

## **(Current Report No 001/2008)**

**Wrocław, January 4<sup>th</sup> 2008**

### Information regarding non-observance of some of the rules set out in Best Practices of WSE Listed Companies

Legal basis: Other regulations

The Management Board of LC Corp SA ("Issuer"), discharging the obligation specified in § 29.3 of the Rules of the Warsaw Stock Exchange SA, informs that the following corporate governance rules, included in the document entitled "Best Practices of WSE Listed Companies", adopted by way of Resolution No. 12/1170/2007 of the Warsaw Stock Exchange Supervisory Board on July 4th 2007, are not and will not be applied or cannot be applied in LC Corp SA..

Part II. "Best practices adopted by management boards of listed companies"

Rule No. 1: "The Company maintains a corporate website and places on it:"

Item 4: "information regarding the date and place of the general meeting, its agenda and draft resolutions, including their justification, as well as other available materials related to the company's general meetings, at least 14 days in advance of the date set for the meeting."

This rule is not and will not be applied in its part regarding the time limit for placing on the Company's website draft resolutions, including their justification, and other available materials related to the Company's general meetings. The time limit for supplying to the public draft resolutions together with enclosures at least 8 days in advance of the set date for the meeting, referred to in § 39.1.3 in connection with § 97.5 of the Regulation of the Minister of Finance of October 19th 2005 on current and periodical reports published by issuers of securities, is sufficient for becoming familiar with their content.

Item 6: "annual reports on the activity of the supervisory board taking account of the work of its committees together with the evaluation of the work of the supervisory board and of the internal control system, as well as the relevant risk management system submitted by the supervisory board."

This rule is not and will not be applied in its part regarding the report on the work of the committees and the evaluation of the internal control system and the relevant risk management system. There are no committees operating in the scope of the Supervisory Board's activity. Since the Supervisory Board's powers do not include the internal control system or the relevant risk management system the Supervisory Board will not submit any evaluation of such systems.

Item 7: "shareholders' questions on issues on the agenda submitted before and during a general meeting together with answers to those questions."

This rule is not and will not be applied. The Company does not take detailed minutes of the course of the general meeting that would contain all comments and questions. The inclusion of respective issues in the minutes of the general meetings is decided upon by their chairman who is guided by the provisions of law, the significance of a given issue and justified shareholders' requests. Pursuant to the provisions of the Code of Commercial Partnerships and Companies and the General Meeting Rules the attendees of the general meeting have the right to make

written statements which are included in the minutes. The Company deems such rules to be sufficient to ensure transparency of the general meeting proceedings.

Item 11: "information imparted to the management board, on the basis of a statement made by a member of the supervisory board, regarding the relation of the member of the supervisory board and a shareholder whose shares represent at least 5% of the total number of votes at the company's general meeting."

This rule is not and will not be applied by the Company's Management Board as the Company's Management Board does not receive such statements from members of the Supervisory Board in connection with non-observance of Rule no 2 of Part III "Best practices for supervisory board members".

Rule No. 3: "The management board, prior to concluding by the company a significant agreement with a related entity, submits such transaction/agreement for the supervisory board's approval. The above obligation is not applicable to typical transactions, concluded at arm's length as part of the company's operating activity carried out with a subsidiary entity in which the company has a majority holding. For the purpose of this set of rules the definition of a subsidiary entity in the meaning of the Regulation of the Minister of Finance of October 19th 2005 on current and periodical information published by issuers of securities has been adopted."

This rule is not and will not be applied. In the opinion of the Company's Management Board the regulations included in the provisions of law in force, combined with the Statute and the Regulations for the Company's Supervisory Board regarding the transactions/agreements concluded with a related entity, are sufficient. The Supervisory Board's powers include exercising permanent supervision over the Company's activity, including also decisions on all significant agreements concluded by the Company, whereas the Company's Statute specifies the value criteria for such agreements.

Rule No. 5: "Draft resolutions of the general meeting should be justified, except for resolutions on regulations and formal issues as well as typical resolutions passed in the course of the ordinary general meeting proceedings. Taking account of the above the management board should present justification or ask the entity which proposes a motion to put a given issue on the agenda for the general meeting to present it."

This rule is not and will not be applied. The obligation to present justification, introduced by way of the above rule, opens up a possibility of objection that the prepared justification is incorrect, insufficient, too short or otherwise unsatisfactory for a shareholder. To minimise the risk related to non-observance of this rule the Company's Management Board will present justifications for draft resolutions before and in the course of the general meeting to the interested Company's shareholders.

Rule No. 6: "Members of the management board should participate in the general meeting proceedings in the makeup making it possible to give competent answers to questions asked in the course of the general meeting."

