



**MANAGEMENT BOARD'S REPORT
ON THE LC CORP GROUP'S OPERATIONS
IN THE FIRST HALF OF 2011**

Wrocław, 25 August 2011

TABLE OF CONTENTS

I. BASIC INFORMATION	3
II. GROUP'S ACTIVITY IN H1 2011	7
III. ASSET, FINANCIAL AND REVENUE POSITION OF THE LC CORP GROUP IN H1 2011	10
IV. EVENTS EXERTING A SIGNIFICANT IMPACT ON THE GROUP'S ACTIVITY AND FINANCING THE GROUP'S ACTIVITY IN H1 2011.....	11
V. EVENTS WHICH OCCURRED AFTER 30 JUNE 2011	12
VI. OPINION OF THE MANAGEMENT BOARD OF LC CORP S.A. ON THE FEASIBILITY OF MEETING THE EARLIER PUBLISHED FINANCIAL FORECASTS FOR THE YEAR IN VIEW OF THE RESULTS PRESENTED IN THIS MID-YEAR REPORT	14
VII. LITIGATION.....	14
VIII. FACTORS WHICH MAY AFFECT THE ISSUER'S PERFORMANCE IN THE NEXT QUARTER	14
IX. OTHER INFORMATION MATERIAL FOR THE ASSESSMENT OF THE PERSONNEL, ASSET, FINANCIAL AND PROFIT/LOSS STANDING OF THE ISSUER OR FOR THE FEASIBILITY OF FULFILLING ITS OBLIGATIONS.....	14
X. INFORMATION ON SIGNIFICANT, NON-ARM'S LENGTH, RELATED PARTY TRANSACTIONS OF THE ISSUER OR ITS SUBSIDIARY UNDERTAKING	14
XI. INFORMATION ON LOAN SURETIES ISSUED BY THE ISSUER OR ITS SUBSIDIARY UNDERTAKING; GUARANTEES ISSUED FOR THE VALUE OF AT LEAST 10% OF THE ISSUER'S EQUITY.....	15
XII. RISK FACTORS SIGNIFICANT FOR THE GROUP'S OPERATION	15
XIII. SUMMARY	16

RULES FOR PREPARING THE LC CORP GROUP'S MID-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The LC Corp Group, where LC Corp is the Parent Undertaking, is obliged to draw up its consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the European Union.

The LC Corp Group's mid-year condensed consolidated financial statements for the reporting period from 1 January 2011 to 30 June 2011 were drawn up in accordance with the International Financial Reporting Standards ("IFRS") in their form adopted by the EU, applying to mid-year financial reporting.

Information on the rules used for drawing up the Group's mid-year condensed consolidated financial statements is also presented in Note 3 to the enclosed mid-year condensed consolidated financial statements.

Changes in the accounting rules used by the LC Corp Group and their impact on the Group's accounting policy and methods of data presentation are described in Note 4 to the enclosed mid-year condensed consolidated financial statements.

I. BASIC INFORMATION

The LC Corp Group (the "Group") consists of LC Corp S.A. and its subsidiary undertakings.

LC Corp S.A. (hereinafter also "LC Corp" or "the Issuer") was established by the Notarial Deed dated 3 March 2006 and entered on 15 March 2006 into the register of entrepreneurs of the National Court Register maintained by the District Court for Wrocław-Fabryczna in Wrocław, VI Commercial Section of the National Court Register, under KRS No. 0000253077. The Parent Undertaking's registered office is situated in Wrocław, Poland, at ul. Powstańców Śląskich 2-4.

The Parent Undertaking has been assigned statistical identification number REGON 020246398 and NIP 899-25-62-750.

LC Corp's share capital totals PLN 447,558,311 (fully paid-up).

The Parent Undertaking and the Group's subsidiaries have been established for an indefinite time. The Parent Undertaking's primary activity is:

- PKD 64.20.Z Activities of financial holding companies

The subsidiaries' primary activity is carrying out construction projects on the land belonging to these companies, for the purpose of further renting and selling residential and commercial property.

LC Corp B.V., controlled by Leszek Czarnecki, is the Parent Undertaking of LC Corp S.A. and the whole Group.

As at 30 June 2011 the LC Corp Group comprised LC Corp S.A. and the following subsidiaries of LC Corp S.A.:

- Arkady Wrocławskie S.A. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- Katowice Ceglana Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- Vratislavia Residence Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Dębowa Ostoja Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Bajkowy Park Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Szmaragdowe Wzgórze Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- Warszawa Przyokopowa Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- Kraków Zielony Złocień Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Osiedle Pustynna Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Invest Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Invest III Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Invest XII Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Invest XIV Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Invest XV Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Invest XV Sp. z o.o. Sp. k. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Invest XVI Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,

MB Report on LC Corp Group's operations in the first half of 2011

The subsidiary companies are fully consolidated, and associated companies are valued with the equity method.

1. Major changes in the Group in H1 2011

In the period of 6 months ended 30 June 2011, there occurred some changes in the composition of the Group, described hereinbelow.

