LC CORP
CAPITAL GROUP

MID-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF SIX MONTHS ENDED JUNE 30TH 2010

WITH AN INDEPENDENT AUDITOR'S REPORT ON THE REVIEW

MID-YEAR CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at June 30th 2010 (PLN'000)

	Note	June 30th 2010 (unaudited)	December 31st 2009
Assets			
A. Non-current assets		**440,850**	**438,591**
1. Intangible assets		666	754
2. Property, plant and equipment	13	990	1,119
2.1. Tangible assets		990	1,111
2.2. Tangible assets under construction		0	8
3. Non-current receivables		0	0
4. Investment property	14	437,646	435,182
5. Non-current prepayments and accrued income		280	270
6. Deferred tax assets		1,268	1,266
B. Current assets		**795,218**	**863,194**
1. Inventories	15	662,965	689,624
2. Trade and other receivables		6,932	6,375
3. Income tax receivable		43	387
4. Current financial assets		0	117,599
5. Cash and cash equivalents		122,815	48,965
6. Current prepayments and accrued income		2,463	244
C. Non-current assets classified as held for sale		0	0
Total assets		**1,236,068**	**1,301,785**
Equity and liabilities			
A. Equity		**947,062**	**920,873**
1. Share capital		447,558	447,558
2. Balance of called-up share capital not paid		0	0
3. Reserve funds		373,558	428,914
4. Other reserve funds		59,221	48,451
5. Other capital		3,108	3,108
6. Retained profit / Uncovered losses		36,574	(33,618)
7. Minority interest		27,043	26,460
B. Non-current liabilities		**235,402**	**238,640**
1. Non-current financial liabilities	16,17	213,712	218,053
2. Non-current trade and other payables		681	1,234
3. Provisions		22	22
4. Deferred tax liability		20,987	19,331
C. Current liabilities		**53,604**	**142,272**
1. Current financial liabilities	16,17	12,500	81,734
2. Trade and other payables		17,985	11,310
3. Income tax payable		735	1,210
4. Provisions		75	627
5. Accrued expenses and revenue		22,309	47,391
Total equity and liabilities		**1,236,068**	**1,301,785**

MID-YEAR CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the period of 6 months ended June 30th 2010 (PLN'000)

	Note	Period of 6 months ended June 30th 2010 (unaudited)	Period of 6 months ended June 30th 2009 (unaudited)
Operating activity			
Sales revenue	10	**96,808**	**24,297**
Revenue on sales of services		21,611	24,244
Revenue on sales of goods and products		75,197	53
Cost of sales		(56,263)	(6,098)
Pre-tax profit on sales		**40,545**	**18,199**
Gain (loss) on disposal of non-current non-financial assets		1	(27)
Revaluation o investment property		1,532	17,351
Selling and distribution costs		(907)	(1,217)
General administrative expenses		(4,538)	(4,073)
Other operating income		340	5,486
Other operating expenses		(234)	(927)
Operating profit (loss)		**36,739**	**34,792**
Financial income		1,972	1,601
Financial expenses		(4,185)	(27,326)
Pre-tax profit (loss)		**34,526**	**9,067**
Corporate income tax (tax expense)	11	(8,337)	(2,840)
Net profit on business activities		**26,189**	**6,227**
Discontinued operations			
Profit (loss) on discontinued operations		0	0
Net profit (loss)		**26,189**	**6,227**
Other comprehensive income			
Other components of comprehensive income		0	0
Income tax relating to other components of comprehensive income		0	0
Other comprehensive income (net)		**0**	**0**
Total comprehensive income		**26,189**	**6,227**
Net profit attributable to:			
Equity holders of the Parent		25,606	5,556
Minority interest		583	671
		26,189	**6,227**
Comprehensive income attributable to :			
Equity holders of the Parent		25,606	5,556
Minority interest		583	671
		26,189	**6,227**
Basic profit per share from profit for the period in PLN		**0.06**	**0.01**
Diluted profit per share from profit for the period in PLN		**0.06**	**0.01**

Notes to the mid-year condensed consolidated financial statements
enclosed on pages 9 to 24 are their integral part

MID-YEAR CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS for the period of 6 months ended June 30th 2010 (PLN'000)

	Note	Period of 6 months ended June 30th 2010 (unaudited)	Period of 6 months ended June 30th 2009 (unaudited)
A. Cash flows from operating activities			
I. Pre-tax profit		**34,526**	**9,067**
II. Total adjustments		**464**	**21,439**
1. Depreciation and amortization		382	802
2. Foreign exchange gains (losses)		1,683	17,714
3. Interest and distributions from profit (dividends)		2,366	17,715
4. Profit (loss) on investing activities		0	23
5. Change in provisions		(552)	(759)
6. Change in inventories		26,659	(49,497)
7. Change in receivables		(557)	47,618
8. Change in current liabilities (net of loans and borrowings)	19	6,122	(15,923)
9. Change in accruals and deferrals		(27,311)	22,027
10. Corporate income tax		(6,814)	(918)
11. Other adjustments	19	(1,514)	(17,363)
III. Net cash provided by (used in) operating activities (I±II)		**34,990**	**30,506**
B. Cash flows from investing activities			
I. Cash provided by investing activities		**118,000**	**66**
1. Sale of intangible assets and property, plant and equipment		0	66
2. Sale of investment property		0	0
3. Cash provided by financial assets		118,000	0
4. Other cash provided by investing activities		0	0
II. Cash used in investing activities		**(1,116)**	**(7,100)**
1. Acquisition of intangible assets and property, plant and equipment		(184)	(13)
2. Investment property		(932)	(7,087)
3. Cash used on financial assets		0	0
4. Other cash used in investing activities		0	0
III. Net cash provided by (used in) investing activities (I–II)		**116,884**	**(7,034)**
C. Cash flows from financing activities			
I. Cash provided by financing activities		**0**	**120,000**
1. Net proceeds from issue of shares and additional contributions to equity		0	0
2. Increase in loans and borrowings		0	110,000
3. Issue of debt securities		0	10,000
4. Other cash provided by financing activities		0	0
II. Cash used in financing activities		**(78,428)**	**(126,002)**
1. Repayment of loans and borrowings		(75,504)	(59,188)
2. Redemption of debt securities		0	(58,001)
3. Interest paid		(2,924)	(8,813)
4. Other cash used in financing activities		0	0
III. Net cash provided by (used in) financing activities (I–II)		**(78,428)**	**(6,002)**
D. Total net cash flow (A.III±B.III±C.III)		**73,446**	**17,470**

