



LUBELSKI WĘGIEL „BOGDANKA”
SPÓŁKA AKCYJNA

BOGDANKA, 21-013 PUCHACZÓW

**REPORT OF THE SUPERVISORY BOARD OF
LUBELSKI WĘGIEL BOGDANKA S.A.**

**ON THE ASSESSMENT OF THE COMPANY'S FINANCIAL
STATEMENTS AND DIRECTORS' REPORT ON OPERATIONS OF
THE COMPANY FOR THE FINANCIAL YEAR 2010
AND THE MANAGEMENT BOARD'S MOTION REGARDING THE
DISTRIBUTION OF NET PROFIT**

Pursuant to the provisions of Article 382.3 of the Commercial Companies Code, Article 32.1.1 of the Articles of Association of Lubelski Węgiel Bogdanka S.A. and Article 4 a of the Accounting Act (i.e. Dz.U. No. 76 item 694 of 2002, as amended), the Supervisory Board of Lubelski Węgiel Bogdanka S.A. made an assessment of:

- the Financial Statements of Lubelski Węgiel Bogdanka S.A. for the financial year 2010,
- the Directors' Report on Operations of the Company for the financial year 2010,
- the Management Board's motion regarding the distribution of net profit for 2010.

1. Assessment of the Financial Statements for the financial year 2010

The Financial Statements of Lubelski Węgiel Bogdanka S.A. for the financial year 2010 include:

- statement of financial position (balance-sheet) as at 31 December 2010, showing a balance-sheet total under assets and shareholders' equity and liabilities in the amount of **PLN 2,812,176,000**,
- statement of comprehensive income for the period from 1 January 2010 to 31 December 2010, showing the total income in the amount of: **PLN 227,362,000**,
- statement of movements in the shareholders' equity for the period from 1 January 2010 to 31 December 2010, showing an increase in the shareholders' equity by **PLN 227,362,000**,
- cash flow statement for the period from 1 January 2010 to 31 December 2010 showing net cash outflows in the amount of **PLN 201,118,000**,
- additional information about the adopted accounting principles and other explanatory notes.

As a result of the analysis and on the basis of the auditor's opinion and the audit report conducted by auditors of PricewaterhouseCoopers sp. z o.o., the Supervisory Board states as follows:

The Consolidated Financial Statements of Lubelski Węgiel BOGDANKA S.A. Group were prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The financial statements under assessment comply in form and content with the binding provisions of law and the Company's Articles of Association and they present in a reliable and clear manner all information material for the assessment of profitability and financial result on operations for the financial year 2010 as well as the economic and financial position of the Company as at 31 December 2010.

PricewaterhouseCoopers sp. z o. o., an auditing company, was selected by virtue of Resolution of the Supervisory Board No. 61/VII/2010 of 21 May 2010 to review the Financial Statements of the Company for the first half of 2010, and by virtue of Resolution of the Supervisory Board No. 76/VII/2010 of 28 September 2010 to audit the Financial Statements of the Company for 2010 and the Consolidated Financial Statements of the Group for 2010, prepared in accordance with the International Accounting Standards (IAS) as well as to prepare written opinions and reports on whether the financial statements are correct and whether they present in a reliable and clear manner the economic and financial position of the Company and the Group.

2. Assessment of the Directors' Report on Operations of the Company for the financial year 2010

Directors' Report on Operations of the Company for the financial year 2010 complies with the requirements of Article 91 of the Regulation of the Minister of Finance on current and periodic information published by issuers of securities and the conditions for deeming equally important the information required by provisions of law of a country which is not a Member State (Dz. U. 09.33.259 as amended). The report under assessment contains information on the Company in accordance with the facts and the data included in the financial statements as well as information regarding the work of the Management Board as a governing body.

The Supervisory Board positively assesses the work of the Company's Management Board in the period under assessment, and moves to the General Shareholders Meeting to grant discharge to the Members of the Company's Management Board in respect of performance of their duties. Such position is based on the Company's achievement of results which are mostly higher than those scheduled in the Technical and Economic Plan for 2010, i.e.:

- gross production of coal – 100.20% of the plan performed,
- net production of coal – 101.70% of the plan performed,
- sales of coal (volume) – 99.51% of the plan performed,
- selling price of coal – 100.36% of the plan performed,
- result on sales of coal – 131.19% of the plan performed,
- gross financial result – 112.27% of the plan performed,
- net financial result – 113.32% of the plan performed.

The results achieved by LW Bogdanka S.A. in 2010 are record-breaking in the Company's history. The aggregate revenue on sales was at the level exceeding PLN 1,221,539,500 and net profit amounted to PLN 227,362,300.

Due to the production and sales results achieved in 2010, the Company's share in the Polish hard coal production market amounts to 7.64% and in the domestic coal sales market – 8.88%.

3. The Management Board's motion regarding the distribution of net profit for 2010

The motion to the General Shareholders Meeting filed by the Company's Management Board, regarding the proposed distribution of net profit in the amount of **PLN 227,362,300** generated by the Company in 2010 complies with the binding provisions. The Supervisory Board provides its positive opinion on the Management Board's motion to allocate the generated net profit in full to the reserve capital of the Company.

4. Summary

As a result of the assessment of the above Financial Statements and the Management Board's motion regarding the distribution of net profit for the financial year 2010, the Supervisory Board recommends the General Shareholders Meeting to approve:

- the Financial Statements of Lubelski Węgiel Bogdanka S.A. for the financial year 2010,
- the Directors' Report on Operations of the Company for the financial year 2010,
- the Management Board's motion regarding the distribution of net profit for 2010.

Adopted resolutions:

- 1. Resolution No. 92/VII/2011 of the Supervisory Board of Lubelski Węgiel Bogdanka S.A. of 13 April 2011 on the assessment of the Financial Statements of Lubelski Węgiel Bogdanka S.A. for the financial year 2010.*

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2. *Resolution No. 93/VII/2011 of the Supervisory Board of Lubelski Węgiel Bogdanka S.A. of 13 April 2011 on the assessment of the Directors' Report on Operations of the Company for the financial year 2010.*
3. *Resolution No. 102/VII/2011 of the Supervisory Board of the LW Bogdanka S.A.'s Supervisory Board of 13 April 2011 on providing the opinion on the Management Board's motion regarding the distribution of net profit for 2010.*
4. *Resolution No. 104/VII/2011 of the Supervisory Board of Lubelski Węgiel Bogdanka S.A. of 13 April 2011 on approval of the Supervisory Board's Report on the assessment of the Company's Financial Statements for 2010, Directors' Report on Operations of the Company for the financial year 2010 and the Management Board's motion regarding the distribution of profit.*

The Supervisory Board of Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka:

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|------------------------------|----------------------------|--------------------|
| 1. Eryk Karski | Chairman of the Board | ...[signature].... |
| 2. Stefan Kawalec | Vice-Chairman of the Board | ...[signature].... |
| 3. Jadwiga Kalinowska | Secretary of the Board | ...[signature].... |
| 4. Ewa Pawluczuk | Member of the Board | ...[signature].... |
| 5. Andrzej Lulek | Member of the Board | ...[signature].... |
| 6. Adam Partyka | Member of the Board | ...[signature].... |

Bogdanka, 14 April 2011