



**MANAGEMENT BOARD'S REPORT  
ON THE LC CORP GROUP'S OPERATIONS  
FOR THE YEAR 2014**

Wrocław, 20 March 2015

## Rules for drawing up the annual consolidated financial statements of the LC Corp Group

Pursuant to the provisions of the Accounting Act of 29 September 1994 the Management Board is obliged to ensure the preparation of the annual report on the group's operations during the accounting period, including significant information on the economic and financial position, the evaluation of achieved results, the identification of risks, and the description of threats.

**This report on the operations of the LC Corp Group (hereinafter the "Group") covers the period from 1 January to 31 December 2014.**

The LC Corp Group's annual consolidated report, drawn up for the period from 1 January 2014 to 31 December 2014, contains:

- The LC Corp Group's consolidated financial statements for the accounting period from 1 January 2014 to 31 December 2014 and as at 31 December 2014, drawn up in accordance with the International Financial Reporting Standards, including: consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the financial statements,
- Financial data comparable to the consolidated financial statements as at 31 December 2013 and for the period of twelve months ended on 31 December 2013,
- Management Board's report on the LC Corp Group's operations for the period from 1 January 2014 to 31 December 2014,
- Management Board's declaration, pursuant to Art. 92.1.5) and 6) of the Directive of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognising as equivalent the information required by the laws of a non-member state.

### 1. BASIC INFORMATION ON THE GROUP

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 National Court Register maintained by the District Court for Wrocław-Fabryczna in Wrocław, VI Commercial Division 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.

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

- PKD 64.20.Z Activities of financial holdings
- The subsidiaries' primary activity is the carrying out of 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.

## 1.1. Composition of the Group and share capital of its subsidiary undertakings

As at 31 December 2014 the LC Corp Group comprised LC Corp S.A. and its following subsidiaries:

Company	Share capital as at 31 Dec 2014 (PLN)	Effective share of LC Corp S.A.	
		31 December 2014	31 December 2013
Arkady Wrocławskie S.A. seated in Wrocław	113,700,000	100%	100%
Sky Tower S.A. seated in Wrocław	23,100,000	100%	100%
Warszawa Przyokopowa Sp. z o.o. seated in Wrocław <sup>1</sup>	33,001,000	100% (indirectly and directly)	100 %
Kraków Zielony Złocięń Sp. z o.o. seated in Wrocław	11,230,000	100%	100%
LC Corp Invest I Sp. z o.o. seated in Wrocław	5,000	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest II Sp. z o.o. seated in Wrocław	88,800,000	100%	100%
LC Corp Invest III Sp. z o.o. seated in Wrocław	6,700,000	100%	100%
LC Corp Invest VII Sp. z o.o. seated in Wrocław	4,000,000	100%	100%
LC Corp Invest VIII Sp. z o.o. seated in Wrocław	13,500,000	100%	100%
LC Corp Invest IX Sp. z o.o. seated in Wrocław	4,700,000	100%	100%
LC Corp Invest X Sp. z o.o. seated in Wrocław	10,300,000	100%	100%
LC Corp Invest XI Sp. z o.o. seated in Wrocław <sup>2</sup>	41,000,000	100%	100%
LC Corp Invest XII Sp. z o.o. seated in Wrocław <sup>3</sup>	24,800,000	100%	100%
LC Corp Invest XV Sp. z o.o. seated in Wrocław	5,000	100%	100%
LC Corp Invest XVI Sp. z o.o. seated in Wrocław	5,000	100%	100%
LC Corp Invest XVII Sp. z o.o. seated in Wrocław	5,000	100%	100%
LC Corp Invest XVIII Sp. z o.o. seated in Wrocław <sup>4</sup>	5,000	100%	-
LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)

LC Corp Invest XV Sp. z o.o. Projekt 9 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 10 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 11 Sp. k. seated in Wrocław <sup>5</sup>	-	100% (indirectly)	-
LC Corp Invest XV Sp. z o.o. Projekt 14 Sp. k. seated in Wrocław <sup>6</sup>	-	100% (indirectly)	-
LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. seated in Wrocław	-	100% (indirectly)	100%
LC Corp Invest XV Sp. z o.o. Finance S.K.A.	50,000	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest XV Sp. z o.o. Investmets S.K.A.	91,905,080	100% (indirectly and directly))	100% (indirectly and directly))
LC Corp Invest XVIII Sp. z o.o. Real Estate S.K.A. <sup>7</sup>	50,000	100% (indirectly and directly)	

- (1) On 17 October 2014, a resolution was adopted on an increase in the share capital of Warszawa Przykopowa Sp. z o.o. of PLN 30,001,000 by the creation of new shares that were taken up by LC Corp Invest XVIII Sp. z o.o. (10 shares) and LC Corp Invest XVIII Sp. z o.o. Real Estate S.K.A. (300,000 shares), which thus became the company's new shareholders. Both companies belong to the LC Corp Group and are wholly controlled by the Issuer. The increase in the share capital was registered by the Registration Court of KRS on 24 October 2014.
- (2) On 14 May 2014, the District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register (KRS), registered a change in the amount of the share capital of LC Corp Invest XI Sp. z o.o. The Company's new share capital totals PLN 41,000,000.00. LC Corp S.A. holds all shares in this company.
- (3) On 28 May 2014, the District Court for Wrocław-Fabryczna, VI Commercial Division of KRS registered a change in the amount of the share capital of LC Corp Invest XII Sp. z o.o. The Company's new share capital totals PLN 24,800,000.00. LC Corp S.A. holds all shares in this company.
- (4) On 24 July 2014, LC Corp S.A. acquired 100 shares in the share capital of Aberdare Sp. z o.o., having its registered seat in Warsaw, having the total par value of PLN 5,000.00 and representing 100% of the company's share capital, and thus became its sole shareholder. On 15 September 2014, the change was registered of the company's name Aberdare Sp. z o.o. to LC Corp Invest XVIII sp. z o.o., where LC Corp S.A. holds 100% of the shares in the share capital, thus being its sole shareholder. The company did not undertake any operating activity by the time the shares were acquired.
- (5) On 29 August 2014, a new Group's company was registered – LC Corp Invest XV Spółka z ograniczoną odpowiedzialnością Projekt 11 Spółka komandytowa. LC Corp Invest VII Sp. z o.o. and LC Corp Invest VIII Sp. z o.o. are the company's limited partners, whereas LC Corp Invest XV Sp. z o.o. is the company's general partner, representing the company and managing its affairs.
- (6) On 12 May 2014 ("Transformation Day") the District Court for Wrocław-Fabryczna, VI Commercial Division of KRS, registered, under KRS number 0000508947, LC Corp Invest XV Spółka z ograniczoną odpowiedzialnością Projekt 14 Spółka komandytowa, having its registered office in Wrocław ("Transformed Company"), which was established as a result of the transformation of LC Corp Invest XV Spółka z ograniczoną odpowiedzialnością Projekt 14 Spółka komandytowo-akcyjna, having its registered office in Wrocław ("Company under Transformation"). The transformation took place pursuant to Art. 551.1 of the Act of 15 September 2000, the Code of Commercial Partnerships and Companies. The Company is represented by the general partner (LC Corp Invest XV Sp. z o.o.).
- (7) On 24 July 2014, LC Corp S.A. acquired 1,000 shares, having the total par value of PLN 50,000.00, of Aberdare Sp. z o.o. – XXIV – S.K.A. (currently under the name LC Corp Invest XVIII Sp. z o.o. Real Estate S.K.A.), having its registered seat in Wrocław, and thus became the company's sole shareholder. The company is represented by its general partner, LC Corp Invest XVIII Sp. z o.o. On 14 October 2014 the change of the name and registered office of Aberdare Sp. z o.o. XXIV S.K.A. was registered. The company's new name is LC Corp Invest XVIII Spółka z ograniczoną odpowiedzialnością Real Estate S.K.A. and its registered office is located in Wrocław.

