



**MANAGEMENT BOARD'S REPORT
ON LC CORP S.A.'S OPERATIONS
FOR 2013**

Wrocław, 20 March 2014

Rules for drawing up the annual financial statements of LC Corp S.A.

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 LC Corp's operations during the accounting period, including significant information on the economic and financial position, evaluation of achieved results, identification of risks, and description of threats.

This report on the operations of LC Corp S.A. (hereinafter "LC Corp", the "Company" or the "Issuer") covers the period from 1 January to 31 December 2013.

LC Corp S.A.'s annual report, drawn up for the reporting period from 1 January 2013 to 31 December 2013, contains:

- LC Corp's financial statements for the accounting period from 1 January 2013 to 31 December 2013 and as at 31 December 2013, drawn up in accordance with the International Financial Reporting Standards, including: statement of financial position at the end of the period, statement of comprehensive income for the period, statement of cash flows for the period, statement of changes in equity for the period and notes to the financial statements.
- Financial data comparable to the consolidated financial statements as at 31 December 2012 and for the period of twelve months ended on 31 December 2012.
- Management Board's report on operations of LC Corp S.A. for the period from 1 January 2013 to 31 December 2013.
- Management Board's declaration, pursuant to Art. 91.1.5) 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

LC Corp S.A. (hereinafter also "LC Corp", the "Company" 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 Section of the National Court Register, under KRS No. 0000253077.

The Parent Undertaking's registered office is situated in Wrocław, Poland, at ul. Powstańców Śląskich 2-4.

The Company was assigned statistical identification number REGON 020246398.

The Company was established for an indefinite time. The Company's core business includes activities of financial holdings (PKD 64.20.Z).

LC Corp B.V., controlled by Leszek Czarniecki, is the Parent Undertaking of LC Corp S.A.

LC Corp S.A. is the parent undertaking with regard to the companies of the LC Corp's Group (hereinafter also the "Group").

As at 31 December 2013 the LC Corp Group comprised LC Corp S.A. and its following subsidiaries:

Company	Share capital as at 31 Dec 2013 (PLN)	Effective share of LC Corp S.A.	
		31 December 2013	31 December 2012
Arkady Wrocławskie S.A. seated in Wrocław	113,700,000	100%	100%
Sky Tower S.A. seated in Wrocław ¹	23,100,00	100%	-
Warszawa Przyokopowa Sp. z o.o. seated in Wrocław	3,000,000	100%	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	36,000,000	100%	100%
LC Corp Invest XII Sp. z o.o. seated in Wrocław	23,000,000	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 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 97 Sp. k. seated in Wrocław	-	100% (indirectly)	-
LC Corp Invest XV Sp. z o.o. Projekt 10 Sp. k. seated in Wrocław	-	100% (indirectly)	-
LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. seated in Wrocław	-	100% (indirectly)	100%
LC Corp Invest XVII Sp. z o.o. seated in Wrocław	5,000	100%	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. Projekt 14 S.K.A.	5,050,000	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest XV sp. z o.o. Investments S.K.A. ⁴	91,905,080	100% (indirectly and directly)	-

(1) On 6 December 2013, LC Corp S.A. purchased 100% of the shares of Sky Tower S.A. from LC Corp B.V. becoming the sole shareholder of the company, which became a member of the LC Corp Group on that date.

