



**MANAGEMENT BOARD'S REPORT
ON THE LC CORP GROUP'S OPERATIONS
FOR 2011**

Wrocław, 19 March 2012.

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

Pursuant to the provisions of the Accounting Act of 29 September 1994 the Management Board is obliged to ensure the preparation of the annual report on the LC Corp Group'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 LC Corp Group's operations (hereinafter the "Group") covers the period from 1 January to 31 December 2011.

The LC Corp Group's annual consolidated report, drawn up for the period from 1 January 2011 to 31 December 2011, contains:

- LC Corp Group's consolidated financial statements for the accounting period from 1 January 2011 to 31 December 2011 and as at 31 December 2011, drawn up in accordance with the International Financial Reporting Standards, including: consolidated statement of financial position at the end of the period, consolidated statement of comprehensive income for the period, consolidated statement of cash flows for the period, consolidated statement of changes in equity for the period and notes to the consolidated financial statements,
- Financial data comparable to the consolidated financial statements as at 31 December 2010 and for the period of twelve months ended on 31 December 2010,
- Management Board's report on operations of the LC Corp Group for the period from 1 January 2011 to 31 December 2011,
- Management Board's declaration, pursuant to Art. 92.1.5) and 6) of the Directive of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent the information required by the laws of a non-member state.

1. 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 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 was assigned statistical identification number REGON 020246398.

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

- PKD 64.20.Z Activities of Holdings
- 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.

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

As at 31 December 2011 the LC Corp Group comprised LC Corp S.A. and its following subsidiaries:

Company	Share capital as at 31 Dec 2011 (PLN)	Effective share of LC Corp S.A.	
		31 December 2011	31 December 2010
Arkady Wroclawskie S.A. seated in Wroclaw	113,700,000 (paid up in the amount of 108,700,000)	100%	100%
Warszawa Przyokopowa Sp. z o.o. seated in Wroclaw	3,000,000	81.67 %	81.67 %
Kraków Zielony Złocień Sp. z o.o. seated in Wroclaw	6,000,000	100%	100%
LC Corp Invest I Sp. z o.o. seated in Wroclaw ¹	5,000	100% (indirectly and directly)	-
LC Corp Invest II Sp. z o.o. seated in Wroclaw ²	88,000,000	100%	100%
LC Corp Invest III Sp. z o.o. seated in Wroclaw ³	6,000,000	100%	100%
LC Corp Invest VII Sp. z o.o. seated in Wroclaw ⁴	1,000,000	100%	100%
LC Corp Invest VIII Sp. z o.o. seated in Wroclaw ⁵	13,500,000	100%	100%
LC Corp Invest IX Sp. z o.o. seated in Wroclaw ⁶	1,000,000	100%	100%
LC Corp Invest X Sp. z o.o. seated in Wroclaw ⁷	8,000,000	100%	100%
LC Corp Invest XI Sp. z o.o. seated in Wroclaw ⁸	36,000,000	100%	100%
LC Corp Invest XII Sp. z o.o. seated in Wroclaw	23,000,000	100%	100%
LC Corp Invest XIV Sp. z o.o. seated in Wroclaw	5,050,000	100%	100%
LC Corp Invest XV Sp. z o.o. seated in Wroclaw	5,000	100%	100%
LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k. seated in Wroclaw ⁹	-	100% (indirectly)	-
LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k. seated in Wroclaw ¹⁰	-	100% (indirectly)	-
LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k. seated in Wroclaw ¹¹	-	100% (indirectly)	-
LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k. seated in Wroclaw ¹²	-	100% (indirectly)	-
LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. seated in Wroclaw ¹³	-	100% (indirectly)	-
LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k. seated in Wroclaw ¹⁴	-	100% (indirectly)	-
LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. k. seated in Wroclaw ¹⁵	-	100% (indirectly)	-
LC Corp Invest XVI Sp. z o.o. seated in Wroclaw ¹⁶	5,000	100%	-
Warszawa Przy Promenadzie Sp. z o.o. seated in Wroclaw ¹⁷	1,500,000	-	100% (indirectly and directly)
LC Corp Invest Sp. z o.o. seated in Wroclaw ¹⁸	-	-	100% (indirectly and directly)