## 1.2. Major events with regard to changes in the Group from 1 January to 31 December 2014

1. On 17 October 2014, a resolution was adopted on an increase in the share capital of Warszawa Przyokopowa Sp. z o.o. of PLN 30,001,000 by the creation of new shares that were taken up by LC Corp Invest XVIII Sp. z o.o. (10 shares) and LC Corp Invest XVIII Sp. z o.o. Real Estate S.K.A. (300,000 shares), which thus became the company's new shareholders. Both companies belong to the LC Corp Group and are wholly controlled by the Issuer. The increase in the share capital was registered by the Registration Court of KRS on 24 October 2014.
2. On 14 May 2014, the District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register (KRS), registered a change in the amount of the share capital of LC Corp Invest XI Sp. z o.o. The Company's new share capital totals PLN 41,000,000.00. LC Corp S.A. holds all shares in this company.
3. On 28 May 2014, the District Court for Wrocław-Fabryczna, VI Commercial Division of KRS registered a change in the amount of the share capital of LC Corp Invest XII Sp. z o.o. The Company's new share capital totals PLN 24,800,000.00. LC Corp S.A. holds all shares in this company.
4. On 24 July 2014, LC Corp S.A. acquired 100 shares in the share capital of Aberdare Sp. z o.o., having its registered seat in Warsaw, having the total par value of PLN 5,000.00 and representing 100% of the company's share capital, and thus became its sole shareholder. On 15 September 2014, the change was registered of the company's name Aberdare Sp. z o.o. to LC Corp Invest XVIII sp. z o.o., where LC Corp S.A. holds 100% of the shares in the share capital, thus being its sole shareholder. The company did not undertake any operating activity by the time the shares were acquired.
5. On 29 August 2014, a new Group's company was registered – LC Corp Invest XV Spółka z ograniczoną odpowiedzialnością Projekt 11 Spółka komandytowa. LC Corp Invest VII Sp. z o.o. and LC Corp Invest VIII Sp. z o.o. are the company's limited partners, whereas LC Corp Invest XV Sp. z o.o. is the company's general partner, representing the company and managing its affairs.
6. On 12 May 2014 ("Transformation Day") the District Court for Wrocław-Fabryczna, VI Commercial Division of KRS, registered, under KRS number 0000508947, LC Corp Invest XV Spółka z ograniczoną odpowiedzialnością Projekt 14 Spółka komandytowa, having its registered office in Wrocław ("Transformed Company" "Icona"), which was established as a result of the transformation of LC Corp Invest XV Spółka z ograniczoną odpowiedzialnością Projekt 14 Spółka komandytowo-akcyjna, having its registered office in Wrocław ("Company under Transformation"). The transformation took place pursuant to Art. 551.1 of the Act of 15 September 2000, the Code of Commercial Partnerships and Companies. The Company is represented by the general partner (LC Corp Invest XV Sp. z o.o.).
7. On 24 July 2014, LC Corp S.A. acquired 1,000 shares, having the total par value of PLN 50,000.00, of Aberdare Sp. z o.o. – XXIV – S.K.A. (currently under the name LC Corp Invest XVIII Sp. z o.o. Real Estate S.K.A.), having its registered seat in Wrocław, and thus became the company's sole shareholder. The company is represented by its general partner, LC Corp Invest XVIII Sp. z o.o. On 14 October 2014 the change of the name and registered office of Aberdare Sp. z o.o. XXIV S.K.A. was registered. The company's new name is LC Corp Invest XVIII Spółka z ograniczoną odpowiedzialnością Real Estate S.K.A. and its registered office is located in Wrocław.

No other essential changes to the composition of the Group, in addition to the above-described events, took place in the period from 1 January 2014 to 31 December 2014.

## 1.3. Activities of the Group

The activities of the Group consist in real property development through construction projects. The activity of LC Corp S.A., reflected in the REGON system of business records, comprises financial holding activities, the acquisition and sale of own real estate, and business management and consultancy activities.

In 2014, LC Corp S.A. and the Group followed the strategy consistent with their basic activities, i.e. property investment activities consisting in the construction and sale of residential buildings (units) and the construction and rental of office and commercial space (the Wola Center office building, the Arkady Wrocławskie retail and office centre, the Sky Tower office building with service functions and the Silesia Star office building with service functions).

## 2. ACTIVITIES OF THE GROUP IN 2014

In 2014, LC Corp S.A. focused its activities on administrating, managing and exercising owner's supervision over its subsidiary undertakings and acquiring funds for their investment activity. LC Corp S.A. was also involved in intense activities related to the acquisition of land for its new projects in Warsaw, Kraków, Gdańsk and Wrocław. LC Corp S.A.'s subsidiary undertakings were active on the property development market, continuing their investment projects or preparing to start construction projects as well as managing the Arkady Wrocławskie retail and office centre and the Wola Center and Silesia Star office buildings with service functions.

### 2.1. Basic products, goods for resale and services

The main source of revenue for the Group in 2014 was the sale of residential and retail premises, which represented 67.6% of the total revenue. The Group's revenue from the rental of commercial properties amounted to 32.4%.

The table below presents revenue and profits (PLN '000) of the Group's respective segments for the year ended 31 December 2014:

Year ended 31 December 2014	Rental activity	Property development activity	Holding activity (other)	Overall activity
Total revenue from sales	116,095	242,527	221	358,843
Gross profit / (loss) on sales – Segment results	81,704	51,628	221	133,553

### 2.2. 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 2014 can be attributed to the property development activity of the Group's undertakings carried out on the domestic market, mainly in Wrocław, Warsaw, Kraków, Gdańsk and Łódź.

In 2014, a total of 1,220 flats and retail premises were sold (presale agreements, having taken account of withdrawals and without reservation agreements – an increase by 59% in comparison with 2013), and 840 flats and retail premises were transferred on the basis of notarial deeds (sales disclosed in the income statement) – an increase by 37% compared to 2013.

The Group consistently implemented its strategy of diversification of project locations and expansion of its activity on the residential markets of Warsaw, Wrocław, Kraków and Gdańsk, which was reflected in the sale structure in 2014, as presented in the table below showing the number of pre-sold flats/premises in each city (presale agreements, having taken account of withdrawals and without reservation agreements):

*Presale*

City	2013	2014
Warsaw	212	317
Wrocław	372	505
Kraków	140	342
Gdańsk	31	48
Łódź	13	8
<b>total</b>	<b>768</b>	<b>1,220</b>

59%

and the table showing the numbers of flats/premises transferred by notarial deeds:

#### Transfers

City	2013	2014
Warsaw	61	339
Wrocław	329	378
Kraków	161	82
Gdańsk	39	31
Łódź	21	10
<b>total</b>	<b>611</b>	<b>840</b>

37%

Moreover, as at 31 December 2014 the offer included 1,583 flats and retail premises:

#### Offer

City	number of flats/suites
Warsaw	705
Wrocław	494
Kraków	206
Gdańsk	152
Łódź	26
<b>total</b>	<b>1,583</b>

Subsequent projects are prepared for their commencement in 2015, for about 2,141 additional flats (in Warsaw, Wrocław, Kraków and Gdańsk).

