign language in the abovementioned forms an employee can also make use of Internet learning offered by TP. TP also fully refunds exam costs provided that an employee is awarded one of the following certificates, e.g. FCE, LCCI, CAE, TOEFL, DELF, DALF or another.

Employees participating in mobility programmes who are recommended for posts requiring knowledge of a foreign language may apply for a total refund of a course in English in case the level they declare allows improvement of their language competence to the level specified in the competence profile for a given post.

An employee can merge a stationary course with the Internet course. Such training is fully covered by TP.

E-training and Development Product Library

Electronic training provided directly to one's workstation plays an increasingly important role in TP employees' education. Several dozen trainings are available from the electronic platform. Popularity of such training is constantly increasing among employees. By definition, access to the system is granted to all TP employees (for details see [LA17]).

Medical care

TP employees (7200), old age and disability pensioners from Warsaw and its outskirts can use free medical care provided by the TP Med clinic, TP's subsidiary. Medical care is provided for this group of entitled persons on the basis of a contract entered into between TP and TP MED. In 2005, a partial charge was introduced for selected dentist services and surgery treatment, which had been free. Employees are additionally offered special packages for members of their closest families: TP Standard Family Package, TP Plus or TP VIP. A similar contract for providing free medical services was entered into between TP with TP MED for employees from: Katowice, Gliwice, Dąbrowa Górnicza, Sosnowiec, Chorzów, Siemianowice (totally approximately 1820).

Human resources management

[LA3] Independent trade union organisations

31.3% of TP employees are represented by trade union organisations. The company is engaged in a dialogue of 19 trade union organisations, 17 of which enjoy the status of an entity trade union organisation and 2 representative agencies representing 26 entity trade union organisations (for more details see [HR5]).

[LA4] Negotiating organisational changes with employees

Pursuant to Polish provisions, it is necessary to consult trade union organisations before taking any restructuring steps resulting in redundancies, which commences mass redundancy procedures. Acting in compliance with applicable provisions TP S.A. Management Board has always informed joint-enterprise trade union organisations acting within the company about proposed changes 60 days prior to scheduled changes.

In 2006 TP managed, pursuant to TP S.A. Management Board's pledge, avoided mass redundancies, which was possible especially thanks to an employee relocation programme. During one year over 2 000 people changed jobs within TP, which for most employees involved the necessity to change their qualifications, or their place of abode.

Continuing the programme on such a massive scale will be impossible because persons who were able to participate and were interested in the process have already taken their decision. Consequently, TP S.A. Management Board signed a social contract with trade union organisations for 2007-2009, whose objective is to stabilize the working atmosphere through hammering out long-term, i.e. three-year outlook for the company employees. The social contract comprises TP S.A. Management Board's offer of a comprehensive approach towards demands from trade unions and employees. Exemplary postulates have been listed below that make up a basis for the social contract:

- Guaranteeing regular pay rises during the 2007-2009 period, they used to be introduced 1 June each year pursuant to the remuneration policy, market research in Poland and an annual employee appraisal. In 2007 financial means allotted to pay rises shall amount to at least 3% of financial means allotted to remunerations compliant with employment contracts for the month that precedes the moment of granting rises
- Making use of internal mobility as a major source for employee recruitment – particularly whenever changing a position and career role does not require long-term specialist training
- Directing external recruitment on sourcing new competencies and manning only those vacancies which cannot be filled through internal recruitment. Furthermore, a maximum level was specified for external recruitment, i.e. no more than 750 persons annually.
- Giving priority to TP employees for promotions and recruitment for managerial posts. The ratio for filling these posts by means of internal recruitment juxtaposed to external recruitment should approximate 3 to 1

Pursuant to the contract, special financial protection should cover long service Company employees (with work experience exceeding 20 years) who would be granted equivalents of 21 to 24 monthly remuneration payments, including gratuities based on Joint-Entity Collective Labour Agreement, if they were to leave the Company.

Entering in the contract was preceded by the process of consultations with the social partner and the Employee Council.

[LA13] Personnel's management participation

It is TP S.A.'s intention to solve all contentious issues through discussions with the social partner.

TP S.A. Management Board's Plenipotentiary in charge of Contacts with Trade and Social Organisations is affiliated by the TP S.A. Management Board. The Employee Council was established on 24 July 2006 in TP S.A. with its registered office in Warsaw, which was comprised of seven representatives of key enterprise trade union organisations. The employer is obliged to consult the Council in matters concerning state, structure and scheduled employment as well as activities geared towards maintaining employment levels and activities which can trigger significant changes in work organisation and employment basis.

Industrial health and safety

[LA5] / [IO3] Industrial accidents

TP work safety services very carefully analyse all cases of industrial accidents because such accidents cause both economic and moral losses. Current analyses of circumstances and causes of accidents as well as half year and annual analyses all allow us to formulate appropriate preventive measures. In 2006, just like in previous years TP did not employ workers in health hazardous conditions, i.e. in conditions where acceptable concentrations and highest acceptable intensity (NDS, NDN) of health hazardous factors have been exceeded in the workplace. Telekomunikacja Polska constantly monitors the working environment. Factors are systematically measured and their values are considerably lower than highest concentrations allowed by applicable legal provisions. TP does not employ workers in conditions where they are exposed to hazardous chemical factors.

[LA6] Activities supporting abiding by industrial health and safety

Internal control administered by industrial health and safety service makes up the basis for a high level of working safety. Reaching all TP organisational units in Poland, employees of this service, which is employer's controlling and advisory organ, support management staff in their activities geared towards constant improvement of work safety conditions. In 2006 officers of industrial health and safety service carried out several hundred work safety inspections in TP organisational units throughout the country. Activities fostering industrial health and safety are also carried out by social partners within the industrial health and safety committee, which comprises representatives of employees and industrial health and safety service officers.

[LA7] The number of industrial accidents vs. absences

In 2006, just like in the previous year no fatal accidents were recorded in TP. The number of industrial accidents dropped by 29% by comparison with 2005. Totally over 101 industrial accidents were recorded and the frequency rate index for industrial accidents amounted to 3.7 (i.e. averagely 3.7 accidents per 1000 employees). It must be emphasised that the value of this index for Poland in 2005⁴ was 7.99, i.e. was two times higher than that for TP. The number of sick leave absences caused by industrial accidents dropped by 34% in 2005 and amounted to 3723 in 2006.

4. At the time this report was being drafted no data was available for 2006; source: "Industrial accidents in 2005", GUS Warsaw, 2006.

[LA8] Combating HIV/AIDS

Telekomunikacja Polska does not administer research aimed at specifying which employees are HIV carriers. Such activities could be considered to be a privacy breach and discrimination, which would violate the Company's ethical principles that postulate equal rights for all employees. In consequence of a lack of knowledge concerning employees who are virus carriers there is no dedicated programme for combating HIV/ AIDS within the Company.

However, such a situation does not mean that an employee and their close relatives suffering from AIDS would be left on their own. They can count on financial and material support from the Central Fund of Social Help and help of the TP Group Foundation whose aim is to help people suffering from serious health conditions. TP Group Foundation is creating a special "Mutual Support" ["Wspieramy się"] Fund. It is allotted to the needs of employees who are in a difficult situation and for whom help from enterprise social funds proves insufficient. The fund is comprised of contributions made by employees who most often support it by donating the sum of 1% of their PIT.

[LA14] Industrial health and safety management system

A project for industrial health and safety was prepared. Current management methods were primarily appraised with respect to industrial health and safety without initiating a preliminary inspection. Optimum solutions which are to provide proper functioning of the system are sought after.

[LA15] Employee agreements within the scope of industrial health and safety

Consulting activities within the scope of industrial hygiene and safety is required by Labour Code provisions. In 2006 rules and regulations for providing preventive means as well as Labour Regulations concerning working safety were consulted with representatives of trade union organisations active in Telekomunikacja Polska.

Training and education

[LA9] Training

A total of 130 thousand man day training sessions were held in Telekomunikacja Polska in 2006, which translated into 4.73 training days per one employee, 32.5% of which, i.e. 42 thousand man days were e-learning training sessions. Management staff training comprised over 25% of all training and higher TP management staff training comprised over 4%.

Training				
Pos.	Specification	Period		
		2006	2005	2004
1	2	3	4	5
1.	Average number of training sessions per employee (in man days)	4,73	4,55	4,85

[LA16] Support programmes for leaving

Implementing the Employee Relocation Programme allowed to avoid mass redundancies in 2006 and to meet strategic TP challenges.

The Employee Relocation Programme aimed at a full realization of internal labour market's potential so as to achieve Telekomunikacja Polska's business objectives, in particular to improve incomes, reduce operational costs and to foster further increase in customer satisfaction. It was achieved through increasing employment in functions related to customer and sales handling by transfers of 2041 employees from other positions in the organisation, where employment is being reduced. In particular, the offer to participate in the Programme was directed at persons employed in technical and support branches.

Employees participating in the programme received strong support by, inter alia, competence analysis and help in choosing new career role. They could use traineeship, business trips and adaptation training sessions preparing for their new jobs. Open Days and meetings with employees who have already changed their positions within the company were also organised to allow them to learn about specific nature of work in new customer units. Persons who used the programme received mobility funds consisting of gradual, three-year adjustment of current remuneration level to an average level in the new organisational units, as well as allocation benefits including refunds of accommodation rental costs or mortgage repayment. Otherwise employees were granted interest-free loans from the TP Central Housing Fund or PKP/PKS commuting allowances.

Communication support greatly contributed to the success of the Programme. The meetings were attended by over 7200 persons, 450 of whom participated in over 300 group meetings throughout Poland. Moreover, national and regional meetings of TP S.A. Management Board with management staff were attended by over 2000 managers.

[LA17] Support for in-service training

According to the competence model implemented in TP an employee specifies their career development plan with their senior manager. The scale of our activities allows us to offer our employees an opportunity to realize their ambitions and win new professional experience in various fields, not only those directly connected with telecommunications.

TP has been organizing numerous training programmes whose aim is to develop required competence and to appropriately prepare employees to meet new challenges facing the Company. The Effective Manager Programme was launched, which was dedicated to TP line managers, in order to popularise homogeneous management standards. The Fifth stage of the programme commenced in March and a participation of over 600 persons is scheduled by the end of this year. 2235 managers participated in previous editions held in 2005 and 2006.

The first edition of Talent Review was closed in 2006. A group of 87 talents were selected from approximately 1000 persons recommended for the use in the programme. These are employees with highest managerial potential, who will be covered by a dedicated development programme.

Our employees are constantly offered various types of development tools. All those with access to a computer have an opportunity to use the Development Product Library – a comprehensive tool for knowledge management within the Company. The library is a database that collects information on development products for various competence groups, both professional and personal. In 2006, on average 2 000 people participated in training sessions every month and accounting for multiple participation in different training sessions, 409 000 participants completed training in 2006.

Presently, approximately 4 000 development products are being used and their number systematically increases. Employees may make use of two databases: Harvard Manager Mentor, which covers 26 key management fields, leadership and personnel, and “the Personnel and Management” [“Personel i Zarządzanie”] which covers varied management concerning subjects (employment, remunerations, labour costs, competence, training, etc.). Work is being presently done on a comprehensive e-learning language training.

The best employees may develop their skills in an international environment, participating in development programmes held in cooperation with France Telecom. The company also provides partial refunds for costs incurred for university studies and foreign language learning (for details see [LA12]). Training demand is provided for by the best training companies in Poland.

Strategy and management vs. versatility and opportunities

[LA10] / [HR1] / [HR4] Activities for equal rights

Pursuant to applicable Polish provisions any manifestation of discrimination or mobbing are prohibited by law. Ethical principles that the company uses are as important as provisions of law pursuant to applicable Ethics Code which has been in force since 12 December 2006:

A fundamental principle Telekomunikacja Polska adheres to is respect for people and their right to privacy. TP also advocates tolerance irrespectively of one's origin, colour, race, sex, culture, disability, age, marital status, religious and political beliefs, or trade union membership.