- 1) On 18 August 2011, LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and LC Corp Invest XVI Sp. z o.o., entered into an agreement on a limited liability company, LC Corp Invest I Sp. z o.o. On 22 September 2011, LC Corp S.A. acquired from its subsidiary undertaking LC Corp Invest XV Sp. z o.o. one share of PLN 1,000 in LC Corp Invest I Sp. z o.o. becoming the partner of LC Corp Invest I Sp. z o.o. directly holding 20% share in the company's capital.
- 2) On 16 November 2011 an amendment to the Articles of Incorporation of Vratslavia Residence Sp. z o.o. was registered with the National Court Register (KRS), pursuant to which the company's business name was changed to LC Corp Invest II Sp. z o.o.
- 3) On 1 February 2011 the merger of LC Corp S.A.'s subsidiary undertakings, Warszawa Rezydencja Kaliska Sp. z o.o., as the Merging Company, with Warszawa Przy Promenadzie Sp. z o.o., as the Merged Company, was registered, pursuant to Art. 492.1.1 of the Polish Code of Commercial Partnerships and Companies. As a result of the merger the share capital of the Merging Company (Warszawa Rezydencja Kaliska Sp. z o.o. - currently LC Corp Invest III Sp. z o.o.) was increased. As a result of the merger of those companies, the share capital of the Merging Company was increased by PLN 1,500,000, i.e. to PLN 6,000,000, through issuing 15,000 shares of a par value of PLN 100 each. In return for 15,000 shares of a par value of PLN 100 each in the Merged Company, LC Corp S.A. received 15,000 shares of a par value of PLN 100 each in the Merging Company. As at 31 December 2011 the share capital of LC Corp Invest III Sp. z o.o. stood at PLN 6,000,000 and was divided into 60,000 shares of a par value of PLN 100 each and the Issuer held all 60,000 shares, i.e. 100% shares in the share capital.
- 4) On 29 November 2011 an amendment to the Articles of Incorporation of LC Corp Bajkowy Park Sp. z o.o. was registered with KRS, pursuant to which the company's business name was changed to LC Corp Invest VII Sp. z o.o.
- 5) On 18 November 2011 an amendment to the Articles of Incorporation of LC Corp Szmaragdowe Wzgórze Sp. z o.o. was registered with KRS, pursuant to which the company's business name was changed to LC Corp Invest VIII Sp. z o.o.
- 6) On 17 November 2011 an amendment to the Articles of Incorporation of LC Corp Dębowa Ostoja Sp. z o.o. was registered with KRS, pursuant to which the company's business name was changed to LC Corp Invest IX Sp. z o.o.
- 7) On 17 November 2011 an amendment to the Articles of Incorporation of LC Corp Osiedle Pustynna Sp. z o.o. was registered with KRS, pursuant to which the company's business name was changed to LC Corp Invest X Sp. z o.o.
- 8) On 21 November 2011 an amendment to the Articles of Incorporation of Katowice Ceglana Sp. z o.o. was registered with KRS, pursuant to which the company's business name was changed to LC Corp Invest XI Sp. z o.o.
- 9) On 21 July 2011, LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and LC Corp Invest XI Sp. z o.o. (formerly under the business name Katowice Ceglana Sp. z o.o.), entered into an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k. The company was formed to carry out a property development project and LC Corp Invest XI Sp. z o.o. is its limited partner.
- 10) On 8 April 2011 (on 19 April 2011 registration with KRS), LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and Kraków Zielony Złocień Sp. z o.o., entered into an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k. This company, in which Kraków Zielony Złocień Sp. z o.o. is a limited partner, was established to carry out a property development project.
- 11) On 20 June 2011 (on 29 June 2011 registration with KRS), LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and Kraków Zielony Złocień Sp. z o.o., entered into an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k. This company, in which Kraków Zielony Złocień Sp. z o.o. is a limited partner, was established to carry out a property development project.
- 12) On 11 March 2011 (on 24 March 2011 registration with KRS), LC Corp S.A. concluded with LC Corp Invest XV Sp. z o.o. an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Sp. k., as a special purpose entity established to carry out a property development project, in which LC Corp S.A. is a limited partner. On 23 December 2011 LC Corp S.A. sold to LC Corp Invest X Sp. z o.o. all of its rights and obligations held in LC Corp Invest XV Sp. z o.o. Sp. k. On 23 December 2011 LC Corp Invest XV Sp. z o.o. Sp. k. changed its name to LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k.
- 13) On 21 July 2011, LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and LC Corp Invest X Sp. z o.o. (formerly under the business name LC Corp Osiedle Pustynna Sp. z o.o.), entered into an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. The company was formed to carry out a property development project and LC Corp Invest X Sp. z o.o. is its limited partner.
- 14) On 18 August 2011, LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and LC Corp Invest III Sp. z o.o., entered into an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k. The company was formed to carry out a property development project and LC Corp Invest III Sp. z o.o. is its limited partner.
- 15) On 18 August 2011, LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and LC Corp Invest VIII Sp. z o.o. (formerly under the business name LC Corp Szmaragdowe Wzgórze Sp. z o.o.), entered into an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. k. The company was formed to carry out a property development project and LC Corp Invest VIII Sp. z o.o. is its limited partner.
- 16) On 11 March 2011 (on 25 March 2011 registration with KRS), LC Corp S.A., acting as the sole shareholder, established a special purpose entity, LC Corp Invest XVI Sp. z o.o., intended to carry out a property development project, with the share capital of PLN 5,000.
- 17) On 1 February 2011, the merger of LC Corp S.A.'s subsidiary undertakings, Warszawa Rezydencja Kaliska Sp. z o.o., as the Merging Company, with Warszawa Przy Promenadzie Sp. z o.o., as the Merged Company, was registered, pursuant to Art. 492.1.1 of the Polish Code of Commercial Partnerships and Companies. As a result of the merger the share capital of the Merging Company (Warszawa Rezydencja Kaliska Sp. z o.o. - currently LC Corp Invest III Sp. z o.o.) was increased. As a result of the merger of those companies, the share capital of the Merging Company was increased by PLN 1,500,000, i.e. to PLN 6,000,000, through issuing 15,000 shares of a par value of PLN 100 each. In return for 15,000 shares of a par value of PLN 100 each in the Merged Company, LC Corp S.A. received 15,000 shares of a par value of PLN 100 each in the Merging Company. As at 31 December 2011 the share capital of LC Corp Invest III Sp. z o.o. stood at PLN 6,000,000 and was divided into 60,000 shares of a par value of PLN 100 each and the Issuer held all 60,000 shares, i.e. 100% shares in the share capital.
- 18) On 29 June 2011, the transformation of LC Corp S.A.'s subsidiary undertaking, LC Corp Invest III Sp. z o.o. Sp. k. into LC Corp Invest Sp. z o.o. was registered. As a result of this transformation the share capital of the transformed company was established at the level of PLN 10,000, divided into 100 shares with a par value of PLN 100 each, out of which LC Corp S.A. held 99 shares representing 99% of the share capital. On 18 August 2011, LC Corp S.A. acquired from its subsidiary undertaking, LC Corp Invest III Sp. z o.o., one share in LC Corp Invest Sp. z o.o. (former LC Corp Invest III Sp. z o.o. Sp. k.), becoming the sole shareholder of LC Corp Invest Sp. z o.o. On 3 November 2011 the Extraordinary General Meeting of LC Corp S.A. and the Extraordinary General Meeting of LC Corp Invest Sp. z o.o. adopted the resolutions on merging LC Corp S.A. (Acquiring Company) and LC Corp Invest Sp. z o.o. (Acquired Company – former LC Corp Invest III Sp. z o.o. Sp. k.) pursuant to Art. 492.1.1 of the Code of Commercial Partnerships and Companies, by transferring to the Acquiring Company, as the sole shareholder of the Acquired Company, all assets of the Acquired Company, in accordance with the conditions set out in the Merger Plan of 31 August 2011. The merger was registered on 17 November 2011.

