

LC Corp S.A.

**LONG-FORM AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

I. GENERAL NOTES

1. Background

LC Corp S.A. (hereinafter 'the Company') was incorporated on the basis of a Notarial Deed dated 3 March 2006. The Company's registered office is located in Wrocław at Powstańców Śląskich 2-4.

The Company was entered in the Register of Entrepreneurs of the National Court Register under no. KRS 0000253077 on 15 March 2006.

The Company was issued with tax identification number (NIP) 899-25-62-750 on 27 March 2006 and statistical number (REGON) 020246398 on 17 March 2006.

The Company is the holding company of the LC Corp capital group. Details of transactions with affiliated entities and the list of companies in which the Company holds at least 20% of shares in the share capital or in the total number of votes in the company's governing body are included in Note 17 and 31 of the summary of significant accounting policies and other explanatory notes ("the additional notes and explanations") to the audited financial statements for the year ended 31 December 2013.

The principal activity of the Company is managing a holding group.

As at 31 December 2013, the Company's issued share capital amounted to 447,558 thousand zlotys. Equity as at that date amounted to 837,911 thousand zlotys.

In accordance with data received from the company as at 31 December 2013, the ownership structure of the Company's issued share capital was as follows:

	Number of shares	Number of votes	Par value of shares (in thousand PLN)	% of issued share capital
Leszek Czarnecki directly and indirectly*	229,126,674	229,126,674	229,127	51.19%
OFE PZU "Złota Jesień"	44,669,000	44,669,000	44,669	9.98%
ING Otwarty Fundusz Emerytalny	30,322,627	30,322,627	30,323	6.78%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	30,200,000	30,200,000	30,200	6.75%
Other shareholders	113,240,010	113,240,010	113,240	25.30%
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Total	447,558,311	447,558,311	447,558	100.00%
	=====	=====	=====	=====

* - including LC Corp B.V. 47.97%, representing 214,701,110 shares (214,701,110 votes)

According to information obtained from the company, the following changes took place in the ownership structure of the Company's issued share capital during the financial year and between the balance sheet date and the date of the opinion:

- OFE PZU "Złota Jesień" increased the number of shares to 44,669,000 what is the 9.98% of total shares,
- ING Otwarty Fundusz Emerytalny decreased the number of shares to 30,322,627 what is the 6.78% of total shares,
- AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK decreased the number of shares to 30,200,000 what is the 6.75% of total shares.

There were no movements in the share capital in the reporting period.

As at 20 March 2014, the Company's Management Board was composed of:

Dariusz Niedośpiał	- President
Joanna Jaskólska	- Vice President
Mirosław Kujawski	- Member
Tomasz Wróbel	- Member
Małgorzata Danek	- Member

On 6 December 2013 Ms. Małgorzata Danek has been appointed as a member of Management Board by the Supervisory Board.

2. Financial Statements

On 27 August 2007 the General Shareholders' Meeting decided on preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

2.1 Auditors' opinion and audit of financial statements

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (formerly: Ernst & Young Audit sp. z o.o.) with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under no. 130.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (formerly: Ernst & Young Audit sp. z o.o.) was appointed by Supervisory Board on 18 December 2013 to audit the Company's financial statements.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (formerly: Ernst & Young Audit sp. z o.o.) and the key certified auditor meet the conditions required to express an impartial and independent opinion on the financial statements, as defined in Art. 56.3 and 56.4 of the Act on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight, dated 7 May 2009 (Journal of Laws 2009, No. 77, item 649 with subsequent amendments).

Under the contract executed on 28 October 2013 with the Company's Management Board, we have audited the financial statements for the year ended 31 December 2013.

Our responsibility was to express an opinion on the financial statements based on our audit. The auditing procedures applied to the financial statements were designed to enable us to express an opinion on the financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the financial statements taken as a whole.

Based on our audit, we issued an unqualified auditors' opinion dated 20 March 2014, stating the following:

“To the General Shareholders' Meeting and Supervisory Board of LC Corp S.A.