(in PLN'000)

E. Balance-sheet change in cash, including:	**73,850**	**17,602**
– change in cash resulting from foreign exchange	404	132
F. Cash at beginning of period	**48,965**	**71,640**
G. Cash at end of period (F±D)	**122,412**	**89,110**
– restricted cash	2,120	2,256

MID-YEAR CONDENSED CONSOLIDATED STATEMENT OF CHANGES N EQUITY
for the period of 6 months ended June 30th 2010 (PLN'000)

	Capital allocated to the shareholders of the parent undertaking							*Minority interest*	*Total equity*
	Issued share capital	*Balance of called-up share capital not paid*	*Reserve funds*	*Other reserve funds*	*Other capital*	*Retained profit / Uncovered losses*	*Total*		
As at January 1st 2010	**447,558**	**0**	**428,914**	**48,451**	**3,108**	**(33,618)**	**894,413**	**26,460**	**920,873**
Net profit for the period of 6 months ended June 30th 2010	*0*	*0*	*0*	*0*	*0*	*25,606*	*25,606*	*583*	*26,189*
Other comprehensive income for the period of 6 months ended June 30th 2010	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total comprehensive income for the period of 6 months ended June 30th **2010**	**0**	**0**	**0**	**0**	**0**	**25,606**	**25,606**	**583**	**26,189**
Coverage of loss for 2009	0	0	(60,157)	0	0	60,157	0	0	0
Transfer of the profit for 2009 to reserve funds	0	0	4,801	0	0	(4,801)	0	0	0
Transfer of the profit for 2009 to capital reserve	0	0	0	19,450	0	(19,450)	0	0	0
Appropriation of retained earnings in other capital reserves to distribution	0	0	0	(8,680)	0	8,680	0	0	0
As at June 30th 2010 (unaudited)	**447,558**	**0**	**373,558**	**59,221**	**3,108**	**36,574**	**920,019**	**27,043**	**947,062**

(in PLN'000)

	Capital allocated to the shareholders of the parent undertaking							Minority interest	Total equity
	Issued share capital	*Balance of called-up share capital not paid*	*Reserve funds*	*Other reserve funds*	*Other capital*	*Retained profit / Uncovered losses*	*Total*		
As at January 1st 2009	**447,558**	**0**	**418,648**	**39,771**	**3,108**	**30,462**	**939,547**	**25,140**	**964,687**
Net profit for the period of 6 months ended June 30th 2009	*0*	*0*	*0*	*0*	*0*	5,556	5,556	671	6,227
Other comprehensive income for the period of 6 months ended June 30th 2009	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total comprehensive income for the period of 6 months ended June 30th 2009	**0**	**0**	**0**	**0**	**0**	**5,556**	**5,556**	**671**	**6,227**
Coverage of loss for 2008	0	0	(10,645)	0	0	10,645	0	0	0
Transfer of the profit for 2008 to reserve funds	0	0	20,911	0	0	(20,911)	0	0	0
Transfer of the profit for 2008 to capital reserve	0	0	0	25,680	0	(25,680)	0	0	0
As at June 30th 2009 (unaudited)	**447,558**	**0**	**428,914**	**65,451**	**3,108**	**72**	**945,103**	**25,811**	**970,914**

(in PLN'000)

NOTES TO FINANCIAL STATEMENTS

1. General information

LC Corp Capital Group (the "Group") consists of LC Corp S.A. and its subsidiary companies (see Note 2). The Group's mid-year condensed consolidated financial statements cover the period of 6 months ended June 30th 2010 and contain comparable data for the period of 6 months ended June 30th 2009 and as at December 31st 2009 .

LC Corp S.A. ("the Parent Undertaking", "the Company") was established by virtue of the Notarial Deed dated March 3rd 2006. The Parent Undertaking's registered office is situated in Wrocław, Poland, at ul. Powstańców Śląskich 2-4. The Parent Undertaking has been entered into the Business Register 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 Company has been assigned statistical identification number REGON 020246398.

