



**MANAGEMENT BOARD'S REPORT
ON LC CORP SA'S OPERATIONS
FOR THE PERIOD
FROM JANUARY 1ST TO DECEMBER 31ST 2009**

Wrocław, March 12th 2010

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

Pursuant to the provisions of the Accounting Act of September 29th 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 SA's operations (hereinafter LC Corp, the Company, the Issuer) covers the period from January 1st 2009 to December 31st 2009.

The LC Corp's annual report, drawn up for the period from January 1st 2009 to December 31st 2009, contains:

- LC Corp Group's financial statements for the accounting period from January 1st 2009 to December 31st 2009 and as at December 31st 2009, drawn up in accordance with the International Financial Reporting Standards, including: balance sheet, profit and loss account, statement of changes in equity, cash flow statement and additional explanatory notes to the financial statements,
- Financial data comparable to the financial statements as at December 31st 2008 and for the period of twelve months ended on December 31st 2008.
- Management Board's report on operations of LC Corp for the period from January 1st 2009 to December 31st 2009.
- Management Board's declaration, pursuant to Art. 92.1.5) and 6) of the Directive of the Minister of Finance dated February 19th 2009 *on current and periodic information published by issuers of securities and conditions for recognising as equivalent the information required by the laws of a non-member state.*

1. BASIC INFORMATION

LC Corp S.A. (hereinafter also "LC Corp" or "the Issuer") was established by the Notarial Deed dated March 3rd 2006 and entered on March 15th 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 Company's registered office is situated in Wrocław, Poland, at ul. Powstańców Śląskich 2-4

The Company was assigned statistical identification number REGON 020246398.

The Company was established for an indefinite time. The Company's primary activity is:

- PKD 64.20.Z Activities of Holdings
- LC Corp B.V., controlled by Leszek Czarnecki, is the Parent Undertaking of LC Corp S.A..

As at December 31st 2009, the Company is the Parent Undertaking of the Group comprising the following subsidiaries:

- Arkady Wrocławskie S.A. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- Katowice Ceglana sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- Bratislavia Residence sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Dębowa Ostoja sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Bajkowy Park sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Szmaragdowe Wzgórze sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Stabłowice sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Osiedle Pustynna sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4, (until October 22nd 2009 operating under the business name LC Corp Pustynna sp. z o.o.)
- Warszawa Przy Promenadzie sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- Warszawa Przy Promenadzie sp. z o.o. sp.k. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- Warszawa Przykopowa sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- Warszawa Rezydencja Kaliska sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- Kraków Zielony Złocięń sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- Łódź Pustynna Sp. z o.o. – seated in Wrocław, ul. Powstańców Śląskich 2-4

LC Corp Sky Tower Sp. z o.o. with its seat in Wrocław was a subsidiary of the Issuer until November 30th 2009.

The Company's share capital and ownership as at December 31st 2009.

As at December 31st 2009 the share capital of LC Corp SA amounted to PLN 447,558,311 and was divided into 447,558,311 ordinary bearer shares carrying one vote at the General Meeting, with a par value of PLN 1.00 each.

Shareholders possessing, directly or indirectly through subsidiary undertakings, at least 5% of the total vote at the Issuer's general meeting as at December 31st 2009:

Shareholder	Number of shares	Number of votes	Share % in share capital	Share % in vote at general meeting
Leszek Czarnecki directly and indirectly* including: LC Corp B.V. seated in Amsterdam	229,126,674	229,126,674	51.19%	51.19%
ING Otwarty Fundusz Emerytalny	27,774,961	27,774,961	6.21%	6.21%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK **	55,000,000	55,000,000	12.29%	12.29%

* Leszek Czarnecki 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 Czarnecki holds 214,702,110 shares constituting 47.97% of the share capital and 47.97% share in the vote at the General Meeting. Leszek Czarnecki's subsidiary undertaking is LC Corp. B.V seated in Amsterdam holding 214,601,110 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.

2. ACTIVITIES OF LC CORP IN 2009

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 activities of holding companies, management and consulting activities in the scope of business management, and development and sale of own property.

In 2009 LC Corp 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 subsidiary undertakings were active on the property development market continuing their investments or preparing to start building investments as well as managing a modern office and retail complex (Arkady Wrocławskie).

2.1 Finished property development projects

2.1.1 Arkady Wrocławskie

Arkady Wrocławskie S.A. is a company managing an office and retail complex, Arkady Wrocławskie, in Wrocław. The main source of the company's income is constituted by revenue from rental of commercial and office space in the complex. The facility offers about 39.6 thousand m² of space for rental (including 29.7 thousand m² of commercial space and 9.9 thousand m² of A class office space) and a multi-level car park with 1,000 parking spaces. Arkady Wrocławskie is a modern, dominant complex which fulfils shopping, service, entertainment, and office functions. It is located in the central-southern part of Wrocław, within the block of Powstańców Śląskich, Swobodna, Komandorska and Nasykowa Streets.

In connection with the worldwide crisis on the real property market, including in particular investment property, in 2009 there were only few purchase/sale transactions and they were effected under price pressure. In

consequence, the capitalization rates adopted for valuation increased significantly in comparison to 2008, resulting in a considerable decrease in valuations. In addition, in the event of the EUR valuation, the final book value of real property was affected by the EUR exchange rate effective as at December 31st 2009, which was lower by more than 6 grosz than that in effect at December 31st 2008, resulting in a further decrease in the PLN valuation of real property. In accordance with IAS 40, the Company discloses changes in the valuation of real property, made at the end of the year by an independent property appraiser, in the profit and loss account – as a result of a decrease in the valuation of real property at the end of 2009 the Company recorded a loss. It is a market-related factor, independent of the Company, and susceptible to economic conditions.