[LA11] Employment split into men and women

Employees in total				
Poz.	Day	Men	Women	Proportion of women
1	2	3	4	5
1.	31.12.2004	16 051	14 405	47,3%
2.	31.12.2005	14 826	12 764	46,3%
3.	31.12.2006	14 620	12 780	46,6%

Higher managerial staff				
Pos.	Day	Men	Women	Proportion of women
1	2	3	4	5
1.	31.12.2004	316	94	22,9%
2.	31.12.2005	310	85	21,5%
3.	31.12.2006	322	78	19,5%

Other managerial staff				
Pos.	Day	Men	Women	Proportion of women
1	2	3	4	5
1.	31.12.2004	2 003	1 368	40,6%
2.	31.12.2005	1 998	1 252	38,5%
3.	31.12.2006	1 964	1 244	34,5%

[HR2] Human rights as a decision criterion

TP participates in implementing Top Sourcing programme whose aim is for all TP Group entities to obtain optimum purchase conditions and to standardise procedures, products, and services. The Programme's scope covers all fields and purchase types.

Global contracts are entered into with selected providers at the corporate level and these contracts' local implementations comprise the basis for purchases made within the scope of the Top Sourcing programme.

"Ethical and environmental clauses" are introduced into implementation contracts. The clauses feature providers' commitments referring to respecting ethical principles as well as rules and regulations for protecting the environment, including international treaties on human rights and special protection of children's rights.

[HR3] Abiding by human rights vs. provider chain

TP actively participates in implementing the QREDIC programme, which is common for the entire FT Group and comprises an element of the Top Sourcing project. The issues concerning providers' respecting ethical and ecological principles, including those concerning human rights and special protection of children's rights make up one of the appraisal criteria.

Periodical appraisal is made on the basis of all available information concerning companies. In contentious cases a provider is required to present a clarification and remove irregularities. Appraisal results are employed in the process of negotiations and choosing providers at the corporate level. Definitively negative appraisal within the scope of abiding by ethical and ecological standards (in particular, absence of any activities aimed at removing discovered irregularities) disqualifies a provider.

The QREDIC appraisal programme refers to global providers. As far as local Polish providers are concerned, they are asked to fill in the "Social responsibility and sustainable growth" questionnaire and to introduce an ethical clause into the contract.

Safety

[HR11] Human rights training for security personnel

Security, convoy and intervention group services were delegated to external companies in 2006. Presently there are merely 4, rather than 48, licensed security agencies that work for us. Such a reduction has allowed us to improve control of services provided and consequently to further reduce risk of potential human rights' breaches by an incompetent employee of an external company. Approximately 700 security agents work for TP during one shift on average, 60% of whom have licences of the 1st and the 2nd degree. All agencies cooperating with TP have licences from the Minister of Internal Affairs and Administration which permit them to provide security services pursuant to the person and property protection act. Companies which cooperate with TP are among the greatest and most prestigious security service providers in Poland.

Security agencies cooperating with Telekomunikacja Polska have confirmed they administer periodical training for their employees in legal provisions applicable in cases concerning their activities. Training aimed at improving employees' qualifications are administered at least annually and in each case a new employee is employed (within the scope of changes in applicable acts, licence degree, intervention techniques, as well as workshops with psychologists, policemen etc.

All companies cooperating with TP have ISO 9001:2000 quality certification within the scope of the services they provide to TP. Furthermore, 3 of them have AQAP 2110:2003 certificates. Some employees of the companies which work for us were trained in International Security & Defence Systems (Israel), Aviation Security International (Israel), International Counter Terrorist Training Association (Germany, Russia).

Right to affiliate and freedom of association

[HR5] Right to affiliate

Right to affiliate includes belonging to trade union organisations. The right stems from the trade union act. The right is exercised in TP by specifying or extending entitlements granted to trade union organisations and their members. These are derived from the Joint-Entity Collective Labour Agreement which features provisions concerning trade union cooperation with the Company as well as mutual cooperation contracts signed by the employer with trade unions. This way, a standard for TP cooperation with trade unions was established, which covers mutual contacts, information exchange, material help for trade union organisations to carry out their activities, and help in organising training for trade union members. Being an employer, TP is obliged to provide information at a trade union organisation request, which refers to issues including, but not limited to, working conditions, remuneration principles, the organisation's economic and financial situation, etc.

Presently Telekomunikacja Polska S.A. with its registered office in Warsaw – the employer – is engaged in a dialogue with 19 trade union organisations, 17 of which enjoy the status of an entity trade union organisations, and two representative agencies acting on behalf 26 entity trade union organisations. 31.3% of TP employees belonged to trade unions as of 31 December 2006.

Child labour and forced labour

[HR6]-[HR7] Preventing child labour and forced labour

Pursuant to applicable law Telekomunikacja Polska renounces all forms of child labour and forced labour as defined by Convention No. 29, article 2 of the International Labour Organisation.

Work discipline

[HR9] Work discipline and appeal procedures

A number of appeal procedures are applicable in TP, some of which are more extensive than those provided for by general rules and regulations. They stem from, inter alia, Joint-Entity Collective Labour Agreement. The agreement provides for an obligation to hand in a document informing about a scheduled employment contract termination either with or without notice, which is to give an opportunity to an employee being made redundant to register reservations concerning the scheduled termination.

Appeal procedures are also provided for in some other processes, e.g. in the process of an employee appraisal made by a directly superior manager or in the competence appraisal process. Tools implemented while introducing the TP Ethical Code is a key appeal tool in case of cases which usually prove most difficult from the employee viewpoint.

[HR1] / [HR10] The system for registering complaints and petitions

The Ethical Committee is the body which bears responsibility for examining cases concerning abiding by ethical norms pursuant to newly adopted Ethical Code (resolution passed by the Management Board on 12 December 2006). The Committee is comprised of the Chairperson and four members appointed by the TP S.A. Management Board President and CEO.

The committee regularly monitors standards employed in TP within the scope of professional ethics and analyses all cases of breaching the Ethical Code. The Committee advises companies in the Group on implementing guidelines from the Code. Preserving required confidence, the Committee may examine individual cases reported by employees and their superior managers.

Each employee who learns about any case of fraud, abuse or another action to the detriment of the company or other companies of the group shall be obliged to inform about it their directly superior manager, and should that prove impossible – a manager of a higher rank. Whenever the above should not be feasible, such an employee should refer to the Ethical Advisor (using a commonly accessible e-mail address) or contact the Ethical Committee of the TP Capital Group.

Work is in progress on implementing an anonymous system for reporting discovered unethical behaviour (so called whistle blowing).

Similar solutions were provided for by the Ethical Code applicable until 12 December 2006. Pursuant to the code each employee has the right to summon a person who exhibits unethical behaviour to abandon such a behaviour – and whenever that proves unfeasible to – such an employee should inform a directly superior manager of such a person or the Internal Audit Department about the situation (point 7.2 of the TP Ethical Code).

Rights of indigenous peoples

[HR12] Rights of indigenous peoples

The issue of guaranteeing rights to indigenous peoples is not a significant one for the TP Group, due to the fact that TP does not directly engage in operational activities outside Poland. Nevertheless, any forms of discrimination, particularly on the grounds of origin, skin colour, race, culture are banned pursuant to applicable law and TP Ethical Code.

[HR14] Income distributed back among local communities

Not applicable – Telekomunikacja Polska's operational activities only involve Polish territory.

Communities

[SO1] / [SO4] Social involvement

Not only does social responsibility cover the business sphere, but also social charity spheres. Large organisations, such as TP Group have opportunities and necessary skills to actively affect methods of solving social problems.

The “Stay Close” strategic principle would be false if the company did not react to social problems visible in its environment. Our organisation features both business competence, which can prove useful for specific social activities, and – owing to shareholders’ approval for charitable activities – may use appropriate financial measures to address such problems. Shareholders each year during a General Meeting of Shareholders make decisions to create donation funds from some profits. It is thanks to these financial means TP Group implements its own social programmes and gives financial support to social organisations – foundations, associations and other institutions, including hospitals, organisations working with the disabled and handicapped, children’s homes, hospices, education centres and schools, as well as other organisations acting for the benefit of the society.

We are particularly concerned with our social programme being effective rather than spectacular, it is simply crucial for us that it brings desired effects. Therefore, we concentrate on analysing a specific problem and pay special attention to long-term actions to build relations with all parties which have vested interest in a problem.

Owing to its competence, Telekomunikacja Polska administers nationwide original social programmes aimed at helping in equalizing opportunities for access to modern education. Such programmes make up TP’s contribution towards building a Polish information society.

TP Group Foundation

The scale of social activities undertaken by TP Capital Group’s companies encouraged the group to establish TP Group Foundation. On the one hand, such a move fostered transparency by

Separating business activities from pro publico bono actions, on the other hand it allowed us to concentrate appropriate competence in one place. TP Group Foundation was established in September 2005 and started its social activities at the turn of 2005 and 2006.

The foundation took over implementing social programmes which had been administered by TP Group companies, moreover, it initiated some new programmes. The foundation supports important social initiatives and administers nationwide programmes whose aim is to help the most needy people and to equalise opportunities of access to modern education. Such actions first of all include help to children and young people (including the disabled) within the scope of healthcare, and teaching by means of new communications techniques, which is geared towards building an information society in Poland.

The Foundation also participates in numerous programmes and activities of non governmental organisations, hospitals and other public non-profit institutions by providing financial or material support, popularising telecommunications services, providing Internet access and involving its employees as voluntary workers.

Some of the most important initiatives to be implemented include:

The Internet Republic

Programme's outline

The Internet Republic is the largest Polish grant programme for local communities from country districts, whose aim is to build an information society by modern education and encouraging active approach among Polish country dwellers. We believe that country dwellers' involvement in implementing their own ideas shall unite local communities and will bring benefits in the future. We involve country districts into using the Internet as a tool for modern education and work for the benefit of their region. Grants of up to 50 K PLN and multimedia equipment are awarded to local Activity Groups so that this objective can be met.

The Programme provides for financing projects in the following topic fields:

- a) education and development – within this category we expect projects which teach how to use the Internet as a source of information (communication with the world, facilitating everyday life, finding appropriate work or school); these should allow to develop interests and enthusiasms, and give children from underprivileged regions opportunities to get proper education; they should also revitalise libraries turning them into education and culture centres which help create a patriotic approach
- b) our region – within this category projects are connected with ecology and modern agriculture (including EU funds' acquisition); popularising tourism and promoting a healthy lifestyle, as well as developing local culture, folklore and tradition
- c) integration and tolerance – projects submitted in this category aim at shaping tolerant approach and fostering social integration of various groups: the disabled, national minorities, excluded groups, e.g. the unemployed, old age and disability pensioners, mentally handicapped people, foster children, and encouraging equality of the sexes

The initiative is implemented in cooperation with the United Nations Development Programme, the first stage of the programme having been held under the auspices of the Polish Prime Minister.

Programme's effects to date

644 country districts (out of the total of 1595) submitted applications for subsidies for implementing local initiatives, which makes approximately 40% of all Polish country districts!

- 131 applications were admitted to the second stage of the Programme, during which local Action Groups streamlined their projects, their schedules and budget
- 70 grants of up to 50 K PLN were awarded to successful country districts (on 26 October 2006)
- 3.2 m PLN was the sum of total support to district so that they could implement successful projects; it was transferred in the form of grants and multimedia equipment

Education with TP Internet

Programme's outline

TP group consequently undertakes actions aimed at increasing access to broadband Internet in Polish schools. Therefore, TP initiated the Education with the Internet Programme in 2004, within which junior high schools and high schools could obtain Internet access for their IT laboratories at promotional terms. The Programme also involves teacher training to promote work making use of the project's method and encouraging use of the Internet as a tool which is indispensable for modern education. The programme is implemented in cooperation with the Ministry of National Education.

Programme implementation

The 2004/2005 school year had the "Switch Your School On" motto, which heralded an opportunity for schools to use broadband Internet access for a nominal fee of 1 PLN.

The 2005/2006 school year was announced as the “Safe Internet Year”. We have made e-safety package available to schools free of charge and we organised the “ok!internet” contest for young people.

The “A Child in the Network” campaign implemented in cooperation with No One’s Children Foundation aims at promoting responsible attitudes concerning using the Internet among the young. The campaign involved 16 voivodeship conferences and picnics for children, youths and parents. 17 tourist resorts were visited by Sieciakowóz – a special vehicle donated by TP.

Training dedicated not only to IT teachers, but also to other specialists was implemented in cooperation with the Warsaw School of Social Psychology [Szkola Wyższa Psychologii Społecznej].