1. On 1 February 2011 the merger of LC Corp S.A.'s subsidiary undertakings, Warszawa Rezydencja Kaliska Sp. z o.o., as the Merging Company, with Warszawa Przy Promenadzie Sp. z o.o., as the Merged Company, was registered, pursuant to Art. 492.1.1 of the Polish Code of Commercial Partnerships and Companies. As a result of the merger the share capital of the Merging Company (Warszawa Rezydencja Kaliska Sp. z o.o. - currently LC Corp Invest III Sp. z o.o.) was increased. As a result of the merger of those companies, the share capital of the Merging Company was increased by PLN 1,500,000, i.e. to PLN 6,000,000, through issuing 15,000 shares of a par value of PLN 100 each. In return for 15,000 shares of a par value of PLN 100 each in the Merged Company, LC Corp S.A. received 15,000 shares of a par value of PLN 100 each in the Merging Company. The share capital of LC Corp Invest III Sp. z o.o. currently stands at PLN 6,000,000 and is divided into 60,000 shares of a par value of PLN 100 each. The Issuer currently holds all 60,000 shares, i.e. 100% shares in the share capital.
2. On 11 March 2011 (on 24 March 2011 registration with KRS) LC Corp S.A. concluded with LC Corp Invest XV Sp. z o.o. an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Sp. k., as a special purpose entity established to carry out a property development project, in which LC Corp S.A. is a limited partner.
3. On 8 April 2011 (on 19 April 2011 registration with KRS) LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and Kraków Zielony Złocień Sp. z o.o., entered into an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k. This company, in which Kraków Zielony Złocień Sp. z o.o. is a limited partner, was established to carry out a property development project.
4. On 11 March 2011 (on 25 March 2011 registration with KRS) LC Corp S.A., acting as the sole shareholder, established a special purpose entity, LC Corp Invest XVI Sp. z o.o., intended to carry out a property development project, with the share capital of PLN 5,000.
5. On 20 June 2011 (on 29 June 2011 registration with KRS) LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and Kraków Zielony Złocień Sp. z o.o., entered into an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k. This company, in which Kraków Zielony Złocień Sp. z o.o. is a limited partner, was established to carry out a property development project.
6. On 29 June 2011 the transformation of LC Corp S.A.'s subsidiary undertaking, LC Corp Invest III Sp. z o.o. Sp. k. into LC Corp Invest Sp. z o.o. was registered. As a result of this transformation the share capital of the transformed company was established at the level of PLN 10,000, divided into 100 shares with a par value of PLN 100 each. Currently, LC Corp S.A. holds 99 shares representing 99% of the share capital.

2. Scope of business

The Group's core activity comprises property development, related to the construction projects underway, and the core activity of LC Corp, reflected in REGON, i.e. the statistical records system, includes activities of financial holding companies, management and consulting activities in the scope of business management, and development and sale of own property.

Over the period from 1 January to 30 June 2011 LC Corp S.A. and the Group were implementing the strategy compliant with their core activity, i.e. investment activity.

3. Group's share capital as at 30 June 2011

3.1. Ownership structure of significant blocks of the Issuer's shares

As at 30 June 2011 the share capital of LC Corp S.A. amounted to PLN 447,558,311 and was divided into 447,558,311 ordinary bearer shares carrying one vote at the General Meeting, with a par value of PLN 1.00 each.

MB Report on LC Corp Group's operations in the first half of 2011

Shareholders possessing, directly or indirectly, at least 5% of the total vote at the General Meeting of LC Corp S.A. as at the date of submitting the report for Q1 2011, according to the information obtained by the Issuer

Shareholder	Number of shares	Number of votes	Share % in share capital	Share % in vote at general meeting
Leszek Czarnecki directly and indirectly* <i>including:</i> <i>LC Corp B.V. seated in Amsterdam</i>	229,126,674	229,126,674	51.19%	51.19%
	214,701,110	214,701,110	47.97%	47.97%
ING Otwarty Fundusz Emerytalny	32,684,371	32,684,371	7.30%	7.30%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	55,000,000	55,000,000	12.29%	12.29%

* Leszek Czarnecki directly holds 14,424,564 shares constituting 3.22% of the share capital and 3.22% share in the vote at the General Meeting, and indirectly through his subsidiary undertakings Leszek Czarnecki holds 214,702,110 shares constituting 47.97% of the share capital and 47.97% share in the vote at the General Meeting. Leszek Czarnecki's subsidiary undertaking is LC Corp. B.V seated in Amsterdam holding 214,701,110 shares constituting 47.97% of the share capital and 47.97% share in the vote at the General Meeting and RB Investcom Sp. z o.o. seated in Wroclaw holding 1,000 shares constituting 0.0002% of the share capital and 0.0002% share in the vote at the General Meeting

Ownership structure of significant blocks of the Issuer's shares as at the date of submitting the mid-year consolidated financial statements for H1 2011, according to the information obtained by the Issuer.

Shareholders possessing, directly or indirectly, at least 5% of the total vote at the General Meeting of LC Corp S.A.:

Shareholder	Number of shares	Number of votes	Share % in share capital	Share % in vote at general meeting
Leszek Czarnecki bezpośrednio i pośrednio* w tym: LC Corp B.V. z siedzibą w Amsterdamie	229,126,674	229,126,674	51.19%	51.19%
	214,701,110	214,701,110	47.97%	47.97%
ING Otwarty Fundusz Emerytalny	32,684,371	32,684,371	7.30%	7.30%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK **	55,000,000	55,000,000	12.29%	12.29%

* Leszek Czarnecki directly holds 14,424,564 shares constituting 3.22% of the share capital and 3.22% share in the vote at the General Meeting, and indirectly through his subsidiary undertakings Leszek Czarnecki holds 214,702,110 shares constituting 47.97% of the share capital and 47.97% share in the vote at the General Meeting. Leszek Czarnecki's subsidiary undertaking is LC Corp. B.V seated in Amsterdam holding 214,701,110 shares constituting 47.97% of the share capital and 47.97% share in the vote at the General Meeting and RB Investcom Sp. z o.o. seated in Wroclaw holding 1,000 shares constituting 0.0002% of the share capital and 0.0002% share in the vote at the General Meeting.

In the period following the submission of the report for Q1 2011 there were no changes in the ownership structure of significant blocks of the Issuer's shares.