2.1.2 Osiedle Przy Promenadzie in Warsaw (Stage I and II)

The project was implemented by Warszawa Przy Promenadzie Sp. z o.o. sp. k. It consisted in the construction of a housing estate 'Przy Promenadzie' in the Gocław district, Praga-Południe in Warsaw, on the plot of 32 thousand m², located at the junction of ul. Rechniewskiego and ul. Anińska.

The investment was divided into three stages of which the first two are carried out by Warszawa Przy Promenadzie Sp. z o.o. sp. k. :

- Stage I: 2 residential buildings with 235 apartments – finished stage; all apartments sold and transferred to the buyers,

Stage II: building for residential and commercial functions with 384 apartments – stage completed; advanced sale of apartments. In November 2009 official occupancy permit was issued and ownership of flats was transferred to the buyers.

2.2 Ongoing property development projects

2.2.1 Osiedle Przy Promenadzie in Warsaw (Stage III)

The project is carried out by Warszawa Przy Promenadzie Sp. z o.o. It consists in the construction of a housing estate 'Przy Promenadzie' in the Gocław district, Praga-Południe in Warsaw, on the plot of 32 thousand m², located at the junction of ul. Rechniewskiego and ul. Anińska.

The project is being completed as Stage III of the investment: a residential building with about 90 apartments and 6 commercial units (commencement of construction and booking: July 2009, planned completion: Q1 2011).

The General Contractor of the investment is Erbud, seated in Warsaw.

2.2.2. Rezydencja Kaliska in Warsaw

The project is implemented by Warszawa Rezydencja Kaliska Sp. z o.o. on the plot of 4,999 m², located in ul. Kaliska and ul. Niemcewicza (at the boundary of Śródmieście and Ochota districts in Warsaw). The plot is situated several hundred metres away from the very centre of Warsaw, close to Aleje Jerozolimskie, next to the city square. The residential building will have 94 high standard flats, and 6 commercial units.

The company started intensive construction work in August 2009 with the participation of the general contractor (Erbud S.A. seated in Warsaw). Advance sale of flats began in September 2009. The completion of the investment is planned for Q1 2011.

2.2.3 Dębowa Ostoja Project in Łódź

The project is carried out by 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 city villas. In 2010 works are planned to initiate Stage I of the construction (approx. 25 terraced houses) and providing infrastructure for the entire area.

2.2.4 Zielony Złocień in Kraków

The 'Osiedle Zielony Złocień' project is carried out by Kraków Zielony Złocień Sp. z o.o. on the plot of 10.22 ha., located in the Bieżanów-Złocień district in Kraków. The company has obtained a planning permission for this area, on the basis of which a housing estate has been designed. Stage I is scheduled for commencement in 2010.

2.3 Property development projects under preparation

2.3.1 Project in Łódź in ul. Pustynna

The project is carried out by Łódź Pustynna Sp. z o.o. on the plot of 2.2441 ha., located in Łódź at ul. Pustynna no 43, purchased on March 4th 2008. An estate composed of terraced houses will be constructed there. Currently the Company is adjusting the design so that the project should better fit the current market conditions. It is expected that Building Permit would be granted in mid-2010.

2.3.2 Osiedle Bajkowy Park Project in Gdańsk

The 'Osiedle Bajkowy Park' Project will be carried out by LC Corp Bajkowy Park Sp. z o.o. on the plot of 9.9421 ha., located in the southern part of Gdańsk-Mańkowskie in ul. Starogardzka. The property is very well communicated – ul. Starogardzka connects Trakt Św. Wojciecha (entry to Gdańsk from the south) with the Tri-City (Trójmiasto) ring road. The planned total usable area of flats will amount to about 42,735 m², and the total commercial area will amount to about 11,362 m². At present the designing works related to the commencement of the project are carried out. The hindering factor is the lack of conditions for supplying electric power to this area of Gdańsk.

2.3.3 Osiedle Szmaragdowe Wzgórze Project in Gdańsk

The 'Osiedle Szmaragdowe Wzgórze' Project is carried out by LC Corp Szmaragdowe Wzgórze Sp. z o.o. on the property purchased on January 21st 2008. The property is composed of 53 plots of a total area of 10.6217 ha., located in Gdańsk, in the Łostowice District. The project will consist in the construction of a housing estate. 'Osiedle Szmaragdowe Wzgórze' is located at the junction of ul. Niepołomska and ul. Srebrna in the Gdańsk Łostowice District, which has excellent transport connections to both the Tri-City ring road and the centre of Gdańsk. The 'Osiedle Szmaragdowe Wzgórze' Project anticipates completion of two stages called: Szmaragdowe Wzgórze I (with a total floor space and usable space of 26,900 m²), and Szmaragdowe Wzgórze II (with a total floor space and usable space of 20,150 m²). Buildings erected as part of the estate will combine functionality and aesthetic qualities, and will be distinguished by their shapes and colour scheme. At present the designing works are in progress. The hindering factor is the lack of conditions for supplying electric power to this area of Gdańsk.