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

- PKD 64.20.Z Activities of financial holding companies
- PKD 68.20.Z Rental and management of own or leased real estate
- PKD 41.10.Z Completion of construction projects related to putting up buildings
- PKD 68.10.Z Buying and selling of own real estate
- PKD 41.20.Z Construction works related to completion of residential and non-residential buildings

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

2. Organisation of the Group

As at June 30th 2010 and as at December 31st 2009 LC Corp Capital Group comprises the following subsidiaries of LC Corp S.A.:

Company name	Registered office	June 30th 2010 Share in capital (unaudited)	December 31st 2009 Share in capital
Arkady Wrocławskie S.A	Wrocław	100%	100%
Katowice Ceglana Sp. z o.o.	Wrocław	99.997%	99.997%
Vratislavia Residence Sp. z o.o.	Wrocław	100%	100%
LC Corp Dębowa Ostoja Sp. z o.o.	Wrocław	100%	100%
LC Corp Pustynna Sp. z o.o.	Wrocław	100%	100%
LC Corp Stabłowice Sp. z o.o.	Wrocław	100%	100%
LC Corp Bajkowy Park Sp. z o.o.	Wrocław	100%	100%
LC Corp Szmaragdowe Wzgórze Sp. z o.o.	Wrocław	100%	100%
Warszawa Przy Promenadzie Sp. z o.o.	Wrocław	100%	100%

Warszawa Przy Promenadzie Sp. z o.o. Sp. k.	Wrocław	100% (indirectly and directly)	100% (indirectly and directly)
Warszawa Przyokopowa Sp. z o.o.	Wrocław	81.67 %	81.67 %
Warszawa Rezydencja Kaliska Sp. z o.o.	Wrocław	100%	100%
Kraków Zielony Złocień Sp. z o.o.	Wrocław	100%	100%
LC Corp Osiedle Pustynna Sp. z o.o.	Wrocław	100%	100%

As at June 30th 2010 and December 31st 2009 the Parent Undertaking's share in the total vote in subsidiary entities equals its share in the share capital of these entities.

3. Declaration of compliance and basis for the preparation

The enclosed mid-year condensed consolidated financial statements of LC Corp Capital Group were prepared in accordance with the International Financial Reporting Standards ("IFRS") and in particular with Internation Accounting Standard No. 34, in its form approved by the EU, applying to mid-year financial reporting.

As at the day of approval of these statements for publication, taking into account the process of introducing IFRS standards, currently in progress in the EU, and the Group's activity, there are no differences between IFRS standards which have come into force and IFRS standards adopted by the EU within the accounting principles used by the Group.

IFRS comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The enclosed mid-year condensed consolidated financial statements of LC Corp Capital Group were prepared using the historical cost method, except with respect to investment properties, which are measured at fair value.

The mid-year condensed consolidated financial statements are presented in thousand zloty ('PLN'), and all values in the tables and descriptions, if not indicated otherwise, are given in PLN '000.

The mid-year condensed consolidated financial statements were prepared on the assumption of a continuation of the business activity by the Group companies in the foreseeable future. As at the day of approval of these financial statements, there are no circumstances identified implying any threats for continuation of the Group companies' activity.

The mid-year condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements and they must be read together with the consolidated financial statements of the Group for the year ended December 31st 2009.

The enclosed mid-year condensed consolidated financial statements of LC Corp Capital Group for the period of 6 months ended June 30th 2010 were approved by the Management Board for publication on August 26th 2010.

4. Changes in accounting principles

Below new or changed IFRS and new IFRIC interpretations are presented (approved or being approved by the European Union), effective as at January 1st 2010:

1) IFRS 2 *Share-based Payment: Group Cash-settled Share-based Payment Transactions* – effective as of January 1st 2010. The aim of this change is to clarify the manner of recognising in the books the group cash-settled share-based payment transactions. It replaces IFRIC 8 and IFRIC 11. This change did not affect the Group's financial situation or results of its activity.
2) *IFRS 3 Business Combinations (amendment) and IAS 27 Consolidated and Separate Financial Statements (amendment)* – effective as of July 1st 2009. Amended IFRS 3 introduces significant changes into the manner of recognising business combinations effected after the abovementioned date. The changes concern the valuation of non-controlling interests, recognition of costs directly related to the transaction, initial recognition and subsequent measurement of contingent payment,

and settlement of step acquisitions. These changes affect the recognised value of goodwill, the results reported for the period in which the acquisition took place and the results reported in subsequent periods.

In accordance with amended IAS 27, changes in the holding of the subsidiary's capital (which do not lead to loss of control) should be recognised as transactions with owners. In consequence such transactions will not result in creating goodwill or recognising profit or loss. In addition, the standard changes the way of allocating losses incurred by subsidiaries and recognising the loss of control over such subsidiaries. The changes in IFRS 3 and IAS 27 will have an impact on future transactions of acquiring or disposing of controlling interests in subsidiaries as well as on transactions with shareholders who do not hold controlling interests. These changes did not affect the Group's financial situation or results of its activity.

3) *IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items* – effective as of July 1st 2009. These changes concern designation of a unilateral risk in the hedged item and designation, in specific cases, of inflation as a hedged risk or a part thereof. This change did not affect the Group's financial situation or results of its activity.
4) IFRIC 17 *Distributions of Non-cash Assets to Owners* – effective as of July 1st 2009. The interpretation contains the guidelines on recognising in the books the transactions as a result of which non-cash assets are distributed to owners, in the form of provision or dividend distribution. This interpretation did not affect the Group's financial situation or results of its activity.
5) *Changes to IFRS* (published in May 2008) – in May 2008 the Board issued the first set of amendments to the standards published by it. The changes effective as of January 1st 2010 did not affect the Group's financial situation or results of its activity.
6) *Changes to IFRS* (published in April 2009) – in April 2009 the Board issued the second set of amendments to the standards published by it, mainly for the purpose of eliminating any inaccuracies or ambiguities of wording. Various interim provisions are applicable to respective standards. The changes in the following standards did not affect the Group's financial situation or results of its activity:
   - IFRS 8 *Operating Segments*
   - IAS 7 *Statement of cash flows*
   - IAS 36 *Impairment of Assets*
   - IAS 39 *Financial Instruments: Recognition and Measurement*
   - IFRS 2 *Share-based Payment*
   - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
   - IAS 1 *Presentation of Financial Statements*
   - IAS 17 *Leases*
   - IAS 38 *Intangible Assets*
   - IFRIC 9 *Reassessment of Embedded Derivatives*
   - IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

5. New standards and interpretations, which were published but have not become effective yet

The Company decided not to implement in advance any standards, interpretations or changes that have been published but have not come into effect so far.