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

### 2.3. Completed property development projects

#### Commercial projects

Project	City	District	Segment	Completion date	Floor space (sq. m)
Wola Center	Warsaw	Wola	Office and service functions	Q3 2013	32,961
Arkady Wrocławskie	Wrocław	Krzyki	Office, retail and service functions	Q2 2007	39,625
Sky Tower	Wrocław	Krzyki	Office, retail and service functions	Q1 2013	51,870
Silesia Star (Building A)	Katowice	Bogucice Zawodzie	Office, retail and service functions	Q4 2014	14,027

#### Residential projects

Project	City	District	Segment	Completion date	Number of flats and retail suites	Floor space (sq. m)
Osiedle Przy Promenadzie (stages I, II and III)	Warsaw	Praga-Południe	Flats, service functions	Q4 2010	730	48,160

Rezydencja Kaliska	Warsaw	Śródmieście-Ochota	Flats, service functions	Q1 2011	101	7,441
Osiedle Powstańców 33 (stages I and II)	Ząbki near Warsaw		Flats, service functions	Q4 2012	114	6,919
				Q3 2014	229	13,141
Osiedle Na Woli (stage I)	Warsaw	Wola	Flats, service functions	Q4 2014	192	10,008
Osiedle Maestro (stages I and II)	Wrocław	Krzyki-Jagodno	Flats	Q3 2012	176	9,352
				Q3 2013	160	8,829
Osiedle Potokowa (stages I, IIc and III)	Wrocław	Maślice	Flats and houses	Q2 2013	187	10,927
				Q3 2013		
Osiedle Graniczna (stages I and II)	Wrocław	Fabryczna	Flats	Q3 2013	173	9,200
				Q3 2014	179	8,716
Osiedle Nowalia	Wrocław	Klecina	Terraced houses	Q1 2014	44	4,634
Brzeska 5	Wrocław	Krzyki	Flats, service functions	Q4 2014	167	7,889
Stabłowicka 77 (stages I and II)	Wrocław	Fabryczna	Flats	Q3 2014	73	4,259
				Q1 2015	60	3,157
Słoneczne Miasteczko (stages I, II and III)	Kraków	Bieżanów-Prokocim	Flats	Q4 2011	120	6,624
				Q4 2012	164	8,959
				Q3 2014	42	2,163
Okulickiego 59	Kraków	Mistrzejowice	Flats, service functions	Q4 2012	146	6,701
Osiedle Przy Srebrnej (stages IIa, IIb and IIc)	Gdańsk	Łostowice	Flats, service functions	Q4 2012	72	3,785
				Q4 2013	6	565
				Q3 2014	22	1,168
Osiedle Dębowa Ostoja (stage I)	Łódź	Bałuty	Terraced houses	Q3 2011	22	4,548
Osiedle Pustynna 43 (stage I)	Łódź	Górna	Flats	Q4 2012	38	2,884

## 2.4. Ongoing property development projects

### Residential projects

Project	City	District	Segment	Completion date	Number of flats and retail suites	Floor space (sq. m)
Osiedle Na Woli (stage II)	Warsaw	Wola	Flats	Q3 2015	112	5,638
Mała Praga (stage I)	Warsaw	Praga Południe	Flats, service functions	Q1 2016	140	7,355
Osiedle Poborzańska	Warsaw	Targówek	Flats, service functions	Q2 2016	91	4,167
Osiedle Powstańców 33 (stage III)	Ząbki near Warsaw		Flats	Q4 2016	230	13,511
Osiedle Przy Promenadzie – stage IV	Warsaw	Praga Pł	Flats	Q3 2016	202	9,776
Osiedle Graniczna (stage III)	Wrocław	Fabryczna	Flats	Q3 2015	187	9,671



Osiedle Graniczna (stage IV)	Wrocław	Fabryczna	Flats	Q2 2016	125	6,443
Osiedle Dolina Piastów	Wrocław	Fabryczna	Flats	Q3 2016	176	9,254
Słoneczne Miasteczko (stage IV)	Kraków	Bieżanów-Prokocim	Flats	Q3 2015	120	6,457
Grzegórzecka 77 (stages I, II and III)	Kraków	Śródmieście	Flats, service functions	Q1 2015 Q3 2015 Q1 2016	164 149 85	8,027 7,064 4,579
Osiedle Przy Srebrnej (stages II d and II e)	Gdańsk	Łostowice	Flats	Q3 2015 Q2 2016	46 32	2,103 1,872
Osiedle przy Alejach (stage I)	Gdańsk	Zaspa	Flats	Q4 2015	110	5,480

## 2.5. Development projects in preparation (to be started in 2015)

### Commercial projects

Project	City	District	Segment	Planned commencement date	Planned completion date	Floor space (sq. m)
Silesia Star (Building B)	Katowice	Bogucice Zawodzie	Office, retail and service functions	Q3 2015	Q1 2017	13,271

### Residential projects

Project	City	District	Segment	Planned commencement date	Planned completion date	Number of flats and retail suites	Floor space (sq. m)
Ostrobramska (stage I)	Warsaw	Praga Półd	Flats	Q3 2015	Q1 2017	170	9,082
Cybernetyki (stage I)	Warsaw	Mokotów	Flats	Q3 2015	Q3 2017	159	8,557
Mała Praga (stage II)	Warsaw	Praga Południe	Flats	Q4 2015	Q1 2017	217	11,369
Osiedle Graniczna (stage V)	Wrocław	Muchobór Wielki	Flats	Q4 2015	Q1 2017	169	9,000
Tęczowa	Wrocław	Stare Miasto	Flats	Q3 2015	Q4 2016	213	10,080
Osiedle Maestro (stage III)	Wrocław	Jagodno	Flats	Q3 2015	Q4 2016	125	7,256
Grzegórzecka 79 (stage I – building D)	Kraków	Śródmieście	Flats	Q2 2015	Q4 2016	106	5,144
Grzegórzecka 79 (stage I – building E)	Kraków	Śródmieście	Flats	Q4 2015	Q3 2017	136	6,761
Wrocławska (stage I – building B3)	Kraków	Krowodrza	Flats	Q2 2015	Q4 2016	188	8,383
Wrocławska (stage II – building B5)	Kraków	Krowodrza	Flats	Q3 2015	Q1 2017	160	5,070
Centralna (stage I – building D)	Kraków	Nowa Huta	Flats	Q2 2015	Q4 2016	150	7,036
Osiedle Przy Alejach (stage II)	Gdańsk	Zaspa	Flats	Q2 2015	Q4 2016	97	4,903
Osiedle Wałowa (stage I)	Gdańsk	Śródmieście	Flats	Q3 2015	Q1 2017	115	6,228

Additionally, depending on how quickly a given project is sold, the further stages of the projects are planned to be launched.

## 2.6. Group's dependence on suppliers and recipients

- Service recipients

In 2014, with regard to the 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

In 2014, the Group's companies were not dependent on specific suppliers – building services are offered by numerous companies competing on the Polish mature construction market and the Group's companies use the services provided by various construction companies to eliminate the risk of being dependent on a single entity. The Group enters into contracts on construction works selecting contractors by way of tenders and choosing the most advantageous bid. The Group's projects are carried out in the general contracting system.

## 2.7. Significant agreements, insurance agreements

On 28 July 2014, LC Corp Invest XV sp. z o.o. Projekt 3 sp.k. entered with Jupiter S.A. and KCI Development sp. z o.o. Wroclawska Sp. k. into a preliminary agreement on the sale of the perpetual usufruct right to the real property located in Kraków, in the area of ul. Wroclawska and ul. Raclawicka, having the total area of 64,790 sq. m, and the title to the buildings, building structures and equipment founded on the above-mentioned real property, together with all administrative decisions (including the building permit and planning permission), design documentation and copyrights to such documentation. The sale of the real property should be effected in stages, i.e. by concluding six promised agreements after the division of the real property to six plots. The total net selling price of the real property will not exceed PLN 95,369,000 (the final selling price of the real property depends on the usable and residential floor space that can be obtained in the buildings completed on the real property on the basis of the final building permit). The Parties have set the following dates for the conclusion of the promised agreements: 29 December 2014 for Plot No. 1, 14 December 2015 for Plot No. 2, 12 December 2016 for Plot No. 3, 18 December 2017 for Plot No. 4, 17 December 2018 for Plot No. 5 and 16 December 2019 for Plot No. 6.

The other Group Companies did not conclude any significant agreements whose value would correspond to at least 10% of the Issuer's equity. In other cases, significant for the Group companies, such agreements (regarding in particular real property financing and acquisition) are described in these financial statements.

