



**MANAGEMENT BOARD'S REPORT ON THE  
OPERATIONS OF  
LC CORP S.A.  
AND THE GROUP  
LC CORP S.A.  
FOR THE YEAR 2017**

Wrocław, 19 March 2018

## Rules for drawing up the annual consolidated financial statements of LC Corp S.A. and the LC Corp Group

Pursuant to the provisions of the Accounting Act of 29 September 1994, the Management Board is obliged to ensure the preparation of the annual report on the Company's and Groups' operations during the accounting period, including significant information on the economic and financial position, the evaluation of achieved results, the identification of risks, and the description of threats, which can be prepared with the report on the operations of the parent undertaking – LC Corp S.A. in a form of one document.

**This report on the operations of LC Corp S.A. (hereinafter referred to as "LC Corp", the "Company" or the "Issuer") and the LC Corp Group (hereinafter referred to as the "Group") covers the period from 1 January 2017 to 31 December 2017.**

### 1. BASIC INFORMATION ON THE COMPANY AND THE GROUP

LC Corp S.A. was established by the Notarial Deed dated 3 March 2006 and entered on 15 March 2006 into the National Court Register maintained by the District Court for Wrocław-Fabryczna in Wrocław, 6<sup>th</sup> Commercial Division of the National Court Register, under the KRS No. 0000253077. The Parent Undertaking's registered office is situated in Wrocław, Poland, at ul. Powstańców Śląskich 2-4.

The Company has been assigned the statistical identification number REGON 020246398.

The Company's and the Group's subsidiaries were established for an indefinite period. The Company's primary activity includes:

- PKD 64.20.Z Activities of financial holdings
- The subsidiaries' primary activity is the carrying out of construction projects on the land belonging to these companies for the purpose of further renting and selling residential and commercial property.

Until 15 September 2017, LC Corp B.V., controlled by Mr Leszek Czarnecki, was the parent undertaking of LC Corp S.A. On 19 September 2017, Mr Leszek Czarnecki and all entities controlled by him (LC Corp B.V with its seat in Amsterdam, Open Finance S.A. with its seat in Warsaw, Open Life TUŻ S.A. with its seat in Warsaw and Getin Noble Bank S.A. with its seat in Warsaw) as a result of the transaction of 15 September 2017 consisting in the sale of all shares held by those entities, lost control over the Company and ceased to be its parent undertaking within the meaning of the Code of Commercial Companies. Currently there is no parent undertaking of the Company.

The Company is the parent undertaking of the entities comprising the LC Corp group.

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

As at 31/12/2017, the LC Corp Group comprised LC Corp S.A. and its following subsidiaries:

Company	Share capital as at 31 Dec 2017 (PLN)	Effective share of LC Corp S.A.	
		31/12/2017	31/12/2016
Arkady Wrocławskie S.A. seated in Wrocław	113,700,000	100%	100%
Sky Tower S.A. seated in Wrocław	23,100,000	100%	100%
Warszawa Przykopowa Sp. z o.o. seated in Wrocław	33,003,000	100%	100%
Kraków Zielony Złocień Sp. z o.o. seated in Wrocław	13,350,000	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest I Sp. z o.o. seated in Wrocław	5,000	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest II Sp. z o.o. seated in Wrocław	88,800,000	100%	100%
LC Corp Invest III Sp. z o.o. seated in Wrocław	6,700,000	100%	100%
LC Corp Invest VII Sp. z o.o. seated in Wrocław	4,000,000	100%	100%
LC Corp Invest VIII Sp. z o.o. seated in Wrocław	13,500,000	100%	100%
LC Corp Invest IX Sp. z o.o. seated in Wrocław	4,700,000	100%	100%
LC Corp Invest X Sp. z o.o. seated in Wrocław	10,300,000	100%	100%
LC Corp Invest IX Sp. z o.o. seated in Wrocław	41,000,000	100%	100%
LC Corp Invest XII Sp. z o.o. seated in Wrocław	24,800,000	100%	100%
LC Corp Invest XV Sp. z o.o. seated in Wrocław	305,000	100%	100%
LC Corp Invest XVI Sp. z o.o. seated in Wrocław	5,000	100%	100%
LC Corp Invest XVII Sp. z o.o. seated in Wrocław	5,000	100%	100%
LC Corp Invest XVII Sp. z o.o. seated in Wrocław	5,000	100%	100%
LC Corp Invest XIX Sp. z o.o. seated in Wrocław <sup>1</sup>	50,000	100%	-
LC Corp Invest XX Sp. z o.o. seated in Wrocław <sup>2</sup>	5,000	100%	-
LC Corp Invest XXI Sp. z o.o. seated in Wrocław <sup>3</sup>	5,000	100%	-
LC Corp Invest XXII Sp. z o.o. seated in Wrocław <sup>4</sup>	50,000	100%	-
LC Corp Invest XXIII Sp. z o.o. seated in Wrocław <sup>5</sup>	50,000	100%	-
LC Corp Invest XXIV Sp. z o.o. seated in Wrocław <sup>6</sup>	50,000	100%	-

LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 9 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 10 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 11 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 12 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 14 Sp. k. seated in Wrocław	-	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. seated in Wrocław	-	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. seated in Wrocław	-	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest XV Sp. z o.o. Finance S.K.A.	50,000	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Investmets S.K.A.	91,905,080	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest XVIII Sp. z o.o. Real Estate S.K.A.	50,000	100% (indirectly and directly)	100% (indirectly and directly)

- (1) On 24 March 2017, a new company – LC Corp Invest XIX Spółka z ograniczoną odpowiedzialnością – was registered. The share capital of the Company amounts to PLN 5,000 and LC Corp S.A., holding all of its shares, is the sole shareholder of the Company. On 23 October 2017 the share capital of the company was increased to the amount of PLN 50,000.
- (2) On 12 December 2017, a new company – LC Corp Invest XX Spółka z ograniczoną odpowiedzialnością – was registered. The share capital of the Company amounts to PLN 5,000 and LC Corp S.A., holding all of its shares, is the sole shareholder of the Company.
- (3) On 5 October 2017, a new company – LC Corp Invest XXI Spółka z ograniczoną odpowiedzialnością – was registered. The share capital of the Company amounts to PLN 5,000 and LC Corp S.A., holding all of its shares, is the sole shareholder of the Company.
- (4) On 8 November 2017, a new company – LC Corp Invest XXII Spółka z ograniczoną odpowiedzialnością – was registered. The share capital of the Company amounts to PLN 50,000 and LC Corp S.A., holding all of its shares, is the sole shareholder of the Company.
- (5) On 30 November 2017, a new company – LC Corp Invest XXIII Spółka z ograniczoną odpowiedzialnością – was registered. The share capital of the Company amounts to PLN 50,000 and LC Corp S.A., holding all of its shares, is the sole shareholder of the Company.
- (6) On 12 December 2017, a new company – LC Corp Invest XXIV Spółka z ograniczoną odpowiedzialnością – was registered. The share capital of the Company amounts to PLN 50,000 and LC Corp S.A., holding all of its shares, is the sole shareholder of the Company.

## 1.2. Share capital and shareholders of LC Corp S.A. as at 31 December 2017

As at 31 December 2017, the share capital of LC Corp S.A. amounted to PLN 447,558,311 and was divided into 447,558,311 ordinary bearer shares carrying one vote at the General Meeting, with a par value of PLN 1.00 each.

### SHAREHOLDERS POSSESSING, DIRECTLY OR INDIRECTLY, AT LEAST 5% OF THE TOTAL VOTE AT THE GENERAL MEETING AS AT 31/12/2017 ACCORDING TO INFORMATION HELD BY THE ISSUER

Shareholder	Number of shares	Number of votes	Participation in share capital (%)	Share (%) in total vote at general meeting
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	67,908,000	67,908,000	15.17%	15.17%
Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne through Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny	63,226,784	63,226,784	14.13%	14.13%
ALTUS Towarzystwo Funduszy Inwestycyjnych S.A.	59,829,016	59,829,016	13.37%	13.37%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	43,700,000	43,700,000	9.76%	9.76%
Aegon Otwarty Fundusz Emerytalny <sup>(1)</sup>	26,543,080	26,543,080	5.93%	5.93%

<sup>1)</sup> On 1 September 2017 Aegon Powszechnie Towarzystwo Emerytalne took over the management of the Nordea Otwarty Fundusz Emerytalny and on 17 November 2017 it took over all the rights and obligations of Nordea OFE

### SHAREHOLDERS POSSESSING, DIRECTLY OR INDIRECTLY, AT LEAST 5% OF THE TOTAL VOTE AT THE GENERAL MEETING AS AT 31/12/2016 ACCORDING TO INFORMATION HELD BY THE ISSUER

Shareholder	Number of shares	Number of votes	Participation in share capital (%)	Share (%) in total vote at general meeting
Leszek Czarnecki directly and indirectly <sup>(1)</sup> including: LC Corp B.V. seated in Amsterdam	229,359,795	229,359,795	51.24%	51.24%
	192,872,084	192,872,084	43.09%	43.09%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	30,200,000	30,200,000	6.75%	6.75%
Nationale Nederlanden Otwarty Fundusz Emerytalny	35,000,000	35,000,000	7.82%	7.82%
OFE PZU "Złota Jesień"	44,669,000	44,669,000	9.98%	9.98%

<sup>1)</sup> Mr Leszek Czarnecki directly holds 14,657,685 shares representing 3.27% of the share capital and 3.27% of the total vote at the General Meeting, and indirectly through his subsidiary undertakings Mr Leszek Czarnecki holds 214,702,110 shares representing 47.97% of the share capital and 47.97% of the total vote at the General Meeting. Mr Leszek Czarnecki's subsidiary undertakings include LC Corp B.V., seated in Amsterdam and holding 192,872,084 shares representing 43.09% of the share capital and 43.09% of the total vote at the General Meeting, Getin Noble Bank S.A., seated in Warsaw and holding 21,829,026 shares representing 4.88%

of the share capital and 4.88% of the total vote at the General Meeting and RB Investcom Sp. z o.o., seated in Wrocław and holding 1,000 shares representing 0.0002% of the share capital and 0.0002% of the total vote at the General Meeting.