TP Group Foundation was holding the Teacher Internet Academy in the 2006/2007 school year in cooperation with the Citizen Education Centre, thanks to which over 300 teachers may improve their paraprofessional skills via the Internet during the first year of the courses.

TP Group Foundation co-organised the second stage of the “School Without Violence” campaign in 2006, whose major objective was preventing violence and aggression in Polish schools. The campaign was initiated by Polskapresse Publishing Groups and Orkla Press Poland. School which have declared abiding by the Code for a school without violence since September 2006 shall be provided with help with administering activities preventing aggression.

Professional support is provided to schools concerning this difficult problem within the scope of the Campaign. They obtain methodical materials – also available from the www.szkolabezprzemocy.pl and posters. Schools implementing best and most interesting initiatives will be given grants allotted to educating teachers and students, the total sum of which amounts to 300 K PLN. It was thanks to TP Group Foundation’s involvement that it was also possible to organise conferences for schools participating in the Programme and contests for pupils.

Programme’s effects to date

- 12 000 schools make use of the TP permanent Internet access services
- nearly 4 m pupils enjoy permanent Internet access at their schools
- 134 teachers from 35 Polish schools have participated in training sessions on using new technologies for education, which were organised in cooperation with the Warsaw School of Social Psychology
- 300 schools were given grants for implementing interesting after school activities using the Internet within the scope of the Classy School Academy (Szkola z Klasą), each of which amounted to 1,500 PLN, and 20 most interesting projects of those were given a further 5,000 PLN for follow-ups in the next school year
- 2813 schools applied for the “School Without Violence” programme

According to the report by the European Commission, implementing this programme directly contributed to Poland being included, the only country among EU new members, into elite group of eight EU countries where over 80% of school computers are connected to the Internet.

Orange for the Earth

Programme’s outline

Orange for the Earth programme was directed towards teachers, junior high school and older students. Using the Programme they can learn together and cooperate to benefit the natural environment and local communities. The Programme aims at popularising pro-ecology attitudes and responsibility for the world around. We intend to promote attitudes of respect towards natural environment, cultural and religious diversity. We wish to help to live consciously in the modern world.

The programme presents sustainable growth as activities of people who use available resources consciously, responsibly, according to the knowledge, skills and values they have and develop, in order to provide the highest possible life quality to themselves and others, both now and in the future.

The programme is a follow-up for activities initiated by PTK Centertel. TP Group's Foundation's implementation of the programme is supported by the Expedition into the Depth of Culture Association and Our Earth Foundation.

Programme's effects to date

- several thousand people participated in the family picnic organised during Cleaning the World Days
- 477 schools from all over Poland participated in the Cleaning the Word Action
- 747 pictures were sent as entries for the contest for the most interesting picture documenting the action
- 11 895 posts were written by schools participating in the debate
- 100 most active schools which completed assigned tasks and declared their willingness of further cooperation takes part in the second stage of the programme
- 99 teachers from all over Poland have been trained during workshops on the project's method

Polish Talent

Programme's outline

Polish Talent is a scholarship programme directed towards the most eminent 3rd and 4th year students of technical departments (IT, telecommunications, electronics), whose aim is to promote technical and IT education among young people in Poland and to prevent the process of scientific and professional emigration and to foster equality of the sexes in access to technology-involving jobs.

The Programme is implemented in cooperation with the Polish-American Freedom Foundation and the Polish-American Fulbright Committee.

The programme is supported by Telekomunikacja Polska, PTK Centertel, and Wirtualna Polska S.A.

The Programme consists of providing support to 100 scholarship winners selected through an open scholarship contest. Contest laureates shall be provided with:

- 100 annual scholarships of 10 000 PLN,
- 100 high class notebooks with software
- annual subscription fee for the Business Everywhere service in the Orange network

The programme will also involve creating the Scholarship Winners' Club of the Polish Talent Programme, whose objective will be to integrate the community and to exchange experience during occasions such as an annual beneficiaries' meeting. Educational Enterprise Foundation administers the Programme.

Virtual Museum

Programme's outline

TP Group Foundation intends to promote and support Polish museum, popularise modern education and national culture. Virtual Museum is an innovative programme which helps museums create virtual exhibitions and facilitate visiting via modern telecommunications technologies, so that they are available to Internet users all over the world.

The programme provides for creating the www.wirtualnemuzeum.pl, where museum resources of our country will be presented. The portal will be launched as soon as the Programme has involved at least several museums. The Museum of Warsaw Uprising is the first institution whose collection will be transferred into the virtual world.

The concept of a virtual museum is unique not only in Poland but also all over the world. The project requires involvement of numerous specialists, historians, IT experts, who will cooperate on creating Internet museum expositions.

The Virtual Museum of Warsaw Uprising will be held under honorary auspices of the Global Association of the Home Army Soldiers.

Wirtualna Polska S.A. is the contractor responsible for executing the project of Virtual Museum of the Warsaw Uprising.

Programme's effect to date

- the www.wirtualnemuzeum.1944.pl was launched on 1 August 2006, which allows to visit a part of the collection of the Warsaw Uprising Museum
- "Plan W" was launched at www.wirtualnemuzeum.1944.pl 2 October 2006, which is an internet documentary presenting work on the Virtual Warsaw Uprising Museum
- approximately 600 visits were recorded in August 2006 at the Museum website service

Telephone to Mum

Programme's outline

Telephone to Mum consists in fitting colourful telephones in children's wards of Polish hospitals, so that little patients can use them free of charge thanks to their phone cards. TP has been sending telephone card packs to all hospitals participating in the programme to facilitate contact.

"Telephone to Mum" is an original project which has been implemented since 2003 and presently covers over 1000 Polish hospital wards, i.e. virtually all children's wards. The project is long-term. It has been prepared on the basis of public opinion surveys and consultations with specialists as an answer to a specific social problem – restricted opportunities for parents to contact their hospitalised children. The project largely makes the best of the Company's competence in telecommunications services, activates TP Group's employees and promotes voluntary work.

Programme's effects to date

- 1061 installed telephones, which means that they operate in virtually all Polish children's wards
- 16 000 free telephone cards handed to children on a weekly basis
- 430 000 free cards which have been handed to children to date
- 800 000 children could make their "Telephone to Mum" calls
- 19 m minutes were used by little patients talking to their near ones
- 3.8 m PLN is the value of cards which have been donated to date within the scope of the Programme
- 3 000 packs with books and drawing instruments were donated to hospital day-care rooms
- over 500 TP workers have helped voluntarily to implement the programme

The Programme has been a laureate of numerous prestigious awards both Polish and international. Last year European SABRE Awards 2006 in the Community Relations category awarded during one of the most prestigious PR trade contests was added to the list. "Telephone to Mum" was also the first and only Polish practice to have been accepted for the European MarketPlace at the CSR fair in Brussels in 2006.

Dream Sounds

Programme's outline

Each year approximately 700 Polish children are born with hearing defects. A half of them suffer from profound hearing defects. Many have no opportunities to be rehabilitated in their place of abode. All these children need hearing aids and require systematic rehabilitation so as to be able to keep pace with their hearing peers in the future. "Dream Sounds" Nationwide Rehabilitation Programme for Children with Hearing Defects provides little children with hearing defects with specialist help from the first months of their lives, i.e. when chances for successful treatment are greatest.

The following activities are implemented within the scope of the programme:

- Hearing Aid Banks were launched, where families can rent hearing aids for their child at the moment a hearing defect is confirmed
- we finance home rehabilitation for the children for whom therapy cannot be undertaken in specialist centres
- we finance rehabilitation session for children and their guardians so as to improve hearing functions and to provide parents with support
- we finance specialist training for rehabilitation coaches, Parents and guardians

The programme also aims at popularising knowledge on the necessity to start therapy for young children with hearing defects as early as possible, and at raising social awareness with respect to development requirements of young children with hearing defects.

The programme is dedicated to youngest patients, aged 0-3 (aged up to 6 in case of linked disability). The programme is implemented in a cooperation with Exploris Rekreacja i Szkolenia.

The programme is under honorary auspices of the Minister for Health.

Programme's effects to date

- 12 Hearing Aid Banks throughout Poland
- 216 hearing aids for young children with hearing defects donated to Banks
- 148 children provided with home rehabilitation
- 74 rehabilitation coaches from all over Poland participate in home rehabilitation
- 6 Rehabilitation Sessions (14-day) for 94 children and their families
- 60 specialists working with children, the specialists equipped with rehabilitation devices
- 2 training sessions for 40 rehabilitation specialists
- 42 therapists participated in the training session on the comprehensive verbal method, administered by Belgian specialists
- a very successful 1st International Science Conference programme during the World Day of the Hearing-Impaired

Internet Smile

Programme's outline

The idea of the programme consists in creating conditions to foster children's education for those whose hospitalisation is long-term due to their illness. We have been creating mini computer laboratories in hospital school classes. Each computer lab consists of four computer workstations with Internet access, all of which equipped with educational software (including the protection by anti-virus programmes). Laboratories are also furnished with colourful desks and chairs with the programme's logo.

Programme's effect to date

- 40 "Internet Smile" laboratories operating in children's wards
- 160 computers with Internet access to be used by little patients
- 60 further Internet laboratories to be installed until December 2006

Mutual support

Programme's outline

The "Mutual Support" Fund is a help fund dedicated to TP Group Employees which offers support in difficult health, family and life situations. The Project complements employee social funds in TP Group companies.

Each taxpayer has had an opportunity to donate 1% of their Personal Income Tax to a social cause. At the beginning of 2006 the TP Group Foundation held an campaign in which it encouraged TP Group employees to join the "Mutual Support" Foundation's programme by donating 1% of their tax to Foundation's programmes.

Programme's effect to date

- 99 059 PLN was collected from employees' 1% tax donations

The money is successively given to TP Group's employees, and their families who found themselves and a difficult predicament – 7 persons were provided with help in 2006.

Donations to other non-governmental organisations

Not only does the Foundation implement own programmes, but it also supports and finances numerous social initiatives organised by third sector institutions in Poland. Our donation policy involves a long term cooperation with Polish largest charity organisations – i.e. PCK, Caritas, Synapis, Polska Akcja Humanitarna, Archidiecezja Warszawska.

The foundation actively participates in social life and is involved in events which are important for the whole country. Pope Benedict's XVI visit and help to victims of the Katowice construction disaster are two example of such activities.

Other charity campaigns and lines

Telekomunikacja Polska is always ready to participate in socially significant campaigns. TP has been supporting Wielka Orkiestra Świątecznej Pomocy since the very beginning of that campaign. Every year we issue 100 golden telephone cards to be sold during auctions during the Great Final and a series of special telephone cards, we also donate income from telephone lines.

During the XV Final in 2006 we collected money for saving health and lives of children who were victims of car accidents and for first year training. Nearly 300 000 PLN was collected from the golden card auction and 30.5 000 PLN was collected for card No. 1. Orange customers sent over 89 000 SMSs to support Wielka Orkiestra Świątecznej Pomocy, which produced the sum of 450 000 PLN, and 10 175 people called the TP 0400 407 407 401 charity line, which produced the sum of 41 310. 5 PLN.

Golden telephone cards were firstly donated to an auction during the 6th Wielka Orkiestra Świątecznej Pomocy Final. Every year over 100 such cards are produced, each of which has its own number and certificate. It is a tradition that card no. 13 stays with the WOŚP Foundation. Cards are gilded with 24-carat gold, their production is commissioned by Telekomunikacja Polska for Wielka Orkiestra Świątecznej Pomocy. Over 1 m PLN has been collected for saving children's lives and health for the last 8 years.

Educational exhibitions

"Discovering time"

This is the next science and discovery project in which TP has been involved after the "Brain" exhibition of 2005. The exhibition was prepared by the National Museum of Emerging Science and Innovation Miraikan of Tokyo and was a part of celebrating the Global Year of Physics, established during the 50th anniversary of Albert Einstein's death and 100th anniversary of announcing the relativity theory.

Exhibition's authors presented time as an abstract and subjective notion, but also as a scientific one. The exhibition was divided into three parts: "Man and time", "Time recorded in nature", and "What is time?"

Cutting edge technology allowed visitors to personally experience what Einstein's relativity theory is, "go back in time" to the beginning of the universe and see its end, and to observe light travelling through space. The exhibition featured exhibits including, but not limited to, an atomic clock, breathless capsule, special telescopes for observing light travelling through space and a treadmill for testing relativity theory.