1. We have audited the attached financial statements for the year ended 31 December 2013 of LC Corp S.A. ('the Company') located in Wrocław at Powstańców Śląskich 2-4, containing statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow for the period from 1 January 2013 to 31 December 2013 and the summary of significant accounting policies and other explanatory notes ('the attached financial statements').
2. The truth and fairness¹ of the attached financial statements, the preparation of the attached financial statements in accordance with the required applicable accounting policies and the proper maintenance of the accounting records are the responsibility of the Company's Management Board. In addition, the Company's Management Board and Members of the Supervisory Board are required to ensure that the attached financial statements and the Directors' Report meet the requirements of the Accounting Act dated 29 September 1994 (Journal of Laws 2013.330 with subsequent amendments – 'the Accounting Act'). Our responsibility was to audit the attached financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies, whether they truly and fairly² reflect, in all material respects, the financial position and results of the operations of the Company and whether the accounting records that form the basis for their preparation are, in all material respects, properly maintained.
3. We conducted our audit of the attached financial statements in accordance with:
 - chapter 7 of the Accounting Act,
 - national auditing standards issued by the National Council of Statutory Auditors,in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Company's Management Board, as well as evaluating the overall presentation of the attached financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached financial statements treated as a whole.
4. In our opinion, the attached financial statements, in all material respects:

¹ Translation of the following expression in Polish: '*rzetelność i jasność*'

² Translation of the following expression in Polish: '*rzetelnie i jasno*'

- present truly and fairly all information material for the assessment of the results of the Company's operations for the period from 1 January 2013 to 31 December 2013, as well as its financial position³ as at 31 December 2013;
 - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and based on properly maintained accounting records;
 - are in respect of the form and content, in accordance with legal regulations governing the preparation of financial statements and the Company's Articles of Association.
5. We have read the 'Directors' Report for the period from 1 January 2013 to 31 December 2013 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws 2009.33.259 with subsequent amendments)."

We conducted the audit of the Company's financial statements during the period from 28 October 2013 to 20 March 2014. We were present at the Company's head office from 28 October 2013 to 31 October 2013 and from 24 February 2014 to 7 March 2014.

2.2 Representations provided and data availability

The Management Board confirmed its responsibility for the truth and fairness⁴ of the financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and stated that it had provided us with all financial information, accounting records and other required documents as well as all necessary explanations. The Management Board also provided a letter of representations dated 20 March 2014, confirming that:

- the information included in the books of account was complete,
- all contingent liabilities had been disclosed in the financial statements, and
- all material events from the balance sheet date to the date of the representation letter had been disclosed in the financial statements,

and confirmed that the information provided to us was true and fair to the best of the Management Board's knowledge and belief, and included all events that could have had an effect on the financial statements.

At the same time declare that during the audit of the financial statements, there were no limitations of scope.

2.3 Financial statements for prior financial year

The Company's financial statements for the year ended 31 December 2012 were audited by Marek Musiał, key certified auditor no. 90036, acting on behalf of Ernst & Young Audit Sp. z o.o., Rondo ONZ 1, 00-124 Warszawa, Reg. No. 130. The key certified auditor issued an

³ Translation of the following expression in Polish: '*sytuacja majątkowa i finansowa*'

⁴ Translation of the following expression in Polish: "*rzetelność i jasność*"

unqualified opinion on the financial statements for the year ended 31 December 2012. The Company's financial statements for the year ended 31 December 2012 were approved by the General Shareholders' Meeting on 28 May 2013, and the shareholders resolved to appropriate the 2012 net profit as follows:

Reserve capital	29,728 =====
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The financial statements for the financial year ended 31 December 2012, together with the auditors' opinion, a copy of the resolution approving the financial statements, a copy of the resolution on the appropriation of profit and the Directors' Report, were filed on 12 June 2013 with the National Court Register.

The closing balances as at 31 December 2012 were correctly brought forward in the accounts as the opening balances at 1 January 2013.

3. Analytical Review

3.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Company for the years 2011 - 2013. The ratios were calculated on the basis of financial information included in the financial statements for the years ended 31 December 2013 and 31 December 2012.

	2013	2012	2011
Total assets	1,359,899	1,098,025	965,459
Shareholders' equity	837,911	814,489	784,761
Net profit/ loss	23,422	29,728	5,116
Return on assets (%)	1.7%	2.7%	0.5%
$\frac{\text{Net profit} \times 100}{\text{Total assets}}$			
Return on equity (%)	2.9%	3.8%	0.7%
$\frac{\text{Net profit} \times 100}{\text{Shareholders' equity at the beginning of the period}}$			
Profit margin (%)	40.0%	116.0%	8.4%
$\frac{\text{Net profit} \times 100}{\text{Net profit}}$			

LC Corp S.A.
*Long-form auditors' report
for the year ended 31 December 2013
(in thousand zlotys)*

