



**MANAGEMENT BOARD'S REPORT  
ON THE LC CORP GROUP'S OPERATIONS  
IN THE FIRST HALF OF 2013**

**Wrocław, 21 August 2013**

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

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

The LC Corp Group's mid-year condensed consolidated financial statements for the reporting period from 1 January 2013 to 30 June 2013 were drawn up in accordance with the International Financial Reporting Standards ("IFRS") in their form adopted by the EU, applying to mid-year financial reporting.

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

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

### **I. BASIC INFORMATION**

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

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

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

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

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

- PKD 64.20.Z Activities of financial holding companies

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

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

As at 30 June 2013 and as at 31 December 2012, the LC Corp Group comprised LC Corp S.A. and the following subsidiaries of LC Corp S.A.:

<b>Company name</b>	<b>Registered Office</b>	<b>Participation in the share capital as at 30 June 2013</b>	<b>Participation in the share capital as at 31 December 2012</b>
Arkady Wrocławskie S.A.	Wrocław	100%	100%
Warszawa Przyokopowa Sp. z o.o.	Wrocław	100%	100%
Kraków Zielony Złocień Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest I Sp. z o.o.	Wrocław	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest II Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest III Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest VII Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest VIII Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest IX Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest X Sp. z o.o.	Wrocław	100%	100%

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LC Corp Invest XI Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XII Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XV Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XVI Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 9 Sp. k.	Wrocław	100% (indirectly)	-
LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XVII Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XV Sp. z o.o. Finance S.K.A.	Wrocław	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest XV Sp. z o.o. Projekt 14 S.K.A.	Wrocław	100% (indirectly and directly)	100% (indirectly and directly)

As at 30 June 2013 and as at 31 December 2012 the Parent Undertaking's share in the total vote in its subsidiary companies is equal to its participation in their share capital.

- (a) On 17 April 2013, the subsidiary undertakings of LC Corp S.A., LC Corp Invest XV sp. z o.o. and LC Corp Invest XI sp. z o.o., entered into a limited partnership agreement under the name of LC Corp Invest XV Sp. z o.o. Projekt 9 Sp. k., seated in Wrocław, at ul. Powstańców Śląskich 2-4. Pursuant to the decision of 23 April 2013 the company was entered into the register of entrepreneurs of the National Court Register kept by the District Court for Wrocław-Fabryczna in Wrocław, IV Commercial Division of the National Court Register under KRS number 0000459695.
- (b) On 28 May 2013, the partners of LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k., i.e. LC Corp Invest XV sp. z o.o. and LC Corp Invest X sp. z o.o., adopted a resolution on changing the deed of company's formation, pursuant to which a new limited partner, Kraków Zielony Złocień Sp. z o.o., joined LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. The new limited partner made a cash contribution of PLN 100,000.00 and it will be responsible for the company's liabilities up to PLN 1,000.00.
- (c) On 3 June 2013, the Extraordinary Shareholders Meeting of LC Corp Invest VII Sp. z o.o. adopted a resolution on an increase in the company's share capital from PLN 1,000,000.00 to PLN 2,000,000.00, by taking up new shares in exchange for a cash contribution made by the sole shareholder, LC Corp S.A. On 10 July 2013, 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 VII Sp. z o.o.
- (d) On 21 June 2013, as a result of the conclusion of an agreement on the sale of all rights and obligations of the general partner, the general partner of LC Corp Invest XV Sp. z o.o. Projekt 20 sp. k. changed. LC Corp Invest XVIII sp. z o.o. became the company's new general partner and made a contribution of PLN 100.00. In connection with the above the company's business name was changed to LC Corp Invest XVIII sp. z o.o. Projekt 20 sp. k.
- (e) On 25 June 2013, an agreement was concluded between Kraków Zielony Złocień sp. z o.o. and LC Corp Invest XI sp. z o.o. on the sale of rights and obligations of the limited partner, as a result of which

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Kraków Zielony Złocień sp. z o.o. disposed of its rights and obligations of the limited partner in LC Corp Invest XVII sp. z o.o. Projekt 20 sp. k. to LC Corp Invest XI sp. z o.o. for the price of PLN 9,900.00.

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

### **1. Major changes in the Group in H1 2013**

In the period of 6 months ended 30 June 2013, there occurred some changes in the composition of the Group, described herein below.

1. On 17 April 2013, the subsidiary undertakings of LC Corp S.A., LC Corp Invest XV sp. z o.o. and LC Corp Invest XI sp. z o.o., entered into a limited partnership agreement under the name of LC Corp Invest XV Sp. z o.o. Projekt 9 Sp. k., seated in Wrocław, at ul. Powstańców Śląskich 2-4. Pursuant to the decision of 23 April 2013 the company was entered into the register of entrepreneurs of the National Court Register kept by the District Court for Wrocław-Fabryczna in Wrocław, IV Commercial Division of the National Court Register under KRS number 0000459695.
2. On 28 May 2013, the partners of LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k., i.e. LC Corp Invest XV sp. z o.o. and LC Corp Invest X sp. z o.o., adopted a resolution on changing the deed of company's formation, pursuant to which a new limited partner, Kraków Zielony Złocień Sp. z o.o., joined LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. The new limited partner made a cash contribution of PLN 100,000.00 and it will be responsible for the company's liabilities up to PLN 1,000.00.
3. On 3 June 2013, the Extraordinary Shareholders Meeting of LC Corp Invest VII Sp. z o.o. adopted a resolution on an increase in the company's share capital from PLN 1,000,000.00 to PLN 2,000,000.00, by taking up new shares in exchange for a cash contribution made by the sole shareholder, LC Corp S.A. On 10 July 2013, 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 VII Sp. z o.o.
4. On 21 June 2013, as a result of the conclusion of an agreement on the sale of all rights and obligations of the general partner, the general partner of LC Corp Invest XV Sp. z o.o. Projekt 20 sp. k. changed. LC Corp Invest XVIII sp. z o.o. became the company's new general partner and made a contribution of PLN 100.00. In connection with the above the company's business name was changed to LC Corp Invest XVIII sp. z o.o. Projekt 20 sp. k.
5. On 25 June 2013, an agreement was concluded between Kraków Zielony Złocień sp. z o.o. and LC Corp Invest XI sp. z o.o. in the sale of rights and obligations of the limited partner, as a result of which Kraków Zielony Złocień sp. z o.o. disposed of its rights and obligations of the limited partner in LC Corp Invest XVII sp. z o.o. Projekt 20 sp. k. to LC Corp Invest XI sp. z o.o. for the price of PLN 9,900.00.