### 1.3. Major events with regard to changes in the Group from 1 January to 31 December 2017

1. On 24 March 2017, a new company – LC Corp Invest XIX Spółka z ograniczoną odpowiedzialnością – was registered. The share capital of the Company amounts to PLN 5,000 and LC Corp S.A., holding all of its shares, is the sole shareholder of the Company. On 23 October 2017 the share capital of the company was increased to the amount of PLN 50,000.
2. On 19 September 2017, as a result of the transaction of 15 September 2017, Mr Leszek Czarnecki and all entities controlled by him (LC Corp B.V with its seat in Amsterdam, Open Finance S.A. with its seat in Warsaw, Open Life TUŻ S.A. with its seat in Warsaw and Getin Noble Bank S.A. with its seat in Warsaw) lost control over the Company and ceased to be its parent undertaking within the meaning of the Code of Commercial Companies. Currently there is no parent undertaking of the Company.
3. On 5 October 2017, a new company – LC Corp Invest XXI Spółka z ograniczoną odpowiedzialnością – was registered. The share capital of the Company amounts to PLN 5,000 and LC Corp S.A., holding all of its shares, is the sole shareholder of the Company.
4. On 8 November 2017, a new company – LC Corp Invest XXII Spółka z ograniczoną odpowiedzialnością – was registered. The share capital of the Company amounts to PLN 50,000 and LC Corp S.A., holding all of its shares, is the sole shareholder of the Company.
5. On 30 November 2017, a new company – LC Corp Invest XXIII Spółka z ograniczoną odpowiedzialnością – was registered. The share capital of the Company amounts to PLN 50,000 and LC Corp S.A., holding all of its shares, is the sole shareholder of the Company.
6. On 12 December 2017, a new company – LC Corp Invest XX Spółka z ograniczoną odpowiedzialnością – was registered. The share capital of the Company amounts to PLN 5,000 and LC Corp S.A., holding all of its shares, is the sole shareholder of the Company.
7. On 12 December 2017, a new company – LC Corp Invest XXIV Spółka z ograniczoną odpowiedzialnością – was registered. The share capital of the Company amounts to PLN 50,000 and LC Corp S.A., holding all of its shares, is the sole shareholder of the Company.

Except for the events described above, in the period from 1 January 2017 to 31 December 2017 no significant changes in the composition of the Group occurred.

### 1.4. Activities of the Group

The activities of the Group consist in real property development through construction projects. The activity of LC Corp S.A., reflected in the REGON system of business records, comprises financial holding activities, the acquisition and sale of own real estate, and business management and consultancy activities.

In 2017, LC Corp S.A. and the Group followed the strategy consistent with their basic activities, i.e. property investment activities consisting in the construction and sale of residential buildings (units) and the construction and rental of office and commercial space (the Wola Center office building, the Arkady Wrocławskie retail, service and office centre, the Sky Tower retail, service and office centre, the Silesia Star office building, the Retro Office House office building and the Wola Retro office building).

## 2. ACTIVITIES OF THE COMPANY AND THE GROUP IN 2017

In 2017, LC Corp S.A. focused its activities on administrating, managing and exercising owner's supervision over its subsidiary undertakings and acquiring funds for their investment activity. LC Corp S.A. was also involved in intense activities related to the acquisition of land for its new projects in Warsaw, Kraków, Gdańsk and Wrocław. LC Corp S.A.'s subsidiary undertakings were active on the property development market, continuing their investment projects or preparing to start construction projects as well as managing the Arkady Wrocławskie retail, service and office centre and the Wola Center and Silesia Star office buildings with service functions.

## 2.1. Basic products, goods and services of the Company

The Company is solely involved in holding activity which consists in providing holding (management, financial, administrative) services to subsidiary undertakings.

The company's activity is limited to the territory of Poland.

The tables below present the data concerning revenues and profits for the year ended 31 December 2017 and for the year ended 31 December 2016.

Holding activity	Year ended	Year ended
	31 December 2017	31 December 2016
<b>Revenue</b>		
Revenue from sales	21,700	55,915
Revenue from interest and discounts	16,415	17,498
Revenue from dividends	117,931	55,197
Other financial income	26,989	3,711
Other	779	67
<b>Total revenue</b>	<b>183,814</b>	<b>132,388</b>
<b>Expenses</b>		
Operating expenses	(48,393)	(74,040)
Costs of interest and discounts	(23,434)	(19,322)
Other financial expenses	(5,250)	(6,267)
Other	(3)	(434)
<b>Total expenses</b>	<b>(77,080)</b>	<b>(100,063)</b>
<b>Pre-tax profit (loss) of the segment</b>	<b>106,734</b>	<b>32,325</b>
<b>Assets and liabilities</b>		
Total assets	1,470,516	1,400,946
Total liabilities	588,080	588,090

## 2.2. Basic products, goods and services of the Group

The main source of revenue for the Group in 2017 was the sale of residential and retail premises, which represented 79.7% of the total revenue. The Group's revenue from the rental of commercial properties amounted to 20.3%.

The table below presents revenue and profits (PLN '000) of the Group's respective segments for the year ended 31 December 2017:

Year ended	Rental activity	Property development activity	Holding (other) activity	Total activity
31 December 2017				
Total sales revenue	143,510	562,481	196	706,187
Pre-tax profit/(loss) on sales Segment result	98,582	162,049	196	260,827

## 2.3. Market situation

The Company conducts its activity for the benefit of its subsidiary undertakings. The company's activity is limited to the territory of Poland.

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

Revenue earned in 2017 can be attributed to the property development activity of the Group's undertakings carried out on the domestic market, mainly in Wrocław, Warsaw, Kraków, Gdańsk and Łódź.

In 2017, a total of 2029 flats and retail premises were sold (presale agreements, having taken account of withdrawals and without reservation agreements – a decrease by 3% in comparison with 2016), and 1801 flats and retail premises were transferred on the basis of notarial deeds – an increase by 29% compared to 2016.

The Group consistently implements its strategy of diversification of project locations and expansion of its activity on the residential markets of Warsaw, Wrocław, Kraków and Gdańsk, which is reflected in the sale structure in 2017.

The table below showing the number of pre-sold flats/premises in each city (presale agreements, having taken account of withdrawals and without reservation agreements):

*Presale*

City	Q4'2016	Q4'2017	January-December 2016	January-December 2017
Warsaw	293	265	885	959
Wrocław	141	104	447	409
Kraków	113	159	420	418
Gdańsk	104	71	334	238
Łódź	0	1	6	5
<b>Total</b>	<b>651</b>	<b>600</b>	<b>2,092</b>	<b>2,029</b>

and the table showing the number of flats/premises transferred by notarial deeds:

*Transfers*

City	Q4'2016	Q4'2017	January-December 2016	January-December 2017
Warsaw	347	157	592	577
Wrocław	133	116	453	318
Kraków	2	13	188	801
Gdańsk	10	0	155	100
Łódź	1	0	5	5
<b>Total</b>	<b>493</b>	<b>286</b>	<b>1,393</b>	<b>1,801</b>

Moreover, as at 31 December 2017 the offer included 2006 flats and retail premises:

*Offer*

City	31/12/2017	to be introduced in 2018	to be introduced after 2018
Warsaw	950	285	447
Wrocław	401	297	185
Kraków	417	583	1,088
Gdańsk	233	310	710
Łódź	5	0	0
Katowice	0	90	592
<b>Total</b>	<b>2,006</b>	<b>1,565</b>	<b>3,022</b>

Subsequent stages are introduced according to the rate of sales in a given project in order to ensure an optimum offer.

The Group's ongoing and prepared projects have been described below.

## 2.4. Completed property development projects

### Commercial projects

Project	City	District	Segment	Completion date	Floor space (sq. m)
Wola Center	Warsaw	Wola	Office and service	Q3 2013	33,335



Arkady Wrocławskie	Wrocław	Krzyki	Office, retail and service functions	Q2 2007	38,608
Sky Tower	Wrocław	Krzyki	Office, retail and service functions	Q1 2013	52,133
Silesia Star (Building A)	Katowice	Bogucice Zawodzie	Office and service	Q4 2014	14,964
Silesia Star (Building B)	Katowice	Bogucice Zawodzie	Office and service	Q3 2016	14,199

The table below presents the NOI for commercial property of the Company in 2016 and in 2017 and the WALT

NOI for commercial properties (million EUR)	2016	2017	WALT
Arkady Wrocławskie	7.12	6.71	Office space – 4.4 Retail space – 5.2
Sky Tower	7.21	6.59	Office space – 3.4 Retail space – 5.2
Wola Center	7.20	7.06	Office space – 3.1 Retail space – 4.8
Silesia Star (Building A)	1.95	2.14	Office space – 3.8
Silesia Star (Building B)*	0.38	1.14	Office space – 5.1

\* significant rental agreements concluded after 31/12/2017 – not included in the NOI

The table below presents valuations of commercial facilities carried out by valuers as at 31 December 2017

Property		31/12/2017	
		Yield	Valuation in EUR
Wola Center	offices	5.90%	104,400,000
	services	6.80%	
Arkady Wrocławskie	offices	6.80%	91,900,000
	services	6.50%	
Sky Tower	offices B1 & B3	6.75%	122,190,000
	offices B2	7.25%	
Silesia Star (Building A)	offices	6.75%	34,410,000
Silesia Star (Building B)	offices	6.75%	29,150,000

## Residential projects

Project	City	District	Segment	Completion date	Number of flats and retail suites	Floor space (sq. m)
Przy Promenadzie (stage 1, 2 and 3)	Warsaw	Praga-Południe	Flats, services	Q4 2010	730	48,160
Przy Promenadzie (stage 4)	Warsaw	Praga-Południe	Flats, services	Q3 2016	202	9,773
Rezydencja Kaliska	Warsaw	Śródmieście-Ochota	Flats, services	Q1 2011	101	7,430
Powstańców 33 (stage 1, 2 and 3)	Ząbki near Warsaw		Flats, services	Q4 2012	114	6,918
				Q3 2014	229	13,141
				Q3 2016	230	13,635
Na Woli (stage 1 and 2)	Warsaw	Wola	Flat, services	Q4 2014	192	10,008
				Q4 2015	112	5,628
Poborzańska	Warsaw	Targówek	Flats, services	Q2 2016	91	4,189
Mała Praga (stage 1 and 2)	Warsaw	Praga Południe	Flats, services	Q2 2016	140	7,409
				Q3 2017	217	11,359
Korona Pragi (stage 1)	Warsaw	Praga Południe	Flats, services	Q4 2017	170	8,988
Krzemowe (stage 1 and 2)	Warsaw	Mokotów	Flats	Q2 2017	159	8,604
				Q4 2017	244	11,917
Maestro (stage 1, 2 and 3)	Wrocław	Krzyki-Jagodno	Flats	Q3 2012	176	9,352
				Q3 2013	160	8,829
				Q3 2017	125	7,126
Potokowa (stage 1, 2 and 3)	Wrocław	Maślice	Flats and houses	Q2 2013	72	2,819
				Q3 2013	42	4,486
				Q2 2014	73	3,621
Graniczna (stage 1, 2, 3, 4, 5 and 6)	Wrocław	Fabryczna	Flats	Q3 2013	173	9,200
				Q3 2014	179	8,716
				Q4 2015	187	9,688
				Q2 2016	125	6,449
				Q4 2016	168	9,103
Q3 2017	168	9,119				
Nowalia	Wrocław	Klecina	Terraced houses	Q1 2014	44	4,634
Brzeska 5	Wrocław	Krzyki	Flats, services	Q4 2014	167	7,889