The exhibition was held under the honorary auspices of: the Minister for Education and Science, the Minister for Culture and National Heritage. The exhibition was open in the Palace of Science and Culture in Warsaw from 27 February to 29 October 2006.

"COMMUNICO ergo SUM"

TP also co-organised the "COMMUNICO ergo SUM" exhibition. The exhibition, which was brought to Poland from Citta della Scienza, presents various forms of communication – from body language and verbal communication to satellite television and mobile telephony.

Employing interactive installations, the exhibition presents various communication methods and makes visitors fully aware of telecommunication's importance to men and their environment. It is divided into five thematic sections. Visitors enjoy an opportunity to participate in the process of creating information bulletins and creating information services for TV and radio. They can also discover ways of communications by means of verbal and non-verbal messages, discover intricacies of the body language and ways to send messages by means facial expressions, gestures and intonation, learn about history of discoveries and inventions that prove the most popular media for messages – telephone, telegraph, radio, TV, and a computer. The exhibition is held in the Palace of Science and Culture from 16 November 2006 to 15 September 2007.

Charity telephone actions

Such lines were facilitated to the following organisations in 2006:

- Wielka Orkiestra Świątecznej Pomocy Foundation, for collecting funds necessary to purchase medical equipment for children's hospitals during yet another WOŚP Final
- "Dzieło Nowego Tysiąclecia" ["Work of the New Millennium"] Foundation, which collects money during Pope Day for scholarships for talented children coming from underprivileged families
- Hospice Foundation, which implements the "Hospice is Life" action for maintaining care centres for the terminally ill
- Anna Dymna's "Mimo Wszystko" ["In Spite of Everything"] Foundation for administering workshops
- Civic Committee for restoring St Catherine's Church for restoring a historic church destroyed during a fire
- many other organisations

Moreover, we have been providing free 0-800 ... lines to charitable community campaigns – these info-lines are free for callers. Such lines are typically provided to cater for nationwide campaigns benefiting children and information centres for areas afflicted by natural disasters. A line of this type received calls from the needy and from the donors alike during the "Pomóż Dzieciom Przetrwać Zimę" ["Help Children Survive Winter"] action.

Such lines are also used by the ITAKA Foundation, which searches for lost people; Gdańsk Hospice Foundation, informing about an opportunity to donate 1% of PIT to Polish hospices; Polish-American foundation, which administers student voluntary programme, Voluntary Centre Association – a so called orange phone which helps to establish contact between voluntary workers and organisations which need them.

TP received a honorary "Martynki" statute from the Synapsis Foundation in February 2006 – "a symbol of good, virtuous and beautiful activities". The award is a way to thank TP for long term fruitful cooperation. TP has been supporting the Foundation in its activities benefiting autistic children since 1999.

Voluntary work

Telekomunikacja Polska has been creating social programmes based on its own services and employees' voluntary work, but it is also involved in nationwide charitable actions.

TP has been cooperating with the Voluntary Centre Association, the largest and the most experience organisation dealing in propagating the ideas of voluntary work in Poland, since 2003. TP has provided the 0 800 300 594 info-line free of charge to the network of Centres, it also supports statutory activities of the association and its information actions – including the “Helping Strengthens” campaign.

TP has been a strategic partner for the Business Voluntary Work programme. The programme is used to exchange experience among companies within the scope of propagating the idea of employees' voluntary work and provides support for volunteer employees.

TP has also held employee volunteer programme for four years and has been inviting its employees to join all projects of charity and educational type implemented within the TP Group. So far over 700 TP employees have been involved in various social actions. Voluntary workers have also been preparing their own projects of helping children and the company has helped to implement them. Since 2004 the Company has been organising a contest for its voluntary workers in order to select best local ideas benefiting children. 10 best projects are awarded. The company provides them with grants of 4 000 PLN.

TP employees have been actively participating in all charity and educational projects organised by TP. TP voluntary work is a good example of utilizing company employees' enthusiasm and involvement in helping other people.

TP employees were awarded a prestigious distinction in the “employee voluntary work” category during an annual Voluntary Gala in December 2003. Three voluntary workers were pronounced Personalities of the Month – a title awarded by the Business Voluntary Work to employees whose involvement and activities are geared towards helping the most needy people, and who are supported by their companies.

Telekomunikacja Polska was awarded a prize for supporting Polish Voluntary Centres during the Voluntary Gala of 2007. The gala concludes the “Voluntary Work Colour” contest organised in 2006 for the sixth time by the Voluntary Centre Network in Poland.

Student internship in TP

Telekomunikacja Polska has been offering pre-graduate students who meet the Company's expectations, numerous internship programmes. They help students complete their theoretical knowledge they obtain from their universities, which improves their chances at the job market. In total, several hundred students take their internship in TP every year. Internships are organised throughout Poland in all field of TP's activity.

The group of interns who joined TP also included those who participated in the “You Are Playing to Get Internship” programme. Participating in the “You Are Playing to Get Internship” traineeship and internship programme, which is organised by Pricewaterhouse Coopers and “Gazeta Wyborcza” and dedicated to best university students and graduates, is one of the fields that TP considers particularly important. TP has been the greatest internship founder for the programme since 2005. 24 laureates participated in internship programmes in various business fields of our company in 2005, 22 laureates were admitted in 2006 and we will admit 27 laureates of this prestigious contest in 2007.

For the following 3 years, we will also be one of the sponsors of the world largest competition for students and managers – i.e. Global Management Challenge – Euromanager.

Moreover, we have been cooperating with France Telecom in organising the Telecom Talent competitions dedicated to the best university students and graduates of technological and economic faculties from last year. One of the criteria required for participating in the competition is very good knowledge of French and English.

It is, inter alia, thanks to these internship programmes and other projects dedicated to students, and despite a difficult restructuring TP has been going through for some years, that students have considered our Company one of the most desirable employers. Telekomunikacja Polska came second in the nationwide "Career with Employer 2005" ranking, having been surpassed only by PTK Centertel from the TP Group.

TP also came seventh in the ranking of the most desirable employers for engineers organised by the Engineer Databank. We are among the companies who come at the top of the league of the Employer of the Year competition organised by AIECES for companies which are most desirable prospective employers for students. We came first in the Employer of the Year contest in 2003, in 2005 we came 10th. TP was ranked at the following positions in previous years: 2002 and 2004 – 4th position, 2001 and 2000 5th position, 1999 and 1999 -9th position. This proves our image in students' eyes has surpassed not only Polish companies, but also international, globally renowned concerns.

Talks About Good Business

The second edition of the Talks about Good Business project was held in 2006, partners of which were The Forum for Responsible business and United Nations Development programme. The project was organised under the honorary auspices of the Chairperson of the Office for Competition and Consumer Protection. Business dialogue was the main subject of the second edition of those meetings. Participants of the meetings attempted to answer the question concerning a company's role in a local community and why social dialogue in Poland proves to be so difficult.

At the same time a summary of the first of meetings was published in 2006 within the scope of Discussions about Good Business.

Self-government Investment Forum

A series of meetings was continued within the scope of the Self-government Investment Forum in 2006. It is a carefully prepared programme of seminars within the scope of the Self-government Investment forum. Their subject focuses on:

- presenting the state of investments in Poland (reasons for investing)
- investors' expectations concerning self-government's opportunities
- investment offer of territorial self-government units – accounting for infrastructure expectations – building competitive advantages
- investment risk and analysing investment attractiveness (elements of the process of making decisions concerning investments)

The Forum is a practical and creative meeting – it presents Polish experience and encourages people to come to common conclusions and to look for practical opportunities to undertake public and private ventures in Poland.

92% of participants highly or very highly assessed practical aspects and usefulness of presented subjects and 90% of participants highly or very highly assessed their satisfaction with participating in the Forum.

Sports education

TP has not only been engaged in charity and education actions but it has also supported sports people. We have been trying to participate in most important events exciting the majority of Poles, but we have also been close to efforts of those who only just began their sports competition.

We have been supported our national teams but we do not forget about help for the disabled and sports education of young people. TP has also been the major sponsor of Polish Football Team since 2002. Polish footballers have always given us a plenty of excitement, irrespectively of their results.

TP Football Cup for Children

Telekomunikacja Polska has been cooperating with Polish Football Association in bringing new generations of footballers up. We have been supporting youth national teams and we have been trying to organise Polish largest football games for children for 5 years – TP Marek Wielgus Football Cup for Children.

TP Cup is a sports event with a twelve-year tradition. It is one of the largest football events for children in Poland and has been popular among school teams and students' sports cup.

The rationale behind the tournament has been propagating a healthy lifestyle and caring about children's physical development. Not only does the tournament help educate, but it also helps notice real talents and prospective players among participating children.

Every year more competitors take part in the tournament organised by the Polish Football Association, which proves the tournament to be very popular, but also suggests that football is very popular among children. A record number of 1.9 thousand teams from all over Poland have participated in the tournament since 2006, i.e. nearly 20 thousand boys and girls from all over Poland.

The Cup was held under the honorary auspices of the Union of European Football Associations in 2005. Lennart Johansson, the president, who came to the final of the tournament in Kutno was greatly impressed. I am really heartened by what I saw in Kutno. Teams competing for the title of a Polish champion were given an opportunity to play fairly in excellent conditions, he concluded after the final match had been finished.

Winners of the TP Cup are awarded the title of Polish 11-Year-Old Football Champions and numerous prizes, including a team trip to a match of the Polish Football Team, sponsored by TP.

The eleventh TP Marek Wielgus Football Cup for Children in 2006 was connected with two important football events: Polish participation in the World Cup in Germany as well as Polish and Ukrainian attempts to organise EURO 2012 European Football Championships.

Special Olympic Games in Poland

Telekomunikacja Polska also supports sports activity of the disabled. It has been a Strategic Partner of the "Olimpiady Specjalne Polska" ["Special Olympic Games Poland"] Association for 13 years. We have been supporting sports events for disabled young people within the scope of our patronage.

Special Olympic Games is an international movement offering a rehabilitation and sports programme directed to mentally handicapped people. Over a million mentally handicapped children and adults have now been training and participating in sports events all over the world.

It is Special Olympic Games' mission to organise training sessions and various Olympic sports events for mentally handicapped children and adults, so that they can develop physically better, show their courage, experience joy and share their talents, skills and friendship with their families and other players.

The Special Olympic Games Movement was created in the USA in 1968. The founder was Eunice Kennedy Shriver, a sister of John F. Kennedy, the President of the USA. Millions of mentally handicapped children and adults have had an opportunity to participate in games of this type since 1968. The programme has been officially recognised by the International Olympic Committee and has an approval to use the name "Olympic Games" and Olympic ceremony. The Programme has been held in nearly 150 countries all over the world and new branches are being constantly established. The idea of Special Olympic Games reached Poland in mid 1980s and was met with great enthusiasm by communities which every day work with the mentally handicapped.

Telekomunikacja Polska has been supporting Special Olympic Games for 13 years. Our cooperation started in 1994 with sponsoring 3rd Nationwide Special Olympic Winter Games in Bydgoszcz. TP annually supports organising over 100 local events and several dozen nationwide competitions. The company's help has allowed organisation of sports events, thanks to which more and more Special Olympic Games' participants can check skills they obtained during training sessions and enjoy participation in sports competition. It is thanks to donated gifts that each participant may receive a prize for participating in the game and thanks for the effort they put into everyday training sessions.

In 2001 during a Football Gala organised within the scope of the European Football Week, our company was awarded the statue of a "Special Friend", and in 2003 we were given a silver medal for a Special Friend of Special Olympic Games' Association granted to companies all over the world, which support the movement of these Olympic Games. TP was also among 40 companies, offices and friends of the Association, who were awarded the "Special Friend" of Special Olympic Games distinction during the 20th anniversary of Special Olympic Games in November 2005.

Polish cultural heritage

The responsible approach of the company must be based upon respecting the environment in which the company functions. This respect also refers to real estate it owns, which are included an element of the National Heritage. Not only do we try to minimize the influence our business activities exert on historic buildings, we do our best to make sure the buildings are in the best possible state and may enrich future generations.

