

CAPITAL GROUP LC Corp S.A.

**LONG-FORM AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

I. GENERAL NOTES

1. Background

The holding company of the LC Corp Group (hereinafter 'the Group' or 'the Capital Group') is LC Corp S.A. ('the holding company', 'the Company').

The holding company was incorporated on the basis of a Notarial Deed dated 3 March 2006. The Company's registered office is located in Wrocław at Powstańców Śląskich 2-4.

The holding company is an issuer of securities as referred to in art. 4 of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of the European Union of 19 July 2002 on the application of international accounting standards (EC Official Journal L243 dated 11 September 2002, page 1, polish special edition chapter 13, title 29 page 609) and, based on the article 55.5 of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'), prepares consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU. This requirement relates to the consolidated financial statements for the financial year beginning in 2005 and later.

The holding company was entered in the Register of Entrepreneurs of the National Court Register under no. KRS 0000253077 on 15 March 2006.

The Company was issued with tax identification number (NIP) 899-25-62-750 on 27 March 2006 and statistical number (REGON) 020246398 on 17 March 2006.

The principal activities of the holding company are as follows:

- developing and selling of real estate,
- buying and selling of real estate,
- rental of real estate,
- construction works associated with the construction of buildings.

The scope of activities of the Group's subsidiaries, jointly controlled entities and associates are similar to this of the holding company.

As at 31 December 2012, the Company's issued share capital amounted to 447 558 thousand zlotys. Equity as at that date amounted to 1 079 084 thousand zlotys.

In accordance with data provided by the client as at 31 December 2012, the ownership structure of the Company's issued share capital was as follows:

	Number of shares	Number of votes	Par value of shares	% of issued share capital
Leszek Czarnecki				
directly and indirectly	229,126,674	229,126,674	229,126,674	51.19%*
Aviva OFE	36,800,000	36,800,000	36,800	8.22%
ING OFE	32,684,371	32,684,371	32,684	7.30%

*CAPITAL GROUP LC Corp S.A.
Long-form auditors' report
for the year ended 31 December 2012
(in thousand zlotys)*

OFE PZU	30,000,000	30,000,000	30,000	6.70%
Other shareholders	118,974,266	118,974,266	118,974	26.59%
	-----	-----	-----	-----
Total	447,558,311	447,558,311	447,558	100%
	=====	=====	=====	=====

* - including LC Corp B.V. 47.97%, representing 214 701 110 shares (214 701 110 votes)

According to the data obtained from the company as at 20 March 2013 in the financial year and the date of the balance sheet to the date of the opinion, the following changes in the ownership structure of the Company's issued share capital:

- PZU "Złota Jesień" OFE increased the number of shares to 30,000,000, above the threshold of 5% (currently 6.70%).

There were no movements in the share capital in the reporting period.

As at 20 March 2013, the holding company's Management Board was composed of:

Dariusz Niedośpiał	- President
Joanna Jaskólska	- Vice President
Mirosław Kujawski	- Member
Tomasz Wróbel	- Member

There were no changes in the holding company's Management Board during the reporting period as well as from the balance sheet date to the date of the opinion.

2. Group Structure

As at 31 December 2012, the LC Corp S.A. Group consisted of the following subsidiaries (direct or indirect):

<i>Entity name</i>	<i>Consolidation method</i>	<i>Type of opinion</i>	<i>Name of authorised entity that audited financial statements</i>	<i>Balance sheet date</i>
Arkady Wrocławskie S.A. Warszawa	full consolidation	audit in progress	Ernst & Young Audit sp. z o.o.	31 December 2012
Przyokopowa Sp. z o.o.	full consolidation	unqualified		31 December 2012
Kraków Zielony Złocień Sp. z o.o.	full consolidation	unqualified	RE-FIN Sp. z o. o.	31 December 2012
LC Corp Invest I Sp. z o.o.	full consolidation	no requirement to audit financial statements	RE-FIN Sp. z o. o.	31 December 2012
LC Corp Invest II Sp. z o.o.	full consolidation	audit in progress	RE-FIN Sp. z o. o.	31 December 2012