2.3.4 Vratislavia Residence in Malin near Wrocław

The project is carried out by Vratislavia Residence Sp. z o.o. on the property of 169 ha. located in Malin near Wrocław. It will include a luxurious housing estate composed of detached and terraced houses (with the total usable floor space of about 158.8 thousand m²) and a retail and entertainment part. At present the works related to infrastructure are in progress, indispensable for carrying out the project of that scale. At the same time, Vratislavia Residence Sp. z o.o. takes active part in study and planning works carried out by local authorities and connected with development of its land and the area of Wisznia Mała commune relevant to the property.

2.3.5 Project in ul. Przyokopowa in Warsaw

The office building project is implemented by Warszawa Przyokopowa Sp. z o.o., on the property located in Warsaw in ul. Grzybowska and ul. Przyokopowa. The project is situated near the very centre of Warsaw, where a rapid development of office and residential space can be observed. Concept/design work is underway to enable commencement of the project. Estimated area of the building – approx. 31,000 m² of usable area.

2.3.6 Project in Katowice, in ul. Ceglana

The project is carried out by Katowice Ceglana Sp. z o.o. on the property located in Katowice, in ul. Ceglana, having a total area of 105,551 m², intended for residential and commercial development. At present the designing and planning works (relating to modifications in the local land development plan) as well as levelling works are in progress.

2.3.7 Project in Katowice in al. Roździeńskiego

The project is implemented by LC Corp Stabłowice Sp. z o.o. on the property, located in Katowice, in Al. Roździeńskiego, having the area of 0.9938 ha., intended for office, residential, and commercial development. The current designing works focus on the selection of a conceptual design. At present the designing works relating to selection of the project's development concept are in progress.

2.4 Market situation

2.4.1 Housing market

The Group focused on the projects in the big Polish cities such as Warsaw, Wrocław, Katowice, Gdańsk, Kraków, and Łódź. In these cities the flats with a medium-level finish standard still form the dominant group, but at present high standard projects and apartments gradually start to appear, following the popularity of large flats and apartments. In 2009 the situation on the labour market after a difficult Q3 2008 stabilized and opens up the opportunities for growth and increasing demand for residential space.

In connection with a slump on the financial market (bank credits granted to both developers and buyers) there occurred a noticeable decline in demand for flats. The Company carefully observes a revival of the housing market seen since mid-2009, connected mainly with the success of the government programme 'Rodzina na swoim' ("Family's own home"), intending to use this trend for selling flats in the newly started investments. In 2009 the LC Corp Group took steps to adjust the profile of the flats selling offer in its new investment projects (Warszawa, Łódź, Kraków), to client expectations in terms of space, standard and price.

2.4.2 Office space market

With respect to the size of the office space market Wrocław is the fourth city in Poland. The supply of modern office space amounts to almost 209,000 m², the majority of which (nearly 60%) is located outside the city centre. Over the past two years a wide range of office space class B and B+ offered on the Wrocław market was enriched with several sumptuous buildings (class A).

The Wrocław office space market is characterised by a low vacancy rate and a growing demand for office space, including in particular the facilities above 1,000 m², rented by foreign investors in Wrocław, attracted by the policy adopted by the city authorities and the country's increasing popularity as a location for outsourcing. In the following years the demand for office space will be generated mainly by international companies representing the IT and telecom sectors. An increase in the office space supply in Wrocław is estimated to continue at a regular pace.

As anticipated, the same market trend applies to both Warsaw and Katowice, where the company intends to launch projects to offer office space for rental.

2.4.3 Commercial space market

Apart from its already operating centre, Arkady Wrocławskie, the Group has planned to include the same business segment also in the ongoing Sky Tower project in Wrocław. Wrocław is the largest urban centre in the south-western part of Poland.

A low percentage of vacant space in the existing shopping centres despite the crisis and the interest in renting space prove the existence of demand for modern commercial space. However, the crisis on the real property market caused a reduction in the number of purchase/sale transactions concerning commercial property and an inclination to look for bargains, i.e. low price transactions with high capitalization rates.

According to the Group's belief an increase in the society's affluence and a change of consumer behaviours will impel demand for modern commercial space. As a result, a decrease in capitalization rates and an increase in commercial property value are anticipated.

3. EVENTS EXERTING A SIGNIFICANT IMPACT ON THE COMPANY'S ACTIVITY AND FINANCING THE ITS ACTIVITY IN 2009

3.1. Buyback Resolution

On July 31st 2009 the Company's Extraordinary General Shareholders Meeting authorised the Management Board of LC Corp S.A. to purchase not more than 20,000,000 Company's own shares purchased for the purpose of retiring them during 3 years from the day of adopting this resolution. The amount of funds allocated to the purchase of own shares may not be higher than PLN 30,000,000. The price of purchased shares may not be higher than PLN 1.50 per 1 share.

3.2 Loss of control over LC Corp Sky Tower sp. z o.o.

On November 30th 2009 there was a change in the LC Corp Group, namely LC Corp Sky Tower Sp. z o.o. ceased to be a subsidiary (controlled) undertaking of the Issuer, subject to consolidation as part of the Issuer's Group, due to the conclusion of:

- 1) on November 30th 2009 – an annexe to the Agreement on sale of shares of November 2nd 2008, entered into between LC Corp S.A. and LC Corp B.V., with its registered office in Amsterdam, under which all provisions regarding the right of repurchase of 103,998 shares of LC Corp Sky Tower Sp. z o.o. were repealed as were the provisions regarding the right to control the operations of LC Corp Sky Tower Sp. z o.o., which consisted in the necessity to obtain by LC Corp B.V. the consent from LC Corp S.A. to incurring obligations and disposing of assets by LC Corp Sky Tower Sp. z o.o.,
- 2) on November 30th 2009 – an agreement terminating the arrangement of January 14th 2009, made with Mr Leszek Czarnecki regarding the right of LC Corp S.A. to repurchase 15,000 shares of LC Corp Sky Tower Sp. z o.o., having the par value of PLN 1,000 each and the total par value of PLN 15,000,000, and the necessity of obtaining by Mr Leszek Czarnecki the consent from LC Corp S.A. to incurring financial obligations, disposing of assets or encumbering them by LC Corp Sky Tower Sp. z o.o.