Stabłowicka 77 (stage 1 and 2)	Wrocław	Fabryczna	Flats	Q3 2014	73	4,259
				Q1 2015	60	3,159
Dolina Piastów	Wrocław	Fabryczna	Flats	Q2 2016	176	9,278
Słoneczne Miasteczko (stage 1, 2, 3, 4 and 5)	Kraków	Bieżanów- Prokocim	Flats	Q4 2011	120	6,624
				Q4 2012	164	8,960
				Q3 2014	42	2,162
				Q4 2015	120	6,498
				Q2 2017	108	5,894
Okulickiego 59	Kraków	Mistrzejowice	Flats, services	Q4 2012	146	6,701
Grzegórzecka (stage 1, 2, 3 and 4)	Kraków	Śródmieście	Flats, services	Q2 2015	164	8,011
				Q4 2015	149	7,042
				Q1 2016	85	4,562
				Q1 2017	242	11,928
Centralna Park (stage 1)	Kraków	Czyżyny	Flats	Q2 2017	150	7,055
5 Dzielnica (stage 1 and 2)	Kraków	Krowodrza	Flats, services	Q1 2017	190	10,018
				Q3 2017	113	5,681
Przy Srebrnej (stage 1, 2, 3 and 4)	Gdańsk	Łostowice	Flats, services	Q4 2012	72	3,795
				Q3 2014	28	1,734
				Q4 2014	46	2,104
				Q3 2016	32	1,687
Przy Alejach (stage 1 and 2)	Gdańsk	Zaspa	Flats	Q2 2016	110	5,521
				Q2 2017	97	5,087
Bastion Wałowa (stage 1)	Gdańsk	Śródmieście	Flats	Q4 2017	230	12,336
Dębowa Ostoja (stage 1)	Łódź	Bałuty	Terraced houses	Q3 2011	22	4,548
Pustynna 43 (stage 1)	Łódź	Górna	Flats	Q4 2012	38	2,884

## 2.5. Ongoing property development projects

### Commercial projects

Project	City	District	Segment	Commencement date	Planned completion date	Floor space (sq m)	Balance sheet value 31/12/2017 EUR million
Retro Office House	Wrocław	Stare Miasto	Office and service	Q3 2016	Q1 2018	20,916	37.9
Wola Retro	Warsaw	Wola	Office and service	Q2 2017	Q2 2019	24,050	15.2

## Residential projects

Project	City	District	Segment	Planned completion date	Number of flats and retail suites	Floor space (sq m)
Powstańców 33 (stage 4 and 5)	Ząbki near Warsaw		Flats, services	Q2 2018	165	9,974
				Q4 2018	123	6,926
Na Woli 2 (stage 3, 4, 5, 6 and 7)	Warsaw	Wola	Flat, services	Q1 2018	157	7,970
				Q3 2018	150	7,593
				Q4 2018	147	7,567
				Q2 2019	147	7,567
Mała Praga (stage 3 and 4)	Warsaw	Praga Południe	Flats, services	Q4 2019	301	15,610
				Q1 2018	158	8,124
Korona Pragi (stage 2 and 3)	Warsaw	Praga Południe	Flats, services	Q4 2018	235	12,053
				Q3 2018	171	9,010
Krzemowe (stage 3)	Warsaw	Mokotów	Flats	Q4 2018	173	9,101
Tęczowa	Warsaw	Mokotów	Flats	Q1 2019	130	6,626
Tęczowa	Wrocław	Stare Miasto	Flats, services	Q1 2018	212	10,025
Sołtysowicka	Wrocław	Sołtysowice	Flats	Q1 2018	165	9,486
Między Parkami	Wrocław	Klecina	Flats	Q1 2019	164	8,597
Słoneczne Miasteczko (stage 6 and 7)	Kraków	Bieżanów-Prokocim	Flats	Q4 2018	108	5,886
				Q1 2019	108	5,858
Centralna Park (stage 2, 3, 4 and 5)	Kraków	Czyżyny	Flats	Q1 2018	130	6,190
				Q4 2018	264	12,900
				Q3 2019	151	7,459
				Q3 2019	103	5,170
Świętokrzyska Park (stage 1, 2, 3 and 4)	Gdańsk	Łostowice	Flats	Q1 2018	65	2,940
				Q3 2018	65	2,966
				Q2 2019	65	2,950
Wałowa (stage 2)	Gdańsk	Śródmieście	Flats	Q3 2019	65	2,969
				Q4 2018	230	12,333

## 2.6. Development projects in preparation (to be started in 2018)

### Residential projects

Project	City	District	Segment	Planned	Planned	Number of	Floor space
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				commencement date	completion date	flats and retail suites	(sq. m)
Na Woli 2 (stage 8)	Warsaw	Wola	Flats	Q4 2018	Q4 2020	177	9,580
Siennicka (stage 1)	Warsaw	Praga - Południe	Flats, services	Q3 2018	Q4 2019	108	5,373
Raławicka	Wrocław	Grabiszyn	Flats	Q3 2018	Q2 2020	231	13,162
Kamienna (stage 1)	Wrocław	Huby	Flats, services	Q2 2018	Q4 2019	252	13,081
Granitowa	Wrocław	Wojszyce	Flats	Q3 2018	Q4 2019	66	3,630
Słoneczne Miasteczko (stage 8)	Kraków	Bieżanów-Prokocim	Flats, services	Q3 2018	Q3 2020	124	8,768
Grzegorzewska (stage 5)	Kraków	Śródmieście	Flats, services	Q3 2018	Q2 2020	252	13,000
Mogilska (stage 1 and 2)	Kraków	Prądnik Czerwony	Flats	Q2 2018 Q4 2018	Q3 2019 Q1 2020	65 142	3,030 5,891
Świętokrzyska Park (stage 5)	Gdańsk	Łostowice	Flats	Q3 2018	Q2 2020	54	2,688
Bastion Wałowa (stage 3 and 4)	Gdańsk	Śródmieście	Flats, services	Q2 2018	Q4 2019	256	11,160
Ceglana Brama (stage 1)	Katowice		Flats	Q4 2018	Q3 2020	90	5,605

Furthermore, depending on the rate of sales of the premises in a given project, the initiation of subsequent stages is planned.

## 2.7. Group's dependence on suppliers and recipients

- Service recipients

In 2017, with regard to the sale of residential and retail premises, the Group's companies were not dependent on any service recipient, as the Group's clients are mainly natural persons, belonging to a broadly understood consumer group.

- Service suppliers

In 2017, the Group's companies were not dependent on specific suppliers – building services are offered by numerous companies competing on the Polish mature construction market and the Group's companies use the services provided by various construction companies to eliminate the risk of being dependent on a single entity. The Group enters into contracts on construction works selecting contractors by way of tenders and choosing the most advantageous bid. The Group's projects are carried out in the general contracting system.

## 2.8. Significant agreements, insurance agreements

The Company and other Group companies did not conclude any significant agreements whose value would correspond to at least 10% of the Issuer's equity. In other cases, significant for the Group companies, such agreements (regarding in particular real property financing and acquisition) are described in these financial statements.

### 3. EVENTS EXERTING A SIGNIFICANT IMPACT ON THE COMPANY'S ACTIVITY AND THE FINANCING OF THE GROUP'S ACTIVITY IN THE ACCOUNTING PERIOD

#### 3.1. Information on the loans taken/repaid by the Issuer and Group companies

##### 3.1.1. Loan agreement concluded by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k.

On 26 April 2017, the LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. company concluded with mBank S.A. a revolving bank loan agreement for pre-financing of VAT reimbursement up to the amount of PLN 6,000,000.00. To the above-mentioned agreement the company LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. also established the following collaterals: a contractual mortgage for up to the total of PLN 9,000,000.00 established on the property in the form of land owned by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k., order to block cash in the borrower's account and the borrower's declaration of submission to enforcement towards mBank Hipoteczny S.A. up to PLN 9,000,000.00 pursuant to Art. 777.1.5 of the Code of Civil Procedure, for all pecuniary obligations of the Company towards the Bank resulting from the Loan agreement.

##### 3.1.2. Annexes to the loan agreement concluded by Arkady Wrocławskie S.A. with banks ING Bank Śląski S.A. and Bank Zachodni WBK S.A.

On 29 December 2017 the Company concluded with Bank Zachodni WBK S.A. an annexe to the syndicated loan agreement concluded on 28/02/2008 between the Company and the consortium of banks comprising ING Bank Śląski S.A. and Bank Zachodni WBK S.A. In accordance with the provisions of the concluded Annexe, its purpose was to extend the period of financing of the loan granted under the agreement. The amount of the granted loan determined in the concluded annexe is EUR 25,000,000 and the repayment term was set at 31 December 2022. Prior to signing the above annexe, on 27/12/2017 between the company Arkady Wrocławskie S.A. and ING Bank Śląski S.A. and Bank Zachodni WBK S.A. as the existing consortium of banks granting the loan an annexe to the loan agreement was signed under which ING Bank Śląski S.A. made a transfer to Bank Zachodni WBK S.A. of the receivable to which it was entitled under the loan granted as part of the consortium of banks towards the Company, and Bank Zachodni WBK S.A. received this transfer therefore becoming the sole creditor. From this moment all entitlements, rights and claims (including all collaterals) as well as all risks and obligations related to the loan were transferred to Bank Zachodni WBK S.A.

##### 3.1.3. Loan agreement concluded by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k.

On 20 December 2017, the LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. company concluded, as the borrower, with the consortium of banks mBank Hipoteczny S.A. seated in Warsaw and mBank SA seated in Warsaw a bank loan agreement up to the amount of EUR 34,187,000.00 intended among others for the financing and refinancing of net costs related to the construction of the "Wola Retro" office building in Warsaw and up to the amount of PLN 7,000,000.00, intended for the financing and refinancing of recoverable value added tax related to the costs of the project. The repayment of the debt under the investment loan will take place not later than on 28/11/2027, whereas the repayment of the loan under the VAT loan will take place not later than on 28/11/2020.

##### 3.1.4. Repayment of instalments of the loan taken out by Arkady Wrocławskie with a consortium of banks

In 2017, Arkady Wrocławskie repaid the instalments of the loan taken out in EUR with the consortium of banks: ING Bank Śląski S.A. and BZWBK S.A. in the amount of PLN 27,955 thousand. As at 31 December 2017 the total amount to be repaid, after conversion into PLN, was PLN 103,659 thousand.

##### 3.1.5. Repayment of the loan by Sky Tower S.A. taken with a bank consortium

In 2017, Sky Tower S.A. repaid, in accordance with the repayment schedule, instalments of the loan taken out in EUR with the consortium of banks: Getin Noble Bank S.A. and Alior Bank S.A. in the amount of PLN 8,581 thousand. As at 31 December 2017 the total amount to be repaid, after conversion into PLN, was PLN 209,119 thousand.

