



Annual General Shareholders Meeting Lubelski Węgiel Bogdanka S.A.

MOTION TO AMEND THE ARTICLES OF ASSOCIATION OF Lubelski Węgiel Bogdanka S.A.

On 4 April 2011 the Management Board of Lubelski Węgiel Bogdanka S.A. (the “Management Board”) adopted resolution No. 462/VII/2011 on approval of the draft amendments to the Articles of Association (the “Articles of Association”) of Lubelski Węgiel Bogdanka S.A. (the “Company”) and convened the Annual General Shareholders Meeting for 10 May 2011, with an agenda including the amendments referred to above.

Most of the proposed amendments to the Articles of Association arise due to the fact that the Company is not governed by the Act on Commercialisation and Privatisation of State-Owned Enterprises of 30 August 1996 (Dz.U. No. 118, item 561, as amended) (the “Act on Commercialisation and Privatisation”), including, in particular, provisions concerning employees’ rights to elect and dismiss members of its governing bodies. Therefore, the Management Board proposes amendments consisting in deletion of the existing extraordinary rights of employees within the scope referred to above and appropriate adjustment of the remaining provisions of the Articles of Association.

Moreover, the Management Board submits to the General Shareholders Meeting proposals of amendments to the Articles of Association, whose aim is to facilitate operational processes and to regulate more precisely the provisions concerning an Independent Member of the Supervisory Board.

Additionally, the draft Articles of Association provide for introduction of individual editing and formal amendments.

The Management Board proposes to introduce the following amendments to the Company’s Articles of Association:

1. Amendments introduced due to the fact that the Company is not governed by the provisions of the Act on Commercialisation and Privatisation:

Article 5; Article 9; Article 17; Article 25.3 – 25.8; Articles 26 – 28; Articles 35 – 38

These amendments refer mostly to deletions from the Articles of Association of employees’ rights within the scope of electing and dismissing one member of the

Company's Management Board and specific rights and obligations of the Supervisory Board in connection thereto. Employees' rights relating to appointment and dismissal of two members of the Supervisory Board were also deleted. The proposed amendments were prepared by the Management Board on the basis of legal opinions drawn up by distinguished experts in that field, including Prof. Wojciech Popiołek.

Substantiation:

The Act on Commercialisation and Privatisation, in Article 60.1, provides for the range of entities which are governed by the provisions thereof. Pursuant to this provision, the list includes companies, whose sole shareholder is the State Treasury, and which are established on principles specified in the provisions on privatisation of state-owned enterprises, provided that they were entered into the register of entrepreneurs before the effective date of the Act on Commercialisation and Privatisation. This means that the Act on Commercialisation and Privatisation does not apply to the companies, which on the effective date thereof ceased to be joint-stock state-owned companies.

Whereas on the effective date of the Act on Commercialisation and Privatisation (i.e. 8 April 1997) due to the fact that, in addition to the State Treasury, its shareholders included the Puchaczów Commune (an entity independent of the State Treasury), the Company was not a joint-stock state-owned company, therefore the provisions of the Act on Commercialisation and Privatisation (with some exceptions) did not and still do not apply to it. As a consequence, the Company's employees are not entitled to the rights, provided for in that Act, to elect members of the Supervisory Board and to elect one member of the Management Board (Article 14 entitling to appoint and dismiss members of the supervisory board and Article 15 entitling to elect one member of the management board).

It must be pointed out that the right to elect members of the Company's governing bodies is the right provided to its employees by the Company's Articles of Association, regardless of the fact whether or not they are shareholders. The statutory regulation referring to employees' rights within the scope of electing members of governing bodies should be thus considered special with respect to the rules contained in the Commercial Companies Code (the "Commercial Companies Code") and acceptable pursuant to Article 368.4 and 385.2 thereof. Statutory rights of employees do not constitute personal rights defined in Article 354.1 of the Commercial Companies Code. An amendment within that scope is acceptable and it is not subject to any special requirements referred to in Article 415.3 of the Commercial Companies Code.

Moreover, according to the Management Board, keeping effective the discussed provisions granting specific rights to employees (including persons who are not always at the same time the Company's shareholders), would be contrary to both the equal treatment principle and the principle of equality of shareholders.

2. Amendments, whose aim is to facilitate operational processes and regulate more precisely the provisions concerning an Independent Member of the Supervisory Board.

a) **Article 34.7**

The amendment obliges an Independent Member of the Supervisory Board to inform the Company if he ceases to meet the independence criteria, always when such circumstances occur. This aims at making the manner of functioning of the Supervisory Board more flexible and adjusted to the capital market standards, by virtue of imposing an obligation to constantly inform the Company about possible loss of the status of an Independent Member of the Supervisory Board.

3. Editing and formal amendments:

a) **Article 46.2**

The amendment is an editing amendment;

b) **Article 9 and Article 17**

The Company's employees obtained the right to a free of charge acquisition of the Company's shares on terms specified in the provisions of the Act on Commercialisation and Privatisation. Article 63.2 of the Act on Commercialisation and Privatisation stipulates that if before the effective date thereof the State Treasury did not commence the process of making the shares available to employees on preferential terms, acquisition of shares shall take place on terms specified therein. Therefore, although the rights granted to employees under the Act on Commercialisation and Privatisation do not expire, their deletion from the Articles of Association constitutes an amendment of an exclusively editing nature.

In light of the above, the Management Board of the Company applies and recommends that the General Shareholders Meeting introduce the proposed amendments to the Company's Articles of Association.

Mirosław Taras

President of the Management Board

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Krystyna Borkowska **Vice-President of the Board
for Economic and Financial Affairs
Chief Accountant** *...[signature]...*

Waldemar Bernaciak **Vice-President of the Board
for Trade and Logistics** *...[signature]...*

Zbigniew Stopa **Vice-President of the Board
for Technical Affairs** *...[signature]...*

Lech Tor **Member of the Management Board,
elected by the employees** *...[signature]...*

Appendices: Existing provisions of the Articles of Association and the proposed amendments.