It seems a must to mention a brick building in Brześć Kujawski (kujawsko-pomorskie voivodeship) as one of the valuable TP owned objects requiring special attention. It was built on the foundations of a 14th century castle when the Kingdom of Poland was ruled by the most famous person to have originated from Brześć, i.e. King Stanisław Łokietek (1260-1333) and his son Kazimierz Wielki (1310-1370). A prison was built in its ruins, which was rebuilt into a school at the beginning of the 20th century. A post office and a telephone switchboard were located in the 1980s. It is presently used by the Office of the District and a Post Office.

A three-storey tenement house from the 15th century, rebuilt at a turn of the 18th and the 19th centuries and located in Sandomierz (Poniatowskiego 1) is yet another historic TP owned building. TP purchased it from PSS "Społem in 1996 and, having administered archaeological works of 1999-2000, it had it generally renovated. All works were consulted with the Voivodeship Historic Building Restorer. TP received a prize from the Voivodeship Historic Building Restorer and the Deputy Minister for Culture in the contest for the Neatest Historic Building AD 2004 organised under the auspices of the President of the Republic of Poland.

TP also own a historic building complex in the Old Town of Gdańsk, within the perimeter of the following streets: Długa, Pocztowa, and Ogarna, which is recorded in the historic buildings' register as a historic urban model. At the turn of the 20th and the 21st centuries Telekomunikacja Polska provided funds for the renovation of these tenement houses' elevations.

The historic building complex in Bytom also deserves attention. It comprises an office building, a Main Post Office Building with a neo-Renaissance style warehouse erected in 1908 according to the project of Otto Pein of Wrocław, a magazine, technical support building and 20 sheds. The complex is one of the oldest European examples of using reinforced concrete.

Were we to choose buildings whose importance for the history of telecommunications and Polish history is greatest, we would have to go refer to those in Kraków and the Warsaw Prague. In Kraków, TP is a co-owner of a post office building at Wielopole 2, which is a unique example of unique architecture in former Galicja. The neo-Renaissance building was erected in 1889 according to F. Setz project. It was soon turned into the Main Office. The fact that it was fitted with the first automatic Dietel system switchboard guarantees it a place in the history of Polish telecommunications. As far as Warsaw is concerned, there is a building at Brzeska 24 which before the second world war belonged to TP predecessor – i.e. Polska Akcyjna Spółka Telefoniczna (so called PASTa). During the Warsaw Uprising of 1944 Polish Home Army units engaged in fierce combat was with German Nazi troops in order to control the building. A memorial plaque and preserved bullet holes clearly visible in building's walls are reminders of that time. TP helps to preserve the memory of those events by maintaining the historic building and making sure that meetings with participants of war-time events and self-government authorities are organised annually, which is very positively viewed by the community of veteran soldiers, local authorities and local inhabitants.

While writing about TP owned historic objects, the "Pod Żurawiem" ["Under the Crane"] Granary in Kazimierz Dolny must also be mentioned as a particularly valuable object owned by TP Edukacja i Wypoczynek Sp. z o.o. Preserved data suggests that the object was built before 1623 "at the reef" by a historic port of Kazimierz. A general renovation of the object was commenced in 1870, which was headed by a famous architect Zuchert. The granary was turned into nail factory in 1883 and burnt down at the end of the 19th century.

The Ruciński family turned the ruins of the granary into their house. It underwent major renovation in from 1989 to 1993, and presently the building houses a training and holiday centre.

Our aspiration to find harmony between business activities and respect for historical and cultural values is reflected in the Neatest Historic Building 2004, and in being nominated to the Nationwide Open Contest "Modernisation 2004" (January 2005) for modernising two TP buildings in Sosnowiec.

Corruption

[SO2] Preventing unethical behaviour

The Ethical Code introduced in TP in 2006 categorically denounces unethical behaviour. It includes rules and regulations for relations between individual groups of stakeholders.

Apart from general principles included in the Ethical Code a supplementary document was introduced to establish ethical rules and regulations which should be guidelines for each Purchase Organisation's employee in both direct and indirect contacts with the provider. It is, inter alia, to guarantee impartiality that no member of a purchase organisation can receive, and certainly cannot demand any benefits that would establish a relation of dependency of any type on a provider, consultant or competitor. In special circumstances it is only allowed to occasionally accept symbolic gifts of moderate value, however, it is advisable to inform one's superior manager about such a fact. A gift whose value exceeds symbolic value should be returned to a donator and be accompanied by a letter describing ethical principles adopted by TP.

Within the purchase sphere, clearly specified principles are applicable during every stage of the process, which have been specified by TP S.A. Management Board's resolution and internal procedures of the Purchase Department. The Procedures aims include, but are not limited to, guaranteeing providers equal terms in purchase proceedings, as well as securing confidential nature of trade information which is circulated.

The purchase process is implemented as a team action which covers numerous TP organisational structures. Acceptance procedures feature many stages and levels. The purchase process is monitored and requires reports.

Implementing the e-Procurement class system in TP was preceded by analysing provision processes. The implementation scope included electronic support for document circulation for purchases of all types, from simple administrative purchases to complex investment purchases. The project was based upon the Enterprise Buyer Professional (EBP) application by SAP, which allows one to aggregate purchases in a dispersed company structure. The application also supports trade merchandise distribution among the outlets of the TP sales network. On the one hand, such a solution allows to obtain significant savings on centrally negotiated purchases, on the other hand it allows to eliminate the risk of unethical behaviour.

In case of ethical doubts or discovering unethical behaviour employees should refer their queries to the Ethical Adviser (send their queries to the commonly available e-mail address). Any such message will be analysed carefully. Introduction of a new "whistle-blowing" system to inform about unethical behaviour while staying anonymous is scheduled for 2007.

Political involvement

[SO3] Lobbying and political activity

TP has been a member of the Polska Izba Informatyki i Telekomunikacji (PIIT) [Polish IT and Telecommunications Chamber], Polska Konfederacja Pracodawców Prywatnych [Polish Confederation of Private Employers] "Lewiatan" and the European Telecommunications Network Operators' Association, through which TP's opinions on suggested solutions are voiced, confronted with opinions of other members and, in some cases, becomes involved in lobbying activities. TP ethical principles cherished by TP provide for absolute political neutrality of the organisation.

[SO5] Donations for political organisations

Telekomunikacja Polska and its subsidiaries abide by the principle of political neutrality and do not give financial support to any political parties. Applicable Ethical Code provides for abstaining from giving funds to political parties or other organisations whose character is political.

Competition and prices

[SO6] / [PR10] Regulatory and antitrust proceedings

The following penalties (chronologically) were imposed by the Chairwoman of the Urząd Komunikacji Elektronicznej (UKE) [Electronic Communications Office]:

- 27 July 2006 – 1 m PLN for a lack of information on the price before initiating audio-text connections of increased charge. It was imposed after TP, probably the only Polish operator, had concluded implementing so-called pre-statements of the price before all types of connections of increased charge. The Regulator was successively informed about progress in works, however, no reservations were reported.
- 1 August 2006 – 200 K PLN for overpriced charge for transferring a number to another operator's network. A single fee charged by TP for the service had been calculated on the basis of actually incurred costs. The basis for its establishment were defined costs of activities. Calculating service provision costs was made on the basis of the process cost calculation methodology implemented and employed in TP. Eventually on account of social issues, TP lowered the net fee to 50 PLN despite high costs it incurs concerning provision of the service.
- 22 August 2006 – 50 K PLN for failing to present a quotation for the "telephone accompanying the plan" promotion for approval. The promotional action aimed at selling off stocks of old phones with unchanged other telecommunications services throughout the promotion time. According to TP telephone sales cannot be considered telecommunications services consisting in transferring a signal within a telecommunications network, which is why the Company was not obliged to present the quotation, nor rules and regulation for the promotion to the UKE Chairperson, pursuant to article 48 of the Telecommunications Law. Costs of such promotions are not included into costs of providing services because these are commodity costs rather than service cost.
- 14 September 2006 – 3m PLN for a lack of a nationwide directory. The UKE Chairperson punished TP for failing to abide by the decision of the URTiP [Office for Regulating Telecommunications and Post] Chairperson of 14 December 2005 obliging TP to provide nationwide information on phone numbers. After the URTiP decision has come into force, TP sent 58 telecommunications entrepreneurs applications for cooperation in meeting the obligation imposed. A staggering number of 11 operators failed to provide any answer whatsoever and some others specified numerous conditions. In September 2006 TP applied to the UKE Chairperson for issuing administrative decisions specifying terms of cooperation with the operators which had failed to answer TP's offer, and made an offer for settling the accounts. Respective proceedings are still held in UKE. As of the end of 2006 the service of providing information on phone numbers covers data from 38 operators. Negotiations with some other operators are coming to fruition. TP obviously does not try to evade its obligations, however, meeting it is impossible without a will and a cooperation from all operators. Sadly enough, it is only TP that is the object of UKE's interest and the only telecommunications operator to have been imposed a penalty with this respect. We have been doing our best to make sure that the directory database includes subscribers' data from all operators.
- 25 September 2006 – 100 m PLN for lack of transparency in specifying prices for neostrada and telephone subscription. UKE publicly declared in the media that a penalty was imposed on TP for failing to split broadband Internet access from telephony services within the specified time. However, the main argument in the justification of imposing the penalty was a "lack of transparency within the scope of individual fees for services connected in one offer", which was registered on the basis of services' rules and regulations rather than cost analysis. Nevertheless, a former cost audit in TP did not show any irregularities within the said scope. On 21 May 2007 the Consumer and Competition Protection Court overruled UKE's decision of 25 September 2006 concerning imposing the 100 m PLN penalty.

- 22 November 2006 – 100 K PLN for failing to present the quotation for TP start neostrada for approval. UKE's wishes to control and approve quotations as well as rules and regulations for tp neostrada, however, according to the stance of the European Commission, the broadband Internet mass access is not to be regulated. European Commission recently vetoed projects of two UKE's regulatory decisions due to the fact that the Polish regulator wanted to obtain competence to interfere in TP broadband services, which would be extraordinary in the European Market. The European Commission's representative recently gave a reminder that UKE cannot regulate the broadband access market and impose respective penalties (after the date of this report, i.e. in 2007, the UKE Chairwoman imposed on TP other penalties referring to neostrada tp).

Moreover, the UKE chairwoman decided about appointing TP as the operator providing public services, TP was also chosen to provide the nationwide directory and the list of subscribers. TP was also declared to be the entity with a significant market position in markets 8 and 9 (starting and ending connections within the TP network), by UKE Chairwoman's decisions, TP Emitel was declared to be an entity with a significant market position in market 18, while PTK Centertel in market 16. Framework agreements were drafted referring to: merging networks, pipes for cables, local subscriber loop, bistream Access.

The Urząd Ochrony Konkurencji i Konsumentów (UOKiK) [Office for Consumer and Competition protection] issued the following decisions referring to TP in 2006:

On 23 January 2006, The District Court in Warsaw, the Consumer and Competition Protection Court changed UOKiK Chairperson's decision of 22 June 2004 stating that TP had been engaged in practices against consumers' collective interest by failing to inform subscribers using TP Internet packages about connection limits they have used up. The court supported the appeal and stated that lack of such information from TP does not make a practice which violates consumers' collective interest pursuant to article 23a of the Act on Protecting Consumers and Competition of 15 December 2000. The court accepted TP's arguments stating that a lack of such an opportunity for subscribers using package services neither breaches telecommunications law nor general provisions of civil law. Moreover, the court confirmed that TP had met its obligation to provide full, reliable and truthful information about the way of providing the service with respect to the service in question.

On 20 March 2006, the UOKiK Chairperson partly changed their decision of 30 March 2005 concerning imposing a penalty of 4,202,091 PLN for a delay in meeting obligations imposed on TP with UOKiK's decision of 27 April 2004 concerning the Blue Line. In result of TP's appeal against some of the obligations which had been performed, the UOKiK Chairperson decreased the penalty to 1.2 m PLN. Proceedings aimed at clarifying the way to meet other obligations have been in progress in order to issue the later part of a new decision. Although the final decision has not been reached at, TP has already paid the penalty of 1.2 m PLN.