3.2. Holding of the Issuer's shares or options by the management staff and the supervisory staff

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Full name	Function in the body	Holding of the Issuer's shares as at 16 May 2011(*)	Increase	Decrease	Holding of the Issuer's shares as at 25 August 2011
Supervisory staff					
Leszek Czarniecki	Chairman of the Supervisory Board	14,424,564	-	-	14,424,564
Andrzej Błażejowski	Vice-Chairman of the Supervisory Board	52,900	-	-	118,642
Ludwik Czarniecki	Member of the Supervisory Board	10,000	-	-	10,000
Zbigniew Dorenda	Member of the Supervisory Board	0	-	-	0
Remigiusz Baliński	Member of the Supervisory Board	65,445	-	-	65,445
Management staff					
Dariusz Niedośpał	President of the Management Board	6,000	-	-	6,000
Joanna Jaskólska	Vice President of the Management Board	6,000	-	-	6,000
Tomasz Wróbel	Member of the Management Board	-	-	-	-
Miroslaw Kujawski	Member of the Management Board	-	-	-	-

(*) pursuant to the information included in the quarterly report for Q1 2011.

3.3. Share capital of LC Corp's subsidiary undertakings as at 30 June 2011

Subsidiary undertaking	Share capital as at 30 June 2011 PLN	Share of LC Corp S.A.
Arkady Wrocławskie S.A.	113,700,000 (paid up in the amount of 108,700,000)	100%
Katowice Ceglana Sp. z o.o.	36,000,000	100%
Vratislavia Residence Sp. z o.o.	88,000,000	100%
LC Corp Invest Sp. z o.o.	10,000,000	100% (directly and indirectly)
Warszawa Przykopywa Sp. z o.o.	3,000,000	81,67%
LC Corp Invest III Sp. z o.o.	6,000,000	100%
Kraków Zielony Złocień Sp. z o.o.	6,000,000	100%
LC Corp Dębowa Ostoja Sp. z o.o.	1,000,000	100%
LC Corp Invest XIV Sp. z o.o.	5,050,000	100%
LC Corp Invest XII Sp. z o.o.	23,000,000	100%
LC Corp Invest XV Sp. z o.o.	5,000	100%
LC Corp Invest XVI Sp. z o.o.	5,000	100%
LC Corp Bajkowy Park Sp. z o.o.	1,000,000	100%
LC Corp Szmaragdowe Wzgórze Sp. z o.o.	13,500,000	100%
LC Corp Osiedle Pustynna Sp. z o.o.	8,000,000	100%
LC Corp Invest XV Sp. z o.o. Sp. k. *	10,000	100% (directly and indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k. *	10,000	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k. *	10,000	100% (indirectly)

MB Report on LC Corp Group's operations in the first half of 2011

* owing to the fact that a limited partnership is a personal partnership, the items presented in the table above as share capital refer to the amount of the commendam sum

II. GROUP'S ACTIVITY IN H1 2011

In the first half of 2011 LC Corp S.A. focused its activities on administrating, managing and exercising owner's supervision over its subsidiary undertakings and acquiring funds for their project related activity. LC Corp's subsidiary undertakings were active on the property development market continuing their projects or preparing to start building projects as well as managing a modern office and retail complex, Arkady Wrocławskie.

1. Basic products, goods for resale and services

The main source of revenue for the Group in the first half of 2011 was constituted by the sales of residential and retail premises, which represented 77% of the total revenue. Other Group's revenue, at the level of 23%, was produced by commercial property rental services.

The table below presents revenue and profits (PLN'000) of the Group's respective segments for the period ended 30 June 2011:

Period of 6 months ended 30 June 2011 or as at 30 June 2011 (unaudited)	Rental activity	Property development activity	Holding activity	Unallocated items and consolidation adjustments	Overall activity
Revenue					
Sales to customers outside the Group	21,106	69,615	21	0	90,742
Sales between segments	325	0	1,325	(1,650)	0
Total revenue from sales	21,431	69,615	1,346	(1,650)	90,742
Gross profit/(loss) on sales	15,334	16,363	(1,909)	3,015	32,803

2. Market situation

The Group operates in Poland and its key projects are located in big cities: Warsaw, Wrocław, Kraków, Gdańsk, Łódź and Katowice.

Revenue earned in H1 2011 can be attributed to the property development activity of the Group's undertakings carried out on the home market, mainly in Warsaw and Wrocław.

In H1 2011 the total of 115 flats and retail premises were sold (pre-sale agreements, having taken account of withdrawals), and 140 flats and retail premises were transferred on the basis of notarial deeds (sales disclosed in the income statement).

Below the Group's ongoing and prepared projects have been described

3. Ongoing property development projects

3. 1. Rezydencja Kaliska in Warsaw

The project was implemented by LC Corp Invest III Sp. z o.o. (former Warszawa Rezydencja Kaliska Sp. z o.o.) on the plot of 4,999 m², located in ul. Kaliska and ul. Niemcewiczka (at the boundary of the Śródmieście and Ochota districts in Warsaw). The location of the plot is attractive, several hundred meters away from the very centre of Warsaw, close to Aleje Jerozolimskie and next to the city square. The completed residential building comprises 94 high standard apartments and 6 retail premises

The project was completed in Q1 2011, and on 10 March 2011 the Company received an occupancy permit. The sale of flats is at an advanced stage.

3.2. Investment property in Warsaw

The project concerning an office and retail building is implemented by Warszawa Przyokopowa Sp. z o.o., on the property located in Warsaw in ul. Grzybowska and ul. Przyokopowa. The building will be situated near the very centre of Warsaw. On 2 April 2010 the company obtained a planning permission, which became final on 27 April 2010. On the basis of estimates the building will offer rental space of about 31,000 m². Demolition and preparatory works were completed by March 2011. On 27 April 2011 the Company obtained a building permit and at present it has been waiting for the permit to become final. The process of selecting the general contractor is at its final stage.