## 3. EVENTS EXERTING A SIGNIFICANT IMPACT ON THE GROUP'S ACTIVITY AND THE FINANCING OF THE GROUP'S ACTIVITY IN THE ACCOUNTING YEAR 2014

### 3.1. Information about loans incurred/repaid by the Issuer or its subsidiary undertaking

#### 3.1.1. Loan agreement concluded by the Issuer with Getin Noble Bank S.A.

On 29 April 2014, LC Corp S.A. concluded the agreement with Getin Noble Bank S.A. (the Lender) on a bank loan of PLN 50,000,000, intended for the financing of the Issuer's activity, including the financing of land acquisition for property development projects and the financing of the initial stages of such projects. The repayment of the loan is secured, among others, by the joint mortgage for up to PLN 75,000,000.00, securing the principal, interest and other incidental liabilities arising from the agreement, created on the real property owned by the Issuer and on the real property belonging to the Issuer's subsidiary undertakings – LC Corp Invest II Sp. z

o.o. and LC Corp Invest XV sp. z o.o. Investments S.K.A., surety granted by the Issuer's subsidiary undertakings – LC Corp Invest II Sp. z o.o. and LC Corp Invest XV sp. z o.o. Investments S.K.A., and other standard security provided for loans of this type.

#### 3.1.2. Loan agreement concluded by LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k.

On 4 April 2014, LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k. entered into the agreement with PKO BP S.A. (the Lender) on an investment loan for the maximum of PLN 18,773,987 in order to finance its ongoing construction project, i.e. stage II of the project carried out in ul. Graniczna in Wrocław. The loan is secured by: contractual mortgage for up to PLN 28,160,981, created on the real property in the form of a parcel of land owned by LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k., and other standard security provided for loans of this type. As at 31 December 2014, the total of the loan was repaid.

#### 3.1.3. Loan agreement concluded by LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k.

On 14 May 2014, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 20 Sp. k., acting as a borrower, concluded the agreement with PKO BP S.A. on a loan of up to the EUR equivalent of PLN 62,000,000, intended for the partial financing of the construction of an office and retail complex, comprising a shopping and service part and car parks, under the name of Silesia Star in Katowice, at ul. Różdzieńskiego 10, and a revolving VAT loan for the maximum of PLN 3,000,000. The loan is secured by, among others, the mortgage for up to EUR 36,833,333.33 on the real property in the form of a parcel of land owned by the borrower, the support agreement concluded between the borrower, the bank and the Issuer, pursuant to which the Issuer, acting as a guarantor, will be obliged, among others, to provide financial support to the borrower under the circumstances specified in the agreement, four blank promissory notes with promissory note agreements, guaranteed by the Issuer by the time the rental agreements are submitted to the Bank, comprising at least 20% of the leasable area in the Silesia Star building and concluded with tenants that are not related to the Issuer, and other standard security provided for loans of this type. On 30 June 2014, in connection with the loan agreement, LC Corp Invest XVII Sp. z o. o. Projekt 20 Sp. k. entered into the framework agreement with PKO BP S.A. on transactions hedging against the foreign exchange and interest rate risks (hedging agreements), pursuant to which the company is obliged to effect the above transactions. This agreement is secured by the second ranking contractual mortgage for up to PLN 61,470,300.00, subordinated to the mortgage representing security for the investment loan and the revolving VAT loan, created on the real property in the form of a parcel of land owned by the company.

#### 3.1.4. Loan agreement concluded by the Issuer with Getin Noble Bank S.A.

On 18 June 2014, LC Corp S.A. concluded the agreement with Getin Noble Bank S.A. (the Lender) on a bank loan of PLN 40,000,000 intended for the financing of the Issuer's activity, including the financing of land acquisition for property development projects and the financing of the initial stages of such projects. The repayment of the loan is secured by: the joint mortgage for up to PLN 60,000,000.00 created on the real property owned by the Group companies, surety granted by the companies owning the real property on which the mortgage is to be created and other standard security provided for loans of this type. As at the date of publication of these financial statements the loan was not initiated yet.

#### 3.1.5. Annexe to the loan agreement concluded by Warszawa Przyokopowa Sp. z o.o.

On 26 June 2014, Warszawa Przyokopowa Sp. z o.o. concluded with Raiffeisen Bank Polska S.A. an annexe to the loan agreement of 15 July 2011, pursuant to which the maximum amount of the loan was increased from EUR 49,000,000 to EUR 55,000,000.

#### 3.1.6. Repayment of instalments of the loan taken out by Arkady Wrocławskie with a consortium of banks

In 2014, Arkady Wrocławskie repaid, in accordance with the repayment schedule, a loan taken out in EUR with a consortium of banks, ING Bank Śląski S.A. and BZWBK S.A., in the amount of PLN 15,996,000. As at 31 December 2014 the total amount to be repaid, after conversion into PLN, stood at PLN 168,614,000.

#### 3.1.7. Repayment of the loan taken out by Sky Tower S.A. with a consortium of banks

In 2014, Sky Tower S.A. repaid, in accordance with the repayment schedule, a loan taken out in EUR with a consortium of banks, Getin Noble Bank S.A. and Alior Bank S.A., in the amount of PLN 7,734,000. As at 31 December 2014 the total amount to be repaid, after conversion into PLN, stood at PLN 234,716,000.

### 3.1.8. Repayment of instalments of the loans taken out by Warszawa Przyokopowa Sp. z o.o.

In 2014, Warszawa Przyokopowa Sp. z o.o. repaid, in accordance with the repayment schedule, instalments of the loan taken out in EUR with Raiffeisen Bank Polska S.A., in the amount of PLN 4,423,000 and made the net repayment (initiations minus repayments) of the revolving VAT loan in the amount of PLN 1,808,000. As at 31 December 2014 the total amount to be repaid, after conversion into PLN, stood at PLN 229,926,000 (including the VAT loan: PLN 0).

### 3.1.9. Repayment of the loan taken out by LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k.

On 23 July 2014, LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k. repaid the total of the bank loan taken out on the basis of the loan agreement of 27 December 2013 concluded with PKO BP S.A.

## 3.2. Payment of dividend to the Issuer by its subsidiary undertakings Payment of dividend by Arkady Wrocławskie S.A.

On 13 June 2014, pursuant to the resolution of the Ordinary General Meeting of Arkady Wrocławskie S.A. dated 11 June 2014 dividend in the total amount of PLN 12,507,000 was paid for the sole shareholder – LC Corp S.A.

### 3.2.2. Payment of dividend by Warszawa Przyokopowa Sp. z o.o.

On 30 June 2014, the Ordinary General Meeting of Warszawa Przyokopowa Sp. z o.o. adopted a resolution on the payment of dividend of the total of PLN 17,000,000 to the sole shareholder – LC Corp S.A. The payment was made on 22 August 2014.

### 3.2.3. Payment of dividend by LC Corp Invest I Sp. z o.o.

On 26 May 2014, the Ordinary General Meeting of LC Corp Invest I Sp. z o.o. adopted a resolution on the payment of dividend of the total of PLN 41,000 to LC Corp S.A. The payment was made on 12 June 2014.

## 3.3. Information on material transactions concluded by the Issuer or its subsidiaries with related entities on the terms other than at arm's length

The Company did not enter into any transactions other than those concluded at arm's length.