6. Significant accounting principles

The accounting principles and calculation methods adopted for preparation of the mid-year condensed consolidated financial statements are coherent with the principles described in the audited consolidated financial statements of the LC Corp Group prepared in accordance with IFRS for the year ended December 31st 2009, published on March 19th 2010.

(in PLN'000)

7. Change of estimates

The Board of the Parent Undertaking used their best knowledge of applied standards and interpretations, and also the methods and principles of valuation of particular items of the enclosed condensed consolidated financial statements. Preparing the financial statements in accordance with IFRS required from the Company Board to make some estimates and assumptions which are reflected in these statements. The actual results may vary from such estimates.

The basic assumptions concerning the future have been discussed below as well as other key reasons for doubts occurring as at the end of the reporting period and entailing a significant risk of considerable adjustment of the balance-sheet value of assets and equity and liabilities in the following reporting period.

Deferred tax asset

The Group recognizes a deferred tax asset based on the assumption that, in the future, some tax profit is to be obtained enabling its utilization. Worsening of tax results attained could cause that this assumption might become illegitimate in the future.

Fair value of investment property

At the end of each quarter of an accounting year, the Group independently measures the fair value of its investment property, based on the agreed model of investment capitalisation. At the end of each accounting year, the fair value of investment property is established or verified by an independent valuer.

Valuation allowances for inventories

As at the end of the reporting period the Management Board verifies if there is any evidence pointing to a loss of value of its property development projects under completion. Valuation allowances are estimated by means of the DCF method, which is based on discounted cash flows generated within approved investment schedules and revenues from sales of flats, allowing for the sale price of 1 square metre of usable floor space, in accordance with the current market situation. The discount rate allows for the weighted average cost of capital (WACC).

The amount of inventory valuation allowances is estimated as at the balance sheet day and may be subject to change depending on the fluctuations of the market prices of land, sale prices of flats, constructions costs, project completion schedules and discount rate calculations. The actual results may vary from these estimates which were calculated on the grounds of data available as at the reporting date. It applies in particular to the projects whose commencement is planned after 2010. Their completion depends on obtaining the relevant administrative decisions or coming into force of the local land use plans, providing the basis for the parameters adopted in these project models and the formulation of final concepts for these projects, taking account of the local factors. It is also related to the uncertainty regarding the proper estimation of the market conditions in the following years.

The table below shows the change of estimates as at June 30th 2010 and as at December 31st 2009.

	June 30th 2010 (unaudited)	**December 31st 2009**
Deferred tax asset	1,268	1,266
Fair value of investment property	437,646	435,182
Deferred tax liability	20,987	19,331
Valuation allowances for assets	62,326	62,561

(in PLN'000)

8. Seasonal or cyclical character of the activity of LC Corp Capital Group

The LC Corp group's activity is connected with the construction cycles of its property development projects, which manifests itself in the recognition of proceeds from sales of flats/premises: revenue and costs of sales are recognized as at the moment of signing a notary act transferring ownership of the property (until that moment, takings in the form of advance payments from customers are recognized as the company's liabilities).

9. Operating segments

For management purposes, the Group distinguishes three reporting operating segments:

- rental services segment
- property development activity segment
- holding activity segment

The Group values the results of operating segments on the basis of sales revenue and gross sales result. The results of other operating activity and financial activity are managed at the Group's level and are not allocated to operating segments.

In the tables below, data concerning revenues and profits as well as assets and liabilities of the individual segments within the Group have been provided for the period of 6 months ended June 30th 2010 and June 30th 2009.

Period of 6 months ended **June 30th 2010 or at June 30th 2010** **(unaudited)**	**Rental service activity**	**Property development activity**	**Holding activity**	**Unallocated items and consolidation adjustments**	**Total activity**
Revenue					
Sales to external customers	21,521	75,239	48	0	96,808
Inter-segmental sales	330	0	1,462	(1,792)	0
Total sales revenue	**21,851**	**75,239**	**1,510**	**(1,792)**	**96,808**
Pre-tax profit (loss) on sales	**15,668**	**24,588**	**(1,289)**	**1,578**	**40,545**
Assets and liabilities					
Total assets	466,224	823,975	814,086	(868,217)	1,236,068
Total liabilities	251,516	547,158	60,483	(570,151)	289,006

Period of 6 months ended **June 30th 2009 or at June 30th 2009** **(unaudited)**	**Rental service activity**	**Property development activity**	**Holding activity**	**Unallocated items and consolidation adjustments**	**Total activity**
Revenue					
Sales to external customers	24,098	132	18	49	24,297
Inter-segmental sales	577	0	1,248	(1,825)	0
Total sales revenue	**24,675**	**132**	**1,266**	**(1,776)**	**24,297**
Pre-tax profit (loss) on sales	**18,595**	**80**	**(1,228)**	**752**	**18,199**

(in PLN'000)

Assets and liabilities					
Total assets	561,381	813,701	935,298	(596,700)	1,713,680
Total liabilities	295,267	550,900	181,139	(284,540)	742,766

10. Revenue from sales

	Period ended June 30th 2010 (unaudited)	Period ended June 30th 2009 (unaudited)
Revenue from the sale of services	21,611	24,244
Revenue from the sale of goods and products	75,197	53
Revenue from sales	**96,808**	**24,297**

In the period of 6 months ended June 30th 2010 the Group sold a part of flats in the Przy Promenadzie project, stage II (transfer of ownership) disclosing revenue from the sale of products of PLN 75,179,000.