1.2. Major changes in the Group in the period from 1 January to 31 December 2011.

- 1) On 1 February 2011, the merger of LC Corp S.A.'s subsidiary undertakings, Warszawa Rezydencja Kaliska Sp. z o.o., as the Merging Company, with Warszawa Przy Promenadzie Sp. z o.o., as the Merged Company, was registered, pursuant to Art. 492.1.1 of the Polish Code of Commercial Partnerships and Companies. As a result of the merger the share capital of the Merging Company (Warszawa Rezydencja Kaliska Sp. z o.o. - currently LC Corp Invest III Sp. z o.o.) was increased. As a result of the merger of those companies, the share capital of the Merging Company was increased by PLN 1,500,000, i.e. to PLN 6,000,000, through issuing 15,000 shares of a par value of PLN 100 each. In return for 15,000 shares of a par value of PLN 100 each in the Merged Company, LC Corp S.A. received 15,000 shares of a par value of PLN 100 each in the Merging Company. As at 31 December 2011 the share capital of LC Corp Invest III Sp. z o.o. stood at PLN 6,000,000 and was divided into 60,000 shares of a par value of PLN 100 each and the Issuer held all 60,000 shares, i.e. 100% shares in the share capital.
- 2) On 29 June 2011, the transformation of LC Corp S.A.'s subsidiary undertaking, LC Corp Invest III Sp. z o.o. Sp. k. into LC Corp Invest Sp. z o.o. was registered. As a result of this transformation the share capital of the transformed company was established at the level of PLN 10,000, divided into 100 shares with a par value of PLN 100 each, out of which LC Corp S.A. held 99 shares representing 99% of the share capital.
- 3) On 18 August 2011, LC Corp S.A. acquired from its subsidiary undertaking, LC Corp Invest III Sp. z o.o., one share in LC Corp Invest Sp. z o.o. (former LC Corp Invest III Sp. z o.o. Sp. k.), becoming the sole shareholder of LC Corp Invest Sp. z o.o.
- 4) On 3 November 2011, the Extraordinary General Meeting of LC Corp S.A. and the Extraordinary General Meeting of LC Corp Invest Sp. z o.o. adopted the resolutions on merging LC Corp S.A. (Acquiring Company) and LC Corp Invest Sp. z o.o. (Acquired Company – former LC Corp Invest III Sp. z o.o. Sp. k.) pursuant to Art. 492.1.1 of the Code of Commercial Partnerships and Companies, by transferring to the Acquiring Company, as the sole shareholder of the Acquired Company, all assets of the Acquired Company, in accordance with the conditions set out in the Merger Plan of 31 August 2011. The merger was registered on 17 November 2011.
- 5) On 11 March 2011 (on 24 March 2011 registration with KRS), LC Corp S.A. concluded with LC Corp Invest XV Sp. z o.o. an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Sp. k., as a special purpose entity established to carry out a property development project, in which LC Corp S.A. is a limited partner. On 23 December 2011, LC Corp S.A. sold to LC Corp Invest X Sp. z o.o. all of its rights and obligations held in LC Corp Invest XV Sp. z o.o. Sp. k. On 23 December 2011, LC Corp Invest XV Sp. z o.o. Sp. k. changed its name to LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k.
- 6) On 11 March 2011 (on 25 March 2011 registration with KRS), LC Corp S.A., acting as the sole shareholder, established a special purpose entity, LC Corp Invest XVI Sp. z o.o., intended to carry out a property development project, with the share capital of PLN 5,000.
- 7) On 8 April 2011 (on 19 April 2011 registration with KRS), LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and Kraków Zielony Złocień Sp. z o.o., entered into an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k. This company, in which Kraków Zielony Złocień Sp. z o.o. is a limited partner, was established to carry out a property development project.
- 8) On 20 June 2011 (on 29 June 2011 registration with KRS), LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and Kraków Zielony Złocień Sp. z o.o., entered into an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k. This company, in which Kraków Zielony Złocień Sp. z o.o. is a limited partner, was established to carry out a property development project.
- 9) On 21 July 2011, LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and LC Corp Invest XI Sp. z o.o. (formerly under the business name Katowice Ceglana Sp. z o.o.), entered into an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k. The company was formed to carry out a property development project and LC Corp Invest XI Sp. z o.o. is its limited partner.
- 10) On 21 July 2011, LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and LC Corp Invest X Sp. z o.o. (formerly under the business name LC Corp Osiedle Pustynna Sp. z o.o.), entered into an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. The company was formed to carry out a property development project and LC Corp Invest X Sp. z o.o. is its limited partner.
- 11) On 18 August 2011, LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and LC Corp Invest III Sp. z o.o., entered into an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k. The company was formed to carry out a property development project and LC Corp Invest III Sp. z o.o. is its limited partner.

- 12) On 18 August 2011, LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o.o. and LC Corp Invest VIII Sp. z o.o. (formerly under the business name LC Corp Szmaragdowe Wzgórze Sp. z o.o.), entered into an agreement of a limited partnership, LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. k. The company was formed to carry out a property development project and LC Corp Invest VIII Sp. z o.o. is its limited partner.

Apart from the above, there were no other significant changes in the Group's composition in the period from 1 January 2011 to 31 December 2011.

1.3. 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, buying and selling real estate on own account, and business operation and management.

In 2011 LC Corp S.A. and the Group were implementing the strategy compliant with the core activity, i.e. investment activity, consisting in the construction and sale of residential buildings (flats/premises) and rental of office and commercial space (Wola Center, an office building, and Arkady Wrocławskie, a shopping and office centre).

2. ACTIVITIES OF THE GROUP IN 2011

In 2011 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 and Wrocław. LC Corp'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).

1. Basic products, goods for resale and services

The main source of revenue for the Group in 2011 was constituted by the sales of residential and retail premises, which represented 70% of the total revenue. Other Group's revenue, at the level of 30%, was produced by commercial property rental services.

The table below presents revenue and profits (PLN'000) of the Group's respective segments for the year ended 31 December 2011:

Year ended 31 December 2011	Rental activity	Property development activity	Holding activity	Overall activity
Total revenue from sales	44,349	102,309	78	146,736
Gross profit/(loss) on sales	32,395	23,181	78	55,654

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 2011 can be attributed to the property development activity of the Group's undertakings carried out on the home market, mainly in Warsaw and Kraków.

In 2011 the total of 257 flats and retail premises were sold (presale agreements, having taken account of withdrawals – an increase by 30% in comparison with 2010), and 210 flats and retail premises were transferred on the basis of notarial deeds (sales disclosed in the income statement).

The Group consistently implemented its strategy towards the diversification of its project locations and expansion of its activity on the residential market not only in Warsaw, but also in Wrocław, Kraków and Gdańsk, which was

reflected by a change in the presale structure in 2011 – as presented in the table showing the number of pre-sold flats/premises in respective cities:

City	2010	2011
Warsaw	188	106
Wrocław		61
Kraków	10	86
Łódź		4
total	198	257

Moreover, as at 31 December 2011 the offer included 780 flats and retail premises:

city	number of flats/premises
Warsaw	132
Wrocław	187
Kraków	333
Gdańsk	72
Łódź	56
total	780

Subsequent projects are prepared for their commencement in 2012, including in addition about 700 flats (mainly in Warsaw and in Wrocław).

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

2.2. Ongoing property development projects

2.2.1. Rezydencja Kaliska in Warsaw

The project was implemented by LC Corp Invest III Sp. z o.o. (former Warszawa Rezydencja Kaliska Sp. z o.o.) on the plot of 4,999 m², located in ul. Kaliska and ul. Niemcewicz (at the boundary of the Śródmieście and Ochota districts in Warsaw). The location of the plot is attractive, several hundred meters away from the very centre of Warsaw, close to Aleje Jerozolimskie and next to the city square. The completed residential building comprises 94 high standard apartments and 6 retail premises.

The project was completed in Q1 2011, and on 10 March 2011 the Company received an occupancy permit. The sale of flats is at the final stage.

2.2.2. Office and retail project in ul. Przyokopowa in Warsaw

The project concerning 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. On the basis of estimates the building will offer the rental space of about 31,000 m². Demolition and preparatory works were completed by March 2011. On 27 April 2011 the Company obtained the building permit, which became final. On 1 September 2011, on the basis of the final building permit the company started the construction works in the general contracting system. It is planned to complete the project at the end of the third quarter of 2013.

2.2.3. Osiedle Powstańców 33 in Żabki near Warsaw

On the real property of 3.4 ha, located in Żabki near Warsaw, at ul. Powstańców 33, LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k. is carrying out stage I of a housing estate. The project consists in the construction of about 880 flats and will be executed in five stages. On 20 April 2011 the real property, including the building permit for stage I (100 flats), was acquired by LC Corp S.A., and then, on 30 September 2011, transferred on the basis of a sale agreement to a special purpose company, LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k. On 8 July 2011, LC Corp S.A. concluded a general contracting agreement for the first stage of the project, and as a result of a contract of assignment LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k. took place of LC Corp S.A., as the new owner of the real property as of 30 September 2011. The presale of flats has been in progress since September 2011.