## 3.4. Loan agreements concluded between the Group's undertakings and related companies in 2014

Lender	Borrower	Date of concluding the agreement	Interest rate*	Contractual amount of the loan PLN'000	Repayment date
LC Corp S.A.	LC Corp Invest I Sp. z o.o.	18 June 2014	5.49%	34,000	Unspecified
LC Corp S.A.	LC Corp Invest I Sp. z o.o.	19 Dec 2014	4.08%	30,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest IX Sp. z o.o.	27 Jan 2014	4.49%	1,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 10 Sp.k.	5 Feb 2014	6.28%	5,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 4 Sp.k.	14 May 2014	5.64%	11,500	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 4 Sp.k.	14 May 2014	5.64%	5,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 5 Sp.k.	28 May 2014	4.44%	6,230	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp.k.	6 June 2014	4.60%	5,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 2 Sp.k.	10 June 2014	6.44%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 7 Sp.k.	16 June 2014	4.35%	14,163	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 5 Sp.k.	18 June 2014	4.61%	4,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 3 Sp.k.	24 July 2014	4.39%	15,600	Unspecified

LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 3 Sp.k.	24 July 2014	4.39%	3,588	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 3 Sp.k.	4 Aug 2014	4.26%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 1 Sp.k.	4 Aug 2014	4.27%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp.k.	11 Aug 2014	4.53%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVIII Sp. z o.o.	17 Oct 2014	4.17%	50	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVIII Sp. z o.o. Real Etsate SKA	17 Oct 2014	4.17%	30,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 6 Sp.k.	19 Dec 2014	4.08%	14,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 6 Sp.k.	19 Dec 2014	4.08%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XI Sp. z o.o.	19 Dec 2014	4.08%	3,500	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest III Sp. z o.o.	19 Dec 2014	4.08%	6,000	Unspecified
LC Corp Invest I Sp. z o.o.	Kraków Zielony Złocień Sp. z o.o.	19 Dec 2014	4.08%	6,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 3 Sp.k.	19 Dec 2014	6.05%	14,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 10 Sp.k.	19 Dec 2014	5.66%	40,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest VII Sp. z o.o.	23 Dec 2014	4.08%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest VIII Sp. z o.o.	23 Dec 2014	4.08%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest X Sp. z o.o.	23 Dec 2014	4.08%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XII Sp. z o.o.	23 Dec 2014	4.08%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 9 Sp.k.	23 Dec 2014	4.08%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 7 Sp.k.	23 Dec 2014	4.08%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 1 Sp.k.	23 Dec 2014	4.08%	10,000	Unspecified
LC Corp Invest XV Sp. z o.o. Investments SKA	LC Corp Invest I Sp. z o.o.	5 May 2014	4.43%	45,000	Unspecified
LC Corp Invest XV Sp. z o.o. Investments SKA	LC Corp Invest I Sp. z o.o.	27 May 2014	4.34%	10,000	Unspecified
Warszawa Przyokopowa Sp. z o.o.	LC Corp Invest I Sp. z o.o.	12 Aug 2014	4.24%	63,000	Unspecified
Warszawa Przyokopowa Sp. z o.o.	LC Corp Invest I Sp. z o.o.	31 Oct 2014	4.07%	30,000	Unspecified

\* average value for 2014

### 3.5. Issue and buyback of securities

- 1) On 15 April 2014, LC Corp S.A. bought back, according to the schedule, 890 unsecured dematerialised coupon bonds, LCC001150414 series, ISIN code PLLCCRP00033, having a par value of PLN 100,000.00 each and a total par value of PLN 89,000,000, issued on 15 April 2011.
- 2) On 6 June 2014, LC Corp S.A. issued 50,000 five-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total par value of PLN 50,000,000, pursuant to the Agreement on Bond Issue Programme concluded with Pekao S.A., having its registered office in Warsaw, and BRE Bank S.A., having its registered office in Warsaw, with the buyback date falling on 6 June 2019.

### 3.6. Sureties and guarantees granted and received in the accounting period

In connection with the loan agreement of 29 April 2014, concluded between the Issuer and Getin Noble Bank S.A., LC Corp Invest II Sp. z o.o. and LC Corp Invest XV sp. z o.o. Investments S.K.A. secured the repayment of the loan by creating the joint mortgage for up to PLN 75,000,000.00 and provided surety for the loan with the liability limited exclusively to the real property encumbered with the mortgage.

In connection with the loan agreement of 14 May 2014, entered into by LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. and PKO BP S.A., the support agreement was concluded between LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k., the bank and the Issuer, pursuant to which LC Corp S.A. acting as the guarantor undertook, among others, to provide financial support to the borrower under the circumstances specified in the agreement and provided surety for four blank promissory notes issued by LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. by the time agreements are submitted to the Bank concluded with the tenants not related to the Issuer and comprising at least 20% of the leasable area in the Silesia Star building.

In connection with the agreement on the exchange of real property concluded on 21 October 2014 between LC Corp Invest III Sp. z o.o. and the Capital City of Warsaw, the Issuer, as the guarantor, created the contractual mortgage in favour of the Capital City of Warsaw for up to PLN 3,000,000 on the real property in Gdańsk, to secure the payment of contractual penalties stipulated in the agreement on the exchange of real property concluded between LC Corp Invest III Sp. z o.o. and the capital City of Warsaw.

The table below presents the performance bonds and defect liability bonds received by the Group's undertakings in 2014:

Recipient of the bond	Entity obliged to provide the bond	Type of guarantee	Guaranteed amount	Guarantee date
LC Corp Invest VII Sp. z o.o.	Hartuna Sp. z o.o.	Insurance guarantee	PLN 821,639.65	28 Nov 2014
Warszawa Przykopowa Sp. z o.o.	Budimex S.A.	Bank guarantee	PLN 5,024,366.42	30 Apr 2014
Kraków Zielony Złocięń Sp. z o.o.	TK-BUD Sp. z o.o. Sp.k.	Bank guarantee	PLN 840,679.70	3 June 2014
LC Corp Invest VIII Sp. z o.o.	Przedsiębiorstwo Budowlane NARLOCH Sp. z o.o.	Insurance guarantee	PLN 140,612.45	20 June 2014
LC Corp Invest XII Sp. z o.o.	TULCON S.A.	Insurance guarantee	PLN 1,210,000.00	9 Oct 2014
LC Corp Invest XV sp. z o.o. Projekt 1 sp.k.	PBH Arkop Krzysztof Pianowski i s-ka spółka jawna	Insurance guarantee	PLN 1,207,500.00	27 Feb 2014
LC Corp Invest XV sp. z o.o. Projekt 1 sp.k.	TULCON S.A.	Insurance guarantee	PLN 703,827.00	25 Mar 2014
LC Corp Invest XV sp. z o.o. Projekt 1 sp.k.	PBH Arkop Krzysztof Pianowski i s-ka spółka jawna	Insurance guarantee	PLN 1,327,012.55	22 May 2014
LC Corp Invest XV sp. z o.o. Projekt 1 sp.k.	PBH Arkop Krzysztof Pianowski i s-ka spółka jawna	Insurance guarantee	PLN 917,724.45	22 Dec 2014
LC Corp Invest XV sp. z o.o. Projekt 4 sp.k.	Przedsiębiorstwo Wielobranżowe Magropol Sp. z o.o.	Insurance guarantee	PLN 625,500.00	5 Dec 2014
LC Corp Invest XV Sp. zo.o. Projekt 6 Sp.k. (road construction project)	MROZEK Sp. z o.o.	Insurance guarantee	PLN 87,540.50 (performance bond) PLN 43,770.25 (defect liability bond)	26 Feb 2014
LC Corp Invest XV sp. z o.o. Projekt 6 sp.k.	Instalbud – Rzeszów Sp. z o.o.	Amendment no. 1 to the Bank guarantee of 8 July 2013	PLN 1,500,000.00	28 July 2014
LC Corp Invest XV sp. z o.o. Projekt 6 sp.k.	Instalbud – Rzeszów Sp. z o.o.	Amendment no. 2 to the Bank guarantee of 9 Jan 2014	PLN 1,000,000.00	28 July 2014
LC Corp Invest XV sp. z o.o. Projekt 7 sp.k.	MAGROPOL SP. Z O.O.	Bank guarantee	PLN 1,025,000.00 (to 26 Nov 2015) PLN 512,500.00 (from 27 Nov 2015)	26 June 2014
LC Corp Invest XV sp. z o.o. Projekt 7 sp.k.	MAGROPOL SP. Z O.O.	Insurance guarantee	PLN 704,000.00	6 Oct 2014
LC Corp Invest XV sp. z o.o. Projekt 7 sp.k.	EURO-STAHLSERVICE Sp. z o.o.	Bank guarantee	PLN 1,136,480.00	26 Nov 2014
LC Corp Invest XV sp. z o.o. Projekt 8 sp.k.	KALTER Sp. z o.o.	Bank guarantee	PLN 907,500.00	29 May 2014
LC Corp Invest XV sp. z o.o. Projekt 14 SKA	ERBUD S.A.	Bank guarantee	PLN 294,163.00	4 Feb 2014
LC Corp Invest XV sp. z o.o. Projekt 14 SKA	ERBUD S.A.	Bank guarantee	PLN 313,320.00	4 Feb 2014

Apart from the above bonds, Arkady Wrocławskie S.A. obtained bank guarantees securing the payment of rents for the premises leased in the Arkady Wrocławskie, Wola Center and Sky Tower shopping centres.