*CAPITAL GROUP LC Corp S.A.
Long-form auditors' report
for theyear ended 31 December 2012
(in thousand zlotys)*

LC Corp Invest III Sp. z o.o.	full consolidation	audit in progress	RE-FIN Sp. z o. o.	31 December 2012
LC Corp Invest VII Sp. z o.o.	full consolidation	audit in progress	RE-FIN Sp. z o. o.	31 December 2012
LC Corp Invest VIII Sp. z o.o.	full consolidation	unqualified	RE-FIN Sp. z o. o.	31 December 2012
LC Corp Invest IX Sp. z o.o.	full consolidation	audit in progress	RE-FIN Sp. z o. o.	31 December 2012
LC Corp Invest X Sp. z o.o.	full consolidation	audit in progress	RE-FIN Sp. z o. o.	31 December 2012
LC Corp Invest XI Sp. z o.o.	full consolidation	audit in progress	RE-FIN Sp. z o. o.	31 December 2012
LC Corp Invest XII Sp. z o.o.	full consolidation	audit in progress	RE-FIN Sp. z o. o.	31 December 2012
LC Corp Invest XV Sp. z o.o.	full consolidation	no requirement to audit financial statements	no requirement to audit financial statements	31 December 2012
LC Corp Invest XVI Sp. z o.o.	full consolidation	no requirement to audit financial statements	no requirement to audit financial statements	31 December 2012
LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k.	full consolidation	no requirement to audit financial statements	no requirement to audit financial statements	31 December 2012
LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k.	full consolidation	unqualified	RE-FIN Sp. z o. o.	31 December 2012
LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k.	full consolidation	no requirement to audit financial statements	no requirement to audit financial statements	31 December 2012
LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k.	full consolidation	no requirement to audit financial statements	no requirement to audit financial statements	31 December 2012
LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k.	full consolidation	no requirement to audit financial statements	no requirement to audit financial statements	31 December 2012
LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k.	full consolidation	unqualified	RE-FIN Sp. z o. o.	31 December 2012
LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. k.	full consolidation	no requirement to audit financial statements	no requirement to audit financial statements	31 December 2012
LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k. ¹	full consolidation	no requirement to audit financial statements	no requirement to audit financial statements	31 December 2012
LC Corp Invest XV Sp. z o.o. Projekt 20 Sp. k. ²	full consolidation	audit in progress	RE-FIN Sp. z o. o.	31 December 2012
LC Corp Invest XVII Sp. z o.o. ³	full consolidation	no requirement to audit financial statements	no requirement to audit financial statements	31 December 2012

This is a translation of a document originally issued in the Polish language.

*CAPITAL GROUP LC Corp S.A.
Long-form auditors' report
for theyear ended 31 December 2012
(in thousand zlotys)*

LC Corp Invest XV Sp. z o.o. Finance S.K.A. ⁵	full consolidation	no requirement to audit financial statements	no requirement to audit financial statements	31 December 2012
LC Corp Invest XV Sp. z o.o. Projekt 14 S.K.A. ⁴	full consolidation	unqualified	RE-FIN Sp. z o. o.	31 December 2012

Details of the type and impact of changes in entities included in the consolidation as compared to the prior year may be found in Note 2 of the summary of significant accounting policies and other explanatory notes (“the additional notes and explanations”) to the consolidated financial statements of the Group for the year ended 31 December 2012.

3. Consolidated Financial Statements

3.1 Auditors' opinion and audit of consolidated financial statements

Ernst & Young Audit sp. z o.o. with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under no. 130.

Ernst & Young Audit sp. z o.o. was appointed by the Supervisory Board on 14 December 2012 to audit the Group's financial statements.

Ernst & Young Audit sp. z o.o. and the key certified auditor in charge of the audit meet the conditions required to express an impartial and independent opinion on the financial statements, as defined in Art. 56.3 and 56.4 of the Act on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight, dated 7 May 2009 (Journal of Laws 2009, No. 77, item 649 with subsequent amendments).