### **2. Scope of business**

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

Over the period from 1 January to 30 June 2013 LC Corp S.A. and the Group were implementing the strategy compliant with their core activity, i.e. investment activity.

### **3. Group's share capital as at 30 June 2013**

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

As at 30 June 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, at least 5% of the total vote at the General Meeting of LC Corp S.A. as at the date of submitting the report for Q1 2013, according to the information obtained by the Issuer**

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Shareholder	Number of shares	Number of votes	Participation (%) in share capital	Share (%) in vote at general meeting
Leszek Czarniecki directly and indirectly* including:	229,126,674	229,126,674	51.19%	51.19%
LC Corp B.V. seated in Amsterdam	214,701,110	214,701,110	47.97%	47.97%
ING Otwarty Fundusz Emerytalny	32,684,371	32,684,371	7.30%	7.30%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	36,800,000	36,800,000	8.22%	8.22%
OFE PZU "Złota Jesień"	30,000,000	30,000,000	6.70 %	6.70 %

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

**Ownership structure of significant blocks of the Issuer's shares as at the date of submitting the mid-year consolidated financial statements for H1 2013, according to the information obtained by the Issuer.**

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

Shareholder	Number of shares	Number of votes	Participation (%) in share capital	Share (%) in vote at general meeting
Leszek Czarniecki directly and indirectly <sup>1</sup> including:	229,126,674	229,126,674	51.19%	51.19%
LC Corp B.V. seated in Amsterdam	214,701,110	214,701,110	47.97%	47.97%
ING Otwarty Fundusz Emerytalny	30,000,000	30,000,000	6.70 %	6.70%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	30,200,000	30,200,000	6.74 %	6.74 %
OFE PZU "Złota Jesień" <sup>2</sup>	44,669,000	44,669,000	9.98 %	9.98 %

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

<sup>2</sup> Number of shares held by the shareholder at the Ordinary General Meeting of LC Corp S.A. at 28 May 2013.

In the period following the submission of the report for Q1 2013 there were no changes (apart from the above) in the ownership structure of significant blocks of the Issuer's shares.

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

Full name	Function in the body	Holding of the Issuer's shares as at 15 May 2013(*)	Increase	Decrease	Holding of the Issuer's shares as at 21 August 2013
<b>Supervisory staff</b>					
Leszek Czarniecki	Chairman of the Supervisory Board	14,424,564	-	-	14,424,564
Andrzej Błażejowski	Vice-Chairman of the Supervisory Board	151,142	-	-	151,142
Damian Milibrand	Member of the Supervisory Board	-	-	-	-
Zbigniew Dorenda	Member of the Supervisory Board	-	-	-	-
Remigiusz Baliński	Member of the Supervisory Board	32,722	-	-	32,722
<b>Management staff</b>					
Dariusz Niedośpiał	President of the Management Board	6,000	-	-	6,000
Joanna Jaskólska	Vice President of the Management Board	6,000	-	-	6,000
Tomasz Wróbel	Member of the Management Board	-	-	-	-
Mirosław Kujawski	Member of the Management Board	-	-	-	-

(\*) pursuant to the information included in the quarterly report for Q1 2013.

### 3.2. Share capital of LC Corp's subsidiary undertakings as at 30 June 2013

Subsidiary undertaking	Share capital as at 30 June 2013 PLN	Share of LC Corp S.A.
Arkady Wrocławskie S.A.	113.700.000 (paid up to 108.700.000)	100 %
Warszawa Przykopowa Sp. z o.o.	3.000.000	100 %
Kraków Zielony Złocięń Sp. z o.o.	7.830.000	100 %
LC Corp Invest I Sp. z o.o.	5.000	100 % (directly and indirectly)
LC Corp Invest II Sp. z o.o.	88.000.000	100 %
LC Corp Invest III Sp. z o.o.	6.700.000	100 %
LC Corp Invest VII Sp. z o.o.	2.000.000	100 %
LC Corp Invest VIII Sp. z o.o.	13.500.000	100 %
LC Corp Invest IX Sp. z o.o.	1.000.000	100 %
LC Corp Invest X Sp. z o.o.	8.000.000	100 %
LC Corp Invest XI Sp. z o.o.	36.000.000	100 %
LC Corp Invest XII Sp. z o.o.	23.000.000	100 %
LC Corp Invest XV Sp. z o.o. Projekt 14 S.K.A.	5.050.000	100 % (directly and indirectly)
LC Corp Invest XV Sp. z o.o. Finance S.K.A.	50.000	100 % (directly and indirectly)
LC Corp Invest XV Sp. z o.o.	5.000,00	100 %
LC Corp Invest XVI Sp. z o.o.	5.000,00	100 %