#### 4. ASSET, FINANCIAL, AND REVENUE POSITION OF THE GROUP

Basic economic and financial figures	Position as at	Position as at
	31 December 2014	31 December 2013
	PLN'000	PLN'000



Non-current assets	1,594,368	1,459,758
Current assets	1,046,384	954,190
Equity	1,255,153	1,184,776
Liabilities and provisions for liabilities	1,385,599	1,229,172
Balance sheet total	2,640,752	2,413,948
Sales revenue	358,843	209,221
Pre-tax profit on sales	133,553	69,784
Operating profit	142,149	87,550
Net profit on business activities	76,320	73,602
Net profit	76,320	73,602

In 2014, the Group earned the total net sales revenue of PLN 358,843,000. The pre-tax profit on sales was PLN 133,553,000. The operating profit, having taken into account the change in the valuation of commercial property and other operating expenses/revenue, totalled PLN 142,149,000 and the Group recorded a net profit of PLN 76,320,000.

Factors and events that had a significant impact on the financial results of the LC Corp Group in 2014 included in particular:

1. sales of flats and retail units in the property development projects,
2. realisation of the planned profit on the operation of the Arkady Wrocławskie and Sky Tower retail and office centres and the Wola Center office building; revaluation of commercial property in Arkady Wrocławskie S.A., Warszawa Przyokopowa Sp. z o.o., Sky Tower S.A. and LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. as at the end of 2014,
3. revaluation of the projects of the Group's companies (disclosed in the consolidated financial statements as inventories).

#### 4.1. Clarification of the discrepancies between the financial results disclosed in the annual report and the financial forecasts for the year published at an earlier date

The LC Corp Group did not publish any financial forecasts in 2014.

#### 4.2. Significant off-balance sheet items – entities concerned, titles, and values

The detailed information about off-balance sheet items is presented in Notes 29.3 and 29.5 of the Accounting principles (policy) and Notes to the Group's consolidated financial statements for the year 2014.

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

Assets	31 December 2014		31 December 2013	
<b>A. Non-current assets</b>	<b>1,594,368</b>	<b>60%</b>	<b>1,459,758</b>	<b>60%</b>
1. Intangible assets	291	0%	372	0%
2. Property, plant and equipment	4,721	0%	4,716	0%
2.1. Tangible assets	4,715	0%	4,523	0%
2.2. Tangible assets under construction	6	0%	193	0%
3. Non-current receivables	6,948	0%	2,073	0%
4. Investment property	1,565,160	59%	1,434,661	59%
5. Non-current prepayments and accrued income	69	0%	88	0%
6. Deferred tax assets	17,179	1%	17,848	1%
<b>B. Current assets</b>	<b>1,046,384</b>	<b>40%</b>	<b>954,190</b>	<b>40%</b>

1. Inventories	729,555	28%	721,592	30%
2. Trade and other receivables	23,400	1%	39,165	2%
3. Income tax receivable	113	0%	446	0%
4. Current financial assets	5,332	0%	1,636	0%
5. Cash and cash equivalents	286,435	11%	190,319	8%
6. Current prepayments and accrued income	1,549	0%	1,032	0%
<b>C. Non-current assets classified as held for sale</b>	0	0%	0	0%
<b>Total assets</b>	<b>2,640,752</b>	<b>100%</b>	<b>2,413,948</b>	<b>100%</b>

Equity and liabilities	31 December 2014		31 December 2013	
<b>A. Equity</b>	<b>1,255,153</b>	<b>48%</b>	<b>1,184,776</b>	<b>49%</b>
<b>I. Equity attributable to shareholders of the parent</b>	<b>1,255,153</b>	<b>48%</b>	<b>1,184,776</b>	<b>49%</b>
1. Share capital	447,558	17%	447,558	19%
2. Other capital	731,275	28%	663,616	27%
3. Net profit/(loss)	76,320	3%	73,602	3%
<b>II. Minority interest</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>B. Non-current liabilities</b>	<b>1,043,684</b>	<b>39%</b>	<b>924,076</b>	<b>38%</b>
1. Non-current loan and bond liabilities	815,616	31%	681,114	28%
2. Non-current liabilities on account of the acquisition of a subsidiary	142,897	5%	175,572	7%
3. Non-current trade and other payables	0	0%	0	0%
4. Provisions	22	0%	22	0%
5. Deferred tax liability	85,149	3%	67,368	3%
<b>C. Current liabilities</b>	<b>341,915</b>	<b>13%</b>	<b>305,096</b>	<b>13%</b>
1. Current loan and bond liabilities	106,896	4%	119,548	5%
2. Current liabilities on the acquisition of a subsidiary	38,996	1%	41,264	2%
3. Current trade and other payables	67,941	3%	77,667	3%
4. Income tax payable	151	0%	47	0%
5. Provisions	311	0%	12,617	1%
6. Accrued expenses and revenue	127,620	5%	53,953	2%
<b>Total equity and liabilities</b>	<b>2,640,752</b>	<b>100%</b>	<b>2,413,948</b>	<b>100%</b>

The most important factors affecting the value of the balance-sheet items in the year ended 31 December 2014:

- a change in the Investment Property is associated with new expenditure incurred on these investment projects in 2014 and their valuation as at the end of 2014 (Nota 18 to the consolidated financial statements),
- an increase in the Financial Liabilities on Account of Loans and Bonds is associated with initiations of bank loans during the accounting year (mainly the loan financing the construction of the Wola Center and Silesia Star office buildings),
- an increase in the Accrued Expenses and Revenue is related to an increase in the effected sales of property development projects (mainly payments made by clients).

In the Management Board's opinion, the Group's liquidity situation is very good – cash and current financial assets enabled the Group to pay its current financial liabilities on a timely basis; the non-current part includes mainly the loan refinancing investment properties: Arkady Wrocławskie, Sky Tower, Wola Center and Silesia Star Stage 1. The repayment of these loans is secured by the proceeds from the operation of the investment properties (from rental agreements). Furthermore, proceeds are gained from the sale of flats in the investment projects in Warsaw, Wrocław, Kraków, Gdańsk and Łódź. Moreover, in order to finance the projects approved for commencement, the Group applies to banks for co-financing in the form of loans whose repayment is secured by the proceeds from the sale of flats/retail premises in such projects.



### 3.4. Assessment of financial management

Selected financial ratios:

	<b>Profitability ratios</b>	<b>2014</b>	<b>2013</b>
1	EBITDA (PLN'000) (operating profit/(loss) + depreciation/amortisation)	142,794	88,127
2	EBITDA (PLN'000) (net of revaluation, write-offs, reversed provisions)	107,500	48,071
3	Operating profit margin (EBITDA/net revenue from sales)	39.8%	42.1%
4	Operating profit margin (net of revaluation, write-offs, reversed provisions)	30.0%	23.0%
5	Net profit margin (net profit/net revenue from sales)	21.3%	35.2%
6	Return on assets (ROA) (net profit/total assets)	2.9%	3.0%
7	Return on equity (ROE) (net profit/equity)	6.1%	6.2%

	<b>Liquidity ratios</b>		
1	Current ratio current assets/(current liabilities)	4.9	4.0
2	Quick ratio (current assets – inventories)/(current liabilities)	1.5	1.0

	<b>Debt ratios</b>	<b>2014</b>	<b>2013</b>
1	Debt to equity (total liabilities/equity)	93.4%	92.4%
2	Debt to equity – net (total net liabilities/equity)	67.7%	72.8%
3	Total debt (total liabilities/total assets)	44.4%	45.4%

The presented financial ratios for 2014 remain at a very good level. The increase in the profitability ratios (after adjustments for revaluation and write-offs) confirms the effectiveness of the implemented strategy. The increase in the liquidity ratios and the decrease in the net debt illustrate the Group's very good liquidity position.