Until November 30th 2009, due to the Issuer's exclusive right to unilaterally repurchase all the sold shares of the Company, pursuant to IAS 27 and IAS 39, the conditions for the transfer of benefits, risks and control from LC Corp SA to LC Corp B.V. were not met. As a result, the Parent Undertaking continued to disclose the shares of LC Corp Sky Tower Sp. z o.o. in the separate (non-consolidated) financial statements, and net assets of that company in the consolidated financial statements of the LC Corp Group. The cash obtained from the share disposal is disclosed as financial liability valued at amortized cost.

By concluding the above annex and agreement LC Corp Sky Tower Sp. z o.o. ceased to be an entity controlled by the Issuer, in the meaning of the IAS and the Accounting Law of September 29th 1994, and will no longer be subject to consolidation as part of the Issuer's Group.

3.3 Payment of profit by Warszawa Przy Promenadzie Sp. z o.o. Sp. k. to its limited partner, LC Corp S.A.

On December 18th 2009 by way of a resolution of the shareholders of Warszawa Przy Promenadzie Sp. z o.o. Sp. k., a resolution was adopted on payment to the company's limited partner, LC Corp S.A., of a part of retained earnings for 2008, totalling PLN 17,000,000, made from the funds collected as the company's other capital reserves, to which, by way of the shareholders' resolution of June 26th 2009 a part of the profit for 2008 was allocated, in the total amount of PLN 25,679,650.77.

3.4 Acquisition of investment notes issued by Warszawa Przy Promenadzie Sp. k.

On January 20th 2009, Warszawa Przy Promenadzie Sp. z o.o. Sp. k. issued 14 investment notes, a par value of 13 of the notes was established as PLN 1,000,000 each, and of 1 note as PLN 500,000. The notes were acquired by LC Corp S.A. The redemption value of the investment notes was established at arm's length. The note's redemption date is January 20th 2010, with an optional payment available at an earlier date. Under an annexe concluded on January 20th 2010, the redemption date was moved to January 20th 2011.

3.5. Information on transactions concluded by the Issuer with related entities on the terms other than at arm's length

There were no such transactions.

3.6 Loan agreements concluded by LC Corp S.A. with its subsidiary undertakings in 2009

Borrower	Date of concluding the agreement	Interest rate	Contractual amount of the loan PLN	Repayment date
LC Corp Bajkowy Park Sp. z o.o.	29.06.2009	5.64%	1,300,000	Unspecified

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LC Corp Stablowice Sp. z o.o.	11.03.2009	5.50%	400,000	Unspecified
Warszawa Przy Promenadzie Sp. z o.o.	26.03.2009	5.70%	150,000	Unspecified
Warszawa Przy Promenadzie Sp. z o.o.	28.04.2009	5.64%	100,000	Unspecified
Warszawa Przy Promenadzie Sp. z o.o.	28.05.2009	5.64%	1,000,000	Unspecified
Warszawa Przy Promenadzie Sp. z o.o.	21.08.2009	5.53%	1,000,000	Unspecified
Warszawa Przy Promenadzie Sp. z o.o.	18.09.2009	5.52%	1,700,000	Unspecified
Warszawa Przy Promenadzie Sp. z o.o.	16.10.2009	5.53%	6,000,000	Unspecified
Warszawa Rezydencja Kaliska Sp. z o.o.	05.01.2009	5.73%	1,600,000	Unspecified
Warszawa Rezydencja Kaliska Sp. z o.o.	21.01.2009	5.73%	2,050,000	Unspecified
Warszawa Rezydencja Kaliska Sp. z o.o.	26.03.2009	5.70%	400,000	Unspecified
Warszawa Rezydencja Kaliska Sp. z o.o.	18.09.2009	5.52%	500,000	Unspecified
Warszawa Rezydencja Kaliska Sp. z o.o.	26.11.2009	5.53%	10,000,000	Unspecified
Kraków Zielony Złocień Sp. z o.o.	21.01.2009	5.73%	700,000	Unspecified
Kraków Zielony Złocień Sp. z o.o.	26.02.2009	5.58%	1,300,000	Unspecified
Kraków Zielony Złocień Sp. z o.o.	27.03.2009	5.70%	2,000,000	Unspecified
Kraków Zielony Złocień Sp. z o.o.	29.05.2009	5.64%	2,500,000	Unspecified
Kraków Zielony Złocień Sp. z o.o.	29.06.2009	5.64%	20,000,000	Unspecified
Kraków Zielony Złocień Sp. z o.o.	21.12.2009	5.54%	10,500,000	Unspecified

3.7 Information on Sureties and Guarantees Issued

Promissory Note Issued by Kraków Zielony Złocień Sp. z o.o.

