

*LC Corp S.A.*

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

## I. GENERAL NOTES

### 1. Background

LC Corp S.A. (hereinafter 'the 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 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 Company is the holding company of the LC Corp S.A. capital group. Details of transactions with affiliated entities and the list of companies in which the Company holds at least 20% of shares in the share capital or in the total number of votes in the company's governing body are included in Note 17 and 30 of the summary of significant accounting policies and other explanatory notes ("the additional notes and explanations") to the audited financial statements for the year ended 31 December 2012.

The principal activities of the Company are as follows:

- managing a holding group

As at 31 December 2012, the Company's issued share capital amounted to 447 558 thousand zlotys. Equity as at that date amounted to 814 489 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	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%
OFE PZU	30,000,000	30,000,000	30,000	6.70%
Other shareholders	118,974,266	118,974,266	118,974	26.59%
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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 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 Company's Management Board composition during the reporting period as well as from the balance sheet date to the date of the opinion.

## **2. Financial Statements**

On 27 August 2007 the General Shareholders' Meeting decided on preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU.

### **2.1 Auditors' opinion and audit of 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 Company's financial statements.

Ernst & Young Audit sp. z o.o. and the key certified auditor 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 Company's Management Board, we have audited the financial statements for the year ended 31 December 2012.

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

Based on our audit, we issued an unqualified auditors' 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 financial statements for the year ended 31 December 2012 of LC Corp S.A. ('the Company') located in Wrocław at Powstańców Śląskich 2-4, containing statement of financial position as at 31 December 2012, , the statement of comprehensive income, the statement of changes in equity, the 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 financial statements').

2. The truth and fairness<sup>1</sup> of the attached financial statements, the preparation of the attached financial statements in accordance with the required applicable accounting policies and the proper maintenance of the accounting records 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 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 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, whether they truly and fairly<sup>2</sup> reflect, in all material respects, the financial position and results of the operations of the Company and whether the accounting records that form the basis for their preparation are, in all material respects, properly maintained.
3. We conducted our audit of the attached 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 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 financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached financial statements treated as a whole.
4. In our opinion, the attached financial statements, in all material respects:
  - present truly and fairly all information material for the assessment of the results of the Company's operations for the period from 1 January 2012 to 31 December 2012, as well as its financial position<sup>3</sup> as at 31 December 2012;
  - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and based on properly maintained accounting records;
  - are in respect of the form and content, in accordance with legal regulations governing the preparation of financial statements and the Company's Articles of Association.
5. 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 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)."

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<sup>1</sup> Translation of the following expression in Polish: '*rzetelność i jasność*'

<sup>2</sup> Translation of the following expression in Polish: '*rzetelnie i jasno*'

<sup>3</sup> Translation of the following expression in Polish: '*sytuacja majątkowa i finansowa*'

We conducted the audit of the Company's 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.

## **2.2 Representations provided and data availability**

The Management Board confirmed its responsibility for the truth and fairness<sup>4</sup> of the financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and stated that it had provided us with all financial information, accounting records and other required documents as well as all necessary explanations. The Management Board also provided a letter of representations dated 20 March 2012, confirming that:

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

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

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

## **2.3 Financial statements for prior financial year**

The Company's financial statements for the year ended 31 December 2011 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 financial statements for the year ended 31 December 2011. The Company's financial statements for the year ended 31 December 2011 were approved by the General Shareholders' Meeting on 25 June 2012, and the shareholders resolved that the net profit for 2011 of 5,116 thousand zlotys will be only dedicated to reserve capital.

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

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

The closing balances as at 31 December 2011 were correctly brought forward in the accounts as the opening balances at 1 January 2012.

## **3. Analytical Review**

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<sup>4</sup> Translation of the following expression in Polish: "*rzetelność i jasność*"

### 3.1 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.

	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Total assets</b>	1,098,025	965,459	857,972
<b>Shareholders' equity</b>	814,489	784,761	779,803
<b>Net profit/ loss</b>	29,728	5,116	16,779
<b>Return on assets (%)</b>	2.7%	0.5%	2.0%
$\frac{\text{Net profit} \times 100}{\text{Total assets}}$			
<b>Return on equity (%)</b>	3.8%	0.7%	2.3%
$\frac{\text{Net profit} \times 100}{\text{Shareholders' equity at the beginning of the period}}$			
<b>Profit margin (%)</b>	116.0%	8.4%	14.7%
$\frac{\text{Net profit} \times 100}{\text{Sales of finished goods, goods for resale and raw materials}}$			
<b>Liquidity I</b>	4.12	6.5	7.9
$\frac{\text{Current assets}}{\text{Short-term creditors}}$			
<b>Liquidity III</b>	1.34	3.6	3.3
$\frac{\text{Cash and cash equivalents}}{\text{Short-term creditors}}$			
<b>Debtors days</b>	9 days	3 days	1 day
$\frac{\text{Trade debtors} \times 365}{\text{Sales of finished goods, goods for resale and raw materials}}$			
<b>Creditors days</b>	5 days	4 days	1 day
$\text{Trade creditors} \times 365$			