##### 3.1.6. Repayment of instalments by Warszawa Przyokopowa Sp. z o.o.

In 2017, Warszawa Przyokopowa Sp. z o.o. repaid, in accordance with the repayment schedule, instalments of the loan taken out in EUR with Raiffeisen Bank Polska S.A. in the amount of PLN 20,068 thousand. As at 31 December 2017 the total amount to be repaid, after conversion into PLN, was PLN 181,425 thousand.

##### 3.1.7. Taking out and repayment of loans by LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k.

In 2017, LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. repaid, in accordance with the loan agreement regarding financing of the construction of the office complex Silesia Star stage 1, this loan in the amount of PLN 7,442

thousand. As at 31 December 2017 the total amount to be repaid, after conversion into PLN, was PLN 44,620 thousand.

In 2017, LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. disbursed, in accordance with the loan agreement regarding financing of the construction of the office complex Silesia Star stage 2, this loan in the amount of EUR 10,632 thousand and repaid this loan in the amount of PLN 1,108 thousand. As at 31 December 2017 the total amount to be repaid, after conversion into PLN, was PLN 55,065 thousand.

### 3.1.8. Taking out and repayment of the loan by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k.

In 2017, LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. disbursed, in accordance with the loan agreement concluded on 30 November 2016 with the bank mBank Hipoteczny S.A. a loan in the amount of PLN 37,535 thousand. As at 31 December 2017 the total amount to be repaid, after conversion into PLN, was PLN 36,637 thousand.

In 2017, LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. made net disbursements, in accordance with the loan agreement concluded on 26 April 2017 with the bank mBank Hipoteczny S.A. up to the amount of PLN 6,000 thousand intended for prefinancing of VAT refund of net disbursements of PLN 1,187. As at 31 December 2017 the total amount of debt under this debt, after conversion to PLN, was PLN 1,187 thousand.

### 3.1.9. Conclusion of forward and IRS transactions by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k.

In 2017, LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. kom. concluded pursuant to a framework agreement of 30 November 2016 with subsequent amendments a foreign currency forward transaction with regard to forward and derivative transactions connected with the performance of the loan agreement of 30 November 2016 for the total amount of PLN 30,911 thousand. The nominal amount of this transaction in the base amount amounted to EUR 7,160 thousand, with maturity until 30 March 2018.

## 3.2. Issue, buyback of securities by LC Corp S.A.

1. On 5 December 2017 there was an issue of 50,000 uncollateralised 4.5-year coupon bonds with the value of PLN 1 thousand each and total nominal value of PLN 50,000 thousand under the Bond Issue Scheme agreement signed with the banks Pekao S.A. in Warsaw and mBank S.A. (formerly: BRE Bank S.A.) in Warsaw which are to be redeemed on 5 June 2022.
2. On 30 January 2017 an annex was concluded postponing to 30 November 2017 the date of redemption of investment notes issued by LC Corp S.A. with a nominal value of PLN 2,000 thousand each, acquired by the subsidiary Arkady Wrocławskie S.A.
3. On 2 March 2017, LC Corp S.A. redeemed, before the deadline, one investment note in the amount of PLN 2,681 thousand issued on 9 March 2012 and acquired by the company Arkady Wrocławskie S.A.
4. On 30 November 2017 an annex was concluded postponing to 30 November 2019 the date of redemption of investment notes issued by LC Corp S.A. with a nominal value of PLN 2,000 thousand each, acquired by the subsidiary Arkady Wrocławskie S.A.
5. On 4 December 2017, LC Corp S.A. redeemed, before the deadline, four investment notes in the amount of PLN 5,425 thousand issued on 20 January 2011 and acquired by the company Arkady Wrocławskie S.A.
6. On 4 December 2017, LC Corp S.A. redeemed, before the deadline, one investment note in the amount of PLN 2,784 thousand issued on 9 March 2012 and acquired by the company Arkady Wrocławskie S.A.
7. On 19 December 2017, LC Corp S.A. redeemed, before the deadline, four investment notes in the amount of PLN 6,792 thousand issued on 20 January 2011 and acquired by the company Arkady Wrocławskie S.A.
8. On 19 December 2017, LC Corp S.A. redeemed, before the deadline, four investment notes in the amount of PLN 5,580 thousand issued on 9 March 2012 and acquired by the company Arkady Wrocławskie S.A.



### **3.3. Payment of dividend by LC Corp S.A. and adoption of a policy regarding the payment of dividend**

On 10 May 2017, the Ordinary General Meeting of LC Corp S.A. adopted a resolution regarding the payment of dividend on the following principles:

- a) Amount of dividend: PLN 31,329 thousand
- b) Amount of dividend per one share: PLN 0.07
- c) Number of shares subject to dividend: 447,558,311 shares
- d) Record date: 25 July 2017
- e) Dividend payment date: 8 August 2017

Pursuant to the provisions of this resolution, the LC Corp S.A. company paid the dividend on 8 August 2017.

On 07/12/2017, the Management Board of the Company adopted a resolution on the adoption of dividend policy of the Issuer, approved by Resolution of the Supervisory Board of the Company which was published in current report of LC Corp S.A. No. 127/2017 of 07/12/2017.

### **3.4. Payment of dividend by subsidiary undertakings**

- 1) On 27 April 2017, pursuant to the resolution of the Ordinary General Meeting of Kraków Zielony Złocień Sp. z o.o. of 29 March 2017, dividend was paid of the total amount of PLN 6,867 thousand to LC Corp S.A.
- 2) On 27 April 2017, pursuant to the resolution of the Ordinary General Meeting of LC Corp Invest VII Sp. z o.o. of 29 March 2017, dividend was paid of the total amount of PLN 3,932 thousand to LC Corp S.A.
- 3) On 27 April 2017, pursuant to the resolution of the Ordinary General Meeting of LC Corp Invest XII Sp. z o.o. of 31 March 2017, dividend was paid of the total amount of PLN 12,868 thousand.
- 4) On 20 June 2017, pursuant to the resolution of the Ordinary General Meeting of LC Corp Invest X Sp. z o.o. of 5 June 2017, dividend was paid of the total amount of PLN 6,399 thousand.
- 5) On 27 July 2017, pursuant to the resolution of the Ordinary General Meeting of Warszawa Przyokopowa Sp. z o.o. a Resolution was adopted regarding the payment of dividend to LC Corp S.A. in the amount of PLN 32 thousand. In accordance with the adopted Resolution, the date of dividend payment was specified at two months from the date of adoption of the Resolution. The dividend was paid on 29 August 2017.
- 6) On 21 August 2017, pursuant to the resolution of the shareholders of LC Corp Invest XV Sp. z o.o. Projekt 10 Sp. k. of 21 August 2017, an advance payment against profit for 2017 was paid to the shareholders of the company (LC Corp Invest XV Sp. z o.o. and Kraków Zielony Złocień Sp. z o.o.) in the amount of PLN 14,389 thousand.
- 7) On 7 December 2017, pursuant to the resolution of the Ordinary General Meeting of LC Corp Invest XV Sp. z o.o. Projekt 14 Sp. k. of 29 November 2017 an advance payment against dividend to LC Corp S.A in the amount of PLN 2,999 thousand.
- 8) On 7, 8, 11, 14, 20 December 2017, pursuant to the resolution of the Ordinary General Meeting of LC Corp Invest XV Sp. z o.o. Projekt 14 Sp. k. of 29 November 2017 dividend was paid to LC Corp S.A in the amount of PLN 18,165 thousand.
- 9) On 27 December 2017, pursuant to the resolution of the Ordinary General Meeting of Kraków Zielony Złocień Sp. o.o. of 22 December 2017, an advance dividend payment was made to LC Corp S.A. of the amount of PLN 20,400 thousand.
- 10) On 27 December 2017, pursuant to the resolution of the Ordinary General Meeting of LC Corp Invest XII Sp. z o.o. of 22 December 2017, an advance dividend payment was made to LC Corp S.A. in the amount of PLN 23,500 thousand.
- 11) On 27 December 2017, pursuant to the resolution of the Ordinary General Meeting of LC Corp Invest III Sp. z o.o. of 22 December 2017, an advance dividend payment was made to LC Corp S.A. in the amount of PLN 2,800 thousand.

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



Neither the Company nor the Group companies concluded transactions on terms other than at arm's length.

### 3.6. Borrowing agreements concluded by Group companies in 2017 with related companies

Lender	Borrower	Agreement conclusion date	Interest rate*	Contractual borrowing amount in PLN '000	Maturity
LC Corp S.A.	LC Corp Invest III Sp. z o.o.	2017-03-15	5.36%	15,000	Unspecified
LC Corp S.A.	LC Corp Invest VII Sp. z o.o.	2017-05-31	5.36%	18,000	Unspecified
LC Corp S.A.	LC Corp Invest XIX Sp. z o.o.	2017-09-19	5.51%	20,000	Unspecified
LC Corp S.A.	LC Corp Invest XIX Sp. z o.o.	2017-11-08	5.51%	2,500	Unspecified
LC Corp S.A.	LC Corp Invest XXI Sp. z o.o.	2017-11-16	5.51%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 9 Sp. k.	2017-01-25	5.51%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest X Sp. z o.o.	2017-02-21	4.86%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVII Sp. z o.o.	2017-04-11	3.66%	100	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k.	2017-04-13	5.51%	5,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest X Sp. z o.o.	2017-05-09	5.51%	9,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest X Sp. z o.o.	2017-05-09	5.51%	2,052	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVIII Sp. z o.o. Real Estate SKA	2017-05-12	3.66%	10	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k.	2017-05-29	5.51%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	Kraków Zielony Złocień Sp. z o.o.	2017-07-14	5.21%	12,000	Unspecified
LC Corp Invest I Sp. z o.o.	Kraków Zielony Złocień Sp. z o.o.	2017-08-24	5.21%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k.	2017-11-29	5.51%	20,000	Unspecified

\* average value for 2017

### 3.7. Information on sureties and guarantees granted and received in the accounting period by the Company and by the Group companies

In 2017 the Group companies did not grant any sureties and guarantees.