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LC Corp Invest XVII Sp. z o.o.	5.000	100 %
LC Corp Invest XV Sp. z o. o. Projekt 1 Sp. k. *	110.000	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 2 Sp. k. *	10.000	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 3 Sp. k. *	10.000	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 4 Sp. k. *	10.000	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 5 Sp. k. *	110.000	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 6 Sp. k. *	10.000	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 7 Sp. k. *	10.000	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 8 Sp. k. *	10.000	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 9 Sp. k. *	10.000	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 20 Sp. k. *	10.000	100 % (indirectly)

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

## **II. GROUP'S ACTIVITY IN H1 2013**

In the first half of 2013 LC Corp S.A. focused its activities on administrating, managing and exercising owner's supervision over its subsidiary undertakings, acquiring funds for their project related activity and searching for land for new projects. LC Corp's subsidiary undertakings were active on the property development market continuing their projects or preparing to start building projects as well as managing an office and retail complex, Arkady Wrocławskie.

### **1. Basic products, goods for resale and services**

The main source of revenue for the Group in the first half of 2013 was the sales of residential and retail premises, which represented 79% of the total revenue. Other Group's revenue, at the level of 21%, was produced by commercial property rental services.

The table below presents revenue and profits (PLN'000) of the Group's respective segments for the period ended 30 June 2013:

<b>Period of 6 months ended 30 June 2013 (unaudited)</b>	<b>Rental activity</b>	<b>Property development activity</b>	<b>Holding activity</b>	<b>Overall activity</b>
<b>Total revenue from sales</b>	<b>19 992</b>	<b>76 451</b>	<b>335</b>	<b>96 778</b>
<b>Gross profit (loss) on sales</b>	<b>13 320</b>	<b>14 498</b>	<b>120</b>	<b>27 938</b>

### **2. Market situation**

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

Revenue earned in H1 2013 can be attributed to the property development activity of the Group's undertakings carried out on the home market, mainly in Warsaw, Wrocław, Kraków, Gdańsk and Łódź.

In H1 2013 the total of 230 flats and retail premises were sold (pre-sale/property development agreements, having taken account of withdrawals), i.e. 55% more than in the corresponding period last year, and 283 flats and retail premises were transferred on the basis of notarial deeds (sales disclosed in the income statement – by 136% more than in H1 2012).



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The Group consistently implements its strategy of diversifying the location of its investment projects and expanding its activity on the residential property market of Warsaw, Wrocław, Kraków and Gdańsk, which is illustrated by the sales summary in H1 2013 in relation to H1 2012, presented below.

### *Pre-sale*

City	June 2012	June 2013
Warsaw	28	45
Wrocław	63	127
Kraków	48	35
Gdańsk	6	20
Łódź	3	3
<b>total</b>	<b>148</b>	<b>230</b>

55%

### *Sales (notarial deeds)*

City	June 2012	June 2013
Warsaw	13	46
Wrocław	50	87
Kraków	57	106
Gdańsk		35
Łódź		9
<b>total</b>	<b>120</b>	<b>283</b>

136%

### *Offer as at 30 June 2013*

City	June 2013
Warsaw	415
Wrocław	445
Kraków	92
Gdańsk	55
Łódź	44
<b>total</b>	<b>1,051</b>

## **3. Ongoing property development projects**

### **3.1. Wola Center – office and retail project in Warsaw**

The project consisting in the construction of an office and retail building is implemented by Warszawa Przyokopowa Sp. z o.o., on the property located in Warsaw, in ul. Grzybowska and ul. Przyokopowa. The building will be situated near the very centre of Warsaw. On 2 April 2010, the company obtained a planning permission, which became final on 27 April 2010. The building will offer the estimated rental space of about 31,000 m<sup>2</sup>. On 1 September 2011, on the basis of the final building permit, the company started the construction works in the general contracting system. The completion of the project is planned for the end of Q3 2013.

### **3.2. Osiedle Powstańców 33 in Żąbki near Warsaw**

On the plot of 3.4 ha, located in Żąbki near Warsaw, at ul. Powstańców 33, LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k. is carrying out stage II of the residential estate, as part of the investment project 'Osiedle Powstańców 33'. The project provides for the construction of about 880 flats and it will be completed in five stages. In November 2012, the Group started the second stage of the project, including the construction of 229

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flats having a total area of 13,169 m<sup>2</sup>. The completion of the second stage of the project is planned for Q3 2014.

### **3.3. Osiedle na Woli in Warsaw**

The project is located in the Warsaw district of Wola (in ul. Sowińskiego) and comprises two eight-storey buildings with 191 flats and two retail premises, having a total area of 10,033 m<sup>2</sup>. In Q2 2013, a neighbouring plot, making it possible to carry out the second stage of the project, was purchased. The works related to stage I started on 1 March 2013, and the completion is planned for Q3 2014.

### **3.4. Osiedle Potokowa in Wrocław**

The Group is carrying out the project of an estate comprising multi- and single-family houses, located on the property of about 18,578 m<sup>2</sup>, in ul. Potokowa, Maślice Małe, in Wrocław. During stage I two multi-family buildings were completed, with 54 flats and underground car parks, and nine single-family, two-flat, terraced houses with gardens. The second stage includes one multi-family building with 42 flats and an underground car park. Stage III is formed by two multi-family buildings accommodating 69 flats with underground car parks and two single-family semi-detached houses with gardens.