On March 30th 2009, the Issuer backed an in blanco promissory note issued by Kraków Zielony Złocień sp. z o.o. (a subsidiary of the Issuer). The note was given as security for repayment of a loan taken out on August 14th 2007 by Kraków Zielony Złocień sp. z o.o. The surety was granted to Bank PKO BP S.A. The total amount of the loan was PLN 94,000,000. As of the date of signing the annex, the amount to be repaid stood at PLN 74,000,000. In addition, the Issuer as the backer of the note - in order to secure PKO BP SA's claims resulting from the loan advanced to Kraków Zielony Złocień sp. z o.o. on the issuing of the in blanco promissory note – submitted itself to enforcement procedures carried out by PKO BP SA under a bank executory title up to a total amount of PLN 111,000,000, which includes the principal and any interest, charges as well as other amounts payable, and the expenses that PKO BP SA may incur while taking steps to recover the secured debt (specifically the cost of issuing notifications, default notices and reminders). The bank executory title may be issued by March 31st 2011. Until the date this report was drawn up the Company repaid the loan in full, and the security liability expired – See Item 6.5.

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

Basic economic and financial figures	Position as at December 31st 2009 PLN'000	Position as at December 31st 2008 PLN'000
Non-current assets	662,326	826,927
Current assets	137,492	117,403
Equity	740,492	748,768
Liabilities and provisions for liabilities	59,326	195,562
Balance-sheet total	799,818	944,330
Revenue from sales	2,646	9,415
Profit (loss) on sales	(2,446)	2,958
Operating profit (loss)	(4,058)	(2,098)
Pre-tax profit (loss)	(8,276)	(10,645)
Net profit (loss)	(8,276)	(10,645)

In 2009 the Company achieved the total sales revenue of PLN 2,646,000. The net loss was PLN 8,276,000.

Factors and events that had a significant impact on the financial results of the LC Corp Group in 2009 included in particular valuation allowances for shares in subsidiaries and loans granted to them. The total value of shares and loans valuation allowances was PLN 41,604,000.

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

The Company did not publish any financial forecasts for the year 2009.

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

Detailed information about off-balance sheet items is presented in Note 28.3 and 28.5 of the Accounting principles (policy) and additional explanatory notes to the Group's consolidated financial statements for the year 2009.

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

	Dec 31st 2009		Dec 31st 2008	
Assets				
A. Non-current assets	662,326	83%	826,927	88%
1. Intangible assets	651	0%	856	0%
2. Property, plant and equipment	585	0%	1,146	0%
2.1. Tangible assets	577	0%	1,146	0%
2.2. Tangible assets under construction	8	0%	0	0%

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3. Loans and non-current receivables	354,989	44%	374,380	40%
4. Non-current investment	297,724	37%	449,565	48%
5. Non-current prepayments and accrued income	0	0%	0	0%
6. Deferred tax assets	8,377	1%	980	0%
B. Current assets	137,492	0%	117,403	12%
1. Prepayments for land purchases	0	0%	0	0%
2. Trade and other receivables	937	0%	1,927	0%
3. Income tax receivable	0	0%	0	0%
4. Current financial assets	132,272	17%	101,347	11%
5. Cash and cash equivalents	4,196	1%	14,044	1%
6. Current prepayments and accrued income	87	0%	85	0%
C. Non-current assets classified as held for sale	0	0%	0	0%
Total assets	799,818	100%	944,330	100%

Equity and liabilities

A. Equity	740,492	93%	748,768	47%
1. Share capital	447,558	56%	447,558	60%
2. Balance of called-up share capital not paid	0	0%	0	0%
3. Reserve funds	298,102	37%	308,747	41%
4. Other reserve funds	0	0%	0	0%
5. Other capital	3,108	0%	3,108	0%
6. Retained profit/losses nor covered	(8,276)	(1%)	(10,645)	(1%)
B. Non-current liabilities	27,355	3%	119,130	16%
1. Non-current financial liabilities	27,336	3%	119,111	16%
2. Provisions	19	0%	19	0%
3. Deferred tax liability	0	0%	0	0%
C. Current liabilities	31,971	4%	76,432	10%
1. Current financial liabilities	25,217	3%	68,927	9%
2. Current trade and other payables	5,271	1%	6,211	1%
3. Income tax payable	1,210	0%	560	0%
4. Provisions	0	0%	0	0%
5. Accrued expenses and revenue	273	0%	734	0%
Total equity and liabilities	799,818	100%	944,330	100%

The most important factors affecting the value of the balance-sheet items in the presented period:

- a decrease in Non-current investments resulting from disposal of a subsidiary undertaking, LC Corp Sky Tower Sp. z o.o., described in Note No. 5 to the financial statements, and creating valuation allowances for the value of shares described in Note No. 17
- an increase in loans granted to the subsidiary undertakings for completion of investment projects
- a decrease in cash and cash equivalents relating to the financing of bond liability repayments made by the subsidiaries.

The key changes in the value of liabilities in the reporting period include:

- a considerable decrease in Non-current financial liabilities resulting from disposal of a subsidiary undertaking, LC Corp Sky Tower Sp. z o.o., described in Note No. 5 to the financial statements, and repayment of the bond scheme dues.

5. COURT PROCEEDINGS

As at December 31st 2009, no proceedings before court or public administration authorities were initiated with regard to liabilities or receivables of LC Corp SA and its subsidiaries, whose total value amounted to at least 10% of the equity of LC Corp SA.

6. OTHER EVENTS SIGNIFICANTLY AFFECTING THE COMPANY'S OPERATION, WHICH OCCURRED DURING THE ACCOUNTING PERIOD AND THEREAFTER, BY THE DATE OF APPROVING THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

6.1 Loans granted to Kraków Zielony Złocień Sp. z o.o.

On January 21st 2010, LC Corp SA granted a loan to its subsidiary Kraków Zielony Złocień Sp. z o.o. in the amount of PLN 10,500,000 for an indefinite time, at arm's length.