- (2) On 23 April 2013, a limited partnership LC Corp Invest XV Sp. z o.o. Projekt 9 Sp. k. was established on the basis of an agreement made between LC Corp S.A.'s subsidiary companies, i.e. LC Corp Invest XV Sp. z o.o. and LC Corp Invest XI Sp. z o.o. The partnership was established to implement a property development investment in which LC Corp Invest XI Sp. z o.o. is the limited partner.
- (3) On 6 November 2013, a limited partnership LC Corp Invest XV Sp. z o.o. Projekt 10 Sp. k. was established on the basis of an agreement made between LC Corp S.A.'s subsidiary companies, i.e. LC Corp Invest XV Sp. z o.o. and LC Corp Invest XI Sp. z o.o. The partnership was established to implement a property development investment in which LC Corp Invest XI Sp. z o.o. is the limited partner.
- (4) On 1 October 2013, the limited joint-stock partnership LC Corp Invest XV Sp. z o.o. S.K.A. was registered. LC Corp Invest XV Sp. z o.o. took 50 shares in its share capital, whereas LC Corp Invest XVI Sp. z o.o. took 4,950 shares. On 21 October 2013, an Extraordinary Shareholders Meeting adopted a resolution regarding an increase of the Partnership's share capital from PLN 50,000.00 to PLN 91,905,080.00, i.e. by 91,855,080.00, by issuing 9,185,508 Series C registered shares with a par value of PLN 10.00 each. Thus, upon the registration of the share capital increase, LC Corp S.A. became a partner in the partnership with 99.95% of its shares.

The Company's share capital and ownership as at 31 December 2013

As at 31 December 2013 the share capital of LC Corp S.A. amounted to PLN 447,558,311 and was divided into 447,558,311 ordinary bearer shares carrying one vote at the General Meeting, with a par value of PLN 1.00 each.

Shareholders possessing, directly or indirectly through subsidiaries, at least 5% of the total votes at the General Meeting

SHAREHOLDERS POSSESSING, DIRECTLY OR INDIRECTLY, AT LEAST 5% OF THE TOTAL VOTES AT THE GENERAL MEETING AS AT 31 DECEMBER 2013 IN ACCORDANCE WITH INFORMATION POSSESSED BY THE ISSUER

Shareholder	Number of shares	Number of votes	Share % in share capital	Share % in votes at general meeting
Leszek Czarnecki directly and indirectly ⁽¹⁾ including: LC CORP B.V. seated in Amsterdam	229,126,674	229,126,674	51.19%	51.19%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK ⁽²⁾	214,701,110	214,701,110	47.97%	47.97%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK ⁽²⁾	30,200,000	30,200,000	6.75%	6.75%
ING Otwarty Fundusz Emerytalny ⁽³⁾	30,322,627	30,322,627	6.78%	6.78%
OFE PZU "Złota Jesień" ⁽³⁾	44,669,000	44,669,000	9.98%	9.98%

- 1) Leszek Czarnecki directly holds 14,424,564 shares representing 3.22% of the share capital and 3.22% share in the votes at the General Meeting, and indirectly through his subsidiary undertakings Leszek Czarnecki holds 214,702,110 shares representing 47.97% of the share capital and 47.97% share in the votes at the General Meeting. Leszek Czarnecki's subsidiary undertaking is LC Corp. B.V. seated in Amsterdam, holding 214,701,110 shares representing 47.97% of the share capital and 47.97% share in the votes at the General Meeting, and RB Investcom Sp. z o.o., seated in Wrocław, holding 1,000 shares representing 0.0002% of the share capital and 0.0002% share in the votes at the General Meeting.
- 2) Number of shares held by the shareholder at the Extraordinary General Meeting of LC Corp S.A. on 29 August 2013.
- 3) Number of shares held by the shareholder at the Extraordinary General Meeting of LC Corp S.A. on 6 December 2013.

SHAREHOLDERS POSSESSING, DIRECTLY OR INDIRECTLY, AT LEAST 5% OF THE TOTAL VOTES AT THE GENERAL MEETING AS AT THE DATE OF PUBLICATION OF THESE FINANCIAL STATEMENTS

Shareholder	Number of shares	Number of votes	Share % in share capital	Share % in votes at general meeting
Leszek Czarnecki directly and indirectly ⁽¹⁾ including: LC CORP B.V. seated in Amsterdam	229,126,674	229,126,674	51.19%	51.19%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK ⁽²⁾	214,701,110	214,701,110	47.97%	47.97%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK ⁽²⁾	30,200,000	30,200,000	6.75%	6.75%
ING Otwarty Fundusz Emerytalny ⁽³⁾	30,322,627	30,322,627	6.78%	6.78%
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votes at the General Meeting, and RB Investcom Sp. z o.o., seated in Wrocław, holding 1,000 shares representing 0.0002% of the share capital and 0.0002% share in the votes at the General Meeting.