This rule cannot be applied. The Company makes big efforts to ensure the presence of members of the Management Board at each General Meeting. However, the Company is not able to guarantee that all members of the Management Board are present, and, therefore, that the members of the Management Board present at the general meeting provide answers to all shareholders' questions.

Part III. "Best practices for supervisory board members"

Rule No. 1: "Apart from the activities listed in the provisions of law the supervisory board should:"

Item 1: "once a year draw up and present to the ordinary general meeting a brief evaluation of the Company's situation, taking account of the evaluation of the internal control system and the significant risk management system."

This rule is not and will not be applied in its part regarding the evaluation of the systems. Since there is no internal control system or significant risk management system the Supervisory Board will not present any evaluation of such systems to the general meeting.

Rule No. 2: "A member of the supervisory board should pass on to the management the information about his relations with a shareholder whose shares represent at least 5% of the total number of votes at the general meeting. The above obligation concerns the relations of economic, family or other nature which might have a bearing on the position of the member of the supervisory board regarding the issue considered by the board."

This rule is not and will not be applied by the Company's Supervisory Board. The above rule is superfluous in the context of the Supervisory Board's member withdrawal from the Board's decision making should there occur a conflict of interests. The criterion of purpose and effect that the member of the Supervisory Board wants to exert and exerts with his actions is correct and sufficient in accordance with the law in force. Such criterion is acting for the Company's and shareholders' benefit and the liability for possible actions to the Company's or shareholders' detriment.

Rule No. 3: "Members of the supervisory board should participate in the general meeting proceedings in the makeup making it possible to give competent answers to questions asked in the course of the general meeting".

This rule cannot be applied. The Company makes big efforts to ensure the presence of members of the Supervisory Board at each General Meeting. However, the Company is not able to guarantee that all members of the Supervisory Board are present, and, therefore, that the members of the Supervisory Board present at the general meeting provide answers to all shareholders' questions.

Rule No. 6: "At least two members of the supervisory board should meet the criteria of independence of the company and entities having significant relations with the company. With regard to the criteria of independence of the supervisory board members Annex II to the European Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors in listed companies and on the committees of the (supervisory) board should be applied. Irrespective of the provisions of item b) of the Annex referred to hereinabove, the person who is employed by the company or by its subsidiary or associated entity may not be regarded as meeting the criteria of independence referred to in this Annex. Furthermore, in the meaning of this rule the relation with a shareholder excluding the supervisory board member's attribute of independence should be understood as a real and significant relation with a shareholder who has the right to exercise 5% or more of the total number of votes at the general meeting."

The above rule is not and will not be applied. The Company's authorities take the view that in accordance with the general principle of the majority rule and protection of the minority a shareholder who has contributed more capital bears also a greater economic risk. It is, therefore, justified that his interest should be considered in proportion to the capital he has contributed. Thence, he should also be entitled to put up candidates to the Supervisory Board who guarantee the implementation of the strategy adopted for the Company. In the opinion of the Company's Management Board the proper and effective implementation of the Company's strategy is thus ensured as is the sufficient protection of interests of all groups of shareholders and other groups related to our Company's enterprise. With the Company's present shareholding structure this rule forms a too far-reaching restriction of majority shareholders' corporate rights and infringes the principle of primacy of the majority rule in a joint-stock company.

Rule No. 7: "Within the Supervisory Board there should function at least an audit committee. At least one member of such committee should be independent of the company and entities having significant relations with the company and should have expertise in accounting and financial areas. In the companies where the supervisory board is composed of the minimum number of members required by law the tasks of the committee should be carried out by the supervisory board."

The above rule is not and will not be applied as there are no committees operating within the framework of the Supervisory Board. The Company's Supervisory Board is composed of 5 people, and creating separate committees or commissions is pointless from the organisational

point of view. Tasks foreseen for committees will be carried out by the Supervisory Board in its full makeup. The Regulations for the Supervisory Board do not provide for setting up committees.

Rule No. 8: "In the scope of tasks and functioning of the committees operating within the supervisory board Annex I to the European Commission Recommendation of February 15th 2005 on the role of non-executive directors (...) should be applied."

The above rule is not and will not be applied by the Company's Supervisory Board since Rule No. 7 of Part III "Best practices for supervisory board members" is not applied. There are no committees operating within the framework of the Supervisory Board.

Rule No. 9: "Concluding by the company agreements/transactions with a related entity, meeting the conditions referred to in Part II item 3, is subject to the supervisory board's approval."

This rule is not and will not be applied. The regulations included in the provisions of law in force, combined with the Statute and the Regulations for the Company's Supervisory Board regarding the transactions/agreements concluded with a related entity, are sufficient. The Supervisory Board's powers include exercising permanent supervision over the Company's activity, including also decisions on all significant agreements concluded by the Company, whereas the Company's Statute specifies the value criteria for such agreements.