3.3. 'Osiedle Powstańców 33' in Żąbki near Warsaw

On 20 April 2011 LC Corp S.A. purchased real property with a building permit for stage I, located in Żąbki, in ul. Powstańców. On the plot of 3.4 ha it is planned to build a modern residential estate including over 880 flats. The project will be carried out in five stages.

The construction of stage I, comprising 100 flats, started in July 2011 and is carried out in the general contracting system. Pre-sale of flats will start from September 2011.

3.4. 'Osiedle Maestro' in Wrocław

The project is carried out by LC Corp Invest XIV Sp. z o.o. Under stage I of the project two multi-family four-storey buildings with 176 residential premises will be constructed on the real property of 1.1614 ha located in Wrocław, in the Jagodno cadastral district. The project was commenced in December 2010. Construction works are carried out in the general contracting system. Sale started in February 2011.

In addition, on the neighbouring plots of 0.8070 ha and 1.0077 ha, purchased in Q3 2010, the subsequent stages of the project are prepared. By way of decision of 22 June 2011 the Mayor of Wrocław approved the building permit design and granted LC Corp Invest XIV Sp. z o.o. a building permit for a complex consisting of two multi-family residential buildings with an underground gas boiler house, land development and utilities and road infrastructure at ul. Dróżnicza 87 in Wrocław, which will form stage II of the project (160 flats). It is planned to start the construction works and pre-sale in Q4 2011.

3.5. 'Osiedle Słoneczne Miasteczko' in Kraków

The project is carried out by Kraków Zielony Złocień Sp. z o.o. on the plot of 10.22 ha., located in the Bieżanów-Złocień district in Kraków. The company obtained a planning permission for this area, which formed the basis for designing a housing estate consisting of 1,658 flats. The company obtained also final building permits for the construction of about 1,000 flats. In June 2010 the works related to the construction of sub-stage Ia, including 120 flats, were started. The completion of this sub-stage is planned for Q4 2011. Pre-sale of flats is in progress.

In July 2011 the works related to the construction of the subsequent sub-stage, comprising 164 flats, were started. In September sales of flats will include also this sub-stage.

3.6. Residential project in ul. Okulickiego in Kraków

The project is carried out by LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k. on the real property located in Kraków, in ul. Okulickiego, purchased in June 2011. On the plot of almost 0.5 ha a building with a total of 143 flats will be constructed, including underground garages and indispensable technical infrastructure. The final building permit, necessary approvals and complete building documentation have been obtained for the project. The construction works, carried out in the general contracting system, were started in June 2011. Pre-sale will start in September 2011.

3.7. 'Osiedle Dębowa Ostoja' in Łódź

MB Report on LC Corp Group's operations in the first half of 2011

The project is carried out by LC Corp Dębowa Ostoja Sp. z o.o. on the property of 73,156 m². It will be an estate composed of detached houses, located in ul. Spadkowa, Bałuty, in Łódź, close to the road out of the city (ul. Aleksandrowska) to Konin and Poznań. The project consists in the construction of about 150 single-family, two-storey, terraced, semi-detached, and detached houses and the so-called city villas (about 4-6 apartments in the building corpus of a single-family house). In June 2010 works related to the infrastructure for the whole area and construction of stage I consisting of about 22 terraced houses were started. Construction works are carried out in the general contracting system. Pre-sale of houses is in progress.

3.8. 'Osiedle Pustynna 43' in Łódź

The project is carried out by LC Corp Osiedle Pustynna Sp. z o.o. on the plot located in Łódź, at ul. Pustynna no. 43. An estate planned on the plot will comprise city villas, offering flats with an area from about 57 m² to 138 m², complementing the residential offer in Łódź. The company has obtained the final building permit in September 2010. In May 2011 the construction of stage I, including 38 flats, was started. Pre-sale started in August.

4. Property development projects under preparation

4.1 Residential projects in Gdańsk

- The 'Osiedle Szmaragdowe Wzgórze' project is carried out by LC Corp Szmaragdowe Wzgórze Sp. z o.o. in the Łostowice District. On the purchased property a project consisting in the construction of a housing estate will be completed in two stages: Szmaragdowe Wzgórze I (with a total residential and retail space of 26,900 m²), and Szmaragdowe Wzgórze II (with a total residential and retail space of 20,150 m²). On 21 June 2011 LC Corp Szmaragdowe Wzgórze Sp. z o.o. applied for a building permit for the construction of stage Ia of the project, comprising multi-family houses (165 flats) and retail premises. It is planned to start the construction and pre-sale in Q4 2011.
- The 'Osiedle Bajkowy Park' project will be carried out by LC Corp Bajkowy Park Sp. z o.o. in the southern part of Gdańsk-Mańkowskie in ul. Starogardzka. At present the designing works are in progress.

4.2 Residential project in Wrocław

The construction of an estate comprising multi- and single-family houses is planned on the plot of about 18,578 m² in ul. Potokowa in Wrocław, purchased by LC Corp S.A. in March 2011. On 26 July 2011 an application for a building permit was submitted for two multi-family buildings with an underground garage (57 flats) and 14 single-family, terraced and semi-detached buildings. It is planned to start the construction and pre-sale in Q4 2011.

Furthermore, in the first half of 2011 actions aimed at acquisition of land for new projects were taken. On 19 July 2011 LC Corp S.A.'s subsidiary undertaking, LC Corp Invest XV sp. z o.o. sp. k., acquired the perpetual usufruct right to the real property situated in Wrocław, in ul. Brzeska. On 21 July 2011 LC Corp S.A. entered into a preliminary agreement on sale of real property, pursuant to which it undertook to acquire an undeveloped plot in Wrocław, in the Muchobór Wielki cadastral district, in ul. Graniczna. Moreover, a due diligence process concerning other land intended for further projects within the area of Wrocław, Warsaw and Kraków is at an advanced stage.