The bonds received by the Group companies in 2017 for the proper execution of works as well as the bonds for the proper removal of faults and defects are presented in the table below:

Subsidiary that received the guarantee	Entity obliged to provide the guarantee	Type of guarantee	Guaranteed amount	Guarantee date
LC Corp Invest XV sp. z o.o. Projekt 7 Sp. k.	Magropol sp. z o.o.	Guarantee for the proper removal of faults and defects	PLN 862,730.10	27/01/2017
LC Corp Invest XV sp. z o.o. Projekt 4 Sp. k.	NDI S.A. and NDI Sp. z o.o.	Insurance guarantee No. 58P/UL2015/13	PLN 2,112,000.00	9/02/3017
LC Corp Invest XII Sp. z o.o.	PBH ARKOP Krzysztof Piankowski i s-ka spółka jawna	Insurance guarantee for the proper performance of the agreement and removal of faults and defects	PLN 1,966,168.40	1/03/2017
LC Corp Invest XV sp. z o.o. Projekt 4 Sp. k.	NDI S.A. and NDI Sp. z o.o.	Insurance guarantee for the proper removal of faults and defects No. 60PPM/UL2015/13	PLN 2,112,000.00	9/03/2017
LC Corp Invest XV sp. z o.o. Projekt 3 Sp. k.	Euro- Stahlservice sp. z o.o.	Insurance guarantee for the proper removal of faults and defects No. PO/00743395/2017	PLN 647,009.95	14/03/2017
LC Corp Invest XV sp. z o.o. Projekt 9 Sp. k.	Budimex S.A.	Bank guarantee No. 550011189	PLN 2,504,348.40	6/04/2017
LC Corp Invest XV sp. z o.o. Projekt 9 Sp. k.	INSTALBUD	Annexe to bank guarantee No. 20050KPB16 (change of the guarantee amount)	PLN 2,630,345.06	25/05/2017

LC Corp Invest XV sp. z o.o. Projekt 2 Sp. k.	Kalter sp. z o.o.	Bank guarantee No. GW/002316/17	PLN 1,237,500.00	16/06/2017
LC Corp Invest X sp. z o.o.	Magropol sp. z o.o.	Guarantee for the proper performance of the agreement and removal of faults and defects No. 280000122310	PLN 717,500.00	30/06/2017
LC Corp Invest VII sp. z o.o.	HARTUNA sp. z o.o.	Guarantee No. 280000137684 for the removal of faults and defects	PLN 401,403.75	19/07/2017
LC Corp Invest XV sp. z o.o. Projekt 10 Sp. k.	Kalter sp. z o.o.	Bank guarantee for the proper performance of the agreement No. 82 1020 1332 0000 1996 0331 8540	PLN 1,149,500.00	21/07/2017
LC Corp Invest XV sp. z o.o. Projekt 4 Sp. k.	NDI S.A. and NDI Sp. z o.o.	Annexe to guarantee No. 60PM/UL2015/13	PLN 2,132,621.25	10/10/2017
LC Corp Invest XV sp. z o.o. Projekt 4 Sp. k.	NDI S.A. and NDI Sp. z o.o.	Annexe to guarantee No. 58P/UL2015/13	PLN 2,132,621.25	10/10/2017
LC Corp Invest X Sp. z o.o.	EURO- STHALSERVICE Sp. z o.o.	Insurance guarantee for the proper removal of faults and defects No. 280000122534	PLN 670,000.00	28/12/2017

Apart from the above-mentioned guarantees, the companies of the LC Corp S.A. Group, i.e. Arkady Wrocławskie S.A., Sky Tower S.A., Warszawa Przyokopowa Sp. z o.o. and LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 20 Sp. k., have bank guarantees securing the payment of rents and other charges for the rental of the premises leased by the lessees in commercial facilities Arkady Wrocławskie and Sky Tower in Wrocław, Wola Center in Warsaw and Silesia Star in Katowice.

#### 4. ASSET, FINANCIAL, AND REVENUE SITUATION OF THE COMPANY

Basic economic and financial figures	Situation as at	Situation as at
	31 December 2017 PLN '000	31 December 2016 PLN '000
Non-current assets	1,085,681	1,164,981
Current assets	384,835	235,965
Equity	882,436	812,856
Liabilities and provisions for liabilities	588,080	588,090
Balance sheet total	1,470,516	1,400,946
Revenue from sale of services, products and goods	21,700	55,915
Revenue from interest and discounts	16,415	17,498
Revenue from dividends	117,931	55,197
Other financial income	26,989	3,711
Other operating income	779	67
Total operating expenses	(77,080)	(100,063)
Net profit/(loss)	100,909	31,218

In 2017 LC Corp S.A. achieved revenue from the sale of services and goods in the amount of PLN 21,700 thousand, from interest and discounts in the amount of PLN 16,416 thousand and revenue from dividends in the amount of PLN 117,931 thousand.

The Company showed a profit of PLN 100,909 thousand.

Apart from standard revenue and expenses from operations, the factors and events that had a significant impact on the financial results of LC Corp S.A. in 2017 are mainly dividends received and verification of write-downs of shares in subsidiary undertakings.

##### 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

LC Corp did not publish any financial forecasts in 2017.

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

The detailed information about off-balance sheet items is presented in notes 29.2 and 29.4 of the Accounting principles (policy) and Additional notes to the financial statements of LC Corp S.A. for the year 2017.

## 4.3. Structure of assets and liabilities of the separate balance sheet

	31 December 2017		31 December 2016	
<b>Assets</b>				
<b>A. Non-current assets</b>	<b>1,085,681</b>	<b>74%</b>	<b>1,164,981</b>	<b>83%</b>
1. Intangible assets	384	0%	413	0%
2. Property, plant and equipment	730	0%	742	0%
2.1. Tangible assets	712	0%	729	0%
2.2. Tangible assets under construction	18	0%	13	0%
3. Non-current loans and receivables	170,612	12%	271,245	19%
4. Non-current investments	909,110	62%	881,912	63%
5. Non-current prepayments and accrued income	0	0%	0	0%
6. Deferred tax assets	4,845	0%	10,669	1%
<b>B. Current assets</b>	<b>384,835</b>	<b>26%</b>	<b>235,965</b>	<b>17%</b>
1. Inventories	126,805	9%	102,338	7%
2. Trade and other receivables	4,950	0%	2,109	0%
3. Income tax receivable	0	0%	149	0%
4. Current financial assets	127,348	9%	41,227	3%
5. Cash and cash equivalents	125,271	9%	89,694	6%
6. Current prepayments and accrued income	461	0%	448	0%
<b>C. Non-current assets classified as held for sale</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Total assets</b>	<b>1,470,516</b>	<b>100%</b>	<b>1,400,946</b>	<b>100%</b>
<b>Equity and liabilities</b>				
<b>A. Equity</b>	<b>882,436</b>	<b>60%</b>	<b>812,856</b>	<b>58%</b>
1. Initial capital	447,558	30%	447,558	32%
2. Balance of called-up share capital not paid	0	0%	0	0%
3. Reserve funds	330,901	23%	331,012	24%
4. Other reserve funds	0	0%	0	0%
5. Other capitals	3,068	0%	3,068	0%
6. Retained profit/(Loss carried forward)	100,909	7%	31,218	2%
<b>B. Non-current liabilities</b>	<b>391,136</b>	<b>27%</b>	<b>518,019</b>	<b>37%</b>
1. Non-current financial liabilities	353,476	24%	444,026	32%
2. Non-current liabilities on account of the acquisition of a subsidiary	37,641	3%	73,974	5%
3. Provisions	19	0%	19	0%
4. Deferred tax liability	0	0%	0	0%
<b>C. Current liabilities</b>	<b>196,944</b>	<b>13%</b>	<b>70,071</b>	<b>5%</b>
1. Current financial liabilities	142,386	10%	21,584	2%
2. Current liabilities on account of the acquisition of a subsidiary	38,996	3%	38,996	3%
3. Trade and other payables	4,221	0%	1,631	0%
4. Income tax payable	0	0%	0	0%
5. Provisions	370	0%	370	0%
6. Accrued expenses and revenue	10,971	1%	7,490	1%
<b>Total equity and liabilities</b>	<b>1,470,516</b>	<b>100%</b>	<b>1,400,946</b>	<b>100%</b>

The most important factors affecting the value of the balance-sheet items in the year ended 31 December 2017:

- the change in long-term investments is associated with capital contributions to subsidiaries and update of the write-down of shares,
- the decrease in long-term loans and receivables is due to the received repayment of a part of the receivables due to granted borrowings and to transferring them to the short-term part,
- the decrease in long-term financial liabilities is associated with the reclassification of a part of the loans and bonds to the short-term part,
- the decrease in liabilities due to the acquisition of a subsidiary is associated with the payment during the year of the next instalment of the payment

#### 4.4 Assessment of financial management

Selected financial ratios:

<b>Profitability ratios</b>		<b>2017</b>	<b>2016</b>
1	Return on assets (ROA) (net profit/total assets)	6.9%	2.2%
2	Return on equity (ROE) (net profit/equity)	11.4%	3.8%
<b>Liquidity ratios</b>			
1	Current ratio current assets/(current liabilities)	2.1	3.8
2	Quick ratio (current assets – inventories)/(current liabilities)	1.4	2.1
<b>Debt ratios</b>			
1	Debt to equity (total liabilities/equity)	65.4%	71.4%
2	Debt to equity – net (total net liabilities/equity)	36.2%	55.0%
3	Total debt (total liabilities/total assets)	39.2%	41.4%

The above financial indicators for 2017 indicate a good financial standing of the Company. Lower debt ratios deserve particular attention.

Financial risk management, financial instruments and equity management are described in the separate financial statements, in notes 33, 34 and 35.

## 5. ASSET, FINANCIAL, AND REVENUE SITUATION OF THE GROUP

Basic economic and financial figures	Situation as at	Situation as at
	31 December 2017	31 December 2016
	PLN'000	PLN'000
Non-current assets	1,920,718	1,920,925
Current assets	1,378,931	1,276,180
Equity	1,448,376	1,396,152
Liabilities and provisions for liabilities	1,851,273	1,800,953
Balance sheet total	3,299,649	3,197,105
Revenue from sales	706,187	547,036
Pre-tax profit on sales	260,827	207,856
Operating profit	89,268	203,764
Net profit on business activities	80,240	113,124
Net profit	80,240	113,124

In 2017, the Group earned the total net sales revenue of PLN 706,187 thousand. The pre-tax profit on sales was PLN 260,827 thousand. The operating profit, having taken into account the change in the valuation of commercial property and other operating expenses/revenue, totalled PLN 89,268 thousand and the Group recorded a net profit of PLN 80,240 thousand.

Factors and events that had a significant impact on the financial results of the LC Corp Group in 2017 included in particular:

1. sales of flats and retail units in the property development projects,
2. change of the EUR rate resulting in a decrease of the fair value of investment property whose valuation is made in EUR and is converted to PLN, in the amount of PLN 100,870 thousand and a decrease of the valuation of liabilities resulting from loans in EUR taken in connection with the construction of investment property in the amount of PLN 44,128 thousand.
3. revaluation at the end of 2017 of commercial property in companies: Arkady Wrocławskie S.A., Warszawa Przyokopowa Sp. z o.o., Sky Tower S.A. and LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. and LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k., in particular a drop in the valuation of Arkady Wrocławskie due to the change of the situation on the local retail property market in Wrocław and the first valuation of the Retro Office House building under construction in connection with a significant advancement of construction and commercialisation of the building.