Financial risk management is described in the consolidated financial statements, in Notes 34, 35 and 36.

## 5. INFORMATION ABOUT PROCEEDINGS BEFORE COURTS, RELEVANT ARBITRATION AUTHORITY OR PUBLIC ADMINISTRATION AUTHORITY

As at 31 December 2014, no individual proceedings were initiated with regard to liabilities or receivables of the Issuer or its subsidiaries, whose value would represent at least 10% of the Issuer's equity. As at 31 December 2014 no proceedings were initiated with regard to liabilities and receivables of the Issuer and its subsidiaries, whose aggregate value would represent at least 10% of the Issuer's equity.

## 6. OTHER EVENTS SIGNIFICANTLY AFFECTING THE GROUP'S OPERATION, WHICH OCCURRED AFTER THE ACCOUNTING PERIOD, BY THE DATE OF APPROVING THE LC CORP GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

### 6.1. Loan agreements concluded by the Group's undertakings

LC Corp Invest I Sp. z o.o. concluded the following cash loan agreements with the LC Corp Group's undertakings:

- 1) on 20 January 2015, a loan agreement with LC Corp Invest XV Sp. z o.o. for the amount of PLN 23,000, at arm's length, for an indefinite period.
- 2) on 21 January 2015, a loan agreement with LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k. for the amount of PLN 10,000,000, at arm's length, for an indefinite period.
- 3) on 20 February 2015, a loan agreement with LC Corp Invest XV Sp. z o.o. for the amount of PLN 100,000, at arm's length, for an indefinite period.
- 4) on 18 March 2015, a loan agreement with LC Corp Invest XV Sp. z o.o. Projekt 11 Sp. k. for the amount of PLN 10,000,000, at arm's length, for an indefinite period.

## **6.2. Loan agreement concluded by LC Corp Invest XII Sp. z o.o.**

On 15 January 2015, LC Corp Invest XII Sp. z o.o. concluded with mBank Hipoteczny S.A. an agreement on a loan of up to PLN 28,530,000. On 5 March 2015, LC Corp Invest XII Sp. z o.o., executing the loan agreement, established security indispensable for the initiation of this loan, including, among others, the submission of the declaration on the creation of a mortgage of up to PLN 57,060,000 on the company's real property, financial pledges and pledges by registration on bank accounts, financial pledges and pledges by registration on shares and other standard security for loan agreements. A blank promissory note was also submitted, issued by LC Corp Invest XII Sp. z o.o. and guaranteed by LC Corp S.A. by the time the relevant courts make the entries for the pledge by registration on shares and the mortgage on the encumbered real property.

## **6.3. Registration of a new company, LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k.**

On 23 February 2015, a limited partnership was registered, LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp.k., established on the basis of a deed of partnership concluded between LC Corp Invest XVII Sp. z o.o. and LC Corp Invest XI Sp. z o.o., the subsidiary undertakings of LC Corp S.A. The above company, in which LC Corp Invest XI Sp. z o.o. is a limited partner, was formed to carry out a property development project.

## **6.4. Issue of bonds under the Bond Issue Programme**

On 20 March 2015, LC Corp S.A. issued 65,000 five-year unsecured coupon bonds having a value of PLN 1,000 each and a total par value of PLN 65,000,000, under the Agreement on Bond Issue Programme signed with Pekao S.A., having its registered office in Warsaw, and BRE Bank S.A., having its registered office in Warsaw, with the buyback date falling on 20 March 2020. The funds acquired from the above-mentioned issue will be appropriated as a whole to buy back the bonds issued on 1 June 2012 under the Agreement on Bond Issue Programme, referred to above, whose buyback date falls on 25 May 2015.

Apart from the above, as of 31 December 2014, there were no other events that might have a material impact on the LC Corp Group's financial results.

# **7. FACTORS SIGNIFICANT FOR THE GROUP'S DEVELOPMENT AND PROSPECTS FOR ITS GROWTH**

## **7.1. Risk factors**

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

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. More restrictive criteria adopted by banks to assess their clients' creditworthiness caused numerous new potential residential buyers to face the creditworthiness barrier. The lack of new credit solutions and the limited credit availability may be a factor reducing the demand for new flats and houses.

### **Foreign exchange risk**

In the companies that manage commercial properties, the revenue and liabilities connected with the financing agreement are denominated in EUR. In consequence, the Group is exposed to foreign exchange risk related to the fluctuations in the PLN/EUR exchange rate.

The currency risk which results from the servicing of a foreign currency loan is minimised by collecting rent indexed against the currency of the loan financing the project. 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 also includes the balance sheet valuation of commercial properties and the valuation of loans (financing the projects), which as at the balance sheet date are converted from EUR to PLN according to the average exchange rate of the 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 the indexation of revenue from rent. In some companies, financed by non-current investment loans, transactions are and will be entered into, in accordance with the provisions of those loan agreements, to hedge against the interest rate risks (for which the hedge accounting will be used).

### **Credit risk**

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

With regard to the Group's other financial assets, such as cash and cash equivalents, the Group's credit risk is minimal, because the Group deposits its funds in banks of good and stable financial standing. There is no significant concentration of credit risk in the Group.

### **Liquidity risk**

The Group aims to maintain a balance between the continuity and flexibility of financing, by making use of 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. The maturity dates of successive instalments are adjusted to the projected proceeds from the sales of individual projects.

### **Risk related to the implementation of property development projects**

The completion of property development projects, due to their complex legal and technical nature, is accompanied by numerous substantial risks. 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 above-mentioned risks takes place, there may occur delays in the 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 such decisions being appealed against by third parties acting out of their self-interest. Appeals against such decisions (whether justified or not) may result in an interruption of the construction process, which translates directly into the deterioration in the project profitability, and thus in the owner's financial results. Another

significant risk relates to the ever more frequent demands from the municipal authorities that make the issuance of building permits conditional on additional factors, not following from the law.

#### **Risk related to liability for flats and houses after their sale**

The Group's activity will include in particular the 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 a formalised process of regular identification, analysis and assessment of risk factors. The process of risk identification includes establishing relevant procedures and processes, whose introduction is aimed at eliminating or reducing the risk for the Company and for the Group.

## **7.2. Strategy**

The Group continues the implementation of its strategy, in line with the set objectives, described below:

- Product and geographical diversification

One of the key elements of the Group's strategy is to carry out property development projects in big Polish cities and in their vicinity. The key cities, from the Group's perspective, include: Warsaw, Wrocław, Kraków and Gdańsk. In each of these cities it is planned to carry out several projects, in many locations and to varying standards, in order to offer products addressed to different target groups.

- Extending the product and service range

The Group intends to expand its property development activity, in the scope of building and managing modern commercial space, office space in particular, thus ensuring the diversification of revenue sources.

- Maintaining the required level of project profitability

The company monitors the situation on a regular basis and accordingly starts the property development projects from its portfolio as well as monitors the property development market searching for projects which can ensure the required profitability in a given location and given market circumstances.

- Building the bank of land

By monitoring the land property market, particularly in big agglomerations, the Group consistently increases its bank of land. For the purpose of creating the bank of land, the Group acquires and intends to acquire plots in attractive locations, enabling it to carry out property development projects for at least the following five years of the Group's activity. At present, the Group holds plots in Warsaw, Wrocław and its neighbourhood, Kraków, Gdańsk, Łódź and Katowice.

