

## Current Report 7/2009

Date of preparation: June 23, 2009

**Subject: Information on non-application of selected rules of the Code of Best Practice for WSE Listed Companies by Lubelski Węgiel Bogdanka S.A.**

*General legal basis: other regulations*

*Content:*

The Management Board of Lubelski Węgiel Bogdanka S.A. (the “Company”), fulfilling the obligation imposed by Article 29.3 of the WSE Rules hereby notifies that the Company will not apply, on a permanent basis, the following rules of the Code of Best Practice for WSE Listed Companies:

### **1. rule 6 of part III:**

“At least two members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to the Commission Recommendation of February 15, 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting.”

### **Explanation:**

As of the date of providing this information none of the Company’s Supervisory Board members fulfils the independence criteria specified in rule 6 of chapter III of the Code of Best Practice.

The Supervisory Board consists currently of six members. Due to the fact that the Company was formed pursuant to the provisions of the Act on Commercialisation and Privatisation, two members of the Supervisory Board are elected by the Company’s employees. The other members of the Supervisory Board are appointed by the General Shareholders Meeting where the State Treasury is entitled to the majority of votes and will be entitled in the foreseeable future.

The intention of the Company’s Management Board is to comply with all the rules of

corporate governance and therefore at the nearest General Shareholders Meeting following the admission of the Company's shares to public trading on the regulated market, it shall recommend the appointment of two independent members of the Supervisory Board.

**2. rule 7 of part III:**

“The Supervisory Board should establish at least an audit committee. The committee should include at least one member independent of the company and entities with significant connections with the company, who has qualifications in accounting and finance. In companies where the Supervisory Board consists of the minimum number of members required by law, the tasks of the committee may be performed by the Supervisory Board.”

**Explanation:**

The audit committee operates within the Company's Supervisory Board. However, that committee does not include any independent member. As it has been indicated in the explanation to the non-application of rule 6 of part III, as of the date of providing this information none of the members of the Company's Supervisory Board fulfils the independence criteria.

Pursuant to the Rules of the Company's Supervisory Board, as long as the State Treasury holds over 50% of the Company's shares, in reference to a member of the Supervisory Board delegated to perform the supervisory duties in the audit committee as an independent member, the criterion specified in Article 34.5.4) of the Company's Articles of Association does not apply, i.e. that an independent member may not be the member of the Supervisory Board or of the Management Board or an employee of an entity holding 5% or more of votes at the Company's General Shareholders Meeting or at the Shareholders Meeting or General Shareholders Meeting of the associated entity.

In the opinion of the Company's Management Board, the non-application of the above mentioned rule will not bring about negative results, as the State Treasury is not and will not be an active participant of the Company's shares' market.

Apart from the infringements of good practice, indicated above and explained, it is the Company's intention to comply with all the rules of corporate governance specified in the Code of Best Practice for WSE Listed Companies.

Legal basis for submitting the report: Article 38.1.2 of the WSE Rules