11. Corporate income tax

In the period of 6 months ended June 30th 2010 and as at June 30th 2009 the main items of tax expense included the following:

	Period ended June 30th 2010 (unaudited)	Period ended June 30th 2009 (unaudited)
Statement of comprehensive income		
Current income tax		
Current income tax expense	(6,683)	(534)
Previous years adjustments to the current income tax	0	0
Deferred income tax		
Related to the occurrence and reversal of temporary differences	(1,654)	(2,306)
Tax expense disclosed in the statement of comprehensive income	**(8,337)**	**(2,840)**
Consolidated statement of changes in equity		
Tax advantage / (tax expense) disclosed in equity	0	0

12. Effects of changes in the structure of the business undertaking, including mergers, acquisitions or sale of subsidiary undertakings of the Capital Group, long-term investments, division, restructuring, and discontinued operations

In the period of 6 months ended June 30th 2010, there were no changes in the composition of the Group. The composition of the LC Corp Group as at June 30th 2010 and as at December 31st 2009 is presented in Note 2.

13. Property, plant and equipment

In the period of 6 months ended June 30th 2010, the Group acquired property, plant and equipment to the value of PLN 137,000 (in the period of 6 months ended June 30th 2009: PLN 11,000).

(in PLN'000)

In the period of 6 months ended June 30th 2010, the Group sold items of property, plant and equipment to the net value of PLN 0.00 (in the period of 6 months ended June 30th 2009: PLN 86,000) recording a net profit on sales of PLN 1,000 (in the period of 6 months ended June 30th 2009 net loss: PLN 27,000).

14. Investment property

As at June 30th 2010, Arkady Wrocławskie, a retail and office centre, represented the Group's investment property. The fair value assessed on that day amounted to PLN 437,646,000 (EUR 105.5 m). As at December 31st 2009 the fair value amounted to PLN 425,182,000 (EUR 105.9 m).

In accordance with the company's policy concerning the mid-year valuation of assets, the market value of the above-mentioned property was assessed by the company based on an agreed model of capitalization of the investment, by the income method, using the investment method.

The income method and the investment method are based on the assumption that the value of the property depends on the net rental income that can be obtained from such property. Income from the property can result from rental contracts or, in the case of vacant spaces, from the analysis of market rental rates. After evaluating the rent, the value is calculated as a ratio of the income from the property to the rate of return on the investment. The rate of return, known as the capitalization rate, is established on the basis of an analysis of similar transactions on the market.

Reconciliation of changes in the balance sheet values of investment property in the period ended 30th June 2010 and in the year ended December 31st 2009 is presented in the table below:

	Period ended June 30th 2010 (unaudited)	**Year ended December 31st 2009**
As at beginning of period	**435,182**	**525,806**
Transfer of investment property under construction from tangible assets under construction	0	121,603
Increase in value – acquisition	932	16,956
Revaluation to fair value	1,532	(91,828)
Decrease on account of disposal of a subsidiary undertaking	0	(137,355)
As at end of period	**437,646**	**435,182**

15. Inventories

	June 30th 2010 (unaudited)	**December 31st 2009**
Materials and trade goods	6	0
Work in process	678,286	674,218
Finished products	45,538	76,271
Inventory valuation allowance	(60,865)	(60,865)
Total inventories	**662,965**	**689,624**

(in PLN'000)

As at June 30th 2010 the costs of external financing of PLN 32,795,000 were capitalized in the inventories (as at December 31st 2009 they amounted to PLN 32,005,000).

The changes of the valuation allowance for inventories were as follows:

	Period ended June 30th 2010 (unaudited)	Year ended December 31st 2009
As at beginning of period	**60,865**	**67,917**
Increase	0	5,748
Deduction of unused amounts	0	(8,907)
Decrease	0	(3,893)
As at end of period	**60,865**	**60,865**

16. Issue and redemption of capital securities

In the period of 6 months ended June 30th 2010 the Group did not issue or redeem any capital securities.

17. Incurring and repayment of bank loans, borrowings, bills and bonds

In the period of 6 months ended June 30th 2010 the Group did not incur any new financial liabilities, but repaid the following bank loans:

1) On January 31st 2010 Kraków Zielony Złocień Sp. z o.o. repaid PLN 10,000,000 and on February 17th 2010 repaid the last instalment of the loan taken out with PKO BP S.A. of PLN 34,000,000.
2) On March 1st 2010 LC Corp Bajkowy Park Sp. z o.o. repaid the entire loan of PLN 25,480,000, taken out with DnB Nord Polska S.A.
3) In the period of 6 months ended June 30th 2010 Arkady Wrocławskie S.A. repaid in accordance with the instalment schedule the loan taken out in EUR with a consortium of banks: ING Bank Hipoteczny S.A., ING Bank Śląski S.A. and Kredyt Bank S.A. of PLN 6,024,000.