On February 16th 2010, LC Corp SA granted a loan to its subsidiary Kraków Zielony Złocień Sp. z o.o. in the amount of PLN 35,000,000 for an indefinite time, at arm's length

6.2. Payment of profit by Warszawa Przy Promenadzie Sp. z o.o. Sp. k. to its limited partner, LC Corp S.A.

On January 19th 2010, by way of a resolution of the shareholders of Warszawa Przy Promenadzie Sp. z o.o. Sp. k., a resolution was adopted on payment to the company's limited partner, LC Corp S.A., of a part of retained earnings for 2008, totalling PLN 8,400,000, made from the funds collected as the company's other capital reserves, to which, by way of the shareholders' resolution of June 26th, 2009 a part of the profit for 2008 was allocated, in the total amount of PLN 25,679,650.77.

6.3 New redemption date for investment notes issued on January 20th 2009 by Warszawa Przy Promenadzie Sp. z o.o. Sp. k. to its limited partner, LC Corp S.A.

Under an annexe dated January 20th 2010, the redemption date – for 14 investment notes issued by Warszawa Przy Promenadzie Sp. z o.o. Sp. k. and acquired by LC Corp S.A. – was changed from January 20th 2010 to January 20th 2011, with an optional payment available at an earlier date.

6.4 Repayment of LC Corp Sky Tower Sp. z o.o. liabilities towards LC Corp S.A.

On February 15th 2010, LC Corp Sky Tower Sp. z o.o., in fulfilment of the agreement of November 2nd 2008 and December 18th 2009, repaid its liabilities towards LC Corp SA - a loan of October 24th 2007, April 1st 2008 and April 29th 2008 – with LC Corp S.A. as the Lender and LC Corp Sky Tower Sp. z o.o. as the Borrower.

Owing to the payments, all settlements between LC Corp Sky Tower Sp. z o.o and the Issuer were finalized.

6.5 Loan repaid by Kraków Zielony Złocień Sp. z o.o.

On February 17th 2010 Kraków Zielony Złocień Sp. z o.o. paid the last instalment of a bank loan of PLN 34,000,000. As a result, the promissory note issued for this loan by the Company expired.

6.6 Loans granted to LC Corp Bajkowy Park Sp. z o.o.

On February 26th 2010, LC Corp SA granted a loan to its subsidiary LC Corp Bajkowy Park Sp. z o.o. in the amount of PLN 26,000,000 for an indefinite time, at arm's length.

6.7 Loan repaid by LC Corp Bajkowy Park Sp. z o.o.

On March 1st 2010, LC Corp Bajkowy Park Sp. z o.o. completed the repayment of a bank loan of PLN 25,480,000. advanced by DnB Nord Polska S.A. As a result, the promissory note issued for this loan by the Company expired.

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

7.1 Risk factors

Ongoing crisis risk

In 2009 effects of the financial crisis were still noticeable and affected other areas of the Polish economy, including in particular the property market. A slump on the financial market entailed a slump on the property trading market, on which the Issuer and its subsidiary undertakings operate. The slump on the housing market constitutes an identified significant risk factor, as it results in a reduced demand for residential space offered by the Group. At the moment, despite some positive symptoms, it is difficult to make any forecasts regarding the end date of the crisis, which will be of crucial importance for the operation of both the Issuer and the Group.

Foreign exchange risk

A substantial part of the Group's liabilities is 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 will arise at the moment of managing a foreign currency loan will be minimized by collecting rent indexed against the currency of the loan financing the investment.

Currency risk is also connected with valuation in EUR of some assets and liabilities, which as at the balance-sheet day are disclosed in PLN (it pertains to a property for which fair value is established in accordance with IAS 40 and a loan in EUR).

Interest rate risk

The Company acquires financing for carrying out its projects mainly through loans with a floating interest rate. In the major part these are the loans incurred for the duration of a given project construction. Changes of interest rates in this period did not require concluding hedging transactions.

Risk related to additional demand for cash

Although in the Issuer's opinion, as a result of undertaken activities, the Group will have sufficient current assets to finance its current operations, in the future it may be necessary for the Group to obtain additional funds, for example, through incurring loans, borrowings or issuing debt instruments. There is no guarantee that the Company's subsequent attempts at raising funds will end up in financial success, bearing in mind the present situation on the financial market. The development of the Group's activity may be restricted if the attempts at raising funds prove to be ineffective or the financial resources are raised under unfavourable terms.

Risk related to financial leverage

For the purpose of financing its activity the Group makes use of loans, borrowings, and debt instruments. The Group cannot guarantee that it will be able to ensure financing for its activity at favourable prices or, having raised funds, to repay interest and principal amounts or meet other obligations resulting from financing agreements or issued debt instruments. If the Group is not able to raise additional funding in line with its expectations, it may be forced to change its strategy or restrict its development and refinancing of the existing debt.

Risk related to implementation of property development projects

Civil structures built by the Group require substantial capital expenditure at the phase of preparing the project and during its construction. Due to considerable needs for funding, such undertakings are usually accompanied by numerous considerable 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 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.

Risk related to an increase in operating expenses and other costs

The Group's operating expenses and other costs may increase without a corresponding increase in the Group's revenue. Factors which may cause an increase in operating expenses and other costs include: (a) inflation; (b) increase in taxes and other public law liabilities; (c) changes in the provisions of law, other important regulations or government policy; (d) increase in the costs of funding. These factors may have a substantial adverse effect on the Group's activity, financial standing or results.