Consumer and Competition Protection Court's ruling of 26 April 2006 overruled UOKiK Chairperson's decision of 20 February 2004 on violating consumers' collective interest with respect to providing audio text services (diallers). UOKiK Chairperson passed a decision which immediately came into force imposing a number of obligations aimed at removing consequences of the practice that according to the court were inadequate to pinpointed breaches because of irregularities in proof proceedings. UOKiK Chairperson is obliged to adjudicate anew in the case in question.

On 30 May 2006 the UOKiK Chairperson passed a decision, to be immediately put in force, which announced competition restriction practices and imposed a penalty of 12.2. m PLN, which was appealed by TP to the Consumer and Competition Protection Court. The decision resulted from proceedings instigated on 1 October 2005 with respect to a scheduled rise in prices of services provided for 0-70x 1xx xxx numbers concerning establishing whether rules and regulations for cooperation between TP and other operators providing it with services within the scope of 0-708 1xxx xxx as well as rules and regulations for shaping prices of connections with 0-708 1xxx xxx may constitute a breach of provisions of the act on consumer and competition protection.

On 10 October 2005 the UOKiK Chairperson passed a temporary decision that obliged TP to immediately restore prices for the first tariff (T1), which was in force until 30 May 2006. The temporary decision was overruled by the Consumer and Competition Protection Court on 31 January 2007.

In result of the appeal from the UOKiK Chairperson of 8 November 2006, the Court of Appeal overruled the ruling of the District Consumer and Competition Protection Court of 10 October 2006 (XVII Ama 4/04), which did not state any abuse of the dominant position, which had been ruled in UOKiK Chairperson's decision of 23 December 2003, and passed the case to be retried by The Consumer and Competition Court. According to the UOKiK Chairperson, abusing TP's dominant position consisted in TP's arbitrary, i.e. without a subscriber's concession, ability to change conditions for providing telecommunications services in digital network with services' integration (ISDN) during the term and impose a condition in contracts for providing telecommunications services with services' integration (ISDN), according to which changing the amounts provided for in the quotation for providing these services does not constitute a change in a contract's content, which was penalised by UOKiK to the amount of 7 m PLN. Consumer and Competition Protection Court changed UOKiK's decision stating TP was not guilty of exercising practices it had been accused of in the decision. The Court of Appeal stated that a justification of Consumer and Competition Protection Court's adjudication features significant faults which practically prevent instance control of the adjudication.

The antitrust case instigated by Antillephone N.V., Antelecom N.V. with the UOKiK Chairperson in 1997 consisting of refusing to make automatic international audio text connections, where a decision stating TP's practice was passed on 15 September 2000 with a penalty of 1 m PLN has not been concluded. Following a ruling from the Consumer and Competition Protection Court which sustained UOKiK's decision, after further proceedings resulting from overruling the unfavourable penalty by the Supreme Court on 24 May 2004, the Consumer and Competition Protection Court passed a ruling confirming TP as being guilty of the said practices. TP appealed against the Court's ruling to the Court of Appeal on 25 August 2005 on the grounds that the Consumer and Competition Protection Court having failed to administer proof proceedings that had been recommended by the Supreme Court. The Court of Appeal overruled the appeal on 30 June 2006, as a result of which TP petitioned the Supreme Court to revoke the sentence.

On 16 July 2006 the Supreme Court overruled the revocation petition made by TP on 22 March 2006, as a result of which the decision by the UOKiK Chairperson of 16 July 2003 came into force, which concerned TP abusing its dominant position in the market of providing telecommunications services within the fixed network through the 0-801... number, by collecting the basic subscription fee apart from the monthly subscription fee for using a number "at a customer's special request". The above resulted in resolutions being passed to liquidate fees for a number "at a customer's special request" in the service quotation and to make appropriate corrections in rules and regulations for providing services.

The Consumer and Competition Protection Court passed a ruling on 21 March 2005, which overruled TP's appeal against UOKiK Chairperson's decision of 5 January 2004. The Court ruled that TP evades entering into operator cooperation contracts with telecommunications operators authorised to provide Internet access services (ISP), whose provisions would guarantee equal conditions for ISPs and TP for providing services in the computer Internet access market. According to the Court such practices prevent conditions which are necessary for creating and developing competition which violates article 8 of the act coupled with article 8 paragraph 2 point 5 of the Act of 15 December 2000 on customer and competition protection. Consequently the court imposed a penalty of 20 m PLN.

On 26 April 2005 TP appealed against the sentence of the Warsaw District Court, the Consumer and Competition Protection Court of 21 March 2005, objecting to the all aspects of the sentence. On 14 March 2006 the Court of Appeal changed the Consumer and Competition Protection Court's sentence completely by stating that TP was not guilty of monopolist practices and overruled the penalty.

On 19 October 2006, the Supreme Court accounted for the revocation complaint lodged by the UOKiK's Chairman against the Court of Appeal's sentence and revoked it, transferring the case to be retried by the Court of Appeal.

On 28 March 2006 the UOKiK Chairperson passed the DOK 29/2006 decision imposing a penalty of 5.7 m PLN on TP for arrears in abiding by the UOKiK Chairperson's DDI 36/98 decision ordering to stop monopolist practice of charging overpriced fees for inter-zone connections for distances exceeding 100 km. The UOKiK Chairperson's decision was repeated in this case after the penalty of 54 m PLN, imposed with the decision of 26 January 2001, had been overruled by the Consumer and Competition Protection Court.

On 12 April 2006 TP lodged an appeal against the Court's decision, in which it supported arguments concerning abiding by the decision of 1998.

Between 2003 and 2006 the UOKiK Chairperson held proceedings concerning TP's breaching the Act on Consumer and Competition Protection within the scope of abusing the dominant position and violating consumers' collective interests by preventing the use of telephony connections provided by alternative operators to subscribers of TP's social plan (no pre-selection). On 1st September 2006 the UOKiK Chairperson passed a decision in which it did not state a violation of consumers' collective interests in result of proceedings instigated by the complaint from the Association for Protecting Rights of Telecommunications Services' Users (the decision has come into force), and on 28 September 2006 it passed a decision in which he stated competition was not restricted by using exclusivity clauses for using the publicly available telephone connections of Telekomunikacja Polska S.A. in the tp social plan. A decision on restricting competition has not come into force, because the plaintiff of the antitrust proceedings – Tele 2 appealed against it to the Consumer and Competition Protection Court.

The restriction used in tp social plan was also the subject of proceedings in Business Court, - complaints were lodged by NOM and Tele 2, in which plaintiffs complained against breaching the act on preventing unfair competition, however, the proceedings concluded with adjudications that were favourable to TP.

Having concluded proceedings instigated by the complaint lodged by the Association for Protecting Rights of Telecommunications Services' Users aimed at considering illegal the provisions from the model contract in the form of "TP Telecommunications Services Quotation", pursuant to which "Subscribers may only use Telekomunikacja Polska's services within the scope of tp social plan", the Consumer and Competition Protection Court adjudicated that the clause which was employed did not shape consumers' rights contrary to good business practices nor did it violate consumers' interest.

On 29 December 2006 a decision was made by the UOKiK Chairperson that stated two practices to restrict competition by: 1) hindering end users from using other operators' services by offering only such telephone plans in which a constant fee additionally includes other fees apart from the subscription fee, 2) allowing to enter into a contract for providing broadband Internet access on condition that telephone connection services are purchased as well. Due to TP's introducing a start plan into the market as of 1 March 2006 the Chairperson of UOKiK considered that the first practice was abandoned and a penalty of 1 m PLN was imposed. As far as the second practice is concerned, the UOKiK decided that tp's activities not only breached article 8 paragraph 1 and article 8 paragraph 2 point 4 of the Act on Customer and Competition Protection (Journal of Laws of 2005, No. 244, position 280 with subsequent amendments), but also article 82 of the Treaty Establishing European Communities (OJ C 325 24/12/2002), the decision came into force immediately and a penalty of 10 m PLN was imposed. TP lodged its appeal to the Court of Consumer and Competition Protection on 16 January 2007.

Moreover, the UOKiK Chairperson presently holds clarification, antitrust proceedings as well as proceedings concerning violating consumers' collective interests, including;

- wholesale IP traffic exchange
- TP and PTK Centertel's introducing convergence services
- TP's executing pre-selection orders
- TP's executing orders for telecommunications network meeting points
- Charging unfair prices for the service of broadcasting programmes, discriminating against contractors

[S07] Preventing behaviours which could be considered to breach provisions of antitrust law

The mechanism for launching new products in TP is highly formalised and covers both new products and changing the current offer (changing quotations, promotions, etc.). It is at the stage of drafting a general concept for the marketing offer on which lawyers perform legal and regulatory analysis and present its results to managers. The analysis is being specified proportionally to the progress of works on introducing the offer and launching the offer would not have taken place (would not have been accepted by the Management Board Members) if its form had not been accepted by lawyers. Specially dedicated checklist is a tool which supports the process and helps to specify the type and extent of potential risk at an early stage of preparing the offer.

Projects' analysis with respect to provisions of Polish and European law on consumer and competition protection is one of important elements of the legal analysis, it is performed by a specially established Competition Law Subsection.

Apart from their everyday operational work and analysing legal risks accompanying varying service portfolio, lawyers from the Competition Law Subsection organise training sessions (often at short notice, answering current requirements) for customer branch employees and they currently monitor contemporary situation of the company in the context of legal risk and pass key information to Company's high managers. Additionally so called manuals are prepared to cater for the needs of employees to facilitate obtaining prompt information within the scope of competition protection law.

Telekomunikacja Polska has been implementing the Altis application – an online competition compliance training programme in order to teach how to avoid basic mistakes and threats stemming from Polish and European competition protection law. Uniquely simple, the Altis programme can be implemented in any number of workstations to induce every user's self-learning and self-testing with respect to practical knowledge of fair competition to be monitored by a programme administrator. Training results may be generated for the programme administrator, which gives the Company some insight into the tangible benefits of the training system in operation.

Altis type training programmes are recommended to EU entrepreneurs by the European Commission because they allow one to responsibly manage legal and operational risks concerning business practice in the Common Market (including risk reduction) through an employee training process. After a basic training period, such programmes also constitute a basis that allows to delegate legal risk from an employer to employees whose behaviour and decisions made on behalf of this entrepreneur generate legal risk.

Safety and health protection

[PR1] / [IO4]-[IO7] Safety and health protection

Paying special attention to customers' safety, Telekomunikacja Polska makes sure all customer terminals have passed appropriate tests. Their operational safety must be verified in the process of testing their compliance with so-called "core requirements". ISDN – Warsaw Laboratory and Laboratories for Testing Network Infrastructure and Terminals in Poznań and Katowice are responsible for such a verification within the structure of the Research and Development Centre.

TP Research and Development Centre lacks applicable authorisations to administer compliance tests for end devices (subscriber terminals) with "core requirements". Research completed by TP only refers to testing technical parameters so as to ascertain there is a possibility to connect them to a network in order to appropriately provide services. Nevertheless, the starting point is always checking whether a supplied device is accompanied with a compliance declaration and has been appropriately labelled with the CE compliance mark. Any terminals delivered for tests without accompanying declaration of compliance (the mark) are rejected.

As far as respecting Specific Absorption Rate (SAR) levels is concerned, Polish provisions concerning protection against non-ionizing radiation (both for mass market customers and employees – Industrial Safety and Health provisions) do not require specifying SAR indicators. However, electric field volumes or power density levels are checked, complying with which is more difficult and virtually guarantees complying with the SAR requirement indicator. According to provisions used in other countries checking SAR indicators is only recommended when electric field volumes or power density levels have been exceeded, SAR requirements are easier to satisfy. From a customer's viewpoint it is important that all devices and accessories labelled with the CE mark have been checked for levels of the fields they emit. It is not possible for a device which has failed to obtain a CE label to be admitted for use and introduced in the market.

Pracownia Anten i Kompatybilności Elektromagnetycznej (PAKE) [The Aerial and Electromagnetic Compatibility Laboratory] in the Research and Development Department administers work connected with radio diffusion broadcasting stations used by TP EmiTel (TP group). Using them requires abiding by procedures geared towards providing compatibility with applicable environmental protection provisions concerning acceptable levels of non-ionizing electromagnetic radiation. Naturally, the requirement also refers to newly scheduled objects and developing those that already exist. Activities by PAKE involve forecasting field volume patterns within the surroundings of a broadcasting station, finding and suggesting solutions that facilitate minimising radiation through appropriate streamlining the shape of broadcast radiation characteristics for aerial systems. PAKE appraises radiation levels around broadcasting stations using advanced computer simulation methods, whose results have been confirmed in experiments. Electromagnetic radiation levels in broadcasting stations' surroundings is also obligatorily checked by measurements performed by subjects independent of TP.