	2013	2012	2011
Sales of finished goods, goods for resale and raw materials			
Liquidity I	1.1	3.9	6.5
Current assets			
Short-term creditors			
Liquidity III	0.5	1.3	3.6
Cash and cash equivalents			
Short-term creditors			
Debtors days	6 days	9 days	3 days
Trade debtors x 365			
Sales of finished goods, goods for resale and raw materials			
Creditors days	4 days	5 days	4 days
Trade creditors x 365			
Costs of finished goods, goods for resale and raw materials sold			
Stability of financing (%)	88.5%	94.6%	96.9%
(Equity + long-term provisions and liabilities) x 100			
Total liabilities, provisions and equity			
Debt ratio (%)	38.4%	25.8%	18.7%
(Total liabilities and provisions) x 100			
Total assets			
Rate of inflation:			
Yearly average	0.9%	3.7%	4.3%
December to December	0.7%	2.4%	4.6%

3.2 Comments

The following trends may be observed based on the above financial ratios:

- return on assets decreased to 1.7% in 2013 in comparison to 2.7% in 2012. In 2011 ratio amounted to 0.5%,
- return on equity decreased to 2.9% in 2013 in comparison to 3.8% in 2012. In 2011 ratio amounted to 0.7%,

This is a translation of a document originally issued in the Polish language.

- profit margin decreased to 40.0% in 2013 in comparison to 116% in 2012. In 2011 ratio amounted to 8.4%,
- Liquidity I ratio decreased to the level of 1.1 in 2013 in comparison to 3.9 in 2012. In 2011 ratio amounted to 6.5,
- Liquidity III ratio decreased to the level of 0.5 in 2013 in comparison to 1.3 in 2012. In 2011 ratio amounted to 3.6,
- Debtors days decreased to 6 days in 2013 in comparison to 9 days in 2012. In 2011 ratio amounted to 3 days,
- Creditor days decreased to 4 days in 2013 in comparison to 5 days in 2012. In 2011 ratio amounted to 4 days,
- Stability of financing ratio decreased to 88.5% in 2013 in comparison to 94.6% in 2012. In 2011 ratio amounted to 96.9%,
- Debt ratio increased to 38.4% in 2013 in comparison to 25.8% in 2012. In 2011 ratio amounted to 18.7%.

3.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the Company is unable to continue as a going concern for at least twelve months subsequent to 31 December 2013 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In Note 7 of the additional notes and explanations to the audited financial statements for the year ended 31 December 2013, the Management Board has stated that the financial statements were prepared on the assumption that the Company will continue as a going concern for a period of at least twelve months subsequent to 31 December 2013 and that there are no circumstances that would indicate a threat to its continued activity.

II. DETAILED REPORT

1. Accounting System

The Company's accounts are kept using the NAV computer system at the Company's head office. The Company has up-to-date documentation, as required under Article 10 of the Accounting Act dated 29 September 1994 (Journal of Laws 2013.330 with subsequent amendments – 'the Accounting Act'), including a chart of accounts approved by the Company's Management Board.

During our audit no material irregularities were noted in the books of account which could have a material effect on the audited financial statements and which were not subsequently adjusted. These would include matters related to:

- the reasonableness and consistency of the applied accounting policies;
- the reliability of the accounting records, the absence of errors in the accounting records and the trail of entries in the accounting records;
- whether business transactions are supported by documents;
- the correctness of opening balances based on approved prior year figures;
- consistency between the accounting entries, the underlying documentation and the financial statements;
- fulfilment of the requirements for safeguarding accounting documents and storing accounting records and financial statements.

2. Assets, Liabilities and Equity, Profit and Loss Account

Details of the Company's assets, liabilities and equity and profit and loss account are presented in the audited financial statements for the year ended 31 December 2013.

Verification of assets, liabilities and equity was performed in accordance with the Accounting Act. Any differences were adjusted in the books of account for the year 2013.

3. Additional Notes and Explanations to the Financial Statements

The additional notes and explanations to the financial statements for the year ended 31 December 2013 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the EU.

4. Directors' Report

We have read the Directors' report on the Company's activities in the period from 1 January 2013 to 31 December 2013 and the basis for preparation of annual financial statements ('Directors' Report') and concluded that the information derived from the attached financial statements reconciles with the financial statements. The information included in the Directors' Report corresponds with the relevant provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of

securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws 2009.33.259 with subsequent amendments).

5. Conformity with Law and Regulations

We have obtained a letter of representations from the Management Board confirming that no laws, regulations or provisions of the Company's Articles of Association were breached during the financial year.

on behalf of
Ernst & Young Audyt Polska spółka z
ograniczoną odpowiedzialnością sp. k.
(formerly: Ernst & Young Audit sp. z o.o.)
Rondo ONZ 1, 00-124 Warsaw
Reg. No 130

Key Certified Auditor

Marek Musiał
certified auditor
No. 90036

Wrocław, 20 March 2014