18. Collaterals

As at June 30th 2010 repayment of loans was secured mainly by:

- cap mortgage *(loan in EUR)* – up to the amount of EUR 91,500,000
- pledge on shares of Arkady Wrocławskie S.A. held by LC Corp S.A. – up to the amount of EUR 91,500,000
- pledge by registration on bank accounts *(loan in EUR)* – up to the amount of EUR 91,500,000
- assignment of rights arising from rental contracts, insurance and guarantees related to agreements with contractors to the extent to which they apply to the Arkady Wrocławskie project
- deposit of EUR 500,000

19. Explanations to the statement of cash flows

	Period ended June 30th 2010 (unaudited)	Period ended June 30th 2009 (unaudited)
Balance-sheet change in liabilities (net of loans and borrowings)	6,122	(16,471)
Investment liabilities	0	548
Change in liabilities	**6,122**	**(15,923)**

(in PLN'000)

	Period ended June 30th 2010 (unaudited)	Period ended June 30th 2009 (unaudited)
Revaluation of investment property	(1,532)	(17,351)
Other	18	(12)
Other adjustments	**(1,514)**	**(17,363)**

Proceeds from financial assets of PLN 118,000,000 obtained in the period of 6 months ended June 30th 2010 are related to the final settlement of a sale transaction concerning the shares of LC Corp Sky Tower Sp. z o.o. and the resultant repayment of liabilities of LC Corp Sky Tower Sp. z o.o. to LC Corp S.A. and Warszawa Przyokopowa Sp. z o.o.

20. Information concerning paid out (or declared) dividend

The Parent Undertaking LC Corp SA did not pay or declare payment of dividend.

21. Investment liabilities

In 2010, the Group plans to incur capital expenditure in the amount of about PLN 160,000,000.

22. Litigation

As at June 30th 2010, no proceedings before court, arbitration court or public administration authorities were initiated with regard to liabilities or receivables of LC Corp SA or its subsidiaries, whose total value could be significant for the Group companies' financial position.

23. Changes in contingent liabilities or contingent assets

In connection with the repayment of the loans described in Notes 17.1 and 17.2 a part of contingent liabilities expired. On May 31st 2010 Arkady Wrocławskie S.A. issued two blank bills of exchange to secure the payment of possible claims related to the insurance guarantees issued for the benefit of Spółdzielnia Usług Motoryzacyjnych Spolmot in Wrocław.

24. Transactions with related undertakings

The following table shows total amounts of transactions concluded with related undertakings for the period of 6 months ended June 30th 2010:

(unaudited) ***Related undertaking***		Sales to related undertakings	Purchases from related undertakings	Receivables from elated undertakings	Liabilities to related undertakings	Financial income (interest)	Financial expenses (interest, discounts)	Capitalized costs of financing
Shareholders								
LC Corp B.V	2010	-	-	-	-	-	-	-
Leszek Czarnecki	2010	-	-	-	-	-	-	-
Undertakings related through shareholders								
LC Corp Sky Tower Sp. Z o.o.	2010	227	46	10	69	-	-	-
RB Investcom Sp. z o.o.	2010	45	-	-	9	-	-	-

(in PLN'000)

RB Computer Sp. z o.o.	2010	-	5	-	-	-	-	-
Getin Holding S.A.	2010	288	-	56	137	-	-	-
Getin Leasing S.A.	2010	272	-	-	233	-	-	-
Getin Bank S.A.	2010	914	19	10	330	1,295	-	-
Getin International S.A.	2010	94	-	1	54	-	-	-
Noble Securities S.A.	2010	-	15	-	-	-	-	-
Home Broker S.A.	2010	-	36	-	3	-	-	-
TU Europa S.A.	2010	456	15	-	-	-	-	-
TU Europa Życie S.A.	2010	307	-	-	-	-	-	-
Fiolet -PDK S.A.	2010	559	-	-	45	-	-	-
PDK Biznes Sp. z o.o.	2010	13	-	-	6	-	-	-
Fundacja LC Heart	2010	18	-	4	23	-	-	-

The following table shows total amounts of transactions concluded with related undertakings for the year ended December 31st 2009:

Related undertaking		Sales to related undertakings	Purchases from related undertakings	Receivables from elated undertakings	Liabilities to related undertakings	Financial income (interest)	Financial expenses (interest, discounts)	Capitalized costs of financing
Shareholders								
LC Corp B.V	2009	-	-	-	-	802	-	-
Leszek Czarnecki	2009	26	-	-	-	-	-	-
Undertakings related through shareholders								
LC Corp Sky Tower Sp. z o.o.	2009	30	18	117,609	170	223	-	-
RB Investcom Sp. z o.o.	2009	96	-	-	9	-	-	-
RB Computer Sp. z o.o.	2009	-	16	-	-	-	-	-
Getin Holding S.A.	2009	615	1	-	137	-	-	-
LC Engineering Sp. z o.o.	2009	5	-	-	-	-	-	-
Getin Leasing S.A.	2009	776	-	-	233	-	-	-
Getin Bank S.A.	2009	1,891	25	-	330	2,001	-	-
Getin International S.A.	2009	272	-	2	54	-	-	-
Noble Securities S.A.	2009	-	30	-	-	-	-	-
Home Broker S.A.	2009	69	93	-	13	-	-	-
TU Europa S.A.	2009	931	17	-	-	-	-	-
TU Europa Życie S.A.	2009	604	-	13	-	-	-	-
Fiolet -PDK S.A.	2009	1,076	-	-	99	-	-	-
PDK Biznes Sp. z o.o.	2009	26	-	-	6	-	-	-
Fundacja LC Heart	2009	43	-	-	23	-	-	-