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

The LC Corp Group did not publish any financial forecasts in 2017.

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

The detailed information about off-balance sheet items is presented in notes 28.3 and 28.5 of the Accounting principles (policy) and Additional notes to the Group's consolidated financial statements for the year 2017.

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

	31 December 2017		31 December 2016	
<b>Assets</b>				
<b>A. Non-current assets</b>	<b>1,920,718</b>	<b>58%</b>	<b>1,920,925</b>	<b>60%</b>
1. Intangible assets	452	0%	434	0%
2. Property, plant and equipment	5,749	0%	5,335	0%
2.1. Tangible assets	5,731	0%	5,321	0%
2.2. Tangible assets under construction	18	0%	14	0%
3. Non-current receivables	11,684	0%	7,191	0%
4. Land classified as fixed assets	86,254	3%	86,237	3%
5. Investment property	1,804,524	55%	1,810,369	57%
6. Non-current prepayments and accrued income	2,459	0%	387	0%
7. Deferred tax assets	9,596	0%	10,972	0%
<b>B. Current assets</b>	<b>1,378,931</b>	<b>42%</b>	<b>1,276,180</b>	<b>40%</b>
1. Inventories	977,865	30%	884,540	28%
2. Trade and other receivables	31,972	1%	26,667	1%
3. Income tax receivable	1,191	0%	187	0%
4. Current financial assets	16,915	1%	5,471	0%
5. Cash and cash equivalents	344,248	10%	354,851	11%
6. Current prepayments and accrued income	6,740	0%	4,464	0%
<b>C. Non-current assets classified as held for sale</b>	<b>-</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Total assets</b>	<b>3,299,649</b>	<b>100%</b>	<b>3,197,105</b>	<b>100%</b>

<b>Equity and liabilities</b>				
<b>A. Equity</b>	<b>1,448,376</b>	<b>44%</b>	<b>1,396,152</b>	<b>44%</b>
<b>I. Equity attributable to shareholders of the parent</b>	<b>1,448,376</b>	<b>44%</b>	<b>1,396,152</b>	<b>44%</b>
1. Initial capital	447,558	14%	447,558	14%
2. Other capitals	920,578	28%	835,470	26%
3. Net profit / (loss)	80,240	2%	113,124	4%
<b>II. Minority interest</b>	<b>-</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>B. Non-current liabilities</b>	<b>1,047,931</b>	<b>32%</b>	<b>1,109,453</b>	<b>35%</b>
1. Non-current liabilities on account of loans and bonds	902,108	27%	921,805	29%
2. Non-current liabilities on account of the acquisition of a subsidiary	37,641	1%	73,974	2%
3. Provisions	22	0%	22	0%
4. Deferred tax liability	108,160	3%	113,652	4%
<b>C. Current liabilities</b>	<b>803,342</b>	<b>24%</b>	<b>691,500</b>	<b>22%</b>
1. Current liabilities on account of loans and bonds	179,601	5%	170,167	5%
2. Current liabilities on account of the acquisition of a subsidiary	38,996	1%	38,996	1%
3. Non-current trade and other payables	118,423	4%	89,895	3%
4. Income tax payable	9,257	0%	5,554	0%
5. Provisions	1,799	0%	1,456	0%
6. Accrued expenses and revenue	455,266	14%	385,432	12%
<b>Total equity and liabilities</b>	<b>3,299,649</b>	<b>100%</b>	<b>3,197,105</b>	<b>100%</b>

The most important factors affecting the value of the balance-sheet items in the year ended 31 December 2017:

- a slight drop in the Investment Property item is associated mainly with the decrease of the EUR rate from 4.4240 to 4.1709 and with new expenditure incurred on these investment projects in 2017 and their valuation as at the end of 2017 (Note 18 to the consolidated financial statements),
- an increase in the Inventories is related to the acquisitions of new property in 2017, intended for development projects and the capitalisation of investment expenditure for the implemented projects,
- decrease in liabilities due to the acquisition of a subsidiary is associated with the payment of the next instalment of PLN 40,400 thousand made during the year,
- an increase in the Accrued Expenses and Revenue is related to an increase in the effected sales of property development projects (concerns payments made by clients).

In the Management Board's opinion, the Group's liquidity situation is very good – cash and current financial assets enabled the Group to pay its current financial liabilities on a timely basis. The non-current part includes mainly the loans refinancing investment properties: Arkady Wroclawskie, Sky Tower, Wola Center, Silesia Star Stage 1 and 2 and Retro House Office. The repayment of these loans is secured by the proceeds from the operation of investment property (from rental agreements). The proceeds gained from the sale of flats in the investment projects in Warsaw, Wrocław, Kraków, Gdańsk and Łódź are the source of repayment of corporate bonds as well as the loans financing the Group's residential segment.

#### 5.4 Assessment of financial management

Selected financial ratios:

<b>Profitability ratios</b>	<b>2017</b>	<b>2016</b>
1 EBITDA (PLN'000) (operating profit/(loss) + depreciation/amortisation)	90,302	204,678
2 <i>EBITDA (PLN'000)</i> <i>(net of revaluation, write-offs, reversed provisions)</i>	209,592	170,501

3	Operating profit margin (EBITDA/net revenue from sales)	12.8%	37.4%
4	<i>Operating profit margin (net of revaluation, write-offs, reversed provisions)</i>	29.7%	31.2%
5	Net profit margin (net profit/net revenue from sales)	11.4%	20.7%
6	Return on assets (ROA) (net profit/total assets)	2.4%	3.5%
7	Return on equity (ROE) (net profit/equity)	5.5%	8.1%
<b>Liquidity ratios</b>			
1	Current ratio current assets/(current liabilities)	4.1	4.3
2	Quick ratio (current assets – inventories)/(current liabilities)	1.2	1.3
<b>Debt ratios</b>			
1	Debt to equity (total liabilities/equity)	88.2%	92.7%
2	Debt to equity – net (total net liabilities/equity)	60.2%	64.5%
3	ND/E ratio (net interest-bearing debt/equity)	56.2%	60.9%
4	Total debt (total liabilities/total assets)	38.7%	40.5%

The above financial ratios for 2017 indicate a good financial standing of the Group. Changes in the ratios in terms of profitability are due mainly to the result of a significant change of the EUR rate and the influence of this change on the Group's gross profit.

Financial risk management, financial instruments and equity management are described in the consolidated financial statements, in notes 34, 35 and 36.

## 6. INFORMATION ABOUT PROCEEDINGS BEFORE COURTS, RELEVANT ARBITRATION AUTHORITY OR PUBLIC ADMINISTRATION AUTHORITY

As at 31 December 2017 no significant court litigation, arbitration or administrative proceedings are pending with regard to liabilities or claims of LC Corp S.A. or its subsidiaries the value of which would be significant from the point of view of the financial position of the Group's companies. The subsidiaries of LC Corp S.A. are a party to court and administrative proceedings the value of which has no material impact on their business or financial condition. Other litigation mostly refers to claims of the subsidiaries of LC Corp S.A. sought from their debtors. Provisions for litigation are presented in note 29 to the consolidated financial statements.

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

### 7.1. Changes in the Group's companies

On 17 January 2018 a change of the share capital of LC Corp Invest XIX Spółka z ograniczoną odpowiedzialnością from the amount of PLN 5,000 to PLN 50,000.00 was registered. The change in the share capital took place through the acquisition of new shares of the sole shareholder of the company, holding all the shares – LC Corp S.A.



## **7.2. Conclusion of hedging transactions to a loan agreement by Arkady Wrocławskie S.A.**

On 18 January 2018 Arkady Wrocławskie S.A. concluded on the basis of the Framework agreement for the mode of conclusion and settlement of transactions concluded on 29 December 2017 with Bank Zachodni WBK S.A., a transaction reducing the interest rate risk in the corridor of fluctuations of the Collar interest rate with regard to forward and derivative transactions related to the implementation of the provisions of the Annexe of 29 December 2017 to the Loan Agreement of 28 February 2008 for the amount of EUR 25 million. The transaction was concluded for the period from 18 January 2018 to 30 December 2022.

## **7.3. Establishing collaterals (including a surety) to the loan agreement concluded by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k.**

On 08/02/2018, the LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. company, as the borrower, and LC Corp Invest XVII Sp. z o.o., as the general partner, LC Corp S.A., as the limited partner, and LC Corp Invest XVII sp. z o.o. Projekt 22 Sp. k., as the limit debtor, established collaterals for mBank Hipoteczny S.A. and mBank S.A. to the loan agreement concluded on 20/12/2017. The loan is secured by mortgages on the land property belonging to the company established respectively: up to the amount of EUR 36,280,500.00 for mBank Hipoteczny S.A., up to the amount of EUR 15,000,000.00 and up to the amount of PLN 10,500,000.00 for mBank S.A., declaration of the borrower of voluntary submission to enforcement proceedings pursuant to Article 777 § 1.5 of the Code of Civil Procedure to the amount of EUR 36,280,500.00 for mBank Hipoteczny S.A. and up to the amount of EUR 15,000,000.00 and PLN 10,500,000.00 for mBank Hipoteczny S.A., an agreement for the transfer of receivables from all agreements concluded by the borrower related to the project carried out on the property, registered pledges on the rights to funds accumulated on all bank accounts of the borrower, a subordination agreement regarding receivables concluded by the borrower, LC Corp S.A. and other subsidiaries of the Issuer – LC Corp Invest XVII Sp. z o.o., and LC Corp Invest I Sp. z o.o. as subordinated creditors and mBank S.A. and mBank Hipoteczny S.A. as senior creditors, a support agreement concluded between the borrower, mBank Hipoteczny S.A., mBank S.A. and LC Corp S.A. as the guarantor, pursuant to which the guarantor will be obliged, among others, to provide financial support to the borrower under the circumstances specified in the agreement with a declaration of submission by LC Corp S.A. to enforcement pursuant to Art. 777 of the Code of Civil Procedure up to the amount of EUR 3,576,261.90, a surety agreement concluded between the borrower, mBank Hipoteczny S.A., mBank S.A. and LC Corp S.A. pursuant to which LC Corp S.A. will guarantee for the borrower up to a partial amount of the liabilities of the borrower in meeting the level of the DSCR ratio, commitment to conclude a support agreement with the borrower, mBank Hipoteczny S.A., mBank S.A. and LC Corp S.A., as the guarantor, pursuant to which the guarantor will be obliged, among others, to provide financial support to the borrower under the circumstances specified in the agreement with a declaration of submission to enforcement by LC Corp S.A. pursuant to Art. 777 of the Code of Civil Procedure up to the amount of EUR 558,660.50, pledges by registration for mBank Hipoteczny S.A. and mBank S.A. by LC Corp Invest XVII Sp. z o.o. as the general partner of the borrower and LC Corp S.A. as the limited partner with declarations of submission to enforcement pursuant to Art. 777 of the Code of Civil Procedure, registered pledges on the borrower's undertaking established for mBank Hipoteczny S.A. and mBank S.A. by the borrower with declarations of submission to enforcement pursuant to Art. 777 of the Code of Civil Procedure, contractual mortgages established by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. on land property belonging to this company up to the amount, respectively: up to EUR 36,280,500.00 for mBank Hipoteczny S.A. and up to the amount of EUR 15,000,000.00 for mBank S.A., declaration of LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k., of voluntary submission to enforcement for mBank Hipoteczny S.A. to the amount of EUR 36,280,500.00 and for mBank S.A. to the amount of EUR 15,000,000.00 pursuant to Article 777 § 1.5 of the Code of Civil Procedure, due to any monetary liabilities of the Company towards the Bank under the Loan agreement, registered pledges established by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. for mBank Hipoteczny S.A. and for mBank S.A. on the rights to the funds accumulated on all bank accounts of the company with declarations of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure and the power of attorney granted to these accounts, registered pledges established for mBank Hipoteczny S.A. and mBank S.A. by LC Corp Invest XVII Sp. z o.o. as the general partner of LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. with declarations of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure. In addition, the collaterals in connection with the conclusion of a framework agreement regarding the security against the foreign exchange risk and interest rate risk (hedging agreements) include a contractual mortgage to the amount of PLN 32,235,000, registered pledges on the rights to the funds accumulated on all bank accounts of the borrower to the maximum collateral amount of PLN 32,235,000 for mBank S.A. with a declaration of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure to the amount of PLN 32,235,000.