2.2.4. Osiedle Maestro in Wrocław

LC Corp Invest XIV Sp. z o.o. is building the 'Maestro' housing estate on the real property occupying 11,614 m², located in ul. Dróżnicza, in the Krzyki-Jagodno district in Wrocław. At present stages Ia and Ib are under construction, having a total of 176 flats. The construction works are carried out in the general contracting system. The construction of stage Ia (88 flats) was completed and the company is waiting to obtain the occupancy permit for the building. It is planned to complete the construction of stage Ib in Q3 2012 (88 flats). The presale of flats is in progress. In July 2011 the company obtained the final building permit for the construction of the subsequent stage of this housing estate (160 flats). The construction works are carried out in the general contracting system. The presale of flats that will be built in this stage will start in Q2 2012.

2.2.5. Osiedle Potokowa in Wrocław

On the real property of about 18,578 m², located in ul. Potokowa in Wrocław, purchased by LC Corp S.A. in March 2011 and in January 2012 transferred to LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k., an estate comprising multi- and single-family houses is carried out. The company obtained the building permit for the construction of stage I, comprising two multi-family buildings with an underground garage (57 flats) and 14 single-family, terraced and semi-detached buildings. The construction works are carried out in the general contracting system. The presale of flats built during this stage is in progress.

2.2.6. Osiedle Słoneczne Miasteczko in Kraków

On the real property of 10.22 ha, located in the Bieżanów-Złocień district in Kraków, Kraków Zielony Złocień Sp. z o.o. is carrying out stage I of the Słoneczne Miasteczko housing estate (120 flats). The company has also obtained the final building permits for the construction of over 1000 flats located in this residential estate. The construction of stage I was finalized in Q4 2011 and the company obtained the occupancy permit. On 28 July 2011 the general contractor was selected and an agreement on building the subsequent stage (164 flats) was concluded. The presale of flats built during this stage is in progress as well as signing the notarial deeds of sale concerning the flats built during stage I.

2.2.7. Residential project in ul. Okulickiego in Kraków

The project is carried out by LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k. on the real property located in Kraków, in ul. Okulickiego, purchased in June 2011. On the plot of almost 0.5 ha a building with a total of 145 flats will be constructed, including underground garages and indispensable technical infrastructure. The final building permit, necessary approvals and complete building documentation have been obtained for the project. The construction works, carried out in the general contracting system, were started in June 2011. The presale of flats began in September 2011, and the completion of the project is planned for Q1 2013.

2.2.8. Osiedle Dębowa Ostoja in Łódź

The project is carried out by LC Corp Invest IX Sp. z o.o. (formerly under the business name LC Corp Dębowa Ostoja Sp. z o.o.) on the property of 73,156 m². It will be an estate composed of detached houses, located in ul. Spadkowa, Bałuty, in Łódź, close to the road out of the city (ul. Aleksandrowska) to Konin and Poznań. The project consists in the construction of about 150 single-family, two-storey, terraced, semi-detached, and detached houses and the so-called city villas (about 4-6 apartments in the building corpus of a single-family house). During stage I, which was finalized in the third quarter of 2011, 22 single-family terraced and semi-detached houses were built. The presale of the houses built during this stage is in progress and the subsequent stage of the project is under preparation.

2.2.9. Osiedle Pustynna 43 in Łódź

The project is carried out by LC Corp Invest X Sp. z o.o. (formerly under the business name LC Corp Osiedle Pustynna Sp. z o.o.) on the plot located in Łódź, at ul. Pustynna no. 43. An estate planned on the plot will comprise city villas, offering flats with an area from about 57 m² to 138 m², complementing the residential offer in Łódź. In May 2011 the construction of stage I, including 38 flats, was started. The presale started in August. The construction of stage I is in progress and its completion is planned for Q3 2012. The designing works related to the subsequent stages of the project are in progress and the building permits for stages II and III have been obtained.

2.2.10. Osiedle Przy Srebrnej in Gdańsk

The 'Osiedle Przy Srebrnej' project is carried out by LC Corp Invest VIII Sp. z o.o. (formerly under the business name LC Corp Szmaragdowe Wzgórze Sp. z o.o.) in the Łostowice district. On the purchased property a project consisting in the construction of a housing estate will be completed in two stages: stage I with a total residential and retail space of about 26,900 m² and stage II with a total residential and retail space of about 20,150 m². In August 2011 the company obtained the final building permit for stage II a of the project, including the construction of multi-family houses (165 flats) and 8 retail premises. Residential complex no. III will be the first one to be constructed during this stage, consisting of two residential buildings with a total number of 72 flats. The construction works and presale were started in the fourth quarter of 2011.

2.3. Property development projects under preparation

> Wrocław:

- Osiedle Graniczna project – on the vacant real property of 3.4253 ha, located in ul. Graniczna, in the Muchobór Wielki section, in Wrocław, it is planned to build a housing estate, which will be carried out in four stages. The company has obtained the building permit and it is planned to start the project in the second quarter of 2012.
- project in ul. Brzeska (LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k.) – on the real property of 4,489 m², located in Wrocław, in ul. Brzeska, the company intends to build a multi-flat building. The procedure of obtaining a building permit is in progress; it is planned to start the construction works in the third quarter of 2012.
- project in ul. Stabłowicka – on the vacant plot of land of 10,025 m², acquired by LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k. in ul. Stabłowicka, the construction of a multi-flat building is planned; at present, the designing works are in progress.
- project in ul. Ogórkowa (Krzyki district) – on the vacant plot of land of 10,202 m², located in Wrocław, a complex of single-family houses is planned; at present, the designing works have been started. The construction works will start in Q4 2012.

The remaining projects will be started gradually, depending on the developments on the local real property market.

Furthermore, in 2011 actions were taken to acquire land for new residential projects in the key cities for the Group: Warsaw, Wrocław, Kraków, and Gdańsk. Some of these actions were finalized by effecting purchase transactions in 2011 – on these plots of land the construction works were already started or intense preparatory activities to initiate the projects are in progress (as described above). Some of these actions will be finalized in 2012, for example the won auction by order of the court regarding the acquisition of the right of perpetual usufruct to the property of 7,857 m², located in Warsaw, in ul. Sowińskiego. Transactions concerning the acquisition of land plots also in other locations in Warsaw and Kraków are under advanced negotiations. Projects planned on these plots will complement the Group's residential offer in the years 2012-14. In accordance with the implemented strategy the Group intends to expand its activity on the commercial property market (mainly office space) and it plans to acquire land for this type of projects in Warsaw.

3. Group's dependence on suppliers and recipients

- Service recipients

In 2011 with regard to the sale of residential and retail premises the Group's companies were not dependent on any service recipient, as the Group's clients are mainly natural persons, belonging to a broadly understood consumer group.

- Service suppliers

In 2011 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.

4. Significant agreements, insurance agreements

In 2011 Warszawa Przyokopowa Sp. z o.o. concluded the following significant agreements:

- On 15 July 2011, it entered into a bank loan agreement with Raiffeisen Bank Polska S.A. (the Bank) for an investment credit of up to EUR 49,000,000 and a VAT credit of up to PLN 6,600,000, intended for partial financing of an office complex with retail facilities located in Warsaw at ul. Grzybowska 85A. On 1 September 2011, it concluded an agreement with Budimex S.A., seated in Warsaw, on general contracting for the project consisting in the construction of the office complex with retail facilities located in Warsaw, at ul. Grzybowska 85A, for the remuneration of PLN 170,000,000.

The other 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 these financial statements.