- 2) Number of shares held by the shareholder at the Extraordinary General Meeting of LC Corp S.A. on 29 August 2013.
- 3) Number of shares held by the shareholder at the Extraordinary General Meeting of LC Corp S.A. on 6 December 2013.

2. ACTIVITIES OF LC CORP S.A. IN 2013

In 2013, 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 and acquired all shares in a company that manages the Sky Tower office and retail building.

LC Corp S.A.'s subsidiary undertakings were active on the property development market, continuing their investments or preparing to start building projects as well as managing a modern office and retail complex (Arkady Wrocławskie) as well as the Wola Center office building. The description of the activities undertaken by the companies managed by LC Corp S.A. is presented in the Management Board's report on the LC Corp Group's operations.

2.1. Basic products, goods for resale and services

The Company's core business includes its holding activity consisting in the provision of holding services (management, financial, administration) to the subsidiary undertakings.

The Company operates in Poland.

The tables below present revenue and profits in the respective segments for the year ended 31 December 2013 and for the year ended 31 December 2012.

Holding activity	Year ended 31 December 2013	Year ended 31 December 2012
Revenue		
Revenue from sale of services	58,531	25,635
Revenue from interest and discounts	34,122	41,530
Revenue from dividends	14,781	0
Other financial income	0	32,270
Other	31	149
Total revenue	107,465	99,584
Expenses		
Operating expenses	(69,567)	(34,994)
Interest and discount expenses	(17,296)	(15,746)
Other financial expenses	(13,447)	(385)
Other	(36)	(66)
Total expenses	(100,346)	(51,191)
Pre-tax profit (loss) of the segment	7,119	48,393
Assets and liabilities		
Total assets	1,359,899	1,098,025
Total liabilities	521,988	283,536

2.2. Market situation

The Company's activity addresses the needs of the subsidiary undertakings and is limited to the territory of Poland.

2.3. Company's dependence on suppliers and recipients

- Service recipients

In 2013, neither the Company nor the Group's companies were dependent on any service recipient, as the Group's clients are mainly natural persons, belonging to a broadly understood consumer group.

- Service suppliers

In 2013, neither the Company nor the Group's companies were dependent on specific suppliers – building services are offered by numerous companies competing on the Polish developed 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.

2.4. Significant agreements, insurance agreements

- 1) On 6 December 2013, LC Corp S.A. acquired 100% of the shares of Sky Tower S.A. from LC Corp B.V., becoming the sole shareholder of the acquired company, for a price of PLN 259 million payable in instalments by 31 December 2019. As of that date the company became a member of the LC Corp Group. The main asset of Sky Tower SA is the commercial property consisting of a 9882950/14523463 interest in the built-up land property at ul. Powstańców Śląskich 95, ul. Gwiazdzista 62, 64, 66, and ul. Szczęśliwa 33, Wrocław, and the building thereon, consisting of office and retail parts, together known as the Sky Tower, which consists of a shopping centre and offices. The purchase of the company was a consequence of the strategy of expanding the portfolio of commercial properties in the LCC Group.
- 2) On 6 December 2013, LC Corp S.A. also entered in a contract for the establishment of a financial pledge on the registered shares of Sky Tower S.A., with LC Corp S.A. as the pledger and Getin Noble Bank S.A. and Alior Bank S.A. as the pledgees. The financial pledge was established as security for a long-term investment loan granted to Sky Tower S.A. of Wrocław by the above banks. Under this agreement, the Issuer established for the pledgees financial pledges on 23,000,000 Series B registered shares of Sky Tower S.A. up to the highest security amount of €90,000,000 (ninety million euros). The pledges expired upon the registration of the court decision of 2 December 2013 on the registration of the registered pledge of shares in favour of the pledgees under the agreement of 28 November 2013 entered into with LC Corp BV of Amsterdam becoming final and binding.