Under the contract executed on 15 December 2012 with the holding company's Management Board, we have audited the consolidated financial statements for the year ended 31 December 2012.

Our responsibility was to express an opinion on the consolidated financial statements based on our audit. The auditing procedures applied to the consolidated financial statements were designed to enable us to express an opinion on the consolidated financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the consolidated financial statements taken as a whole.

Based on our audit, we issued an auditors' unqualified opinion dated 20 March 2013, stating the following:

“To the General Shareholders' Meeting and Supervisory Board of LC Corp S.A.

1. We have audited the attached consolidated financial statements of LC Corp Group (‘the Group’), for which the holding company is LC Corp S.A. (‘the Company’) located in Wrocław at Powstańców Śląskich 2-4, for the year ended 31 December 2012 containing, the consolidated statement on financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flow for the period from 1 January 2012 to 31 December

2012 and the summary of significant accounting policies and other explanatory notes ('the attached consolidated financial statements').

2. The truth and fairness¹ of the attached consolidated financial statements, the preparation of the attached consolidated financial statements in accordance with the required applicable accounting policies and the proper maintenance of the consolidation documentation are the responsibility of the Company's Management Board. In addition, the Company's Management Board and Members of the Supervisory Board are required to ensure that the attached consolidated financial statements and the Directors' Report meet the requirements of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'). Our responsibility was to audit the attached consolidated financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies and whether they truly and fairly² reflect, in all material respects, the financial position and results of the operations of the Group.
3. We conducted our audit of the attached consolidated financial statements in accordance with:
 - chapter 7 of the Accounting Act,
 - national auditing standards issued by the National Council of Statutory Auditors,in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached consolidated financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the attached consolidated financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached consolidated financial statements treated as a whole.
4. In our opinion, the attached consolidated financial statements, in all material respects:
 - present truly and fairly all information material for the assessment of the results of the Group's operations for the period from 1 January 2012 to 31 December 2012, as well as its financial position³ as at 31 December 2012;
 - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU;
 - are in respect of the form and content, in accordance with the legal regulations governing the preparation of financial statements.

We have read the 'Directors' Report for the period from 1 January 2012 to 31 December 2012 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and

¹ Translation of the following expression in Polish: 'rzetelność i jasność'

² Translation of the following expression in Polish: 'rzetelne i jasne'

³ Translation of the following expression in Polish: 'sytuacja majątkowa i finansowa'

conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws No. 33, item 259 with subsequent amendments).”

We conducted the audit of the consolidated financial statements during the period from 19 November 2012 to 20 March 2013. We were present at the Company's head office from 19 November 2012 to 23 November 2012 and from 18 February 2013 to 1 March 2013.

3.2 Representations provided and data availability

The Management Board of the holding company confirmed its responsibility for the truth and fairness⁴ of the consolidated financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and the correctness of consolidation documentation. The Board stated that it provided us with all financial statements of the Group companies included in the consolidated financial statements, consolidation documentation and other required documents as well as all necessary explanations. We also obtained a written representation dated 20 March 2012, from the Management Board of the holding company confirming that:

- the information included in the consolidation documentation was complete,
- all contingent liabilities had been disclosed in the consolidated financial statements, and
- all material events from the balance sheet date to the date of the representation letter had been disclosed in the consolidated financial statements,

and confirmed that the information provided to us was true and fair to the best of the holding company Management Board's knowledge and belief, and included all events that could have had an effect on the consolidated financial statements.

At the same time declare that during the audit of the financial statements, there were no limitations of scope.

3.3 Consolidated financial statements for prior financial year

The consolidated financial statements of the Group for the year ended 31 December 2012 were audited by Marek Musiał, key certified auditor no. 90036, acting on behalf of Ernst & Young Audit sp. z o.o., Rondo ONZ 1, 00-124 Warszawa, Reg. No. 130. The key certified auditor issued an unqualified opinion on the consolidated financial statements for the year ended 31 December 2012. The consolidated financial statements for the year ended 31 December 2012 were approved by the General Shareholders' Meeting on 25 June 2012.