3. EVENTS EXERTING A SIGNIFICANT IMPACT ON THE GROUP'S ACTIVITY AND FINANCING THE GROUP'S ACTIVITY IN THE ACCOUNTING YEAR 2011

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

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

In 2011, 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 13,570,000. As at 31 December 2011 the total amount to be repaid, after conversion into PLN, stood at PLN 220,708,000.

Loan agreement concluded by LC Corp S.A.

On 19 December 2011, LC Corp S.A. entered into a loan agreement with Getin Noble Bank S.A. (the Bank) up to the amount of PLN 30,000,000, intended for the fulfilment of the company's statutory tasks. The deposit made by the company serves as security for the above loan. Up till now the loan has not been initiated.

Loan agreement concluded by LC Corp Invest XIV Sp. z o.o.

On 21 July 2011, LC Corp Invest XIV Sp. z o.o. concluded with Nordea Bank Polska S.A. (the Bank) an investment loan agreement of up to PLN 22,185,000 intended to finance its construction project under the name 'Osiedle Maestro'. As the security for the above loan, on 21 July 2011, LC Corp S.A. entered with Nordea Bank Polska S.A. into an agreement on surety for up to PLN 22,185,000 and an agreement on establishing a pledge by registration on the shares held in the above subsidiary undertaking.

Loan agreement concluded by Warszawa Przyokopowa Sp. z o.o.

On 15 July 2011, Warszawa Przyokopowa Sp. z o.o. entered into a bank loan agreement with Raiffeisen Bank Polska S.A. (the Bank) for an investment credit of up to EUR 49,000,000 and a VAT credit of up to PLN 6,600,000, intended for partial financing of an office complex with retail facilities located in Warsaw, at ul. Grzybowska 85A. In 2011 the loan was not initiated.

Expiry of the loan agreement concluded by LC Corp Invest IX Sp. z o.o.

On 31 August 2011, the bank loan agreement concluded between LC Corp Invest IX Sp. z o.o. and PKO BP S.A., for the amount of PLN 7,000,000, intended for the execution of the company's projects, expired as the loan had not been initiated.

3.2. 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 effect any transactions other than those concluded at arm's length.

3.3. Loan agreements concluded between the Group's undertakings and related companies in 2011

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 VIII Sp. z o.o.	31 March 2011	5.63%	5,000	Unspecified
LC Corp S.A.	LC Corp Invest IX Sp. z o.o.	14 April 2011	5.63%	7,000	Unspecified
LC Corp S.A.	LC Corp Invest XIV Sp. z o.o.	14 April 2011	5.63%	10,000	Unspecified
LC Corp S.A.	LC Corp Invest XV Sp. z o.o.	26 Aug 2011	5.63%	12	Unspecified
LC Corp S.A.	LC Corp Invest XVI Sp. z o.o.	26 Aug 2011	5.63%	12	Unspecified
LC Corp S.A.	LC Corp Invest X Sp. z o.o.	31 Aug 2011	5.63%	8,000	Unspecified
LC Corp S.A.	LC Corp Invest I Sp. z o.o.	22 Sept 2011	8.96%	41,000	Unspecified
LC Corp S.A.	LC Corp Invest I Sp. z o.o.	6 Oct 2011	5.13%	30,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 3 Sp.k.	22 Sept 2011	5.63%	5,500	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 6 Sp.k.	3 Oct 2011	9.06%	35,500	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 2 Sp.k.	6 Oct 2011	5.63%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 6 Sp.k.	21 Nov 2011	9.06%	10,000	Unspecified
LC Corp Invest II Sp. z o.o.	LC Corp Invest I Sp. z o.o.	23 Dec 2011	6.99%	1,000	Unspecified

* average value for 2011

3.4. Issue and buyback of securities

Financing within the Group takes place also by using debt instruments such as notes or bonds. In 2011 significant operations of this type included:

- 1) On 20 January 2011, pursuant to the Bills of Exchange Law, LC Corp S.A. issued at arm's length ten investment notes with a par value of PLN 1,000,000 each, whose maturity falls on 29 June 2012, which were purchased by a subsidiary undertaking, Arkady Wroclawskie S.A.
- 2) On 20 January 2011, LC Corp S.A. concluded with Warszawa Przy Promenadzie Sp. z o.o. Sp. k. (then LC Corp Invest III Sp. z o.o. Sp. k., currently LC Corp Invest Sp. z o.o.) an annexe to the agreement on issue, purchase and buyback of securities of 20 January 2009. Under the annexe the maturity date of 14 investment notes issued by Warszawa Przy Promenadzie Sp. z o.o. Sp. k. and acquired by LC Corp S.A. was rescheduled from 20 January 2011 to 20 April 2011, whereby an earlier buyback of investment notes is admissible.
- 3) On 28 February 2011, LC Corp S.A. concluded with LC Corp Invest III Sp. z o.o. Sp. k. (formerly Warszawa Przy Promenadzie Sp. z o.o. Sp. k., currently LC Corp Invest Sp. z o.o.) an annexe to the agreement on issue, purchase and buyback of securities of 31 August 2009. Under the annexe the maturity date of two investment notes issued by Warszawa Przy Promenadzie Sp. z o.o. Sp. k. and acquired by LC Corp S.A. was rescheduled from 28 February 2011 to 31 December 2011, whereby an earlier buyback of investment notes is admissible.
- 4) On 15 April 2011, LC Corp S.A. issued 1,000 three-year unsecured coupon bonds with a par value of PLN 100,000. The bonds were issued in the form of bearer securities, unsecured, dematerialised and bearing arm's length interest payable at six months' intervals. Bond buyback will take place on 15 April 2014, according to the bonds' face value.
- 5) On 20 April 2011, LC Corp S.A. concluded with LC Corp Invest III Sp. z o.o. Sp. k. (formerly Warszawa Przy Promenadzie Sp. z o.o. Sp. k., then LC Corp Invest Sp. z o.o.) an annexe to the agreement on issue, purchase and buyback of securities in the form of notes of 20 January 2009. Under the Annexe the maturity date of investment notes was rescheduled from 20 April 2011 to 20 January 2012. In connection with the merger of LC Corp Invest Sp. z o.o. and LC Corp S.A. the confusion of receivables occurred.
- 6) On 1 June 2011, pursuant to the Bills of Exchange Law, LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k. issued seven investment notes: six notes with a par value of PLN 1,000,000 and one note with a par value of PLN 500,000, whose maturity falls on 1 June 2014, which were acquired by LC Corp S.A.
- 7) On 20 June 2011, pursuant to the Bills of Exchange Law, LC Corp Invest XV Sp. z o.o. Sp. k. issued five investment notes with a par value of PLN 50,000 each, whose maturity falls on 20 June 2014, which were acquired by LC Corp S.A.