3. EVENTS EXERTING A SIGNIFICANT IMPACT ON THE COMPANY'S ACTIVITY AND FINANCING THE COMPANY'S ACTIVITY IN THE ACCOUNTING PERIOD

3.1. Payment of dividends to the Company by Arkady Wrocławskie S.A.

On 5 July 2013, total dividends of PLN 14,781,000 were paid to the sole shareholder, LC Corp S.A., pursuant to the resolution of the General Shareholders Meeting of Arkady Wrocławskie S.A. of 4 July 2013.

3.2. Acquisition of shares of Sky Tower S.A. with a loan debt

On 6 December 2013, LC Corp S.A. acquired 100% of the shares of Sky Tower S.A. from LC Corp B.V., becoming the sole shareholder of the acquired company, for a price of PLN 259 million payable in instalments by 31 December 2019. As of that date the company became a member of the LC Corp Group. The main asset of Sky Tower SA is the commercial property consisting of a 9882950/14523463 interest in the built-up land property at ul. Powstańców Śląskich 95, ul. Gwiazdzista 62, 64, 66, and ul. Szczęśliwa 33, Wrocław, and the building thereon, consisting of office and retail parts, together known as the Sky Tower, which consists of a shopping centre and offices. The purchase of the company was a consequence of the strategy of expanding the portfolio of commercial properties in the LCC Group.

On 6 December 2013, LC Corp S.A. also entered in a contract for the establishment of a financial pledge on the registered shares of Sky Tower S.A., with LC Corp S.A. as the pledger and Getin Noble Bank S.A. and Alior Bank S.A. as the pledgees. The financial pledge was established as security for a long-term investment loan granted to Sky Tower S.A. of Wrocław by the above banks. Under this agreement, the Issuer established for the pledgees financial pledges on 23,000,000 Series B registered shares of Sky Tower S.A. up to the highest security amount of €90,000,000 (ninety million euros). The pledges expired upon the registration of the court decision of 2 December 2013 on the registration of the registered pledge of shares in favour of the pledgees under the agreement of 28 November 2013 entered into with LC Corp BV of Amsterdam becoming final and binding.

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 by LC Corp S.A. with the Group's companies in 2013

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.	24 Jan 2013	7.8 %	14,000	Unspecified
LC Corp S.A.	LC Corp Invest I Sp. z o.o.	24 Jan 2013	7.8 %	2,400	Unspecified
LC Corp S.A.	LC Corp Invest I Sp. z o.o.	30 Jan 2013	4.9 %	14,000	Unspecified
LC Corp S.A.	LC Corp Invest I Sp. z o.o.	23 May 2013	4.2 %	20,000	Unspecified
LC Corp S.A.	LC Corp Invest I Sp. z o.o.	9 July 2013	4.5 %	31,000	Unspecified
LC Corp S.A.	LC Corp Invest I Sp. z o.o.	22 July 2013	4.6 %	20,000	Unspecified

* average value for 2013

3.5. Issue and buyback of securities

Financing within the Group takes place also by using debt instruments such as notes or bonds. In 2013 significant operations of this type included the following:

- 1) On 18 January 2013, LC Corp S.A. concluded with LC Corp Invest III Sp. z o.o. an amendment to the agreement on the issue, purchase and buyback of securities of 2 December 2008. Under the amendment, the maturity date of two of the nine investment notes issued by Warszawa Rezydencja Kaliska Sp. z o.o. (currently LC Corp Invest III Sp. z o.o.) and acquired by LC Corp S.A., was rescheduled from 20 January 2013 to 3 April 2013; an earlier buyback of investment notes is admissible. The remaining notes were bought back in full by LC Corp.
- 2) On 17 April 2013, notes were bought back early that had been issued by LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k. (formerly LC Corp Invest XV Sp. z o.o. Sp. k.) and bought by LC Corp S.A. with issuance on the following dates:
 - 20 June 2011 – 5 notes in execution of the agreement for the issue, purchase, and buyback of securities in the form of notes of 20 June 2011 between LC Corp S.A. and LC Corp Invest XV Sp. z o.o. Sp. k. (currently, LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k.), which notes were to be bought back by 2 June 2014;
 - 22 June 2011 – 13 notes in execution of the agreement for the issue, purchase, and buyback of securities in the form of notes of 22 June 2011 between LC Corp S.A. and LC Corp Invest XV Sp. z o.o. Sp. k. (currently, LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k.), which notes were to be bought back by 23 June 2014;
 - 18 July 2011 – 8 notes in execution of the agreement for the issue, purchase, and buyback of securities in the form of notes of 18 July 2011 between LC Corp S.A. and LC Corp Invest XV Sp. z o.o. Sp. k. (currently, LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k.), which notes were to be bought back by 18 July 2014.
- 3) On 29 May 2013, LC Corp S.A. concluded with Arkady Wrocławskie S.A. an amendment to the agreement on the issue, purchase and buyback of securities of 20 January 2011. Under the amendment, the maturity

- date of 10 notes issued by LC Corp S.A. and acquired by Arkady Wroclawskie S.A. was rescheduled from 28 June 2013 to 30 June 2015.
- 4) On 26 November 2013, LC Corp S.A. acquired for the purpose of retirement 110 unsecured dematerialised Series LCC001150414 coupon bonds, ISIN PLLCCRP00033, with a nominal value of PLN 100,000.00 each and a total nominal value of PLN 11,000,000.00, issued on 15 April 2011. The bonds were acquired by the Issuer for their retirement in accordance with Article 25.1 of the Bond Act of 29 June 1995. On 26 November 2013, the Management Board passed a resolution on the retirement of all the 110 (one hundred and ten) acquired bonds.
 - 5) On 31 October 2013, LC Corp S.A. issued 500 five-year unsecured coupon bonds with a value of PLN 100,000.00 each and a total par value of PLN 50,000,000 under a Bond Issue Programme Agreement with Pekao S.A. of Warsaw and BRE Bank S.A. with a maturity date of 30 October 2018.
 - 6) On 9 December 2013, LC Corp S.A. concluded with Warszawa Przyokopowa Sp. z o.o. an amendment to the agreement on the issue, purchase and buyback of securities of 9 December 2010. Under the amendment, the maturity date of 30 notes issued by LC Corp S.A. and acquired by Warszawa Przyokopowa Sp. z o.o. was rescheduled from 9 December 2013 to 9 December 2016.
 - 7) On 11 December 2013, LC Corp S.A. redeemed the remaining 2,000,000 of the 3,000,000 bonds with pre-emptive rights, for which the right to take 2,000,000 Series I bonds, issued in connection with a management bond programme launched, was not exercised.

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

In 2013, LC Corp S.A. did not grant any sureties or guarantees to other entities, nor did it receive any sureties or guarantees from other entities.

4. ASSET, FINANCIAL, AND REVENUE POSITION OF THE COMPANY

Basic economic and financial figures	Position as at	Position as at
	31 December 2013	31 December 2012
	PLN '000	PLN '000
Non-current assets	1,182,668	866,350
Current assets	177,231	231,675
Equity	837,911	814,489
Liabilities and provisions for liabilities	521,988	283,536
Balance sheet total	1,359,899	1,098,025
Revenue from sale of services, products and goods for resale	58,531	25,635
Revenue from interest and discounts	34,122	41,530
Revenue from dividends	14,781	0
Other financial income	0	32,270
Total operating expenses	(100,346)	(51,191)
Net profit / (loss)	23,422	29,728

In 2013 LC Corp S.A. earned revenue from the sale of services of PLN 5,974,000, from the sale of products and goods for resale of PLN 52,557,000, from interest and discounts of PLN 34,122,000 and revenue from dividends of PLN 14,781,000.