All newly installed TP EmiTel's aerial systems are checked by the Research and Development Centre PAKE, special attention being paid to radiation levels in areas which may be visited by people. Such actions are undertaken in order to minimise threats and dispel public anxiety concerning non-ionising electromagnetic radiation's impact on people. Pursuant to legal requirements, appropriate administrative organs are presented with the document entitled "Appraisal of Environmental Impact", and these bodies make a decision about a decision concerning possible social consultations referring to an approving decision.

It must be borne in mind that ICNIRP (International Commission on Non-Ionising Radiation Protection) requirements concerning acceptable radio wave emissions from base stations (also recommended by the EU) are far more lenient than those applicable in Poland. Field levels for all Polish base and broadcasting stations are checked very stringently and requirements of local provisions are met.

As far as activities undertaken in 2006 are concerned, the most important include:

- TP EmiTel introducing configuration changes into the UKF-FM aerial system at the TSR Krynica broadcasting station (Jaworzyna district) pursuant to the PAKE Research and Development Centre's project, owing to which radiation field has been decreased in broadcasting station's surroundings. The process shall allow launching new scheduled radiation programmes without a necessity to build a new broadcasting station, and to meet Polish environmental protection provisions at the same time. Efficiency of this solution has been confirmed by control measurement results.
- Configuration changes in the UKF-FM aerial system at the TSR Ustrzyki Dolne (Gromadzeń district) designed by PAKE Research and Development Centre, which guarantee considerable decrease in radiation levels around this broadcasting station. The task is being implemented by TP EmiTel.

Abuses and theft of infrastructure elements and telecommunications services

Theft of telecommunications infrastructure elements is yet another problem which directly affects customers (e.g. copper cables, which are later sold as scrap metal), not to mention acts of thoughtless vandalism destroying TP-owned infrastructure (e.g. devastating tp payphones). Despite TP technical services' best effort, such practices inevitably trigger customers' temporary lack of access to TP services. It must be borne in mind that in extreme cases, lack of access to a telephone might prevent from people from contacting rescue services (the police, an ambulance, a fire brigade).

On the other hand, infrastructure larceny unnecessarily boosts company's operational costs. Consequently, financial means which could be potentially used for new investments or charity causes must be used to recreate stolen or devastated infrastructure elements.

Preventing larceny and reducing its negative effects was one priority activities undertaken by the Network Branch in 2006. Initiating dialogue with administration representatives resulted in a more restrictive execution of law with respect to thieves. Lobbying for changes in executing law caused prosecutors' offices from some voivodeships to demand stricter punishments for such criminals. We were offered legal help from law firms collaborating with TP with respect to monitoring court proceedings against alleged offenders who steal TP cables. We have been using mechanical and electronic network protection. This year we have already launched one mobile network monitoring system and a further one is already being tested. We hire specialised security agencies to protect property in especially endangered regions, and we bind up their remuneration with effects of their activities. A tender has been held for selecting companies to implement tasks concerning physical protection for elements of TP telecommunications infrastructure. Starting from 2007 physical protection groups are going to support us in all Operational Fields of TP Network Branch. Moreover, we have been cooperating with the police in checks on scrap metal collection points.

Press releases, meetings with representatives of local governments, prosecutors, police officers, and city wardens are organised as elements of publicity campaign concerning theft of cables. Meetings are also visited by representatives of other trades who face the same problem (energy lines, railway). Scrap metal collection points are checked in cooperation with the police. We have already noticed first effects of such actions. The dramatic increase in the number of thefts has been stopped since 2006 and TP losses with this respect have been reduced.

Other dangers are connected with so called telecommunications abuses which most often take place to the detriment of TP or/and its customers.

A decision to organise and launch a campaign against telecommunications abuses and fraud was made a couple of years ago after we had detected a couple of serious cases that generated losses both to TP and its customers. It was since then that we have been building a team of experts and have equipped it with dedicated IT tools.

We aim to protect our Customers and our Company against the consequences, usually financial of telecommunication abuses. It also requires introducing changes in the whole organisation, on implementation of which we are still working in order to gradually achieve desired effects. A System for Managing Telecommunications Abuses was created in the form of an informal team uniting organisational and technical methods of detecting telecommunications abuses. It drafts a policy for managing telecommunications abuses. The System is comprised of:

- A Subsection for Detecting and Controlling Abuses, a unit dealing in analysing data on connections in order to detect traffic irregularities which may prove to be abuses. Analysts have been equipped with a special IT tool to simplify research via analysing traffic and generating alarms pursuant to previously specified parameters
- Prevention sections whose task is to control the volume of traffic and inform a customer about its unusual increase. Early Warning System (EWS) is a fundamental tool in work of such prevention sections. Another system has been added to EWS since November 2006: i.e. Fraud Management System (FMS) whose aim is to detect petty network break-ins (e.g. topping-up prepaid phones), as well as to detect any inter-operator fraud
- Employees dealing in sales and post-paid service who are both to inform a customer about threats, and to signal a risk in the Subsection for Detecting and Controlling Abuses
- Employees dealing in network maintenance and IT engineers who are to help analysts clarify events which have been detected

An analysis of customers' behaviour volatility pinpoints and assesses cases when a subscriber has considerably altered their customised use of telephone services. Such changes may result from the fact that someone else was connected to their line or intends to engage in telecommunications fraud practices in a rented flat, which is usually at odds with the owner's expectations.

Naturally, TP invariably offers customers a number of solutions which help reduce a risk of larceny with respect to telecommunications services. It must be pointed out that there is a free possibility to block connections with numbers that trigger increased charges. Victims of exceedingly high telephone bills from connections with those numbers were very often customers who rented their flats to dishonest tenants, or persons who had installed (most often unconsciously) so called diallers in their computers (for detailed information on free anti-diallers offered by TP and other aspects connected with protection against the risk concerning the Internet see "Internet Safety"), but also those whose children dialled numbers of that type without their knowledge.

Customers also have an opportunity to block other types of output connections, we charge fee for this service (including a block of all output connections) or to limit the monthly number of connections (impulses), which protects against exceeding a specified amount allocated to telephone expenditures. TP offers its customers a possibility to block their telephone with a PIN code, i.e. autonomous setting a block and controlling its operation by entering a preset sequence of digit. The latter solution is exceptionally beneficial for customers who wish to restrict third parties' access to telephone (e.g. in companies, especially when a phone is situated in a publicly accessible place).

Activities geared towards Internet safety

TP has been engaged in a number of activities geared towards guaranteeing its customers network safety. A special Response Team has been operating in the Company for several years whose task is to undertake actions in case of IT and telecommunications safety violations. The Team's major task is to handle network abuses within the scope of all Internet access services offered by TP. Any case of reporting an incident by a customer is registered by the Team and confirmed by e-mail.

Telekomunikacja Polska has met the most stringent global standards within the scope of handling IT and telecommunications incidents, which was confirmed by a CERT certificate granted to TP in 2006 by a major centre dealing in Internet threats – a Coordination Centre affiliated with the Carnegie Mellon University. TP was among an elite group of few universities to have been granted a right to use the name. TP was the first Polish commercial company to have been awarded the CERT Certificate.

Safety of settling debts owed to TP

Unfortunately abuses take place not only with reference to telecommunications services as such. Customers are more and more often exposed to fraud committed by unfair intermediaries accepting payments for electricity, gas, telephone, etc. Customers very often fall victims to unreliable companies whose owners vanish together with sums paid by customers without settling debts owed to media providers. Financial agencies which often fall in significant arrears with transferring money to TP accounts are also a problem. Customers are unaware they are exposed to calculating statutory interest for failing to pay invoices for telecommunications services in time. Timeliness in transferring payments via financial agencies is of vital importance, because pursuant to applicable rules and regulations for providing telecommunications services, including public services provided by TP, it is a day when financial means are received at a TP account that is considered a payment day. Previously a payment day in TP was considered to be a day payment was made in a post office, bank, TP cashier office or the day a money order was made, provided that payment was actually made by the day specified on an invoice as a payment closing date.

TP has been trying to encourage customers to utilise a comfortable cashless payment form, i.e. the service of "bill payment". This payment form is not only safe but also allows customers to save valuable time, because they no longer need to waste time queuing, and no longer need to burden their memory with remembering about their payment closing dates. Timeliness of settling the debt is guaranteed. TP has been trying to contribute to propagating this safe and comfortable service by organising special offers for customers. In 2006, customers who had not used bill payments before and decided to utilise this payment form received 20 free minutes from TP for telephone calls to be used during 6 months. Nearly 300 000 of our customers presently settle their debts by means of bill payments. This year we also intend to continue active propagation of safe payment forms, particularly electronic payment, including bill payments and standing orders.

Paying special attention to safety and comfort of settling debts for our services, we intend to make a leap forward and we plan to offer our customers an opportunity to receive invoices electronically. TP and PTK Centertel have been cooperating with other telecommunications operators to create a Coalition for Bill Payment, whose aim is to popularise and develop this form of settling debts.

Rachunki płacą się same



TP has recommended making payments at points belonging to renowned branches, such as – Moje Rachunki, PayTel, Unikasa, which in our opinion guarantee all customers who for some reasons decide not to use bill payments and prefer direct cash payments, e.g. in a supermarket during their shopping, that their payment will be transferred to TP promptly and safely. Naturally, customers may also pay safely in their banks and Post Offices.



[PR6] / [PA7] Labelling connected with social responsibility

In 2006 Neostroada TP and e-bezpieczeństwo [e-safety] service packages were considered to be excellent and safe tools which may be used during the education process by the chapter of the Świat Przyjazny Dziecku [Child Friendly World] contest organised by the Committee for Protecting Children's rights. At the same time Telekomunikacja Polska was awarded a right to use the Świat Przyjazny Dziecku [Child Friendly World] logo on its products.

Products, services, advertising

[PA1] / [PA4] Availability of services, providing accessibility in country areas and areas of difficult accessibility

TP is obliged to provide a customer with a telephone line within the scope of providing public services from 9 November 2006 to 8 May 2001. Pursuant to a Regulator's decision, TP each year has a specific time for connecting 95% and 99% of orders (index of expected waiting time for a connection) while implementing the public service. In 2007 95% of connection orders must be completed within 22 days and 99% of orders must be completed within 24 days. A typical solution TP uses to provide the public service is connecting a building with a copper line, however, it must be pointed out that the investment process is very time-consuming due to factors including, but not limited to, the necessity to obtain applicable administrative approvals and agreements from land owners.

It is worth pointing out that due to the expiry of licences for the 2.4 GHz frequency presently used by numerous operators, TP will be obliged to provide connections to customers of operators who will not be able to guarantee services on the basis of other technologies (usually in sparsely populated areas), provided they still wish to use fixed connection services.

TP uses radio technologies to surpass problems connected with exceedingly time-consuming investment process. Thanks to this solution in many cases it is possible to provide a customer with basic telecommunications services much more quickly. Presently TP is working on other radio access forms which could make it possible to shorten the installation time.

A signatory of an agreement for developing information society and the pact for developing broadband access to electronic communications and networks in Poland, Telekomunikacja Polska especially focuses on boosting accessibility of broadband Internet access.

Nearly 300m PLN was allocated to this purpose only in 2006, in result of which at the end of 2006 nearly 97% of subscriber lines were within the reach of broadband Internet access service. Accounting for the problem of a risk of information exclusion in sparsely populated areas, TP aims at a closer cooperation with local authorities so as to jointly seek optimum solutions for a local community. The "BB Partnership" Programme was established for that purpose, which is being implemented through a partnership cooperation with a Public Partner. The programme provides for building telecommunications networks which do not duplicate existing infrastructure.

Owing to the fact that Polish infrastructural deficits do not merely refer to broadband Internet access, a Delta LP programme is implemented at the same time, whose objective is to build new subscriber connections, including the fields which still remain "white spots" on the map. 450 000 connections were built between 2005 and 2006.