- 8) On 22 June 2011, pursuant to the Bills of Exchange Law, LC Corp Invest XV Sp. z o.o. Sp. k. issued thirteen investment notes with a par value of PLN 50,000 each, whose maturity falls on 23 June 2014, which were acquired by LC Corp S.A.
- 9) On 18 July 2011, pursuant to the Bills of Exchange Law, LC Corp Invest XV Sp. z o.o. Sp. k. issued eight investment notes with a par value of PLN 400,000 each, whose maturity falls on 18 July 2014, which were acquired by LC Corp S.A.
- 10) On 22 August 2011, LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k., pursuant to the Bills of Exchange Law, issued four investment notes with a par value of PLN 100,000 each, whose maturity date fell on 22 September 2011, which were purchased by LC Corp S.A.. Bond buyback took place at the agreed date.
- 11) On 24 August 2011, LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k., pursuant to the Bills of Exchange Law, issued one investment note with a par value of PLN 100,000, whose maturity date fell on 24 September 2011, which was purchased by LC Corp S.A. Bond buyback took place at the agreed date.
- 12) On 19 August 2011, LC Corp S.A. concluded with LC Corp Invest Sp. z o.o. (formerly LC Corp Invest III Sp. z o.o. Sp. k.) an annexe to the agreement on issue, purchase and buyback of securities of 21 August 2009. Under the annexe the maturity date of three investment notes issued by LC Corp Invest Sp. z o.o. and acquired by LC Corp S.A. was rescheduled from 22 August 2011 to 21 December 2011, whereby an earlier buyback of investment notes is admissible.

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

In 2011 LC Corp S.A. granted the following sureties to its subsidiaries, in connection with the loan agreement concluded by them:

- surety of up to PLN 22,185,000, granted by LC Corp S.A. in connection with the agreement on the loan granted to LC Corp Invest XIV Sp. z o.o. by Nordea Bank Polska S.A., referred to in item 3.1.

On 31 August 2011, the surety for a blank note expired, granted by LC Corp S.A. as security for the bank loan given by PKO BP S.A. to LC Corp Invest IX Sp. z o.o., in connection with the expiry of the loan agreement referred to in item 3.1.

Furthermore, in connection with the loan agreement described in item 3.1 herein, a support agreement was concluded between Warszawa Przyokopowa Sp. z o.o., Raiffeisen Bank Polska S.A. and LC Corp S.A., pursuant to which in case the budget for the construction has been exceeded LC Corp S.A. is obliged to ensure for Warszawa Przyokopowa Sp. z o.o., as a borrower, indispensable funds of up to 10% of the estimated construction costs.

In 2011 the Group's undertakings obtained the following performance and maintenance bonds:

Recipient of the bond	Entity obliged to provide the bond	Type of guarantee	Guaranteed amount
LC Corp Invest III Sp. z o.o.	Erbud S.A.	bank guarantee	PLN 750,000
Kraków Zielony Złocień Sp. z o.o.	Krzysztof Pasek	bank guarantee	PLN 1,097,500
LC Corp S.A.	Unibep S.A.	bank guarantee	PLN 1,134,723.34
LC Corp Invest XV Sp. z o.o. Projekt 2 Sp.k.	Euro – Stahlservice Sp. z o.o.	bank guarantee	PLN 890,250
Warszawa Przyokopowa Sp. z o.o.	Budimex S.A.	bank guarantee	PLN 20,910,000
LC Corp Invest XIV Sp. z o.o.	Arkop Krzysztof Pianowski I S-ka Sp. j.	bank guarantee	PLN 1,469,495.60
LC Corp Invest VIII Sp. z o.o.	P.B. Narloch Sp. z o.o.	insurance guarantee	PLN 478,500
LC Corp Invest XIV Sp. z o.o.	Erbud S.A.	bank guarantee	PLN 624,486.05

Apart from the above bonds, Arkady Wrocławskie S.A. obtained bank guarantees securing the payment of rents for the premises leased in the Arkady Wrocławskie shopping centre.

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

Basic economic and financial figures	Position as at 31 December 2011 PLN'000	Position as at 31 December 2010 PLN'000
Non-current assets	637,357	473,147
Current assets	830,014	805,795
Equity	1,033,430	971,421
Liabilities and provisions for liabilities	433,941	307,521
Balance-sheet total	1,467,371	1,278,942
Revenue from sales	146,736	156,202
Pre-tax profit (loss) on sales	55,654	68,559
Operating profit (loss)	100,640	65,943
Net profit (loss) on business activities	62,009	50,548
Net profit (loss)	62,009	50,548

In 2011 the Group achieved the total net sales revenue of PLN 146,736,000. The pre-tax profit on sales was PLN 55,654,000. The operating profit, having taken into account the change in the valuation of commercial property and other operating expenses/revenue, totalled PLN 100,640,000, and the Group recorded a net profit of PLN 62,009,000.

Factors and events that had a significant impact on the financial results of the LC Corp Group in 2011 included in particular:

1. sales of flats (title transferred under the notarial deed) in the Przy Promenadzie (stages II and III), Rezydencja Kaliska and Słoneczne Miasteczko projects – realization of a part of the profit earned on the sale of the flats in these projects,
2. realization of the planned profit on the operation of Arkady Wrocławskie, a shopping and office centre,
3. revaluation of commercial property in Arkady Wrocławskie S.A. as at the end of 2011 - increase in the valuation of the above property,
4. revaluation of the projects of the Group's companies (disclosed in the consolidated financial statements as inventories).

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

The LC Corp Group did not publish any financial forecasts for the year 2011.

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

The detailed information about off-balance sheet items is presented in Notes 29.3 and 29.5 of the Accounting principles (policy) and Additional explanatory notes to the Group's consolidated financial statements for the year 2011.

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

	31 Dec 2011		31 Dec 2010	
Assets				
A. Non-current assets	637,357	44%	473,147	37%
1. Intangible assets	342	0%	523	0%
2. Property, plant and equipment	1,053	0%	763	0%
2.1. Tangible assets	1,019	0%	763	0%
2.2. Tangible assets under construction	34	0%	0	0%
3. Non-current receivables	2,208	0%	1,982	0%
4. Investment property	625,669	43%	468,393	37%
5. Non-current prepayments and accrued income	194	0%	230	0%
6. Deferred tax assets	7,891	1%	1,256	0%
B. Current assets	830,014	56%	805,795	63%
1. Inventories	647,617	44%	669,440	52%
2. Trade and other receivables	19,880	1%	6,947	1%
3. Income tax receivable	1,865	0%	411	0%
4. Current financial assets	47	0%	47	0%
5. Cash and cash equivalents	160,216	11%	128,723	10%
6. Current prepayments and accrued income	389	0%	227	0%
C. Non-current assets classified as held for sale	0	0%	0	0%
Total assets	1,467,371	100%	1,278,942	100%
Equity and liabilities				
A. Equity	1,033,430	71%	971,421	76%
I. Equity attributable to the shareholders of the parent	1,005,288	69%	943,970	73%
1. Share capital	447,558	31%	447,558	35%
2. Balance of called-up share capital not paid	0	0%	0	0%
3. Reserve funds	428,992	29%	373,558	29%
4. Other reserve funds	69,771	5%	39,771	3%
5. Other capital	3,108	0%	3,108	0%
6. Retained profit/loss carry-forward	55,859	4%	79,975	6%
II. Non-controlling interest	28,142	2%	27,451	2%
B. Non-current liabilities	352,819	24%	229,703	17%
1. Non-current financial liabilities	305,762	21%	197,896	15%
2. Non-current trade and other payables	0	0%	40	0%
3. Provisions	22	0%	22	0%
4. Deferred tax liability	47,035	3%	31,745	2%
C. Current liabilities	81,122	5%	77,818	6%
1. Current financial liabilities	17,984	1%	12,308	1%
2. Current trade and other payables	31,912	2%	15,056	1%
3. Income tax payable	87	0%	0	0%
4. Provisions	381	0%	153	0%
5. Accrued expenses and revenue	30,758	2%	50,301	4%
Total equity and liabilities	1,467,371	100%	1,278,942	100%