The Company disclosed the net profit of PLN 23,422,000.

In addition to standard business revenues and expenses, factors and events that had a significant impact on the financial results of LC Corp S.A. in 2013 consisted in the reviewing of valuation allowances for shares in subsidiaries and loans granted to these companies. The overall recognition of the result in respect of this amounted to PLN 12,045,000.

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

LC Corp did not publish any financial forecasts in 2013.

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

The detailed information about off-balance sheet items is presented in Notes 29.2 and 29.4 of the Accounting principles (policy) and Additional explanatory notes to the financial statements of LC Corp S.A. for 2012.

4.3. Structure of the separate balance sheet assets and equity and liabilities

4.4.

Assets	31 December 2013		31 December 2012	
A. Non-current assets	1,182,668	87%	866,350	79%
1. Intangible assets	323	0%	341	0%
2. Property, plant and equipment	1074	0%	931	0%
2.1. Tangible assets	881	0%	930	0%
2.2. Tangible assets under construction	193	0%	1	0%
3. Loans and non-current receivables	413,397	30%	538,680	49%
4. Non-current investments	767,311	56%	326,398	30%
5. Non-current prepayments and accrued income	0	0%	0	0%
6. Deferred tax assets	563	0%	0	0%
B. Current assets	177,231	13%	231,675	21%
1. Inventories	99,585	7%	72,133	7%
2. Trade and other receivables	1,252	0%	13,330	1%
3. Income tax receivable	0	0%	63	0%
4. Current financial assets	0	0%	70,711	6%
5. Cash and cash equivalents	76,278	6%	75,293	7%
6. Current prepayments and accrued income	116	0%	145	0%
C. Non-current assets classified as held for sale	0	0%	0	0%
Total assets	1,359,899	100%	1,098,025	100%
Equity and liabilities	0	0	0	0
A. Equity	837,911	62%	814,489	74%
1. Share capital	447,558	33%	447,558	41%
2. Balance of called-up share capital not paid	0	0%	0	0%
3. Reserve funds	333,863	25%	304,135	28%
4. Other reserve funds	30,000	2%	30,000	3%
5. Other capital	3,068	0%	3,068	0%
6. Retained profits/loss carry-forward	23,422	2%	29,728	3%
B. Non-current liabilities	365,891	27%	224,589	20%
1. Non-current financial liabilities	190,300	14%	208,830	19%
2. Non-current liabilities on the acquisition of a subsidiary	175,572	13%	0	0%
3. Provisions	19	0%	19	0%
4. Deferred tax liability	0	0%	15,740	1%
C. Current liabilities	156,097	11%	58,947	5%
1. Current financial liabilities	110,565	8%	50,426	5%
2. Current liabilities on the acquisition of a subsidiary	41,264	3%	0	0%
3. Current trade and other payables	1,254	0%	5,825	1%
4. Income tax payable	0	0%	0	0%
5. Provisions	11	0%	0	0%
6. Accrued expenses and revenue	3,003	0%	2,696	0%
Total equity and liabilities	1,359,899	100%	1,098,025	100%

The most important factors affecting the value of the balance-sheet items in the period ended 31 December 2013:

- An increase in non-current investments is related to the acquisition of shares in subsidiaries described in Note 17 to the financial statements;
- A fall in loans and non-current receivables was related to the repayment of loans by subsidiaries;
- An increase in financial liabilities was mainly connected with an issue of bonds performed during the financial year and a liability relating to the acquisition of a subsidiary.

4.4 Assessment of financial management

Selected financial ratios:

No.	Profitability ratios	2013	2012
1	ROA (net profit / total assets)	1.7%	2.7%
2	ROE (net profit / equity)	2.8%	3.6%
No.	Liquidity ratios		
1	Current ratio current assets / (current liabilities)	1.2	4.1
No.	Debt ratios		
1	Debt to equity (total liabilities / equity)	61.9%	32.5%
2	Net debt to equity (total liabilities less cash and cash equivalents / equity)	52.7%	21.7%
3	Total debt (total liabilities / total assets)	38.2%	24.1%

The presented financial ratios for 2013 evidence the Company's very good financial standing. Financial risk management is described in the separate financial statements, in Notes 33, 34 and 35.