24.1. Remuneration to senior management of the Group

	Period ended June 30th 2010 (unaudited)	**Period ended June 30th 2009** (unaudited)
Short-term employee benefits	977	1,369

(in PLN'000)

Long service awards and retirement severance pay	0	0
Termination benefits	0	0
Share-based payments	0	0
Total remuneration paid to senior management except for the Management Board and Supervisory Board	**977**	**1,369**

24.2. Remuneration to members of the Management Board and the Supervisory Board

Remuneration paid to the members of the Management Board and members of the Supervisory Board of the Parent Undertaking and subsidiary undertakings was as follows:

	Period ended June 30th 2010 (unaudited)	**Period ended June 30th 2009 (unaudited)**
Management Board - remuneration	500	709
Management Board - share-based remuneration	0	0
Management Board (subsidiaries) - remuneration	129	234
Management Board (subsidiaries) - share-based remuneration	0	0
Supervisory Board - remuneration	48	48
Supervisory Board - share-based remuneration	0	0
Total	**677**	**991**

25. Objectives and Rules Governing Financial Risk Management

The main financial instruments which the Group uses include bank loans and bonds. The main purpose of these financial instruments is to obtain financial resources for the Group's activity. Temporary cash flow surpluses are deposited in banks as short-term deposits. The Group also has other financial instruments such as trade receivables and trade payables, which occur directly in the course of conducting business activity by the Group.

The principle by which the Group abides now is refraining from the turnover of financial instruments.

The main types of risk associated with the Group's financial instruments include the interest rate risk, currency risk, credit risk and liquidity risk. The Management Board verifies and harmonizes the rules governing each type of risk – these rules are briefly discussed below.

25.1. 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 revenues.

The table below presents quantitative exposure to the interest rate risk in a breakdown by respective aging categories.

Period ended June 30th 2010

Fixed interest rate

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Zero-coupon bonds	-	30	-	-	-	-	30
	-	**30**	**-**	**-**	**-**	**-**	**30**

Variable interest rate

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Bank loan in EUR	12,500	13,216	13,974	14,774	15,620	156,098	226,182

(based on EURIBOR)							
	12,500	**13,216**	**13,974**	**14,774**	**15,620**	**156,098**	**226,182**

Except for a bank loan in EUR of EUR 54,557,000 in the period ended June 30th 2010 changes in the interest rates did not affect directly the financial result or capitals.

Period ended December 31st 2009

Fixed interest rate

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Zero-coupon bonds	-	30	-	-	-	-	30
	-	**30**	**-**	**-**	**-**	**-**	**30**

Variable interest rate

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Bank loans in PLN (based on WIBOR)	69,688	-	-	-	-	-	69,688
Bank loan in EUR (based on EURIBOR)	12,046	12,737	13,467	14,238	15,054	162,527	230,069
	81,734	**12,737**	**13,467**	**14,238**	**15,054**	**162,527**	**299,757**

The sensitivity of the net financial result to changes in the interest rate applicable to the loan taken out in EUR in the period of 6 months ended June 30th 2010 and as at June 30th 2009 and in the year ended December 31st 2009 is presented in the table below:

	Increase/ decrease in the interest rate	**Impact on the net financial result PLN'000**	**Impact on equity PLN'000**
June 30th 2010 - EUR (unaudited)	+ 1%	(911)	(911)
	- 1%	911	911
December 31st 2009	+ 1%	(2,083)	(2,083)
	- 1%	2,083	2,083
June 30th 2009 - EUR (unaudited)	+ 1%	(1,095)	(1,095)
	- 1%	1,095	1,095

25.2. Currency risk

Currency risk which arises from foreign currency loan management will be minimized by collecting rent indexed against the currency of the loan financing the investment. The risk related to time differences between invoicing and repayment will be minimized, depending on the market situation, by purchasing a proper amount of currency on dates of invoicing rents

The table below shows sensitivity of a net financial result (due to the change in the fair value of assets and financial liabilities) and the Group's equity to rationally possible fluctuations of the euro exchange rates, with the assumption of invariability of other factors. Due to a considirable instability of the euro exchange rate in recent years the sensitivity of the financial result was presented for a change of 30 grosz (PLN 0.3).

	Increase/ decrease in the exchange rate in PLN	Impact on the net financial result in PLN '000	Impact on equity PLN'000
	+ 0,30	12,349	12,349
June 30th 2010 - EUR (unaudited)	- 0,30	(12,349)	(12,349)
	+ 0,30	12,083	12,083
December 31st 2009 - EUR	- 0,30	(12,083)	(12,083)
	+ 0,30	15,530	15,530
June 30th 2009 - EUR (unaudited)	- 0,30	(15,530)	(15,530)

25.3. Credit risk

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

As at June 30th 2010, trade receivables amounted to PLN 5,020,000. Rental receivables of PLN 4,714,000 were secured with security deposits of PLN 2,250,000 and in the remaining part – with bank guarantees.

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.

25.4. Liquidity risk

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

The Group concludes bank loan agreements in order to finance its projects. Maturity dates of successive instalments are adjusted to projected proceeds from sale of individual projects.

The analysis of liabilities on account of bank loans, in a breakdown by maturity dates, has been presented in Note 25.1.