	<b>2012</b>	<b>2011</b>	<b>2010</b>
Costs of finished goods, goods for resale and raw materials sold			
<b>Stability of financing (%)</b>	94.6%	96.9%	97.7%
(Equity + long-term provisions and liabilities) x 100			
Total liabilities, provisions and equity			
<b>Debt ratio (%)</b>	25.8%	18.7%	9.1%
(Total liabilities and provisions) x 100			
Total assets			
<b>Rate of inflation:</b>			
Yearly average	3.70%	4.30%	2.60%
December to December	2.40%	4.60%	3.10%

### 3.2 Comments

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

- Return on assets increased to 2.7% in 2012 in comparison to 0.5% in 2011. In 2010 ratio amounted to 2.0%.
- Return on equity increased to 3.8% in 2012 in comparison to 0.7% in 2011. In 2010 ratio amounted to 2.3%.
- Profit margin increased to 116.0% in 2012 in comparison to 8.4% in 2011. In 2010 ratio amounted to 14.7%.
- Liquidity I decreased to the level of 4.12 in 2012 in comparison to 6.5 in 2011. In 2010 ratio amounted to 7.9.
- Liquidity III decreased to the level of 1.34 in 2012 in comparison to 3.6 in 2011. In 2010 ratio amounted to 3.3.
- Debtors days amounted to 9 in 2012 in comparison to 3 in 2011. In 2010 ratio amounted to 1 day.
- Creditors days amounted to 5 in 2012 in comparison to 4 in 2011. In 2010 ratio amounted to 1 day.
- Stability of financing decreased to the level of 94.6% in 2012 in comparison to 96.9% in 2011. In 2010 ratio amounted to 97.7%.
- Debt ratio increased to 25.8% in 2012 in comparison to 18.7% in 2011. In 2010 ratio amounted to 9.1%.

### **3.3 Going concern**

Nothing came to our attention during the audit that caused us to believe that the 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 7 of the additional notes and explanations to the audited financial statements for the year ended 31 December 2012, the Management Board has stated that the financial statements were prepared on the assumption that the Company 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.

## **DETAILED REPORT**

### **1. Accounting System**

The Company's accounts are kept using the NAV computer system at the Company's head office. The Company has up-to-date documentation, as required under Article 10 of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'), including a chart of accounts approved by the Company's Management Board.

During our audit no material irregularities were noted in the books of account which could have a material effect on the audited financial statements and which were not subsequently adjusted. These would include matters related to:

- the reasonableness and consistency of the applied accounting policies;
- the reliability of the accounting records, the absence of errors in the accounting records and the trail of entries in the accounting records;
- whether business transactions are supported by documents;
- the correctness of opening balances based on approved prior year figures;
- consistency between the accounting entries, the underlying documentation and the financial statements;
- fulfilment of the requirements for safeguarding accounting documents and storing accounting records and financial statements.

### **2. Assets, Liabilities and Equity, Profit and Loss Account**

Details of the Company's assets, liabilities and equity and profit and loss account are presented in the audited financial statements for the year ended 31 December 2012.

Verification of assets, liabilities and equity was performed in accordance with the Accounting Act. Any differences were adjusted in the books of account for the year 2012.

### **3. Additional Notes and Explanations to the Financial Statements**

The additional notes and explanations to the 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.

### **4. Directors' Report**

We have read the Directors' report on the Company's activities in the period from 1 January 2012 to 31 December 2012 and the basis for preparation of annual financial statement ('Directors' Report') and concluded that the information derived from the attached financial statements reconciles with the financial statements. The information included in the Directors' Report corresponds with the relevant provisions 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).

### **5. Conformity with Law and Regulations**

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

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We have obtained a letter of representations from the Management Board confirming that no laws, regulations or provisions of the Company's 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

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*Marek Musiał*  
certified auditor  
no. 90036

Wrocław, 20 March 2013