5. Group's dependence on suppliers and recipients

• Service recipients

In 2011 with regard to sale of residential and retail premises the Group's companies were not dependent on any service recipient, as the Group's clients are mainly natural persons, belonging to a broadly understood consumer group.

• Service suppliers

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In 2011 the Group's companies were not dependent on specific suppliers – building services are offered by numerous companies competing on the Polish developed construction market. The Group enters into contracts on construction works selecting contractors by way of tenders.

6. Significant agreements, insurance agreements

In the first half of 2011 the Group's companies did not conclude any significant agreements whose value would represent at least 10% of the Issuer's equity. Other agreements significant for the Group's companies (regarding in particular real property financing and acquisition) were described in these financial statements.

III. ASSET, FINANCIAL AND REVENUE POSITION OF THE LC CORP GROUP IN H1 2011

Basic economic and financial figures	Position as at 30 June 2011 PLN'000	Position as at 30 June 2010 PLN'000
Non-current assets	482,641	440,850
Current assets	894,702	795,218
Equity	1,002,189	947,062
Liabilities and provisions for liabilities	375,154	289,006
Balance-sheet total	1,377,343	1,236,068
Revenue from sales	90,742	96,808
Profit (loss) on sales	32,803	40,545
Operating profit (loss)	28,749	36,739
Pre-tax profit (loss)	26,782	34,526
Net profit (loss)	30,768	26,189

In the period ended 30 June 2011, the Company earned net revenue from sales in the total amount of PLN 90,742,000 and net profit of PLN 30,768,000.

Major factors and events which had a material impact on the financial results of the LC Corp Group in the period of 6 months ended 30 June 2011 include in particular:

1. transferring, on the basis of a notarial deed, the title to a part of apartments in the Przy Promenadzie project, stages II and III, and in the Rezydencja Kaliska project – realization of a part of profit from the sales of apartments in these projects
2. realization of planned profit from the operation of a retail and office centre, Arkady Wrocławskie

Structure of the consolidated balance sheet assets and equity and liabilities, including its assessment in respect of the Group's liquidity

	30 June 2011 PLN'000	Structure %
Assets		
A. Non-current assets	482,641	35.04%
1. Intangible assets	432	0.03%

MB Report on LC Corp Group's operations in the first half of 2011

2. Property, plant and equipment	940	0.07%
2.1. Tangible assets	930	0.07%
2.2. Tangible assets under construction	10	0.00%
3. Non-current receivables	1,993	0.14%
4. Investment property	469,731	34.10%
5. Non-current prepayments and accrued income	256	0.02%
6. Deferred tax assets	9,289	0.67%
B. Current assets	894,702	64.96%
1. Inventories	674,355	48.96%
2. Trade and other receivables	15,322	1.11%
3. Income tax receivable	519	0.04%
4. Current financial assets	47	0.00%
5. Cash and cash equivalents	201,876	14.66%
6. Current prepayments and accrued income	2,583	0.19%
C. Non-current assets classified as held for sale	0	0.00%
Total assets	1,377,343	100.00%
Equity and liabilities		
A. Equity	1,002,189	72.76%
I. Equity attributable to shareholders of the parent	974,385	70.74%
1. Share capital	447,558	32.49%
2. Balance of called-up share capital not paid	0	0.00%
3. Reserve funds	458,992	33.32%
4. Other reserve funds	39,771	2.89%
5. Other capital	3,108	0.23%
6. Retained profit/(Loss carried forward)	24,956	1.81%
II. Minority interest	27,804	2.02%
B. Non-current liabilities	324,463	23.56%
1. Non-current financial liabilities	292,196	21.21%
2. Non-current trade and other payables	0	0.00%
3. Provisions	22	0.00%
4. Deferred tax liability	32,245	2.34%
C. Current liabilities	50,691	3.68%
1. Current financial liabilities	14,503	1.05%
2. Current trade and other payables	15,321	1.11%
3. Income tax payable	88	0.01%
4. Provisions	75	0.01%
5. Accrued expenses and revenue	20,704	1.50%
Total equity and liabilities	1,377,343	100.00%

IV. EVENTS EXERTING A SIGNIFICANT IMPACT ON THE GROUP'S ACTIVITY AND FINANCING THE GROUP'S ACTIVITY IN H1 2011

1. Repayment of a loan taken out by Arkady Wrocławskie from a consortium of banks

In the period of 6 months ended 30 June 2011, Arkady Wrocławskie repaid, in accordance with the repayment schedule, a loan taken out in EUR from a consortium of banks: ING Bank Hipoteczny S.A., ING Bank Śląski S.A. and Kredyt Bank in the amount of PLN 6,343,000. As at 30 June 2011, the total amount to be repaid, after conversion into PLN, stood at PLN 205,476,000.

2. Loans advanced by LC Corp S.A. to its subsidiary undertakings

MB Report on LC Corp Group's operations in the first half of 2011

- On 31 March 2011, LC Corp S.A., acting as the sole shareholder, concluded with LC Corp Szmardowe Wzgórze Sp. z o.o. an agreement on a loan of PLN 5,000,000. The agreement was concluded at arm's length and for an indefinite period.
- On 14 April 2011, LC Corp S.A., acting as the sole shareholder, concluded with LC Corp Dębowa Ostoja Sp. z o.o. an agreement on a loan of PLN 7,000,000. The agreement was concluded at arm's length and for an indefinite period.
- On 14 April 2011, LC Corp S.A., acting as the sole shareholder, concluded with LC Corp Invest XIV Sp. z o.o. an agreement on a loan of PLN 10,000,000. The agreement was concluded at arm's length and for an indefinite period.