26. Financial instruments

The table below shows a comparison of balance-sheet values and fair values of all the Group's financial instruments, which were disclosed in the consolidated financial statements as at June 30th 2010 and as at December 31st 2009, divided into different categories of assets and equity and liabilities.

	Balance-sheet value		Fair value	
	June 30th 2010 (unaudited)	December 31st 2009	June 30th 2010 (unaudited)	December 31st 2009
Financial assets available for sale				
Cash	122,815	48,965	122,815	48,965
Loans and receivables				
Trade and other receivables	6,932	6,375	6,932	6,375
Loans granted (*)	0	83,960	0	83,960
Bonds (*)	0	33,639	0	33,639
Financial liabilities				
Trade and other payables	18,666	12,544	18,666	12,544
Interest-bearing bank loans and borrowings:				
Loans, bonds and borrowings at a floating interest rate	226,182	299,757	226,182	299,757

(in PLN'000)

	Balance-sheet value		Fair value	
	June 30th 2010 (unaudited)	**December 31st 2009**	**June 30th 2010** (unaudited)	**December 31st 2009**
Loans, bonds, investment notes and borrowings at a fixed interest rate	30	30	30	30

(*) fair value represents an actual approximation of a balance sheet value, as the Group acquired the assets concerned at arm's length.

27. Capital management

The main purpose of capital management is maintaining a good credit rating and safe capital ratios which would support the Group's operating activity and increase value for its shareholders.

The Group manages the capital structure and modifies it as a result of changes in economic conditions. In order to maintain or adjust the capital structure, the Group can change payment of dividend to shareholders, return capital to shareholders or issue new shares. In the period of 6 months ended June 30th 2010 there were no changes in the objectives, rules and processes binding in this area.

The Group monitors the condition of capital by means of a leverage ratio, which is calculated as a ratio of debt to equity. The Group's rules determine this ratio as not higher than 5. Net debt includes interest-bearing loans and borrowings, trade payables and other liabilities.

	Period ended June 30th 2010 (uaudited)	**Year ended December 31st 2009**
Interest-bearing loans and borrowings (external financing)	226,212	299,787
Trade payables and other liabilities	18,666	12,544
A. Net debt	**244,878**	**312,331**
B. Equity	**947,062**	**920,873**
Leverage ratio (A/B)	**0.3**	**0.3**

28. Events subsequent to the end of the reporting period

1) On July 2nd 2010 LC Corp SA granted a subordinated loan of PLN 1,500,000 to LC Corp Pustynna Sp. z o.o., at arm's length and for an indefinite period, designed for acquisition of real estate.
2) On July 6th 2010 LC Corp SA granted a subordinated loan of PLN 500,000 to LC Corp Pustynna Sp. z o.o., at arm's length and for an indefinite period, designed for acquisition of real estate.
3) On July 8th 2010 LC Corp Pustynna Sp. z o. o. acquired a non-built-up parcel of real estate, having the area of 0.8070 ha, located in Wrocław.
4) On July 28th 2010 LC Corp SA granted a subordinated loan of PLN 3,100,000 to LC Corp Pustynna Sp. z o.o., at arm's length and for an indefinite period, designed for acquisition of real estate.
5) On July 30th 2010 LC Corp Pustynna Sp. z o.o. acquired a non-built-up parcel of real estate, having the area of 1.0077 ha, located in Wrocław.
6) On August 6th 2010 LC Corp SA concluded a subordinated loan agreement for PLN 4,000,000 with Katowice Ceglana Sp. z o.o., at arm's length and for an indefinite period, designed for business activities related to the completed project.
7) On August 6th 2010 the partners of Warszawa Przy Promenadzie Sp. z o.o. Sp. k. adopted a resolution on payment of a part of retained profit for 2009 to the company's limited partner, LC Corp SA, in the amount of PLN 3,000,000, and to the general partner, Warszawa

Przy Promenadzie Sp. z o.o., in the amount of PLN 30,000. The payment was made from the company's other capital reserve funds on August 16th 2010.

8) On August 9th 2010 LC Corp SA concluded a subordinated loan agreement for PLN 10,000,000 with Kraków Zielony Złocień Sp. z o.o., at arm's length and for an indefinite period, designed for business activity related to the carried out project.

9) On August 10th 2010 LC Corp SA concluded a subordinated loan agreement for PLN 10,000,000 with Warszawa Rezydencja Kaliska Sp. z o.o., at arm's length and for an indefinite period, designed for business activity related to the carried out project.

10) On August 18th 2010 Mr Waldemar Czarnecki resigned from the position of Member of the Management Board of LC Corp S.A., effective as of August 31st 2010.

11) Pursuant to the annexe concluded on August 20th 2010 the date of buyback of the commercial notes issued on August 21st 2009 by Warszawa Przy Promenadzie Sp. z o.o. Sp. k. and acquired by LC Corp SA was changed. The buyback date was changed from August 21st 2010 to August 22nd 2011, whereby earlier buyback of the notes is admissible.

12) On August 24th 2010 LC Corp SA granted a subordinated loan of PLN 200,000 to LC Corp Pustynna Sp. z o.o., at arm's length and for an indefinite period, designed for business activity.

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Dariusz Niedośpiał, President of the Board

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Anna Gremblewska-Nowak, Deputy Chief Accountant

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Waldemar Czarnecki, Member of the Board

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Marzena Matysiak, Consolidation Manager

…………………………………………….
Joanna Jaskólska, Member of the Board

Wrocław, August 26th 2010