### **3.5. Brzeska 5 in Wrocław**

The project is carried out by LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k. in ul. Brzeska, on the plot located near Przedmieście Oławskie, in the very centre of the city. On the parcel of land of 4,489 m<sup>2</sup> a seven-storey building with a two-level car park providing 150 parking spaces, retail premises on the ground floor and 164 flats is being completed. The construction started in the second quarter of 2013 and its completion is planned for the third quarter of 2014.

### **3.6. Osiedle Graniczna in Wrocław**

The project is carried out on the property of 3.4253 ha, located in ul. Graniczna, in the Fabryczna district, in the south-western part of Wrocław. The construction of a modern residential estate, carried out in four stages and comprising about 600 flats is planned. During the first stage of the investment project a four-storey building will be carried out, with 173 flats having a total area of 9,256 m<sup>2</sup>. The completion of the first stage of the project is planned for Q3/4 2013. In August 2013, the construction of another multi-family building, with 179 flats and an underground car park, was started, forming the second stage of the project.

### **3.7. Osiedle Maestro in Wrocław**

The project is located in the Krzyki-Jagodno district, in the southern part of Wrocław, and consists in the construction of a residential estate formed by multi-family buildings, that will be carried out in three stages. The first stage (176 flats) has already been completed. Currently, stage II is in progress, including 160 flats in two buildings. The completion of this stage is planned for April (building B1) and September 2013 (building B2). In July 2013, the occupancy permit for building B1 was obtained. The completion of building B2, which will close stage II, is planned for September 2013.

### **3.8. Osiedle Nowalia in Wrocław**

On the vacant parcel of land of 10,176 m<sup>2</sup>, located in ul. Ogórkowa, in the Krzyki district in Wrocław, the Group will build a complex of 23 single-family terraced houses (46 residential premises in total). The construction works started on 15 February 2013 and their completion is planned for Q4 2013.

### **3.9. Osiedle przy Srebrnej in Gdańsk**

In Q4 2011, the Group started the construction of stage II of the investment project comprising about 9,002 m<sup>2</sup> of residential and retail space in total. Under stage II, first, 165 flats and 8 retail premises will be completed. The project was divided into two investment tasks. The first one was completed in Q4 2012, while the other one, including the construction of 100 flats and eight retail premises, will be finalised in Q4 2014.

### **3.10. Office building in al. Roździeńskiego in Katowice**

The investment project is carried out by LC Corp Invest XII Sp. z o.o., in the centre of Katowice, near the Spodek arena. On the plot of 9,938 m<sup>2</sup> it is planned to complete two eight-storey office buildings with one-level underground car parks and retail premises situated on the ground floor. The General Contractor for stage I of the project was selected and the construction works were started on 1 August 2013. The valid planning permission and the building permit for stage I of the project were obtained. It is planned to carry out the project in two stages. The first stage of the investment project should be concluded in Q4 2014.

#### **4. Property development projects under preparation**

##### **4.1. Residential projects in Warsaw**

###### **4.1.1. Osiedle Powstańców 33 in Żabki near Warsaw (stages III-V)**

The Group intends to carry out the subsequent stages of the project, i.e. III, IV and V, including ten buildings of various sizes.

###### **4.1.2. ul. Poborzańska in Warsaw**

On the parcel of land purchased in Q2 2013, located in ul. Poborzańska in Warsaw, it is planned to carry out an investment project consisting in the construction of two six-storey buildings (a residential building and a residential and retail building), with underground car parks (one shared car park), having a usable area of 4,185 m<sup>2</sup>. The building will accommodate 84 flats, having the area from 32 m<sup>2</sup> to 74 m<sup>2</sup>. The construction is expected to start at the end of 2013.

###### **4.1.3. Promenada, stage IV, in Warsaw**

The planned investment project will comprise one eight-storey residential and retail building with an underground car park, with a usable area of over 9,500 m<sup>2</sup>. The building will accommodate 188 flats with different areas, from 28 m<sup>2</sup> to 82 m<sup>2</sup>. It is planned to start the construction works between the first and second quarters of 2014.

###### **4.1.4. ul. Ostrobramska in Warsaw**

On the acquired parcel of land in ul. Ostrobramska in Warsaw a three-stage investment project is planned. The investment will include the construction of three multi-storey residential buildings (with underground car parks), having a total usable area of about 32,000 m<sup>2</sup>. It is expected that the buildings will accommodate about 600 flats. It is planned to start the construction works at the beginning of Q2/3 2014.

###### **4.1.5. Osiedle na Woli (stage II) in Warsaw**

The project is located in the Warsaw district of Wola (in ul. Sowińskiego). The investment project will comprise two eight-storey buildings, including 191 flats and two retail premises, with a total area of 10,033 m<sup>2</sup>. The second stage of the project should start in the middle of 2014.

##### **4.2 Residential projects in Wrocław**

###### **4.2.1. Osiedle Maestro in Wrocław (stage III)**

The Group is planning to carry out stage III of the investment project, under which two buildings including about 120 flats will be carried out. Stage III should be started in the second half of 2014.

###### **4.2.2. ul. Stabłowicka in Wrocław**

The investment project planned by LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k., to be carried out in two stages, consists in the construction of three multi-family buildings on the plot of 10,025 m<sup>2</sup>, located in ul. Stabłowicka in Wrocław. At present, the selection of the general contractor is in progress. The construction works foreseen for stage I should start in Q3 2013.

###### **4.2.3. ul. Kielczowska in Wrocław**

In the second quarter of 2013 the Group purchased the plot of 9,262 m<sup>2</sup>, located in ul. Kielczowska, on which it plans to build multi-family houses. At present, the selection of the architectural design company is in progress. It is planned to start the works in the third quarter of 2014.