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

As at 31 December 2013, 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 2013, neither were any proceedings 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 UNDERTAKING'S OPERATION, WHICH OCCURRED AFTER THE ACCOUNTING PERIOD, BY THE DATE OF APPROVING THE FINANCIAL STATEMENTS OF LC CORP S.A.

On 31 January 2014, LC Corp S.A. concluded with Arkady Wrocławskie S.A. an amendment to the agreement on the issue, purchase and buyback of securities of 9 March 2012. Under the amendment, the maturity date of seven notes issued by LC Corp S.A. and acquired by Arkady Wrocławskie S.A. was rescheduled from 31 January 2014 to 31 January 2017.

Apart from the above, as of 31 December 2013, there were no other events that might have a material impact on LC Corp S.A.'s financial results.

7. FACTORS SIGNIFICANT FOR THE COMPANY'S DEVELOPMENT AND FOR PROSPECTS OF ITS DEVELOPMENT

7.1. Risk factors

A part of the risks related to the Group's property development activity may affect the Company's activity – the main ones have been listed below.

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.

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 revenue from rent. In some companies, financed by non-current investment loans, transactions will be entered into, in accordance with the provisions of those loan agreements, to hedge the interest rate risks, and hedge accounting will be used.

Credit risk

Both the Company and the Group conclude transactions with renowned companies of good credit capacity. Moreover, due to the current monitoring of receivables, the Group's exposure to the risk of uncollectible receivables is negligible.

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

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

Liquidity risk

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

The Company 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 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 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 deterioration in the profitability of the project, 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 Company works out, and then, through the appropriate project management, implements the optimum strategy for making use of the Group's available resources and for expanding its activity, depending on the market situation. Its fundamental elements comprise the following:

- 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

Monitoring the land property market, particularly in big agglomerations, the Group consistently increases its bank of land. 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 creation of the bank of land) and thus it is able to diversify the investment risk. The strategy for 2014 and subsequent years provides for an increase in the Group's share in the Warsaw market.

8. EMPLOYMENT STRUCTURE IN LC CORP

8.1. Employment structure in LC Corp S.A.

9. The average employment in the Company in the year ended 31 December 2013 was as follows:

10.

	Year ended 31 December 2013	Year ended 31 December 2012
Management Board	4.1	4.0
White collar workers / administrative staff	71.4	58.8
Blue collar workers	0	0
Total	75.5	62.8

10.1. System of control over Staff Incentive Schemes

The Company implemented the Management Share Options Scheme, under which members of the management staff of the Company and its subsidiary undertakings were eligible to take up shares issued by the Company. The granting of shares was conditional on meeting the terms included in the Scheme Regulations adopted by the Company's Supervisory Board and supervised by both the Management Board and the Supervisory Board. On 19 May 2010, the General Shareholders Meeting adopted a resolution on altering the conditions of the programme by changing the period of its implementation, i.e. it covered the years 2007, 2011, 2012 and 2013. As the Series I shares were not taken within the deadline for Series I shares subscription rights arising from the bonds, which was set on 30 November 2013, the right to subscribe for the remaining 2,000,000 Series I shares expired. On 1 December 2011, LC Corp S.A. bought back 1,000,000 bonds with priority rights, on the basis of which the right to take up 1,000,000 Series I shares was exercised. On 11 December 2013, LC Corp S.A. redeemed the remaining 2,000,000 bonds with pre-emptive rights, for which the right to take 2,000,000 Series I bonds was not exercised.