3. Issue and buyback of securities

On 20 January 2011, pursuant to the Bills of Exchange Law, LC Corp S.A. issued at arm's length ten investment notes with a par value of PLN 1,000,000 each, whose maturity falls on 29 June 2012, which were purchased by a subsidiary undertaking, Arkady Wrocławskie S.A.

On 20 January 2011, LC Corp S.A. concluded with Warszawa Przy Promenadzie Sp. z o.o. Sp. k. (then LC Corp Invest III Sp. z o.o. Sp. k., currently LC Corp Invest Sp. z o.o.) an annexe to the agreement on issue, purchase and buyback of securities of 20 January 2009. Under the annexe the maturity date of 14 investment notes issued by Warszawa Przy Promenadzie Sp. z o.o. Sp. k. and acquired by LC Corp S.A. was rescheduled from 20 January 2011 to 20 April 2011, whereby an earlier buyback of investment notes is admissible.

On 28 February 2011, LC Corp S.A. concluded with LC Corp Invest III Sp. z o.o. Sp. k. (formerly Warszawa Przy Promenadzie Sp. z o.o. Sp. k., currently LC Corp Invest Sp. z o.o.) an annexe to the agreement on issue, purchase and buyback of securities of 31 August 2009. Under the annexe the maturity date of two investment notes issued by Warszawa Przy Promenadzie Sp. z o.o. Sp. k. and acquired by LC Corp S.A. was rescheduled from 28 February 2011 to 31 December 2011, whereby an earlier buyback of investment notes is admissible.

On 15 April 2011, LC Corp S.A. issued 1,000 three-year unsecured coupon bonds with a par value of PLN 100,000. The bonds were issued in the form of bearer securities, unsecured, dematerialised and bearing arm's length interest payable at six months' intervals. Bond buyback will take place on 15 April 2014, according to the bonds' face value.

On 20 April 2011, LC Corp S.A. concluded with LC Corp Invest III Sp. z o.o. Sp. k. (formerly Warszawa Przy Promenadzie Sp. z o.o. Sp. k., currently LC Corp Invest Sp. z o.o.) an annexe to the agreement on issue, purchase and buyback of securities in the form of notes of 20 January 2009. Under the Annexe the maturity date of 14 investment notes issued by the LC Corp Invest III Sp. z o.o. Sp. k. was rescheduled from 20 April 2011 to 20 January 2012, whereby an earlier buyback of investment notes is admissible.

On 1 June 2011, pursuant to the Bills of Exchange Law, LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k. issued seven investment notes with a par value of PLN 1,000,000 for investment notes numbers from 1 to 6 and with a par value of PLN 500,000 for investment note number 7, whose maturity falls on 1 June 2014.

On 20 June 2011, pursuant to the Bills of Exchange Law, LC Corp Invest XV Sp. z o.o. Sp. k. issued five investment notes with a par value of PLN 50,000 each, whose maturity falls on 20 June 2014.

On 22 June 2011, pursuant to the Bills of Exchange Law, LC Corp Invest XV Sp. z o.o. Sp. k. issued thirteen investment notes with a par value of PLN 50,000 each, whose maturity falls on 23 June 2014.

On 18 July 2011, pursuant to the Bills of Exchange Law, LC Corp Invest XV Sp. z o.o. Sp. k. issued eight investment notes with a par value of PLN 400,000 each, whose maturity falls on 18 July 2014.

V. EVENTS WHICH OCCURRED AFTER 30 JUNE 2011

1. On 8 July 2011 LC Corp S.A. entered into an agreement on general contracting for stage I of the "Ząbki project", carried out in Ząbki, in ul. Powstańców.