### **4.3. Investment projects in Kraków**

#### 4.3.1. ul. Grzegórzecka in Kraków

The project consists in the construction of three buildings that will accommodate almost 400 flats in total, having the area from 26 to 66 m<sup>2</sup>, and an underground car park. The project has been divided into three stages, the first one of which should be started in Q3/4 2013.

#### 4.3.2. stage III of the Słoneczne Miasteczko estate in Kraków – Kraków Zielony Złocień Sp. z o.o.

Kraków Zielony Złocień Sp. z o.o. has obtained the building permit for the construction of ten buildings. During the first two stages five buildings were completed. The third stage of the investment project comprises the construction of two buildings with the residential floor space of 2,145 m<sup>2</sup> that will accommodate 42 flats. The start of the third stage of the project is planned for Q3 2013.

### **4.4. Investment projects in Gdańsk**

#### 4.4.1. ul. Powstańców Wielkopolskich in Gdańsk

The parcel of land of 0.9435 ha, located in the seaside district, Gdańsk Zaspą, was purchased in the second quarter of 2013 and it is intended for the construction of a residential estate. It is planned to carry out, in two stages, the project comprising the construction of multi-family buildings with car parking spaces, which include in total about 230 flats and have a usable space of about 10,000 m<sup>2</sup>.

#### 4.4.2. Osiedle przy Srebrnej in Gdańsk

Along with the proceeding sale of flats under the investment project in Srebrna, the Company is planning to start the subsequent stages of this project.

The purchase transactions regarding other parcels of land in Warsaw, Kraków and Wrocław are at an advanced stage of negotiations. The projects planned on this land will complement the Group's residential offer for the years 2014-16. In line with the implemented strategy, the Group intends also to expand its activity on the commercial property market.

## **5. Group's dependence on suppliers and recipients**

- Service recipients

In the first half of 2013 with regard to sale of residential and retail premises the Group's companies were not dependent on any service recipient, as the Group's clients are mainly natural persons, belonging to a broadly understood consumer group.

- Service suppliers

In the first half of 2013 the Group's companies were not 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.

## **6. Significant agreements, insurance agreements**

In the first half of 2013 the Group's companies did not conclude any significant agreements whose value would represent at least 10% of the Issuer's equity. Other agreements significant for the Group's companies (regarding in particular real property financing and acquisition) were described in this report.

## **III. ASSET, FINANCIAL AND REVENUE POSITION OF THE LC CORP GROUP IN H1 2013**

<b>Basic economic and financial figures</b>	<b>Position as at 30 June 2013 PLN'000</b>	<b>Position as at 30 June 2012 PLN'000</b>
Non-current assets	893 568	687 313

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Current assets	900 974	879 947
Equity	1 123 541	1 046 823
Liabilities and provisions for liabilities	671 001	520 437
Balance-sheet total	1 794 542	1 567 260
Revenue from sales	96 778	60 363
Profit (loss) on sales	27 938	24 977
Operating profit (loss)	68 060	(6 090)
Pre-tax profit (loss)	51 180	1 246
Net profit (loss)	44 457	13 393

In the period ended 30 June 2013, the Company earned net revenue from sales in the total amount of PLN 96,778,000 and net profit of PLN 44,457,000.

Major factors and events which had a material impact on the financial results of the LC Corp Group in the period of 6 months ended 30 June 2013 include in particular:

1. sale of residential and retail premises in some parts of the Rezydencja Kaliska, Osiedle Słoneczne Miasteczko, Okulickiego 59, Osiedle Maestro, Osiedle Przy Srebrnej, Osiedle Pustynna 43, Osiedle Powstańców 33, and Osiedle Potokowa projects – realization of a part of the profit on the sale of flats in these projects
2. realization of the planned profit from the operation of a retail and office centre, Arkady Wrocławskie
3. valuation of the investment property under construction (Wola Center) is recognized in proportion to the stage of completion.

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

	30 June 2013 PLN'000	Structure %
<b>Assets</b>		
<b>A. Non-current assets</b>	<b>893 568</b>	<b>49,79%</b>
1. Intangible assets	302	0,02%
2. Property, plant and equipment	1 131	0,06%
2.1. Tangible assets	1 118	0,06%
2.2. Tangible assets under construction	13	0,00%
3. Non-current receivables	32 165	1,79%
4. Investment property	838 221	46,71%
5. Non-current prepayments and accrued income	111	0,01%
6. Deferred tax assets	21 638	1,21%
<b>B. Current assets</b>	<b>900 974</b>	<b>50,21%</b>
1. Inventories	711 083	39,62%
2. Trade and other receivables	23 471	1,31%
3. Income tax receivable	109	0,01%
4. Current financial assets	17	0,00%
5. Cash and cash equivalents	162 984	9,08%

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6. Current prepayments and accrued income	3 310	0,18%
<b>C. Non-current assets classified as held for sale</b>	-	0,00%
<b>Total assets</b>	<b>1 794 542</b>	<b>100,00%</b>

### Equity and liabilities

<b>A. Equity</b>	<b>1 123 541</b>	<b>62,61%</b>
<b>I. Equity attributable to shareholders of the parent</b>	<b>1 123 541</b>	<b>62,61%</b>
1. Share capital	447 558	24,94%
2. Other capital	631 526	35,19%
3. Net profit/loss	44 457	2,48%
<b>II. Minority interest</b>	<b>-</b>	<b>0,00%</b>
<b>B. Non-current liabilities</b>	<b>452 818</b>	<b>25,23%</b>
1. Non-current financial liabilities	386 004	21,51%
2. Non-current trade and other payables	-	0,00%
3. Provisions	22	0,00%
4. Deferred tax liability	66 792	3,72%
<b>C. Current liabilities</b>	<b>218 183</b>	<b>12,16%</b>
1. Current financial liabilities	126 740	7,06%
2. Current trade and other payables	61 462	3,42%
3. Income tax payable	499	0,03%
4. Provisions	680	0,04%
5. Accrued expenses and revenue	28 802	1,60%
<b>Total equity and liabilities</b>	<b>1 794 542</b>	<b>100,00%</b>