9. INFORMATION ON THE ISSUER'S MEMBERS OF 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 2013 to 31 December 2013:

- Dariusz Niedośpiał – remuneration, including bonuses, totalled PLN 1,878,000; no share-based payments
- Joanna Jaskólska – remuneration, including bonuses, totalled PLN 1,102,000; no share-based payments
- Miroslaw Kujawski – remuneration, including bonuses, totalled PLN 634,000; no share-based payments
- Tomasz Wróbel – remuneration, including bonuses, totalled PLN 580,000; no share-based payments
- Małgorzata Danek – remuneration, including bonuses, totalled PLN 0; no share-based payments

Payments made to members of the Supervisory Board of LC Corp S.A. in the period from 1 January 2013 to 31 December 2013:

- Leszek Czarniecki – remuneration totalled PLN 0; no share-based payments
- Andrzej Błażejewski – remuneration totalled PLN 24,000; no share-based payments
- Remigiusz Baliński – remuneration totalled PLN 24,000; no share-based payments
- Ludwik Czarniecki – remuneration totalled PLN 9,800; no share-based payments
- Zbigniew Dorenda – remuneration totalled PLN 24,000; no share-based payments
- Damian Milibrand – remuneration totalled PLN 10,900; no share-based payments
- Jakub Malski – remuneration totalled PLN 1,700; 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

Full name	Function on the body	Share ownership
Leszek Czarnecki	Chairman of the Supervisory Board	14.424.564
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

Full name	Function on the body	Share ownership
Dariusz Niedośpiał	President of the Management Board	6.000
Joanna Jaskólska	Vice-President of the Management Board	6.000
Tomasz Wróbel	Member of the Management Board	-
Miroslaw 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 6-months' remuneration in case the Company terminates any such contract.

10. ADDITIONAL INFORMATION

10.1. Major research and development achievements

The Company did not report any major research and development achievements.

10.2. Information about acquisition of own shares

By the time of drawing up these financial statements the Company did not acquire own shares.

10.3. Company's branches

The Company does not have any branches.

11. SUMMARY

In the year 2013 the activity was focused on carrying out investments and searching for real estate for new investments of the Group's companies and the takeover of Sky Tower S.A., the company managing the Sky Tower commercial property in Wrocław. While maintaining financial security, the Group continued its investments 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 strengthening the other sector of its business, i.e. activity in the area of commercial property (mainly office space). The strategy for 2014 and subsequent years provides for an increase in the share in the Warsaw market. In the Management Board's opinion, the operating results and margins achieved in 2013 were satisfactory.

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

2013

On 28 October 2013, an agreement was concluded with Ernst & Young Audyt Polska Sp. z o.o. Sp. k. (former name: Ernst & Young Audit Sp. z o.o.) seated in Warsaw for auditing financial statements and consolidated financial statements of LC Corp S.A. for the year 2013. The amount of remuneration under the above agreement was PLN 95,000 excluding VAT. On 15 July 2013, an agreement, with an annexe, was concluded on carrying out a review of H1 2013 financial statements and consolidated financial statements of LC Corp S.A. The amount of remuneration under that agreement was PLN 62,000 excluding VAT.

An agreement for accounting consultancy was made on 1 August 2013. The amount of remuneration under that agreement was PLN 77,000 excluding VAT.

2012

On 15 November 2012, an agreement was concluded with Ernst & Young Audit Sp. z o.o. seated in Warsaw for auditing financial statements and consolidated financial statements of LC Corp S.A. for the year 2012. The amount of remuneration under the above agreement was PLN 95,000 excluding VAT. On 16 July 2012, an agreement was concluded on carrying out a review of H1 2012 financial statements and consolidated financial statements of LC Corp S.A. The amount of remuneration under that agreement was PLN 48,000 excluding VAT.

13. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE RULES

The declaration on the application of the Corporate Governance rules is attached to these financial statements.

14. DECLARATION OF THE MANAGEMENT BOARD

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

Drawn up in Wrocław, on 20 March 2014

Dariusz Niedośpiel – President of the Management Board

Joanna Jaskólska – Vice-President of the Management Board

Mirosław Kujawski – Member of the Management Board

Tomasz Wróbel – Member of the Management Board

Małgorzata Danek – Member of the Management Board