It is not only a so-called last mile, but also other network elements that must be developed so that a telecommunications network may function effectively. Data transmission network infrastructure was developed in 2006 so as to meet a demand for broadband services (neostada tp, DSL TP Internet access), which provided the possibility to transfer traffic of over 70 Gb/s. New connections were launched in the IP/MPLS network backbone with a capacity of 10 Gb/s and redundancy.

Moreover, routers for transmission of growing traffic were developed, which gave a possibility to connect approx. 1.84 m customers. Network capacity increased by approx. 100% in comparison with the situation at the end of 2005. International connections with the global Internet network were developed up to the capacity of 45 Gb/s with a full redundancy. Infrastructure was built to provide multimedia services of videostada and video on demand in six city areas (Warsaw, Katowice, Kraków, Poznań, Trójmiasto, Wrocław). IP VPN is being developed with respect to: network backbone's capacity (building backbone connections of a quadrupled size), edge routers' capacity (developing routers to allow prompt doubling of their capacity) and functionality (new accesses to SHDSL, Ethernet).

[PA2] / [PA5] Breaking barriers for access to services

TP pays special attention to its disabled customers, who are offered a 50% discount for their subscription in selected tariff plans and a 50% discount for connecting the network's end device. Discounts are offered to disabled customers who were declared considerably disable by the Poviast or Voivodeship Team Appraising Disability Levels (the symbol of a disability cause: 04-O – eye diseases) as well as considerable or moderate disability level (with the 03-L symbol – speech and voice disorders, hearing disorders).

An opportunity to handle most cases via the phone with Blue Line consultants proves a considerable facilitation for those who cannot move freely. Additionally, TP has been streamlining its sales network to make it disabled friendly.

Furthermore, TP offer features phone sets with large, easy-to-use keys with distinct labelling, clear display and induction loops, which are necessary for callers using hearing aids. They also feature “5” keys with a bump which facilitates using the phone. Such products are dedicated to the elderly and the disabled. TP presents its customers an offer to purchase telephone sets at discount prices, the offer involving telephone sets dedicated to the needs of the elderly and the disabled. Specially labelled payphones have also been adjusted to meet requirements of this group of our customers.

Blind and visually impaired customers may receive a TP invoice printed in Braille, enlarged font, or in an electronic file, while detailed billing may be printed in enlarged font or sent as an electronic file.

One must not forget about the 118 888 info line for the disabled, which facilitates obtaining information on telephone numbers of institutions and organisations that offer their services to the disabled (including foundations, non-governmental organisations, rehabilitation centres, firms offering rehabilitation equipment, etc.).

[3,16] / [SO4] Innovativeness of products and services

Telekomunikacja Polska has been attempting to remain active in constant streamlining of its products. On the one hand, changes refer to the marketing part of the offer whose preparation and any prospective changes are always accompanied by a comprehensive market research, on the other hand we have been trying to improve the technical aspect of our services, which would not be possible without investing in a research and development activity.

The TP Research and Development Branch has been engaged in research and development activities to support TP's development. Research into modified devices and systems as well as those which are newly introduced into the TP network is being done, present systems are appraised, new service ergonomics are being tested, network quality is checked, methodological and anticipated work is done for new technology, everything pursuant to statute objectives. TP R&D has been cooperating with international normalization organisations: ITU-T and ITU-R, TP R&D has been maintaining an ITU office for TP, and TP R&D's representatives actively participate in activities of international normalisation organisations (ITU, IEC, CEN, CENELEC, DSL Forum, TM Forum), four contributions to ITU-T have been registered.

Participation in the following projects was completed within the framework of 6th Framework European Union Programme (IST-6): DIADEM (Firewall problems), ASG (electronic transactions) & EuQoS, whereas participation in the following projects: MUSE, SUPER, SPICE, OneLab was commenced.

The Research and Development Centre Branch's participation in the European Union IST-6 research programme was nominated for the Kryształowa Brukselka [Brussels Sprouts Crystal] award. TP R&D Branch cooperated with the Corporate Communication Branch in preparing a new edition of the Tele-creator contest whose objective is to promote innovative projects and ideas of TP Group's employees. Innovation Gardens were also launched in a cooperation with the Corporate Communication Branch – a place for presenting innovative products and services from the TP Group.

Costs of research and development works presented in the profit and loss account for 2006 amounted to 53 m PLN.

[PR2] / [PR7] Informing about products

Telekomunikacja Polska takes attempts to make sure that all information directed to customers is provided as soon as possible in a way that they find transparent and friendly.

Should a customer consider product information to be misleading, they will be entitled to lodge a motion, or a complaint. Such information may be referred to TP personally, by telephone or via an Internet website. Telekomunikacja Polska does its best to carefully analyse all incoming signals concerning potential irregularities and having examined them, provides a customer with an answer. Such information give TP a significant signal which may help us to improve the quality of services we provide.

Current TP complaint procedure features only one instance and any prospective disputes may be settled in proceedings provided for by general legal rules and regulations.

Were a customer's complaint to be directed to UOKiK or UKE rather than directly to TP, the complaint shall be proceeded pursuant to applicable law.

[PR9] Advertising

Pursuant to implemented procedures, choosing advertising agencies should be made within the framework of the QREDIC system for appraising providers. As far as advertising agencies are concerned, an agency's approach to ethical issues is of key importance. Eight elements are crucial for the system, for abiding by them all of them is a necessary condition to both start a cooperation with a given company and to choose a specific advertising material. The said elements (Attitudes and Advertising Ethics) are:

- truth – advertising shall be truthful and shall reveal significant facts whose omission would mislead a customer
- rationale – advertising slogans (statements presented in spots) should be supported by proof which an advertiser actually possesses and may offer and which will be indicated to the agency prior to starting work on an advertising spots
- comparison – advertisement shall restrain from creating false impressions, misleading or fraudulent claims concerning competitive companies, their products and services
- delusion – advertisement should not present products nor services with a view to provide demand for products / services similar to those being advertised, which are usually offered at higher prices
- guarantees and reservations – advertised guarantees and restrictions should be clear enough to inform customers about their major terms and reservations, or, should a time span or temporal restrictions prevent such information, advertisement should reveal where full guarantee text or reservations can be checked before purchase

- statements concerning prices – advertisement should avoid price slogans which are either fraudulent or misleading, or slogans and statements on savings which are only illusory
- testimonials and reports – an advertisement including a testimonial should be restricted to competent reports which reflect truthful and honest opinions or experience
- moral principles – advertisement should not include content or illustrations which might offend good taste or break generally accepted social norms

There are two Polish organisations that support advertising ethics – Stowarzyszenie Agencji Reklamowych (SAR) [Advertising Agencies' Association] and a Polish branch of the International Advertising Association (IAA). the International Advertising Association has adopted an Ethical Code for advertising and acting within the scope of advertising, whereas SAR has been using A Code for SAR Members' Good Practices since July 2005. SAR also uses the EACA Ethical Code for tenders. Currently, three advertising agencies work for TP: DDB Warsaw, NoS BBDO, and Testardo Red Cell. The first two belong to SAR. At a corporate level, both DDB and BBDO are members of the International Advertising Association (however, their Polish branches do not belong to belong to the Polish IAA's branch).

Such a choice of advertising agencies guarantees abiding by highest advertising standards and consequently allows us to reduce the risk of being accused of unethical practices.

A member of the Stowarzyszenie Marketingu Bezpośredniego (SMB) [Direct Marketing Association] TP abides by rules and regulations included in the SMB Ethical Code. Having been adopted in 1996, the SMB Ethical code is, inter alia, aimed at protecting consumers' interest. Issues regulated by the code include, but are not limited to:

- processing personal data
- issues concerning promotions, meeting orders, post-sale services and complaints in mail-order and catalogue sales
- connection time and the course of telemarketing talks
- control standards for mass distribution

SMB also initiated the Clean Point campaign geared towards protecting customers against unsolicited unaddressed advertising leaflets. Consumers' Federation is our partner in this campaign.

Owing to dishonest practices of other telecommunications companies, Telekomunikacja Polska published an announcement in October 2006 in which TP employees' guidelines had been specified to guarantee customers' safety and privacy.

_ each Telekomunikacja Polska's employee introduces themselves with their name and Surname and gives the company name: i.e. Telekomunikacja Polska

_ each Telekomunikacja Polska's employee who contacts customers personally is obliged to produce Telekomunikacja Polska's company ID

_ at a customer's request, each Telekomunikacja Polska's employee is obliged to provide their company number, which allows their identification and verification calling at 9393 (Blue Line)

_ each Telekomunikacja Polska's employee always informs about their intention to close a contract and never closes a contract against a customer's will

Privacy right

[PR3] Protecting privacy

Personal data protection

Issues concerning personal data protection in Poland were regulated by the Act of 29 August 1997 on personal data protection (Journal of Laws 2002, No. 101, position 926). Inspector General for the Protection of Personal Data is the competent organ to monitor implementation of provisions on personal data protection. Whenever legal provisions are violated within the said scope, Inspector General orders restoring legally compliant stated by issuing an administrative decision acting on their own initiative or following a motion from a person with a vested interest.

Persons with a vested interest are guaranteed the right to control and process their personal data, e.g. obtain information on:

- data administrator
- purpose, scope and method of its processing
- starting date of data processing and information concerning content to be processed by a personal data administrator
- source from which data has been obtained
- data revealing methods, particularly information on recipients or recipient categories to whom data is made available

Furthermore, a person with vested interest shall be entitled to complete, update, correct, temporarily or permanently stop its processing or have it deleted if data proves to be incomplete, obsolete, fraudulent or has been collated by breaching applicable law, or have become obsolete for meeting a purpose for which it has been collated.

Groups of people whose data is administered by Telekomunikacja Polska S.A. include, but are not limited to, TP's customers, employees, owners and holders of real estate which is used by TP. A Coordinator for Personal Data was appointed to represent Telekomunikacja Polska S.A. in proceedings held by the Inspector General for Personal Data Protection, to cooperate with the Inspector General and to apply for a registration of personal data collections. Their tasks include specifying homogeneous principles for protecting personal data which is processed by TP.

Summing up 2006, it must be stated that the most conspicuous achievements within the scope of personal data protection include:

1. Administering additional training sessions with respect to personal data protection at an unprecedented scale – the number of training sessions in 2006 was seven times greater in comparison with 2005. The objective was to familiarise employees of TP and entities with which TP cooperated with generally applicable legal provisions as well as with TP's internal rules and regulations within the scope of personal data protection in order to boost awareness of importance of processing personal data in compliance with applicable law.

2. Supervision administered by the Coordinator for Personal Data Protection with respect to using Personal Data Safety Policy in TP as well as Rules and Regulations for Processing Data within TP S.A. Personal Data Safety Policy in TP has been determining major trends in personal data protection, specifying responsibility rules and regulations, as well as powers of individual Information Administrators and the Coordinator for Personal Data Protection within the scope of personal data protection.
3. Principles for streamlining access to personal data collections have been streamlined – streamlined procedures for access control have been extended to other IT and telecommunications systems.
4. Streamlining the principle for providing access to personal data for authorised entities. TP S.A. has been addressed by numerous entities asking for providing personal data from TP's collections. Such cases were connected with proceedings held by such entities and respective authorisations. Data was provided only in justified cases.
5. Pilot monitoring of the Personal Data Collection Record System has been launched in order to streamline managing personal data collection within TP.
6. The Coordinator for Personal Data Protection has been monitoring the correctness of personal data processing. The monitoring has consisted in interventions in case of suspected violation of personal data protection, which was achieved through: detailed analysis of every worrying signal; demanding that persons responsible for personal data protection abide by applicable law and give relevant explanations; drafting necessary changes and improvements for current processes of personal data converting, and implementing necessary improvements concerning personal data processing.

The Coordinator for Personal Data Protection has provided opinions on TP S.A. internal documents and contracts closed with external companies in order to guarantee compliance with requirements of the personal data protection act, they have also expressed their opinions on external normative bills.

12 checks of personal data processing correctness were administered in 2006, which have been commissioned by the Coordinator for Personal Data Protection, including 6 internal ones and 6 in entities which cooperate with TP.

Customers' privacy protection

Every TP customer has the right to privacy protection. Customers rights include, but are not limited to, blocking selected incoming calls, including those from numbers whose identification has been restricted. A customer may also reserve the right not to have their phone number identified, not to have their address and number published in directories, and not to have unsolicited TP advertising offers delivered.