## IV. EVENTS EXERTING OR POTENTIALLY EXERTING A SIGNIFICANT IMPACT ON THE GROUP'S ACTIVITY AND FINANCING OF THE GROUP'S ACTIVITY IN H1 2013

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

In the period of 6 months ended 30 June 2013, Arkady Wrocławskie repaid, in accordance with the repayment schedule, a loan taken out in EUR from a consortium of banks: ING Bank Hipoteczny S.A., ING Bank Śląski S.A. and Kredyt Bank in the amount of PLN 7,033,000. As at 30 June 2013, the total amount to be repaid, after conversion into PLN, stood at PLN 194,741,000.

### 2. Loan agreements concluded between the LC Corp Group's undertakings

- 1) LC Corp S.A. entered into the following cash loan agreements with LC Corp Invest I Sp. z o.o. (in which LC Corp S.A. holds directly and indirectly 100% of the shares) as a borrower:
  - a) on 24 January 2013, two loan agreements, for PLN 14,000,000 and PLN 2,400,000, concluded at arm's length for an indefinite period,
  - b) on 30 January 2013, a loan agreement for PLN 14,000,000, concluded at arm's length for an indefinite period,
  - c) on 23 May 2013, a loan agreement for PLN 20,000,000, concluded at arm's length for an indefinite period.
  
- 2) LC Corp Invest I Sp. z o.o. entered into the following cash loan agreement with the LC Corp Group's companies as borrowers, in order to finance property development projects carried out by respective special purpose entities:
  - a) on 7 January 2013, a loan agreement for PLN 5,000,000, concluded at arm's length with LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k., for an indefinite period.



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- b) on 24 January 2013, a loan agreement for PLN 10,000,000, concluded at arm's length with LC Corp Invest XV Sp. z o.o. Projekt 8 sp. k., for an indefinite period.
- c) on 24 January 2013, a loan agreement for PLN 14,000,000, concluded at arm's length with LC Corp Invest XV Sp. z o.o. Projekt 8 sp. k., for an indefinite period.
- d) on 24 January 2013, a loan agreement for PLN 2,400,000, concluded at arm's length with LC Corp Invest XV sp. z o.o. Projekt 2 sp. k., for an indefinite period.
- e) on 30 January 2013, a loan agreement for PLN 14,000,000, concluded at arm's length with Kraków Zielony Złocień Sp. z o.o., for an indefinite period.
- f) on 12 February 2013, a loan agreement for PLN 10,000,000, concluded at arm's length with LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k., for an indefinite period.
- g) on 3 April 2013, a loan agreement for PLN 5,000,000, concluded at arm's length with LC Corp Invest III sp. z o.o., for an indefinite period.
- h) on 16 April 2013, a loan agreement for PLN 10,000,000, concluded at arm's length with LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k., for an indefinite period.
- i) on 16 April 2013, a loan agreement for PLN 10,000,000, concluded at arm's length with LC Corp Invest XV Sp. z o.o. Projekt 5 sp. k., for an indefinite period.
- j) on 8 May 2013, a loan agreement for PLN 6,670,000, concluded at arm's length with LC Corp Invest XV Sp. z o.o. Projekt 8 sp. k., for an indefinite period.
- k) on 23 May 2013, a loan agreement for PLN 10,000,000, concluded at arm's length with LC Corp Invest VII sp. z o.o., for an indefinite period.
- l) on 10 June 2013, a loan agreement for PLN 5,000,000, concluded at arm's length with LC Corp Invest XV sp. z o.o. Projekt 14 SKA, for an indefinite period.
- m) on 10 June 2013, a loan agreement for PLN 2,000,000, concluded at arm's length with LC Corp Invest XV sp. z o.o. Projekt 2 sp. k., for an indefinite period.

### **3. Issue and buyback of securities**

- 1) On 18 January 2013, LC Corp S.A. concluded with LC Corp Invest III Sp. z o.o. an annexe to the Agreement on the issue, purchase and buyback of securities in the form of commercial bills of 2 December 2008. Pursuant to the Annexe the buyback date of two out of nine investment bills, 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, however, the buyback of the bills at an earlier date is admissible. The remaining bills were bought back in whole by LC Corp.
- 2) Between 1 January 2013 and 30 June 2013, Warszawa Przyokopowa Sp. z o.o., pursuant to the framework agreement of 1 June 2012, entered into forward currency transactions, including futures and derivatives, related to the implementation of a loan agreement, for the total of PLN 22,774,000. The total nominal amount of the above transactions at the base amount was EUR 5,363,000, with the due dates falling in the period from 4 February 2013 to 5 September 2013.
- 3) On 17 April 2013, the bills issued by LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k. (former LC Corp Invest XV Sp. z o.o. Sp. k.), and acquired by LC Corp S.A., were bought back at an earlier date. They included the bills issued on:
  - 20 June 2011 – five bills, under the Agreement on the issue, purchase and buyback of securities in the form of bills of 20 June 2011, concluded 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.), the buyback of which was to take place by 2 June 2014.
  - 22 June 2011 – 13 bills, under the Agreement on the issue, purchase and buyback of securities in the form of bills of 22 June 2011, concluded 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.), the buyback of which was to take place by 23 June 2014.
  - 18 July 2011 – eight bills, under the Agreement on the issue, purchase and buyback of securities in the form of bills of 18 July 2011, concluded 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.), the buyback of which was to take place by 18 July 2014.
- 4) On 29 May 2013, LC Corp S.A. concluded with Arkady Wroclawskie S.A. an annexe to the Agreement on the issue, purchase and buyback of securities in the form of bills of 20 January 2011. Pursuant to the annexe the



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buyback date of ten bills issued by LC Corp S.A. and acquired by Arkady Wrocławskie S.A. was rescheduled from 28 June 2013 to 30 June 2015.