The consolidated financial statements of the Group for the financial year ended 31 December 2011, together with the auditors' opinion, a copy of the resolution approving the consolidated financial statements and the Directors' Report, were filed on 27 June 2012 with the National Court Register.

The consolidated balance sheet as at 31 December 2011, the consolidated profit and loss account, the statement of changes in consolidated equity and the consolidated cash flow statement for the year ended 31 December 2011, together with the auditors' opinion and a copy of the resolution approving the financial statements were published in Monitor Polskim B No. 2698 on 29 October 2012.

⁴ Translation of the following expression in Polish: “*rzetelność i jasność*”

4. Analytical Review

4.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Company for the years 2010 – 2012. The ratios were calculated on the basis of financial information included in the financial statements for the years ended 31 December 2011 and 31 December 2012.

	2012	2011	2010
Total assets	1,670,397	1,467,371	1,278,942
Shareholders' equity	1,079,084	1,033,430	971,421
Net profit/ loss	70,654	62,009	50,548
Return on assets (%)	4.2%	4.2%	4.0%
$\frac{\text{Net profit} \times 100}{\text{Total assets}}$			
Return on equity (%)	6.8%	6.4%	5.5%
$\frac{\text{Net profit} \times 100}{\text{Shareholders' equity at the beginning of the period}}$			
Profit margin (%)	40.1%	42.3%	32.4%
$\frac{\text{Net profit} \times 100}{\text{Sales of finished goods, goods for resale and raw materials}}$			
Liquidity I	13.1	10.2	10.4
$\frac{\text{Current assets}}{\text{Short-term creditors}}$			
Liquidity III	2.26	2.0	1.7
$\frac{\text{Cash and cash equivalents}}{\text{Short-term creditors}}$			
Debtors days	14 days	12 days	9 days
$\frac{\text{Trade debtors} \times 365}{\text{Sales of finished goods, goods for resale and raw materials}}$			

*CAPITAL GROUP LC Corp S.A.
Long-form auditors' report
for theyear ended 31 December 2012
(in thousand zlotys)*

	2012	2011	2010
Creditors days	134 days	96 days	33 days
<hr/> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;">Trade creditors x 365</div> <div style="width: 30%;"></div> <div style="width: 30%;"></div> </div> <hr/> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;">Costs of finished goods, goods for resale and raw materials sold</div> <div style="width: 30%;"></div> <div style="width: 30%;"></div> </div>			
Stability of financing (%)	93.2%	94.5%	93.9%
<hr/> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;">(Equity + long-term provisions and liabilities) x 100</div> <div style="width: 30%;"></div> <div style="width: 30%;"></div> </div> <hr/> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;">Total liabilities, provisions and equity</div> <div style="width: 30%;"></div> <div style="width: 30%;"></div> </div>			
Debt ratio (%)	35.4%	29.6%	24.0%
<hr/> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;">(Total liabilities and provisions) x 100</div> <div style="width: 30%;"></div> <div style="width: 30%;"></div> </div> <hr/> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;">Total assets</div> <div style="width: 30%;"></div> <div style="width: 30%;"></div> </div>			
Rate of inflation:			
Yearly average	3.70%	4.30%	2.60%
December to December	2.40%	4.60%	3.10%

4.2 Comments

The following trends may be observed based on the above financial ratios:

- Return on assets amounted to 4.2% in 2012 and in 2011. In 2010 ratio amounted to 4%.
- Return on equity increased to 6.8% in 2012 in comparison to 6.4% in 2011. In 2010 ratio amounted to 5.5%.
- Profit margin decreased to 40.1% in 2012 in comparison to 42.3% in 2011. In 2010 ratio amounted to 32.4%.
- Liquidity I ratio increased to the level of 13.1 in 2012 in comparison to 10.2 in 2011. In 2010 ratio amounted to 10.4.
- Liquidity III ratio increased to the level of 2.26 in 2012 in comparison to 2.0 in 2011. In 2010 ratio amounted to 1.7.
- Debtors days amounted to 14 in 2012 in comparison to 12 in 2011. In 2010 ratio amounted to 9 days.
- Creditors days amounted to 134 in 2012 in comparison to 96 in 2011. In 2010 ratio amounted to 33 days.
- Stability of financing decreased to the level of 93.2% in 2012 in comparison to 94.5% in 2011. In 2010 ratio amounted to 93.9%.