Risk related to construction costs

The Group's undertakings are concluding and will conclude agreements with general contractors regarding construction works related to completion of Group's property development projects. Costs of property development projects may be subject to change due to: (a) modifications in the scope of a property development project and alterations in an architectural design; (b) increase in prices for construction materials; (c) increase in costs of hiring skilled labour or shortage of such labour; (d) failure on the part of a contractor to complete the works within the agreed time limits or in accordance with the standard acceptable for the Group. Each significant increase in costs or delay in finalising a property development project may affect adversely the Group's activity, financial position or results.

Risk related to the Group's dependence on building contractors

In its respective property development projects the Group entrusts completion of the majority of construction works to specialised building entrepreneurs. Although the Group's policy provides for exercising ongoing supervision over the construction works underway, the Group is not able to ensure that the contracted works will be carried out by contractors in the correct manner and within the agreed time limits. Delays in completion of the works and irregularities in workmanship may cause delays in finalising respective property development projects, and, in consequence, contribute to an increase in costs of their completion. A special kind of risk is a loss of liquidity on the part of building contractors, which may have an impact on the quality and timeliness of their performance. In extreme cases it may lead to a cessation of works carried out by a building contractor and the necessity of replacement. As a result of that, all delays and costs connected with the replacement of a contractor may have a negative influence on the financial result of a property development project, which may adversely affect the Group's operations, financial standing or results.

Risk of a lack of liquidity in real property investments

Investments in real property are characterised by a relatively low liquidity. In other words, disposal of real property assets may take longer than it is desirable from the commercial point of view, which in turn may influence the date of disposal or the amount of funds obtained from disposal of real property. Delayed disposal of real property or a drop in selling prices may have a substantial negative effect on the Group's activity, financial position or results.

Risk related to real property prices and rental rates

The Group's profitability depends, among others, on the level of prices of flats and houses as well as rental rates for retail and office space in Poland, and, in particular, in the cities where property development projects are carried out. In the case of a drop in prices the Group cannot guarantee that it will be able to rent retail and office space or sell the flats it has built at previously assumed prices. It may have a strong adverse impact on the Group's operations, financial standing or results.

Risk related to liability for flats and houses after their sales

The Group's activity will include in particular 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.

7.2 Strategy

In Q3 and Q4 2008 the financial crisis was augmenting and it started to have a real bearing on the Polish economy. Confronted with the financial crisis spreading throughout the worldwide and domestic markets the Group adopted some measures aimed at minimising its effects. A slump on the financial market entailed a slump on the property trading market, on which the Issuer and its subsidiary undertakings operate. The Issuer and the Group consider important the commencement, in Q4 2008, of the procedure for rationalisation of the Group's structure and reduction in its operating costs, consisting in reduction in administrative and financial costs and restricting the liquidity risk to the minimum. In adjusting to the crisis conditions the sale of shares in LC Corp Sky Tower Sp. z o.o. by LC Corp S.A. (transaction described in Section IV.1.3.) was an important action taken by the Issuer, which enabled the Company to repay its liabilities and ensured its liquidity. A part of the Group's projects was carried out to the stage of obtaining building permits, which makes it possible to start these projects at any time. Depending on the possibilities of obtaining financing and the market conditions the Group will decide on carrying out the most profitable projects.

Taking the above actions by the Issuer was aimed at preparing the Group to the transitional market situation. Owing to these endeavours the Group's projects are ready for immediate commencement, its assets are free from debt and the Issuer's structures are prepared for development.

Acting in accordance with the improving market situation, in the middle of 2009 the Company decided to start construction works in two projects in Warsaw: Rezydencja Kaliska and Osiedle Przy Promenadzie stage III. Owing to this the Company takes an active part in the returning upward trend on currently the strongest Warsaw market, observing carefully the local markets and being ready to commence subsequent projects.

Building a significant position on the Polish property development market remains the Group's main goal. So as to achieve this goal the Group has defined and fulfils the following strategic objectives:

Focus on the projects ensuring high IRR

The Group concentrates on the projects with the potential to achieve a high internal rate of return (IRR). This strategy provides for adding a significant value to the current projects in a short period of time, without the need to invest substantial amounts of the company's own capital. The Company monitors its investments and the property market on an ongoing basis, looking for the projects potentially capable of ensuring an even higher internal rate of return. Having identified such projects the Company may realise a part of revenue from the existing projects, to make an investment in a project with a potentially higher IRR. To implement this strategy the Group intends to employ various methods for financing its projects, available on the property market.

Strategy to actively manage construction costs

The Group's objective is to carry out its projects on the basis of contracts with general contractors and making use of services provided by renowned companies operating in this branch. A strict multistep control over general contractors, the quality of cost estimates and schedules adopted for the budget, and the quality of enterprises cooperating with the Group should ensure exact planning and achievement of profitability assumed in the budget of a property development project.

Further expansion of the land bank

Taking into account an increase in prices for real property for development in Poland the Group redefined the 'Land Bank' creation strategy. As part of this project the Group acquires and intends to acquire in future big plots of land in the attractive locations, making it possible to carry out property development projects for at least five subsequent years of the Group's activity. At present the Group owns plots in Warsaw, Wrocław and its surroundings, Katowice, Gdańsk, Kraków, and Łódź.