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

On 20 February 2013, LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k. concluded with PKO BP S.A. (Lender) an investment loan agreement for the maximum amount of PLN 24,000,000, to finance the investment project carried out in ul. Graniczna in Wrocław. The loan has been secured by, among others, the contractual mortgage established on the company's real property for up to PLN 36,000,000 and a blank bill of exchange.

### **Disposal of real property to subsidiary undertakings**

- 4.1. On 17 January 2013, LC Corp S.A., pursuant to the purchase and sale agreement, disposed of a perpetual usufruct right to the real property of 7,857 m<sup>2</sup> located in ul. Sowińskiego in Warsaw to LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k. The real property was acquired earlier in court auction.
- 4.2. On 17 January 2013, LC Corp S.A., pursuant to the purchase and sale agreement, disposed of the title to the real property of 10,202 m<sup>2</sup> located in ul. Ogórkowa in Wrocław to LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k. The real property was acquired earlier by tender from the Wrocław commune.
- 4.3. On 3 June 2013, LC Corp S.A., pursuant to the purchase and sale agreement, acquired from LC Corp Invest VII sp. z o.o. the title to the real property located in ul. Powstańców Wielkopolskich in Gdańsk.

### **V. OTHER EVENTS THAT OCCURRED SUBSEQUENT TO 30 JUNE 2013**

1. On 4 July 2013, the Ordinary Shareholders Meeting of Arkady Wrocławskie S.A. was held. Having covered the loss for 2012 the Company decided to pay the dividend of PLN 14,781,000 to its sole shareholder, LC Corp S.A., and set the dividend payment day on 5 July 2013.
2. On 4 July 2013, LC Corp S.A., acting as the sole shareholder of Arkady Wrocławskie S.A., paid in full the outstanding amount of PLN 5,000,000.00, towards its contribution to the share capital of Arkady Wrocławskie S.A. The share capital of Arkady Wrocławskie S.A. has been paid-up in full and it totals PLN 113,700,000.00.
3. On 10 July 2013, LC Corp Invest XV Sp. z o.o. Projekt 9 Sp. k., pursuant to the purchase and sale agreement, acquired the title to the real property of 0.9181 ha, located in Warsaw, in ul. Ostrobramska.
4. On 12 July 2013, the occupancy permit for the multi-family residential building in ul. Schuberta, carried out as part of the Maestro estate, built by LC Corp Invest XV sp. z o.o. Projekt 14 SKA, became final.
5. On 16 July 2013, Warszawa Przyokopowa sp. z o.o., pursuant to the framework agreement of 1 June 2012, entered into a transaction of IRS type, hedging against rising interest rates, including futures and derivatives, related to the execution of the loan agreement for EUR 10 million. The transaction was effected for the period from 30 June 2015 to 30 June 2020.
6. On 9 July 2013, LC Corp Invest I Sp. z o.o. concluded, at arm's length, with LC Corp Invest XV sp. z o.o. Projekt 9 sp. k. (Borrower) two loan agreements, for PLN 24,700,000 and PLN 6,000,000, for an indefinite period.
7. On 9 July 2013, LC Corp S.A. concluded, at arm's length, with LC Corp Invest I Sp. z .o.o. (Borrower) a loan agreement for PLN 31,000,000 for an indefinite period.
8. On 22 July 2013, LC Corp S.A. concluded, at arm's length, with LC Corp Invest I Sp. z .o.o. (Borrower) a loan agreement for PLN 20,000,000 for an indefinite period.
9. On 22 July 2013, LC Corp Invest I Sp. z .o.o. concluded, at arm's length, with LC Corp Invest XV sp. z o.o. Projekt 2 sp. k. a loan agreement for PLN 2,200,000 for an indefinite period.
10. On 23 July 2013, LC Corp Invest XII sp. z o.o. concluded with Budimex S.A., seated in Warsaw, a general contractor agreement for the project consisting in the construction of a multi-functional retail and office complex, with a retail and service part, underground and surface car parks and car parking spaces on the premises, on plots nos. 4/6, 9/7, 10/10 map sheet no. 39, section: Bogucice-Zawodzie at al. Roździeńskiego 10 in Katowice.
11. On 24 July 2013, the partners of LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k., i.e. LC Corp Invest XV sp. z o.o. and LC Corp Invest XI sp. z o.o., adopted a resolution pursuant to which a new limited partner, LC

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Corp Invest XII Sp. z o.o., joined the company. The new partner made a cash contribution of PLN 100,000.00 and it will be responsible for the company's liabilities up to PLN 1,000.00.