MB Report on LC Corp Group's operations in the first half of 2011

2. On 15 July 2011, LC Corp S.A.'s subsidiary undertaking, Warszawa Przyokopowa Sp. z o.o. (Borrower) entered into an agreement with Raiffeisen Bank Polska S.A. (Lender) on investment loan to a maximum amount of EUR 49,000,000 and VAT loan to a maximum amount of PLN 6,600,000 designed for partial financing of the construction of an office complex with retail facilities, situated in Warsaw, at ul. Grzybowska 85A. Pursuant to the provisions of the above loan agreement LC Corp S.A., as the owner of 81.66% of shares in Warszawa Przyokopowa Sp. z o.o., is obliged to conclude with the Borrower and the Lender: (i) an agreement on subordination of its receivables to secured receivables, (ii) a support agreement which guarantees covering excessive construction costs of the above office complex, and (iii) agreement on establishment of pledges by registration and financial pledges on the Borrower's shares in favour of the Lender.
3. On 18 July 2011, pursuant to the Bills of Exchange Law, LC Corp Invest XV Sp. z o.o. Sp. k. issued eight investment notes with a par value of PLN 400,000.00 each, whose maturity falls on 18 July 2014. The notes were acquired by LC Corp S.A.
4. On 19 July 2011, LC Corp S.A.'s subsidiary undertaking, LC Corp Invest XV Sp. z o.o. Sp. k., acquired the perpetual usufruct right to the real property situated in Wrocław, in ul. Brzeska.
5. On 21 July 2011 (on 4 August 2011 registration with KRS), LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and Katowice Ceglana Sp. z o.o., entered into an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k. The company was formed to carry out a property development project and Katowice Ceglana Sp. z o.o. is its limited partner.
6. On 21 July 2011, LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and LC Corp Osiedle Pustynna Sp. z o.o., entered into an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. The company was formed to carry out a property development project and LC Corp Osiedle Pustynna Sp. z o.o. is its limited partner.
7. On 21 July 2011, LC Corp S.A.'s subsidiary undertaking, LC Corp Invest XIV sp. z o.o. (Borrower) entered into an agreement with Nordea Bank Polska S.A. (Lender) on investment loan to a maximum amount of PLN 22,185,000 designed for financing the implemented "Osiedle Maestro" project. On 21 July 2011 LC Corp S.A. concluded with Nordea Bank Polska S.A. an agreement on guarantee of up to PLN 22,185,000, serving as the security for the above loan and an agreement on establishing a pledge by registration on the shares in this subsidiary undertaking.
8. On 21 July 2011, LC Corp S.A. entered into a preliminary agreement on sale of real property, pursuant to which it undertook to purchase an undeveloped plot located in Wrocław, in the Muchobór Wielki cadastral district, in ul. Graniczna.
9. On 26 July 2011, LC Corp S.A. applied for a building permit for multi-family buildings A and B, provided with cellars, and 14 single-family houses, including land development, carried out in Wrocław, in ul. Potokowa.
10. On 28 July 2011, LC Corp S.A.'s subsidiary undertaking, Kraków Zielony Złocień sp. z o.o., concluded a general contracting agreement for the "Słoneczne Miasteczko" project, with regard to building OB 3.
11. On 5 August 2011, LC Corp S.A.'s subsidiary undertaking, LC Corp Szmaragdowe Wzgórze sp. z o.o., issued a blank promissory note that can be completed by the Gdańsk Commune up to the gross amount of PLN 1,199,000 (one million, one hundred and ninety nine thousand, two hundred and five zloty and 72 grosz), serving as the security for the costs of executing the agreement on reconstruction of a section of the public road – ul. Srebrna and a section of the public road – ul. Szmaragdowa, in Gdańsk.
12. On 18 August 2011, LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and LC Corp Invest III Sp. z o.o., entered into an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k. The company was formed to carry out a property development project and LC Corp Invest III Sp. z o.o. is its limited partner.
13. On 18 August 2011, LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and LC Corp Szmaragdowe Wzgórze Sp. z o.o., entered into an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. k. The company was formed to carry out a property development project and LC Corp Szmaragdowe Wzgórze I Sp. z o.o. is its limited partner.
14. On 18 August 2011, LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and LC Corp Invest XVI Sp. z o.o., entered into an agreement on a limited liability company, LC Corp Invest I Sp. z o.o.
15. On 18 August 2011, LC Corp S.A. acquired from its subsidiary undertaking, LC Corp Invest III Sp. z o.o., one share in LC Corp Invest Sp. z o.o. (former LC Corp Invest III Sp. z o.o. Sp. k.), becoming the sole shareholder of LC Corp Invest Sp. z o.o.
16. On 22 August 2011, pursuant to the Bills of Exchange Law, LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k. issued four investment notes, acquired by LC Corp S.A., with a par value of PLN 100,000 each, whose maturity falls on 22 September 2011.

MB Report on LC Corp Group's operations in the first half of 2011

17. On 24 August 2011, pursuant to the Bills of Exchange Law, LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k. issued one investment note, acquired by LC Corp S.A., with a par value of PLN 100,000, whose maturity falls on 24 September 2011.
18. In August 2011, LC Corp S.A.'s subsidiary undertakings started to receive successively from the relevant tax offices refunds of overpaid tax on civil law transactions on account of loans advanced to them by LC Corp S.A. in the years 2007-2008. Refunds are connected with the decision of the European Court of Justice finding it against the European Union law to impose a tax on civil law transactions on equity loans granted to a company by its shareholder.

Apart from the events listed above, there were no other events taking place after 30 June 2011 which could significantly affect the financial results of the LC Corp Group.

VI. OPINION OF THE MANAGEMENT BOARD OF LC CORP S.A. ON THE FEASIBILITY OF MEETING THE EARLIER PUBLISHED FINANCIAL FORECASTS FOR THE YEAR IN VIEW OF THE RESULTS PRESENTED IN THIS MID-YEAR REPORT

The Issuer did not publish any financial forecasts for the year 2011.

VII. LITIGATION

As at 30 June 2011, no single proceedings were initiated with regard to liabilities or receivables of LC Corp S.A. and its subsidiaries, whose value amounted to at least 10% of the equity of LC Corp S.A. As at 30 June 2011 there were also no proceedings initiated with regard to liabilities or receivables of LC Corp S.A. and its subsidiaries, whose total value amounted to at least 10% of the equity of LC Corp S.A.

VIII. FACTORS WHICH MAY AFFECT THE ISSUER'S PERFORMANCE IN THE NEXT QUARTER

Financial performance of the LC Corp Group will be significantly affected by the macroeconomic situation, in particular by the availability of mortgage loans for prospective customers. These factors determine to a considerable extent the demand for new apartments and the structure and prices of such apartments.

The LC Corp Group recognises revenue upon signing a notarial deed transferring the title to property, therefore revenue from sales in the following quarter will depend on the value of agreements signed in this period.

Operating results of the Group will also be influenced by the level of revenue generated from rental of commercial space in the Arkady Wrocławskie centre, which depends on the euro exchange rate. The euro exchange rate influences also the valuation of a foreign currency loan and investment property, i.e. Arkady Wrocławskie.

IX. OTHER INFORMATION MATERIAL FOR THE ASSESSMENT OF THE PERSONNEL, ASSET, FINANCIAL AND PROFIT/LOSS STANDING OF THE ISSUER OR FOR THE FEASIBILITY OF FULFILLING ITS OBLIGATIONS

In the relevant reporting period, there were no events material for the assessment of the personnel, asset, or financial standing of the Issuer or for the feasibility of discharging its obligations, apart from those disclosed in the financial statements and in the Management Board's Report on the Group's operations.

X. INFORMATION ON SIGNIFICANT, NON-ARM'S LENGTH, RELATED PARTY TRANSACTIONS OF THE ISSUER OR ITS SUBSIDIARY UNDERTAKING

In the first half of 2011 the Issuer and its subsidiaries did not conclude any transactions with related undertakings that could be classified as significant or concluded under non-arm's length terms.