#### **7.4. Changes in the Management Board of LC Corp S.A.**

On 31 January 2018, the Supervisory Board of the Company dismissed Mr Jakub Malski from the composition of the Management Board of the Company and his position of First Vice-President of the Management Board of the Company effective 9 February 2018.

#### **7.5. Issue of bonds by LC Corp S.A. under the Bond Issue Scheme**

On 28 February 2018 there was an issue of 45,000 uncollateralised 4-year coupon bonds with the value of PLN 1 thousand each and total nominal value of PLN 45,000 thousand under the Bond Issue Scheme agreement signed with the banks Pekao S.A. in Warsaw and mBank S.A. (formerly: BRE Bank S.A.) in Warsaw which are to be redeemed on 28 February 2022.

#### **7.6. Acquisition and sale of property by the Group companies**

- 1) On 27 February 2018 the Issuer, as the seller, sold the ownership right to undeveloped land property situated in Gdańsk at ul. Starogardzka, marked by geodesic authorities as plot No. 153/1 of 0.7532 m<sup>2</sup>.
- 2) On 15 March 2018, a subsidiary of the Issuer, i.e. LC Corp Invest X Sp. z o.o., as the buyer, purchased the ownership right to land property situated in Wrocław at ul. Dożynkowa of the total area of 14.396 m<sup>2</sup> with other benefits arising from the agreement for the amount of PLN 11,680,000.00 net. The property concerned is intended for multi-family residential development.
- 3) On 16 March 2018 a protocol was signed from the public, unlimited oral tender (bidding) organised on 7 March 2018, announced by the Mayor of the City of Gdańsk, concerning the sale of undeveloped real property situated at ul. Letnicka in Gdańsk, with an area of 13,002 ha. The property is owned by the Municipality of Gdańsk. As a result of the tender the Issuer became the buyer of the property, who offered a purchase price in the amount of PLN 24,376,600.00 gross – including 23% VAT. The date of conclusion of the agreement transferring the ownership of the property in question was set for 9 April 2018.

Apart from the above-mentioned events, no other events occurred after 31 December 2017 that could significantly change the financial results of the LC Corp Group.

## **8. FACTORS SIGNIFICANT FOR THE COMPANY'S AND GROUP'S DEVELOPMENT AND PROSPECTS FOR ITS GROWTH**

### **8.1. Risk factors**

The risk factors described below, presented to the best knowledge of the Issuer, are, in the opinion of the Issuer, exhaustive, however, the Issuer reserves that as a result of the activities carried out by the Group companies, the presented list of risks may change. Risks difficult to predict at present, for example fortuitous risks or risks and independent of the Group may occur in the future. By presenting the risk factors in the following order, the Issuer was not motivated by the probability of their occurrence or the assessment of their importance.

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

The factors that could exert a negative impact on the Group's activity include the policy implemented by the banking sector with regard to property development companies, as the scale of giving loans to property development companies will have a significant influence on the scale of commencing new projects. The policy of the banking sector with regard to mortgage loans affects natural persons and also represents a substantial risk factor. More restrictive criteria adopted by banks to assess their clients' creditworthiness caused numerous new potential residential buyers to face the creditworthiness barrier. The lack of new credit solutions and the limited credit availability may be a factor reducing the demand for new flats and houses.

The situation on the residential market (fluctuations in demand/supply) also have a significant impact on the activities of the Group. The situation on the real estate market, shaping the levels of rent and the level of valuations of commercial property (through the yield rate implemented on the market) also has a significant influence. A gradual increase in the prices of flats is expected on the residential market, which can be influenced by the fact that the prices of property under construction are systematically increasing and that their number is limited by regulations regarding the marketing of agricultural land. Moreover, the number of premises purchased

for investment purposes may also increase, since the purchase of property is considered to be a more advantageous form of investing capital than bank deposits unless interest rates increase and this trend stops.

### **Foreign exchange risk**

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

The currency risk arising from the servicing of a foreign currency loan is minimised by collecting rents indexed against the currency of the loan financing the investment. The risk posed by time differences between invoicing and the repayment of the loan is minimised, depending on the market situation, by the purchase of a proper amount of currency at the dates of invoicing rents.

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

A drop of the EUR rate results in a decrease in the fair value of investment property whose valuation is made in EUR and converted to PLN, which is reflected in the "consolidated statement of comprehensive income" in "Revaluation of non-financial fixed assets" and a decrease in the valuation of liabilities due to loans in EUR taken out in connection with the construction of investment property, which is recognised in the "consolidated statement of comprehensive income" in "Financial income". As a result, a drop in the EUR rate decreases the consolidated gross profit.

Similarly, an increase in the EUR rate results in an increase in the fair value of investment property whose valuation is made in EUR and converted to PLN, which is reflected in the "consolidated statement of comprehensive income" in "Revaluation of non-financial fixed assets" and an increase in the valuation of liabilities due to loans in EUR taken out in connection with the construction of investment property, which is recognised in the "consolidated statement of comprehensive income" in "Financial income". As a result, an increase in the EUR rate increases the consolidated gross profit.

The change of the EUR rate is of a non-cash nature and has no effect on the ongoing situation and operating activities of the Group companies.

The correlation mentioned above is reflected among others in the Issuer's Current report No. 122/2017 of 31/10/2017, in which the impact of exchange differences on the result of the Issuer's Group for Q3 2017 has been presented in detail.

### **Interest rate risk**

The interest rate risk relates mainly to non-current financial liabilities, based on a floating interest rate. This risk is partly compensated by the indexation of revenue from lease in the Group companies managing commercial facilities. In some companies, financed by non-current investment loans, transactions are entered into, in accordance with the provisions of those loan agreements, to hedge against the interest rate risk, as well as hedge accounting is used. The interest rate risk may however translate also into lower availability of loans to finance the purchase of housing units by the customers of the group and decrease in investment attractiveness of the purchase of housing units for rent as an alternative to bank deposits. In addition, due to the fact that the Company finances its activities with the issued bonds and loans based primarily on a variable rate, changes in rates will also have a direct effect on the financial results.

### **Credit risk**

The Group concludes transactions with renowned companies of good credit capacity. Moreover, owing to the current monitoring of receivables, the Group's exposure to the risk of uncollectible receivables is negligible.

With regard to the Group's financial assets such as cash and cash equivalents, the Group's credit risk is minimal, because the Group deposits its funds in banks of good and stable financial standing. There is no significant concentration of credit risk in the Group.

### **Liquidity risk**

The Group aims to maintain a balance between the continuity and flexibility of financing, by means of using different sources of financing such as bank loans and bonds. The Group has its own funds to secure the current activity and ongoing projects, however in order to expand its business the Group needs to obtain additional financing by entering into bank loan agreements or issuing bonds. Maturity dates of successive repayments are adjusted to projected proceeds from the sale of respective projects.

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

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

### **Risk associated with the increase in construction costs**

In addition to the increase in the prices of real property, significant risk also includes the continuously growing costs of implementation of the project, resulting from the increase in prices of construction materials and deficit of construction workers as well as increase in their wages, and a large number of ongoing projects. The increase in the prices of workmanship will have a significant impact on the profitability of the implemented projects, especially if prices of flats and, accordingly, rents in relation to commercial projects will not increase proportionally. It is difficult to predict how these trends will develop in the near future.

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

Imperfections in the provisions of the Polish legislation lead to situations where the construction administration authorities may issue administrative decisions (e.g. building permit) which infringe the provisions of law, which in turn may result in such decisions being appealed against by third parties acting out of their self-interest. Appeals against such decisions (whether justified or not) may result in an interruption of the construction process, which translates directly into the deterioration in the project profitability, and thus into the investor's financial results. Another significant risk relates to the ever more frequent demands from the municipal authorities that make the issuance of building permits conditional on additional factors, not following from the law. The extension of the investment process is also affected by failures of administrative bodies and courts, which results in an increasing extension of the process of preparing the project before commencement.

### **Risk relating to legislative changes**

An additional risk for the group companies pursuing residential projects is the announced amendment of the property development act which is to introduce the obligation to have closed trust accounts in place of the existing open ones and the changes within the broadly understood construction law. The introduction of the obligation to have closed trust accounts may significantly revise the existing method of project financing through the necessity to credit the construction or finance it from own resources, but at the same time it may reduce competition on the market through the elimination of smaller developers. The next risk relating to legislative changes affecting the possibility of implementation of a project is the announced limitation of the possibility to issue or a total liquidation of decisions on the terms and conditions, which will limit investment opportunities.

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

The Group's activity will include in particular the sale of flats and houses. Therefore, 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 the performance of bonds for construction works granted to clients). It may have a significant negative influence on the Group's activity, financial conditions or results.

### **Competitive risk**

The Group companies, as owners of office, retail and service centres are exposed to significant competition from other similar facilities operating on the same markets or preparing to open. Particularly exposed in this respect are the companies running retail and service facilities in Wrocław in connection with the planned opening in Q3 2017 of the Wroclavia shopping centre. In practice, based on preliminary data regarding the turnover of the Arkady Wrocławskie shopping centre, this risk should be considered high. Also the development of the office and commercial real estate market can lead inter alia to the oversupply of office and retail and service properties. Potentially each of these risks separately as well as all of them in total may have a negative impact on the current activity, financial situation and results of the Group.