12. On 2 August 2013, LC Corp S.A., pursuant to the purchase and sale agreement, acquired from the Wrocław Commune the title to the real property located in ul. Kielczowska in Wrocław.
13. On 2 August 2013, LC Corp S.A. notified, on its website and in the current report, of the Issuer's Extraordinary Shareholders Meeting, convened on 29 August 2013, whose agenda includes the adoption of the resolution on an increase in the company's share capital through the issue of Series K shares.
14. After 30 June 2013, Warszawa Przyokopowa sp. z o.o., pursuant to the framework agreement of 1 June 2012, entered into forward currency transactions, including futures and derivatives, related to the execution of the loan agreement, for the total of PLN 12,363,000. The total nominal amount of the above transactions at the base amount was EUR 2,909,000, with the due dates falling in the period from 7 October 2013 to 4 November 2013.
15. On 9 August 2013, the bid submitted by LC Corp S.A. for the acquisition of the title to the real property of 33,093 m<sup>2</sup>, located in ul. Chrzanowskiego in Warsaw, was finally accepted by the tender committee appointed by the entity organising the tender (the date of the signing of the notarial deed on the transfer of the title to the real property was planned on 27 August 2013).
16. On 12 August 2013, LC Corp S.A. concluded a letter of intent with RB Finance Expert S.A. and LC Corp B.V., in which the entities listed above undertook to take all necessary actions aimed at the sale of 100% of the shares of RB Finance Expert S.A., carrying the right to exercise 100% of the votes at a general shareholders meeting of RB Finance Expert S.A., by LC Corp B.V. to LC Corp S.A.

Apart from the events listed above, there were no other events taking place after 30 June 2013 which could significantly affect the financial results of the LC Corp Group.

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

The Issuer did not publish any financial forecasts for the year 2013.

### **VII. LITIGATION**

As at 30 June 2013, no single proceedings were initiated with regard to liabilities or receivables of LC Corp S.A. and its subsidiaries, whose value amounted to at least 10% of the equity of LC Corp S.A. As at 30 June 2013 there were also no proceedings initiated with regard to liabilities or receivables of LC Corp S.A. and its subsidiaries, whose total value amounted to at least 10% of the equity of LC Corp S.A.

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

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

In accordance with the definition contained in IAS 18, the LC Corp Group recognizes revenue from sales of residential and retail premises at the time when principally all risks and benefits related to the given premises are transferred to the client and revenue can be reasonably measured. In consequence, revenue from sales in the following quarter will depend on the value of the premises transferred to the clients, in accordance with the above definition, in this period.

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

The results of the following quarter will also depend on the level of the final valuation of the Wola Center property (the completion of the investment project is planned for Q3 2013).

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In the opinion of the Management Board, the long-term impact on the Group's results will also be exerted, among others, by:

- the fulfilment of the strategy of acquiring land intended for residential projects and carrying out such projects on this land to expand the Group's offer in the way corresponding to the market demand,
- the fulfilment of the strategy of increasing the share of commercial property in the portfolio of the LC Corp Group, including in particular the successful acquisition of the Sky Tower enterprise.

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

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

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

In the first half of 2013, the Issuer and its subsidiaries did not conclude any transactions with related undertakings that could be classified as significant or concluded under non-arm's length terms.

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

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

### **XII. RISK FACTORS SIGNIFICANT FOR THE GROUP'S OPERATION**

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

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 the banks to assess their clients' creditworthiness caused that numerous new potential residential buyers encounter the credit rating 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**

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

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

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

#### **Interest rate risk**

The interest rate risk relates mainly to non-current financial liabilities, based on a floating interest rate. This risk is partly compensated by indexation of lease revenue. In some companies, financed with non-current investment loans, the transactions hedging against the interest rate risk will be effected and the hedge accounting will be kept, in accordance with the provisions of these loan agreements.

#### **Credit risk**

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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.

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

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

### **Liquidity risk**

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

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

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

The carrying out of property development projects entails numerous significant risks due to the complex legal and technical nature of such projects. These risks include, in particular, failure to obtain permits indispensable to make use of real property as planned by the Group, delays in completion of projects, costs exceeding the costs assumed in the budget due to unfavourable weather conditions, insolvency of contractors or subcontractors, labour disputes concerning contractors or subcontractors, shortage of construction materials or equipment, accidents or unforeseeable technical difficulties, impossibility of obtaining occupancy permits or other required permits regarding a building or buildings, or changes in the regulations concerning the use of land. If any of the above-mentioned risks takes place, there may occur delays in completion of property development projects, an increase in costs or loss of revenue, freezing of funds invested to purchase the real property for development, and in some cases the inability to finalise projects, which may have a considerable adverse impact on the Group's operations, financial position or results.

### **Administrative and construction related risk**

Imperfections in the provisions of the Polish legislation lead to situations where the construction administration authorities may issue administrative decisions (e.g. building permit) which infringe the provisions of law, which in turn may result in appealing against such decisions by third parties acting out of self-interest. Appealing against the above decisions (both legitimate and unfounded) may result in an interruption of the construction process, which translates directly into deterioration in the profitability of the project, and thus in the Investor's financial results. Furthermore, the significant risk is posed by the increasingly frequent requests of the communal authorities, which make the issue of a building permit conditional on the fulfilment of other additional conditions that do not arise from the provisions of the law.

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

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. The risk management in LC Corp S.A. takes place through the formalised process of the periodical identification, analysis and assessment of risk factors. In the process of risk identification appropriate procedures and processes are established, aimed at the elimination of or reduction in the risk for the Company and for the Group.

## **XIII. SUMMARY**

In the first half of 2013 the Group continued the projects already in progress, commenced new projects and intensified its activities aimed at finding and potentially acquiring new land.

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

**MB Report on the LC Corp Group's operations in the first half of 2013**

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

Drawn up in Wrocław, on 21 August 2013

Dariusz Niedośpiał  
President of the Management Board

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Joanna Jaskólska  
Vice President of the Management Board

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Tomasz Wróbel  
Member of the Management Board

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Mirosław Kujawski  
Member of the Management Board

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