



LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA

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

**ON THE ASSESSMENT OF THE COMPANY'S FINANCIAL STATEMENTS AND
THE DIRECTORS' REPORT ON OPERATIONS**

**FOR THE FINANCIAL YEAR 2011 AND THE MANAGEMENT BOARD'S MOTION
REGARDING THE DISTRIBUTION OF 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 Accountancy Act (uniform text, 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 2011;
- the Directors' Report on Operations of the Company for the financial year 2011;
- the Management Board's motion regarding the distribution of profit for 2011.

1. Assessment of the Financial Statements for the financial year 2011

The Financial Statements of Lubelski Węgiel Bogdanka S.A. for the financial year 2011 include:

- statement of financial position (balance-sheet) as at 31 December 2011, showing a balance-sheet total under assets and shareholders' equity and liabilities in the amount of **PLN 3,060,843,000**;
- statement of comprehensive income for the period from 1 January 2011 to 31 December 2011, showing the comprehensive income in the amount of: **PLN 218,978,000**;
- statement of changes in the shareholders' equity for the period from 1 January 2011 to 31 December 2011, showing an increase in the shareholders' equity by **PLN 171,359,000**;
- cash flow statement for the period from 1 January 2011 to 31 December 2011 showing net cash outflows in the amount of **PLN 368,917,000**;
- 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 chartered auditors, the Supervisory Board states as follows:

The Financial Statements were, in all important aspect, prepared in accordance with the International Financial Reporting Standards (IFRS), as endorsed by the European Union.

The financial statements under assessment comply, in terms form and content, with applicable provisions of law and the Company's Articles of Association, and present, in a reliable and clear manner, all information material for the assessment of profitability and financial result of operations for the financial year 2011, as well as the economic and financial position of the Company as at 31 December 2011.

In its assessment of the Financial Statements of Lubelski Węgiel Bogdanka S.A., the Supervisory Board has confirmed the positive opinion and the report on the audit of the financial statements for the financial year 2011 issued by:

PricewaterhouseCoopers Sp. z o.o., with registered office in Warsaw, at al. Armii Ludowej 14, Katowice branch: 40-018 Katowice, ul. Sowińskiego 46, entered in the register of entities authorised to audit financial statements kept by the National Chamber of Chartered Auditors under entry No. 144, and entered in the register kept by the District Court for the capital city of Warsaw under entry No. KRS 000044655.

The auditing company was selected by virtue of Resolution of the Supervisory Board No. 110/VII/2011 of 8 June 2011 to review the Financial Statements of the Company for the first half of 2011, and to audit the Financial Statements of the Company for 2011 and the Consolidated Financial Statements of the Group for 2011, 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 the economic and financial position of the Company, as well as the Company's and the Group's financial result in a reliable and clear manner.

2. Assessment of the Directors' Report on Operations of the Company for the financial year 2011

Directors' Report on Operations of the Company for the financial year 2011 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 the Company's 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.

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

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 218,977,735.69 generated by the Company in 2011 complies with the binding provisions.

The Supervisory Board issues its positive opinion on the Management Board's motion, in accordance with which the generated net profit will be allocated as follows:

- the amount of PLN 68,027,180 will be allocated for a dividend for shareholders, i.e. PLN 2.00 per share;
- the amount of PLN 150,950,555.69 will be allocated for the Company's reserve capital.

4. Summary

As a result of the assessment of the above Financial Statements and the Management Board's motion regarding the distribution of the Company's profit for the financial year 2011, the Supervisory Board recommends the General Shareholders Meeting to approve:

- the Financial Statements of Lubelski Węgiel Bogdanka S.A. for the financial year 2011;
- the Directors' Report on Operations of the Company for the financial year 2011;
- the Management Board's motion regarding the distribution of profit for 2011.

Adopted resolutions:

1. Resolution No. 127/VII/2012 of the Supervisory Board of Lubelski Węgiel Bogdanka S.A. of 26 March 2012 on the assessment of the Company's Financial Statements for the financial year 2011.

2. Resolution No. 128/VII/2012 of the Supervisory Board of Lubelski Węgiel Bogdanka S.A. of 26 March 2011 on the assessment of the Directors' Report on Operations of the Company for the financial year 2011.

3. Resolution No. 131/VII/2012 of the Supervisory Board of Lubelski Węgiel Bogdanka S.A. of 26 March 2012 on the assessment of the Management Board's motion regarding the distribution of net profit for 2011.

4. Resolution No. 133/VII/2012 of the Supervisory Board of Lubelski Węgiel Bogdanka S.A. of 26 March 2012 on approval of the Supervisory Board's Report on the assessment of the Company's Financial Statements for 2011, Directors' Report on Operations of the Company for the financial year 2011, and the Management Board's motion regarding the distribution of profit.

*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 2011
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 <i>[signature]</i> |
| 2. Stefan Kawalec | Vice-Chairman of the Board <i>[signature]</i> |
| 3. Jadwiga Kalinowska | Secretary of the Board <i>[signature]</i> |
| 4. Ewa Pawluczuk | Member of the Board <i>[signature]</i> |
| 5. Andrzej Lulek | Member of the Board <i>[signature]</i> |
| 6. Adam Partyka | Member of the Board <i>[signature]</i> |

Bogdanka, 26 March 2012