XI. INFORMATION ON LOAN SURETIES ISSUED BY THE ISSUER OR ITS SUBSIDIARY UNDERTAKING; GUARANTEES ISSUED FOR THE VALUE OF AT LEAST 10% OF THE ISSUER'S EQUITY

In this reporting period there were no such transactions in the LC Corp Group.

XII. RISK FACTORS SIGNIFICANT FOR THE GROUP'S OPERATION

Risk related to the situation on the financial and real estate markets

In the first half of 2011 the situation on the markets on which the Issuer operates improved slightly, however economists' opinions regarding further prospects are divided. The factors that could exert a negative impact on the Group's activity include the policy implemented by the banking sector with regard to property development companies, as the scale of giving loans to property development companies will have a significant influence on the scale of commencing new projects. The policy of the banking sector with regard to mortgage loans affects natural persons and also represents a substantial risk factor. 'Recommendation T' issued by the Polish Financial Supervision Authority in February 2010 and an amendment to 'Recommendation S' adopted in January 2011 have a considerable impact on the availability of mortgage loans to natural persons. Phasing out the governmental programme 'Rodzina na swoim' will not leave the demand on the property development market unaffected. Developments on the financial and real estate markets will have a considerable bearing on the Issuer's and Group's business activity.

Foreign exchange risk

Revenue and liabilities resulting from an agreement on financing of the company managing the commercial property are denominated in EUR. In consequence, the Group is exposed to foreign exchange risk related to the fluctuations of PLN/EUR exchange rate.

Currency risk which results from servicing a foreign currency loan is minimized by collecting rent indexed against the currency of the loan financing the investment. The risk posed by timing differences between invoicing and loan repayment is reduced, depending on the market situation, by purchasing a relevant amount of foreign currency at the dates of invoicing rents.

The currency risk includes also the balance sheet valuation of the commercial property and valuation of the loan, which as at the balance sheet date are converted from EUR to PLN according to the average exchange rate of National Bank of Poland effective on that date.

Interest rate risk

The interest rate risk relates mainly to non-current financial liabilities, based on a floating interest rate. This risk is partly compensated by indexation of lease revenue.

Credit risk

The Group concludes transactions with renowned companies of good credit capacity. Moreover, owing to current monitoring of receivables, the Group's exposure to the risk of uncollectible receivables is negligible.

In reference to the Group's other financial assets, such as cash and cash equivalents, the Group's credit risk is minimal, because the Group deposits resources in banks of good, stable financial standing.

There is no significant concentration of credit risk in the Group.

Liquidity risk

The Group aims to maintain a balance between continuity and flexibility of financing, by means of using different sources of financing, such as bank loans and bonds.

The Group has its own funds to secure the current activity and ongoing projects, however in order to expand its business the Group needs to obtain additional financing by entering into bank loan agreements or issuing bonds. Maturity dates of successive instalments are adjusted to projected proceeds from sale of individual projects.

Risk related to implementation of property development projects

Carrying out property development projects entails numerous significant risks due to the complex legal and technical nature of such projects. These risks include, in particular, failure to obtain permits indispensable to make use of real property as planned by the Group, delays in completion of projects, costs exceeding the costs assumed in the budget due to unfavourable weather conditions, insolvency of contractors or subcontractors, labour disputes concerning contractors or subcontractors, shortage of construction materials or equipment, accidents or unforeseeable technical difficulties, impossibility of obtaining occupancy permits or other required permits regarding a building or buildings, or changes in the regulations concerning the use of land. If any of the

MB Report on LC Corp Group's operations in the first half of 2011

above-mentioned risks takes place, there may occur delays in completion of property development projects, an increase in costs or loss of revenue, freezing of funds invested to purchase the real property for development, and in some cases the inability to finalise projects, which may have a considerable adverse impact on the Group's operations, financial position or results.

Administrative and construction related risk

Imperfections in the provisions of the Polish legislation lead to situations where the construction administration authorities may issue administrative decisions (e.g. building permit) which infringe the provisions of law, which in turn may result in appealing against such decisions by third parties acting out of self-interest. Appealing against the above decisions may result in an interruption of the construction process, which translates directly into deterioration in the profitability of the project, and thus in the Investor's financial results.

Risk related to liability for flats and houses after their sales

The Group's activity will include in particular sale of flats and houses. In connection with that the Group may be exposed to disputes and court proceedings related to completed projects, as a result of which the Group's undertakings may be obliged to fulfil specific obligations (e.g. resulting from performance bonds for construction works granted to clients). It may have a significant negative influence on the Group's activity, financial condition or results.

Risk management in LC Corp S.A. is effected by way of a formalised process of regular identification, analysis, and assessment of risk factors. In the process of risk identification appropriate procedures and processes are put in place, which aim at elimination or reduction in risk for the Company and for the Group.

XIII. SUMMARY

In the first half of 2011 the Group continued the projects already in progress, commenced new projects and intensified its activities aimed at acquiring new land, taking advantage of price drops both on the real estate market and in construction works.

In the opinion of the Management Board of LC Corp S.A. the objectives set for the Group were accomplished. The Group's companies discharged and still discharge their obligations towards the State Treasury, financial institutions, and contracting partners on a timely basis. The Group's anticipated financial situation ensures its further development and financing of its current operating and investment activity.

The Management Board of LC Corp S.A. hereby declares that the Company's and Group's continued activity is not at risk.

Drawn up in Wrocław, on 25 August 2011

Dariusz Niedośpiał
President of the Management Board

Joanna Jaskólska
Vice President of the Management Board

Tomasz Wróbel
Member of the Management Board

Mirosław Kujawski
Member of the Management Board