The most important factors affecting the value of the balance-sheet items in the period ended 31 December 2011:

- an increase in the investment property item is related to the valuation of the Arkady Wrocławskie property, made by the appraiser as at 31 December 2011, and the recognition of the capital expenditure incurred for Wola Center, an office and retail complex, in this item, previously disclosed under Inventories (Note 18 to the consolidated financial statements)
- an increase in cash and cash equivalents and an increase in financial liabilities are connected with the issue of bonds during the accounting year

In the Management Board's opinion the Group's liquidity situation is very good – cash and current financial assets enabled the Group to pay its current financial liabilities on a timely basis; a non-current part (credit refinancing Arkady Wrocławskie) is secured by the proceeds from the operation of the shopping centre. Furthermore, proceeds are gained from the sales of flats in the completed Rezydencja Kaliska, Dębowa Ostoja (stage I), and Słoneczne Miasteczko (stage I) projects as well as the subsequent property development projects started in 2011. In order to carry out the projects approved for commencement the Group applied to the banks for co-financing in the form of loans whose repayment is secured by the proceeds from sale of flats/premises.

4.4. Assessment of financial management

Selected financial ratios:

No.	Profitability ratios	2011	2010
1	Operating profit margin (EBITDA / net revenue from sales)	69.0%	42.7%
2	Net profit margin (net profit / net revenue from sales)	42.3%	32.4%
3	ROA (net profit / total assets)	4.2%	4.0%
4	ROE (net profit / equity)	6.4%	5.5%

No.	Liquidity ratios		
1	Current ratio current assets / (current liabilities)	10.2	10.4
2	Quick ratio current assets – inventory) / (current liabilities)	2.2	1.8
3	Cash ratio (cash / current liabilities)	2.0	1.7

No.	Debt ratios		
1	Debt to equity (total liabilities / equity)	44.7%	33.4%
2	Total debt (total liabilities / total assets)	29.6%	24.0%

The presented financial ratios for 2011 evidence the Group's very good financial standing, with a clear growth trend for each of the profitability and liquidity ratios. The debt ratios are mainly related to the non-current loan financing the investment property, serviced by the proceeds from the rental agreements.

Financial risk management has been described in the consolidated 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 2011 no individual proceedings were initiated with regard to liabilities or receivables of LC Corp S.A. or its subsidiaries, whose value would represent at least 10% of the Issuer's equity. As at 31 December 2010 no proceedings were initiated with regard to liabilities and receivables of LC Corp S.A. and its subsidiaries, whose aggregate value would represent at least 10% of the Issuer's equity.

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

6.1. Acquisition of real property by the Group's undertakings

On 9 January 2012, pursuant to the purchase and sale agreement, LC Corp S.A. sold to LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. the property of about 18,578 m², located in ul. Potokowa in Wrocław. The property was previously acquired from the Wrocław Commune.

On 3 February 2012, the District Court for Warszawa – Wola, as a result of winning by LC Corp S.A. the auction by order of the court regarding the acquisition of the right of perpetual usufruct to the property of 7,857 m², located in Warsaw in ul. Sowińskiego, issued a decision on awarding this right to the Company. When the decision has come into force and an entry to the relevant land and mortgage register has been made, LC Corp S.A. will become a perpetual usufructuary of the property, on which it is planned to carry out a construction project.

6.2. Loan agreements concluded by the Group's undertakings

- 1) LC Corp S.A. entered into the following cash loan agreements with LC Corp Invest I Sp. z o.o. (the Borrower):
 - a) on 16 January 2012, a loan agreement for PLN 4,000,000, concluded at arm's length for an indefinite period,
 - b) on 29 February 2012, a loan agreement for PLN 24,042,000, concluded at arm's length for an indefinite period,
 - c) on 1 March 2012, a loan agreement for PLN 10,000,000, concluded at arm's length for an indefinite period.
- 2) LC Corp Invest I Sp. z o. o. entered into the following cash loan agreements with the LC Corp Group's undertakings:
 - a) on 16 January 2012, it concluded with LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. a loan agreement, at arm's length, for PLN 4,000,000, for an indefinite period.
 - b) on 19 January 2012, it concluded with Kraków Zielony Złocień Sp. z o.o. a loan agreement, at arm's length, for PLN 1,000,000, for an indefinite period.
 - c) on 9 February 2012, it concluded with Kraków Zielony Złocień Sp. z o.o. a loan agreement, at arm's length, for PLN 10,000,000, for an indefinite period.
 - d) on 29 February 2012, it concluded with LC Corp Invest III Sp. z o.o. a loan agreement, at arm's length, for PLN 24,042,000, for an indefinite period.
 - e) on 1 March 2012, it concluded with LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. a loan agreement, at arm's length, for PLN 10,000,000, for an indefinite period.
 - f) on 14 March 2012, it concluded with LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k. a loan agreement, at arm's length, for PLN 100,000, for an indefinite period.

6.3. Annexe to the agreement on issue, purchase and buyback of securities

On 20 January 2012, LC Corp S.A. concluded with LC Corp Invest III Sp. z o.o. an annexe to the agreement on issue, purchase and buyback of securities of 2 December 2008. Under the annexe the maturity date of 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 2012 to 20 January 2013, whereby an earlier buyback of the notes is admissible.

On 9 March 2012, pursuant to the Bills of Exchange Law, LC Corp S.A. issued at arm's length seven investment notes with a par value of PLN 2,000,000 each, whose maturity date falls on 31 January 2014, which were acquired by a subsidiary undertaking, Arkady Wrocławskie S.A.

6.4. Formation of new subsidiary undertakings

- 1) On 23 December 2011 (17 January 2012 registration with KRS), LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o. o. and LC Corp Invest X Sp. z o. o., concluded a limited partnership agreement, LC Corp Invest XV Sp. z o. o. Projekt 8 Sp. k. The company was established to carry out a property development project and LC Corp Invest X Sp. z o. o. is its limited partner.

- 2) On 23 December 2011 (27 January 2012 registration with KRS), LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o. o. and Kraków Zielony Złocień Sp. z o. o., concluded a limited partnership agreement, LC Corp Invest XV Sp. z o. o. Projekt 20 Sp. k. The company was established to carry out a property development project and Kraków Zielony Złocień Sp. z o. o. is its limited partner.

6.5. Increase in the share capital of a subsidiary undertaking, LC Corp Invest III Sp. z o.o.

On 3 February 2012, pursuant to the resolution adopted by the General Meeting of LC Corp Invest III Sp. z o.o. its share capital was increased to the level of PLN 6,700,000, by issuing 7,000 new shares which were taken up by LC Corp S.A. in return for cash contributions. The registration of the above change with KRS took place on 14 February 2012.

Apart from the above, as of 31 December 2011 there were no other events that might have a material impact on the LC Corp Group's financial results.