8. EMPLOYMENT STRUCTURE IN LC CORP AND IN THE GROUP

8.1 Employment structure in LC Corp S.A.

Average employment in the Company in the year ended December 31st 2009 was as follows:

	Year ended December 31st 2009	Year ended December 31st 2008
Management Board	2.48	3.20
White collar workers / administrative staff	26.53	33.67
Blue collar workers	0	0
Total	29.01	36.87

8.2 Staff incentive schemes

The Group has a Staff Incentive Scheme under which the members of the Group's management are offered options for 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.

9. INFORMATION ON THE ISSUER'S MEMBERS OF MANAGEMENT AND SUPERVISORY BOARDS
9.1 VALUE OF REMUNERATION, AWARDS, 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

Benefits for members of the Management Board of LC Corp S.A.	Jan 1st 2009 - Dec 31st 2009 PLN'000	Jan 1st 2008 - Dec 31st 2008 PLN'000
Dariusz Niedośpiał	612	20
Short-term employee benefits	612	20
Share-based payment	-	-
Waldemar Horbacki	177	760
Short-term employee benefits	177	760
Share-based payment	-	-
Dariusz Karwacki	344	610
Short-term employee benefits	344	610
Share-based payment	-	-
Joanna Jaskólska	18	0
Short-term employee benefits	18	0
Waldemar Czarnecki	120	25
Short-term employee benefits	120	25
Konrad Dubelski	0	1,194
Short-term employee benefits	0	1,194
Share-based payment	0	0
Total	1,257	2,609

Benefits for members of the Supervisory Board of LC Corp S.A.	Jan 1st 2009 - Dec 31st 2009 PLN'000	Jan 1st 2008 - Dec 31st 2008 PLN'000
Leszek Czarnecki	0	0
Short-term employee benefits	-	-
Share-based payment	-	-
Andrzej Błażejowski	24	17
Short-term employee benefits	24	17
Remigiusz Baliński	24	28
Short-term employee benefits	24	28
Share-based payment	-	-
Ludwik Czarnecki	24	7
Short-term employee benefits	24	7
Share-based payment	-	-
Artur Wiza	24	17

Short-term employee benefits	24	17
Share-based payment	-	-
Dariusz Niedośpiał	0	20
Short-term employee benefits	0	20
Jarosław Dowbaj	0	7
Short-term employee benefits	0	7
William Michael Pollard	0	7
Short-term employee benefits	0	7
Total	96	103

In the accounting year 2009 the Members of the Management and Supervisory Boards of LC Corp S.A. did not obtain any remuneration for the functions performed in the authorities of the subsidiary undertakings.

9.2 Holding of the Issuer's shares by the management and supervisory staff:

Supervisory staff holding the Issuer's shares – as at December 31st 2009:

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	20,000
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 – as at December 31st 2009:

Full name	Function in the body	Share ownership
Dariusz Niedośpiał	President of the Management Board	6,000
Waldemar Czarnecki	Member of the Management Board	-
Joanna Jaskólska	Member of the Management Board	6,000

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

Managerial contracts binding the Issuer and Members of the Management Board anticipate payments of 6-months' remuneration in case the Company terminates any such contract.

10. ADDITIONAL INFORMATION

10.1 Major research and development achievements

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

10.2 Information about acquisition of own shares

The Company did not acquire own shares within the period until this report was drawn up.

10.3 Branches of the Company.

- The Company does not have any branches.

11. SUMMARY

In the year 2009 the activity was focused on carrying out the projects and building a group of special purpose entities, designed for specific investment projects.

In the opinion of the Management Board of LC Corp S.A. the objectives set for the Company were accomplished. Financial security of the Company and the Group is ensured.

The Group's companies discharged and still discharge their obligations towards the State Budget, 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.

12. AGREEMENT WITH AN ENTITY QUALIFIED FOR AUDITING FINANCIAL STATEMENTS

2009

On January 7th 2010, an agreement was concluded with Ernst&Young Audit Sp. z o.o. seated in Warsaw, for auditing financial statements and consolidated financial statements of LC Corp S.A. for the year 2009. The total amount of remuneration under the agreement concluded with the entity qualified for auditing financial statements is PLN 88,000 net.

On June 16th 2009 the Company entered into an agreement with Deloitte Audyt sp. z o.o. seated in Warsaw, on carrying out a review of H1 2009 financial statements and consolidated financial statements of LC Corp S.A. The total amount of remuneration under the agreement was PLN 72,000 net.

2008

On December 19th 2008 an agreement was concluded with Deloitte Audyt sp. z o.o. seated in Warsaw, for auditing financial statements and consolidated financial statements of LC Corp S.A. for the year 2008. The total amount of remuneration under the agreement was PLN 85,000 net.

In addition, on October 20th 2008 agreement was concluded with Deloitte Audyt sp. z o.o. regarding the implementation of agreed procedures, for the net amount of PLN 110,000.

On July 21st 2008, the Company concluded an agreement with Ernst&Young Audit Sp. z o.o. on carrying out a review of H1 2008 financial statements and consolidated financial statements of LC Corp S.A, for the net amount of PLN 105,000.

In addition, on the basis of a separate one-off agreement the company made a payment to Ernst&Young Audit Sp.z o.o. of a net amount of about PLN 25,000 for the provided consulting services.

13. COMPLIANCE WITH CORPORATE GOVERNANCE RULES

The Declaration of application of 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 continued activity is not at risk.

Drawn up in Wrocław, on March 12th 2010.

Dariusz Niedośpiał
President of the Management Board

Joanna Jaskólska
Member of the Management Board

Waldemar Czarnecki
Member of the Management Board