- Debt ratio increased to 35.4% in 2012 in comparison to 29.6% in 2011. In 2010 ratio amounted to 24%.

4.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the holding company is unable to continue as a going concern for at least twelve months subsequent to 31 December 2012 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In Note 6 of the additional notes and explanations to the audited consolidated financial statements for the year ended 31 December 2012, the Management Board of the holding company has stated that the financial statements of the Group entities included in the consolidated financial statements were prepared on the assumption that these entities will continue as a going concern for a period of at least twelve months subsequent to 31 December 2012 and that there are no circumstances that would indicate a threat to its continued activity.

II. DETAILED REPORT

1. Completeness and accuracy of consolidation documentation

During the audit no material irregularities were noted in the consolidation documentation which could have a material effect on the audited consolidated financial statements, and which were not subsequently adjusted. These would include matters related to the requirements applicable to the consolidation documentation (and in particular eliminations relating to consolidation adjustments).

2. Accounting policies for the valuation of assets and liabilities

The Group's accounting policies and rules for the presentation of data are detailed in note 9 of the additional notes and explanations to the Group's consolidated financial statements for the year ended 31 December 2012.

3. Structure of assets, liabilities and equity

The structure of the Group's assets and equity and liabilities is presented in the audited consolidated financial statements for the year ended 31 December 2012.

The data disclosed in the consolidated financial statements reconcile with the consolidation documentation.

3.1 Goodwill on consolidation and amortisation

The method of determining goodwill on consolidation, the method on determining impairment of goodwill, the impairment charged in the financial year and up to the balance sheet date were presented in note 9.6 of the additional notes and explanations to the consolidated financial statements.

3.2 Shareholders' funds including non-controlling interest

The amount of shareholders' funds is consistent with the amount stated in the consolidation documentation and appropriate legal documentation.

Information on shareholders' funds has been presented in note 26 of the additional notes and explanations to the consolidated financial statements.

3.3 Financial year

The financial statements of all Group companies forming the basis for the preparation of the consolidated financial statements were prepared as at 31 December 2012 and include the financial data for the period from 1 January 2012 to 31 December 2012.

4. Consolidation adjustments

4.1 Elimination of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of consolidated entities.

All eliminations of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of the consolidated companies reconcile with the consolidation documentation.

4.2 Elimination of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends

All eliminations of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends reconcile with the consolidation documentation.

5. Disposal of all or part of shares in a subordinated entity

During the financial year the Group did not sell any shares in subordinated entities.

6. Items which have an impact on the group's result for the year

Details of the items which have an impact on the Group's result for the year have been included in the audited consolidated financial statements for the year ended 31 December 2012.

7. The appropriateness of the departures from the consolidation methods and application of the equity accounting as defined in International Financial Reporting Standards as adopted by the EU

During the process of preparation of the consolidated financial statements there were no departures from the consolidation methods or application of the equity accounting

8. Additional Notes and Explanations to the Consolidated Financial Statements

The additional notes and explanations to the consolidated financial statements for the year ended 31 December 2012 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the EU.

9. Directors' Report

We have read the 'Directors' Report for the period from 1 January 2012 to 31 December 2012 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws No. 33, item 259 with subsequent amendments).

10. Conformity with Law and Regulations

*CAPITAL GROUP LC Corp S.A.
Long-form auditors' report
for the year ended 31 December 2012
(in thousand zlotys)*

We have obtained a letter of representations from the Management Board of the holding company confirming that no laws, regulations or provisions of the Group entities' Articles of Association were breached during the financial year.

on behalf of
Ernst & Young Audit sp. z o.o.
Rondo ONZ 1, 00-124 Warsaw
Reg. No 130

Key Certified Auditor

Marek Musiał
certified auditor
no. 90036

Wrocław, 20 March 2013