- Maintaining the appropriate financing structure

The Group cooperates with renowned financial institutions. Founding on the quality of its possessed assets and experience of obtaining funds, the Group is able to finance up to 70% of its investments using bank loans or other external capital financing. Therefore, the Group can commit its own capital to numerous property development projects (as well as to the creation of the bank of land) and thus it is able to diversify the investment risk.

The strategy for 2015 and subsequent years provides for an increase in the Group's share in the Warsaw market.

## **8. EMPLOYMENT STRUCTURE IN LC CORP AND IN THE GROUP**

### 8.1. Employment structure in LC Corp S.A.

The average employment in the Company in the year ended 31 December 2014 was as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Management Board	5	4.1
White collar workers / administrative staff	86.3	71.4
Blue collar workers	0	0
<b>Total</b>	<b>91.3</b>	<b>75.5</b>

### 8.2. Employment structure in the Group

The average employment in the Group in the year ended 31 December 2014 was as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Management Board of the Parent Undertaking	5	4.1
Management Boards of the Group's Entities (*)	0	1.0
Administration	83.2	59.1
Sales department	30.1	23.1
Others	1.0	1.0
<b>Total</b>	<b>119.3</b>	<b>88.3</b>

(\*)-members of the Parent Undertaking's Management Board are also members of the management boards of the Group's entities

### 8.3. System of control over share-based Staff Incentive Schemes

In 2014, the Company did not have any share-based staff incentive schemes.

## 9. INFORMATION ON THE MEMBERS OF THE ISSUER'S MANAGEMENT AND SUPERVISORY BOARDS

### 9.1. Value of remuneration, bonuses and benefits, including those obtained through incentive or bonus schemes based on shares, paid or due to members of the Management and Supervisory Boards and the information about the value of remuneration for members of LC Corp's Management and Supervisory Boards for functions performed in the authorities of subsidiary undertakings

Payments made to members of the Management Board of LC Corp S.A. in the period from 1 January 2014 to 31 December 2014:

Dariusz Niedośpiał – remuneration, including bonuses, totalled PLN 3,017,000; no share-based payments

Joanna Jaskólska – remuneration, including bonuses, totalled PLN 1,045,00; no share-based payments

Mirosław Kujawski – remuneration, including bonuses, totalled PLN 846,000; no share-based payments

Tomasz Wróbel – remuneration, including bonuses, totalled PLN 492,000; no share-based payments

Małgorzata Danek – remuneration, including bonuses, totalled PLN 642,000; no share-based payments

Payments made to members of the Supervisory Board of LC Corp S.A. in the period from 1 January 2014 to 31 December 2014:

Leszek Czarnecki – remuneration totalled PLN 0; no share-based payments

Andrzej Błażejowski – remuneration totalled PLN 24,000; no share-based payments

Remigiusz Baliński – remuneration totalled PLN 24,000; no share-based payments

Zbigniew Dorenda – remuneration totalled PLN 24,000; no share-based payments

Jakub Malski – remuneration totalled PLN 24,000; no share-based payments

**9.2. Holding of the Issuer's shares or rights to such shares by its management and supervisory staff as at the reporting date**

**Supervisory staff holding the Issuer's shares**

<b>Full Name</b>	<b>Function in the body</b>	<b>Share ownership</b>
Leszek Czarnecki	Chairman of the Supervisory Board	14,657,685
Andrzej Błażejowski	Vice-Chairman of the Supervisory Board	151,142
Remigiusz Baliński	Member of the Supervisory Board	32,722
Zbigniew Dorenda	Member of the Supervisory Board	-
Jakub Malski	Member of the Supervisory Board	9,830

**Management staff holding the Issuer's shares**

<b>Full Name</b>	<b>Function in the body</b>	<b>Share ownership</b>
Dariusz Niedośpiał	President of the Management Board	158,791
Joanna Jaskólska	Vice President of the Management Board	6,000
Tomasz Wróbel	Member of the Management Board	-
Mirosław Kujawski	Member of the Management Board	-
Małgorzata Danek	Member of the Management Board	15,000

### **9.3. Agreements between the Issuer and management staff which anticipate compensation in case they resign or are dismissed from their position without a material reason, or in case their dismissal results from a merger of the Issuer by way of a takeover**

Managerial contracts binding the Issuer and Members of the Management Board anticipate payments of six months' remuneration in the case the Company terminates any such contract.

## **10. ADDITIONAL INFORMATION**

### **10.1. Major research and development achievements**

None of the Group's undertakings reported any major research and development achievements.

### **10.2. Information about the acquisition of own shares by the Group's companies**

None of the Group's companies acquired its own shares.

### **10.3. Branches of the Group's undertakings**

The Group's undertakings do not have any branches.

## **11. SUMMARY**

In the year 2014 the activity was focused on carrying out investment projects and searching for real estate for new investment projects for the Group's companies and managing commercial buildings by the Group's companies. While maintaining its financial security, the Group continued its investment projects and significantly expanded its offer through appropriate acquisitions. The Group's strategy assumes a significant increase in the scale of activity in the following years, particularly in the residential sector, as well as the strengthening of the other sector of its business, i.e. activity in the area of commercial property (mainly office space). The strategy for 2015 and subsequent years provides for an increase in the Group's share in the Warsaw market. In the Management Board's opinion, the operating results and margins achieved in 2014 were satisfactory.

## **12. INFORMATION ABOUT THE AGREEMENT WITH AN ENTITY QUALIFIED FOR AUDITING FINANCIAL STATEMENTS**

2014

On 28 October 2014, an agreement was concluded with Ernst & Young Audyt Polska Sp. z o.o. Sp. k., seated in Warsaw, on the audit of the financial statements and consolidated financial statements of LC Corp S.A. for the year 2014. The remuneration under the above agreement totals PLN 95,000 net. An agreement on the review of the financial statements and consolidated financial statements of LC Corp S.A. for the first half of 2014, including an annexe, was concluded on 24 July 2014. The remuneration under this agreement totals PLN 55,000 net. Furthermore, in 2014, the Company purchased the training services for the amount of PLN 1,500.

In 2014, Ernst & Young Audyt Polska Sp. z o.o. Sp.k. concluded agreements on the audit of the separate financial statements for 2014 of Arkady Wrocławskie S.A., Warszawa Przykopowa Sp. z o.o., Sky Tower S.A. and LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp.k. The total remuneration on account of the above agreements was PLN 155,000.

2013

On 28 October 2013, an agreement was concluded with Ernst & Young Audyt Polska Sp. z o.o. Sp. k. (\*), seated in Warsaw, on the audit of the financial statements and consolidated financial statements of LC Corp S.A. for the year 2013. The remuneration under the above agreement totals PLN 95,000 net. An agreement on the review of the financial statements and consolidated financial statements of LC Corp S.A. for the first half of 2013, including an annexe, was concluded on 15 July 2013. The remuneration under this agreement totals PLN 62,000 net. Furthermore, in 2013, the Company disclosed the cost of other consulting services provided by Ernst & Young Audit Sp. z o.o. of PLN 77,000.



In 2013, Ernst & Young Audit Sp. z o.o. concluded agreements on the audit of the separate financial statements for 2013 of Arkady Wrocławskie S.A., Warszawa Przyokopowa Sp. z o.o., and Sky Tower S.A. The total remuneration on account of the above agreements was PLN 148,000.

*(\*) Until 18 October 2013 operating under the name of Ernst & Young Audit Sp. z o.o.*

### 13. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE RULES

The declaration on the application of the Corporate Governance rules is attached to this report.

### 14. DECLARATION OF THE MANAGEMENT BOARD

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

Drawn up in Wrocław, on 20 March 2015

Dariusz Niedośpiał  
President of the Management Board

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Joanna Jaskólska  
Vice President of the Management Board

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Małgorzata Danek  
Member of the Management Board

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Mirosław Kujawski  
Member of the Management Board

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Tomasz Wróbel  
Member of the Management Board

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