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

7.1. Risk factors

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

In 2011 the situation on the markets on which the Issuer operates improved slightly. 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. In addition, the *Rodzina na Swoim* program, which is an affordable way of financing the purchase of flats in the popular segment, will terminate by the end of 2012.

Foreign exchange risk

In the company managing the commercial property the revenue and liabilities connected with the financing agreement are denominated in EUR. In consequence, the Group is exposed to foreign exchange risk related to the fluctuations of PLN/EUR exchange rate.

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

The currency risk includes also the balance sheet valuation of the commercial property and valuation of the loan, 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 revenue from rent.

Credit risk

The Group concludes 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 Group aims to maintain the 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 sale 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 appealing against such decisions by third parties acting out of self-interest. Appealing against the above decisions 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.

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.

Risk related to the entry into force of the act governing the so-called new property development agreement

As of the end of April 2012 the Act on the protection of the rights of a person buying a flat or single-family house of 16 September 2011 will come into effect. Although the objective of the act is to increase the protection of residential buyers and to set in order the existing provisions of law concerning the sale of residential premises and houses on the primary market, for the property development entities this regulation poses certain risks. Such risk is related mainly to an increase in the project costs, due to imposing on developers the obligation to keep and handle trust accounts and, possibly, to provide bank and insurance guarantees. A considerable uncertainty is also associated with the growing importance of the banking sector as an active participant of the property development process, including, among others: 1/ supervisory and decision-making authority granted to the banks with regard to the payment of funds to the developer, 2/ granting an exclusive right to terminate the agreement on a trust account, opened by the developer for its projects, or, the last but not the least 3/ the possibility of actually limiting by the banks the protection measures stipulated in the act for residential buyers exclusively to the 'closed' residential trust account.

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

- 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 starts accordingly the property development projects from its portfolio as well as monitors the property development market searching for the 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 continue the acquisition of 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 the 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 possessed assets and experience of obtaining funds the Group is able to finance up to 70% of 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 risk related to the level and fluctuations of revenue.

8. EMPLOYMENT STRUCTURE IN LC CORP AND IN THE GROUP

8.1. Employment structure in LC Corp S.A.

The average employment in the Company in the year ended 31 December 2011 was as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
Management Board	4.0	1.2
White collar workers / administrative staff	44.3	34.8
Blue collar workers	0.0	0.0
Total	48.3	36.0

8.2. Employment structure in the Group

The average employment in the Group in the year ended 31 December 2011 was as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
Management Board of the Parent Undertaking	4.0	1.2
Management Boards of the Group's Entities (*)	1.0	1.0
Administration	44.9	42.6
Sales Department	10.4	3.4
Others	1.0	1.0
Total	61.3	49.2

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

8.3. System of control over Staff Incentive Schemes

The Company implements the Management Share Options Scheme under which members of the management staff of the Company and its subsidiary undertakings are eligible to take up shares issued by the Company. The granting of shares is conditional on meeting the terms included in the Scheme Regulations approved 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. at present, it covers the years 2007, 2011, 2012 and 2013. The deadline for Series I shares subscription rights, arising from the bonds, was set on 30 November 2013 and the conditions which have to be fulfilled in order for the trustee to dispose of the bonds with priority rights to subscribe for Series I shares to eligible persons were changed. 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. Concurrently, following the buyback of the bonds, the conditions for the issue of bonds were changed, pursuant to the above resolution of the General Meeting adopted on 19 May 2010. In the year ended on 31 December 2011, due to the macroeconomic factors and the situation on the stock exchange the share options were not granted.

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 2011 to 31 December 2011:

Dariusz Niedośpiał – remuneration, including bonuses, totalled PLN 1,135,000; no share-based payments

Joanna Jaskólska – remuneration, including bonuses, totalled PLN 623,000; no share-based payments

Mirosław Kujawski – remuneration, including bonuses, totalled PLN 260,000; no share-based payments

Tomasz Wróbel – remuneration, including bonuses, totalled PLN 261,000; no share-based payments

Payments made to members of the Supervisory Board of LC Corp S.A. in the period from 1 January 2011 to 31 December 2011:

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

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

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

Ludwik Czarnecki – remuneration totalled PLN 24,000; no share-based payments

Artur Wiza – remuneration totalled PLN 9,000; no share-based payments

Zbigniew Dorenda – remuneration totalled PLN 15,000; no share-based payments

9.2. Holding of the Issuer's shares or rights to such shares by its management and supervisory staff

Supervisory staff holding the Issuer's shares

Full name	Function in the body	Share ownership
Leszek Czarnecki	Chairman of the Supervisory Board	14,424,564
Andrzej Błażejowski	Vice-Chairman of the Supervisory Board	151,142
Ludwik Czarnecki	Member of the Supervisory Board	10,000
Artur Wiza	Member of the Supervisory Board	14,000
Remigiusz Baliński	Member of the Supervisory Board	65,445

Management staff holding the Issuer's shares

Full name	Function in the body	Share ownership
Dariusz Niedośpiel	President of the Management Board	6,000
Joanna Jaskólska	Vice President of the Management Board	6,000
Tomasz Wróbel	Member of the Management Board	-
Mirosław Kujawski	Member of the Management Board	-

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

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

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

None of the Group's companies acquired own shares.

10.3. Branches of the Group's undertakings.

The Group's undertakings do not have any branches.

11. SUMMARY

In the year 2011 the activity was focused on carrying out the projects and expanding a group of special purpose entities, designed for specific projects. The Group, maintaining its financial security, continued its ongoing projects and through appropriate acquisitions significantly enlarged its residential offer. 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). In the Management Board's opinion the operating results and margins achieved in 2011 are satisfactory.

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

2011

An agreement with Ernst & Young Audit Sp. z o.o. seated in Warsaw, on auditing financial statements and consolidated financial statements of LC Corp S.A. for the year 2011 was concluded on 28 November 2011. The amount of remuneration under the above-mentioned agreement is PLN 91,000 net. An agreement on reviewing financial statements and consolidated financial statements of LC Corp S.A. for H1 2011 was concluded on 15 July 2011. The amount of remuneration under this agreement is PLN 46,000 net.

2010

An agreement with Ernst & Young Audit Sp. z o.o. seated in Warsaw, on auditing financial statements and consolidated financial statements of LC Corp S.A. for the year 2010 was concluded on 8 October 2010. The amount of remuneration under the above-mentioned agreement was PLN 88,000 net. An agreement on reviewing financial statements and consolidated financial statements of LC Corp S.A. for H1 2010 was concluded on 8 July 2010. The amount of remuneration under this agreement was PLN 46,000 net. In the year ended 31 December 2010 LC Corp S.A. purchased other additional services from Ernst & Young Audit Sp. z o.o. for the amount of PLN 2,000 as well as training services provided by Ernst&Young Academy of Business Sp. z o.o. and Ernst & Young Corporate Finance Sp. z o.o. for the total amount of PLN 23,000.

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 Spółka Akcyjna hereby declares that the Company's and the Group's continued activity is not at risk.

Drawn up in Wrocław, on 19 March 2012.

Dariusz Niedośpiał
President of the Management Board

Joanna Jaskólska
Vice President of the Management Board

Tomasz Wróbel
Member of the Management Board

Mirosław Kujawski
Member of the Management Board