### **Risk related to real property prices and rental rates**

The profitability of the Group's undertakings is dependent inter alia on the prices of residential units and the level of rental rates for retail and office space in Poland. In the event of a decrease in these prices, this may have an impact on the Group's activity, financial position or results. The increase in the prices of investment property as well as a lack on the market of well-prepared projects with adopted development plans or decisions on building conditions enabling quick implementation of the project is also a significant risk. Currently, a developer must accept a higher risk when purchasing property and the necessity to obtain administrative decisions to enable their development, which raises the risk of a significant postponement of commencement of such projects.

An additional risk for the group companies managing shopping centres is posed by the introduced statutory ban on engaging in commercial activities on Sunday, which was initially a ban regarding two Sundays in a month but in 2019 this ban will apply to three Sundays and from 2020 - to all Sundays. This will result in the risk of reduction of rent and, as a consequence, the decrease in revenues.

Risk management in LC Corp S.A. is effected by a formalised process of regular identification, analysis and assessment of risk factors. The process of risk identification includes establishing relevant procedures and processes, whose introduction is aimed at eliminating or reducing the risk for the Company and for the Group.

### **8.2. Strategy**

The Group continues the implementation of its strategy, in line with the set objectives, described below:

- Product and geographical diversification

One of the key elements of the Group's strategy is to carry out property development projects in big Polish cities and their vicinity. The key cities, from the Group's perspective, include: Warsaw, Wrocław, Kraków and Gdańsk. In each of these cities it is planned to carry out several projects, in many locations and to varying standards, in order to offer products addressed to different target groups.

- Optimisation of commercial space in operating facilities, including also through the change of destination of commercial space for office use.

By responding to changing market conditions, the Group intends to continue the activities designed to optimise the space in operating commercial facilities, in particular in Wrocław, by replacing retail and service premises with office premises (this concerns mainly the Sky Tower facility).

- Extending the product and service range

The Group intends to expand its property development activity, in the scope of building and managing modern commercial space, office space in particular, thus ensuring the diversification of revenue sources.

- Maintaining the required level of project profitability

The company monitors the situation on a regular basis and accordingly starts the property development projects from its portfolio as well as monitors the property development market searching for projects which can ensure the required profitability in a given location and given market circumstances.

- Building the bank of land

By monitoring the land property market, particularly in big agglomerations, the Group consistently increases its bank of land. For the purpose of creating the bank of land, the Group acquires and intends to acquire plots in attractive locations, enabling it to carry out property development projects for at least the following five years of the Group's activity. At present, the Group holds plots in Warsaw, Wrocław and its neighbourhood, Kraków, Gdańsk, Łódź and Katowice, whereas in accordance with the decision taken, the Group plans to end its operations on the Łódź market.

- Maintaining the appropriate financing structure

The Group cooperates with renowned financial institutions. Founding on the quality of its possessed assets and experience of obtaining funds, the Group is able to finance up to 70% of its investments using bank loans or other external capital financing. Therefore, the Group can commit its own capital to numerous property development projects (as well as to the creation of the bank of land) and thus it is able to diversify the investment risk.

The strategy for 2018 and subsequent years provides for an increase in the Group's share in the Warsaw market.

## 9. EMPLOYMENT STRUCTURE IN LC CORP AND IN THE GROUP

### 9.1. Employment structure in LC Corp S.A.

The average employment in the Company in the year ended 31 December 2017 was as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
The Management Board	5.25	5.30
White collar workers / administrative staff	127.10	120.44
Blue collar workers	0	0
<b>Total</b>	<b>132.35</b>	<b>125.74</b>

### 9.1. Employment structure in the Group

The average employment in the Group in the year ended 31 December 2017 was as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Management Board of the Parent Undertaking	5.25	5.30
Management Boards of the Group's Entities (*)	0.50	0
Administration	105.92	105.07
Sales Department	45	45
Others	1	1
<b>Total</b>	<b>157.67</b>	<b>156.37</b>

(\*) members of the management boards of the Group's entities are persons from the Management Board of the Parent Undertaking

### 9.1. System of control over share-based staff incentive schemes

In 2017, the Company did not have any share-based staff incentive schemes.

## 10. INFORMATION ON THE MEMBERS OF THE ISSUER'S MANAGEMENT AND SUPERVISORY BOARDS

10.1. Value of remuneration, bonuses and benefits, including those obtained through incentive or bonus schemes based on shares, paid or due to members of the Management and Supervisory Boards and the information about the value of remuneration for members of LC Corp's Management and Supervisory Boards for functions performed in the authorities of subsidiary undertakings

Payments made to members of the Management Board of LC Corp SA in the period from 01/01/2017 to 31/12/2017:

Dariusz Niedośpiał – remuneration, including bonuses, totalled PLN 4,642 thousand; no share-based payments  
Joanna Jaskólska<sup>1</sup> – remuneration, including bonuses, totalled PLN 240 thousand; no share-based payments  
Jakub Malski – remuneration, including bonuses, totalled PLN 1,398 thousand; no share-based payments  
Mirosław Kujawski – remuneration, including bonuses, totalled PLN 4,233 thousand; no share-based payments  
Tomasz Wróbel – remuneration, including bonuses, totalled PLN 1,442 thousand; no share-based payments  
Małgorzata Danek – remuneration, including bonuses, totalled PLN 1,407 thousand; no share-based payments  
Radosław Stefurak – remuneration, including bonuses, totalled PLN 240 thousand; no share-based payments

<sup>(1)</sup> On 30 June 2016 Joanna Jaskólska resigned from the function of Vice-President of the Management Board – remuneration for 2016 paid in 2017.

Payments made to members of the Supervisory Board of LC Corp SA in the period from 01/01/2017 to 31/12/2017:

Leszek Czarnecki<sup>1</sup> – remuneration totalled PLN 0; no share-based payments  
Remigiusz Baliński<sup>2</sup> – remuneration totalled PLN 18 thousand; no share-based payments  
Andrzej Błażejowski<sup>3</sup> – remuneration totalled PLN 8 thousand; no share-based payments  
Zbigniew Dorenda<sup>4</sup> – remuneration totalled PLN 8 thousand; no share-based payments  
Joanna Gransort<sup>5</sup> – remuneration totalled PLN 19 thousand; no share-based payments  
Grzegorz Korczyński<sup>6</sup> – remuneration totalled PLN 19 thousand; no share-based payments  
Michał Hulbój<sup>7</sup> – remuneration totalled PLN 37 thousand; no share-based payments  
Paweł Małyska<sup>7</sup> – remuneration totalled PLN 29 thousand; no share-based payments  
Michał Kowalczewski<sup>8</sup> – remuneration totalled PLN 22 thousand; no share-based payments  
John Bańka<sup>8</sup> – remuneration totalled PLN 14 thousand; no share-based payments  
Jacek Osowski<sup>8</sup> – remuneration totalled PLN 18 thousand; no share-based payments  
Grzegorz Grabowicz<sup>8</sup> – remuneration totalled PLN 19 thousand; no share-based payments  
Krzysztof Kaczmarczyk<sup>8</sup> – remuneration totalled PLN 18 thousand; no share-based payments

<sup>(1)</sup> On 20/09/2017, Leszek Czarnecki resigned from membership in the Supervisory Board effective 20/09/2017.

<sup>(2)</sup> On 28/09/2017, Remigiusz Baliński resigned from membership in the Supervisory Board effective 30/09/2017.

<sup>(3)</sup> On 27/04/2017, mandates of all members of the Supervisory Board expired, and Andrzej Błażejowski was not appointed to the new composition of the Supervisory Board

<sup>(4)</sup> On 19/10/2017 dismissed from the Supervisory Board

<sup>(5)</sup> On 19/10/2017 dismissed from the Supervisory Board

<sup>(6)</sup> On 19/10/2017 dismissed from the Supervisory Board

<sup>(7)</sup> On 27/04/2017 appointed to the Supervisory Board, and after dismissing all members of the Supervisory Board on 19/10/2017 re-appointed to the Supervisory Board

<sup>(8)</sup> On 19/10/2017 appointed to the Supervisory Board

## 10.2. Holding of the Issuer's shares or rights to such shares by its management and supervisory staff as at the reporting date

### Supervisory staff holding the Issuer's shares

Full name	Function in the body	Holding of the Issuer's shares as at 31/12/2016	Increase	Decrease	Holding of the Issuer's shares as at 31/12/2017
Leszek Czarnecki <sup>(1)</sup>	Chairman of the Supervisory Board	636,081		636,081	n/a
Remigiusz Baliński <sup>(2)</sup>	Vice-Chairman of the Supervisory Board	32,722			n/a
Andrzej Błażejowski <sup>(3)</sup>	Vice-Chairman of the Supervisory Board	176,742	-	-	n/a
Joanna Gransort <sup>(4)</sup>	Member of the Supervisory Board	-			n/a
Grzegorz Korczyński <sup>(4)</sup>	Member of the Supervisory Board	-			n/a

Paweł Małyśka <sup>(4)</sup>	Member of the Supervisory Board	-	-	-	-
Michał Hulbój <sup>(4)</sup>	Chairman of the Supervisory Board	-	-	-	-
Michał Kowalczewski <sup>(4)</sup>	Vice-Chairman of the Supervisory Board	n/a			-
Jacek Osowski <sup>(4)</sup>	Member of the Supervisory Board	n/a			-
Krzysztof Kaczmarczyk <sup>(4)</sup>	Member of the Supervisory Board	n/a			-
John Banka <sup>(4)</sup>	Member of the Supervisory Board	n/a			-
Grzegorz Grabowicz <sup>(4)</sup>	Member of the Supervisory Board	n/a			-

- (1) data as at 20 September 2017 – on that date Leszek Czarniecki resigned from membership in the Supervisory Board and disposed of all shares held by him and by his subsidiaries; the total number of shares held directly and indirectly by Leszek Czarniecki and by his subsidiaries as at 31/12/2016, amounted 229,359,795 shares
- (2) data as at 30 September 2017 – on 28 September 2017 Remigiusz Baliński resigned from membership in the Supervisory Board effective 30 September 2017.
- (3) on 27 April 2017 the mandate of the member of the Supervisory Board expired
- (4) on 19 October 2017, the Extraordinary General Meeting of the Issuer dismissed all members of the Supervisory Board from the composition of the Supervisory Board of the Issuer: Mrs Joanna Gransort, Mr Michał Hulbój, Mr Grzegorz Korczyński and Mr Paweł Małyśka, appointing at the same time the new composition of the Supervisory Board comprising: Mr Michał Hulbój as Chairman, Mr Michał Kowalczewski as Vice Chairman, Mr Jacek Osowski, Mr Krzysztof Kaczmarczyk, Mr John Richard Banka, Mr Paweł Małyśka and Mr Grzegorz Grabowicz.

#### Management staff holding the Issuer's shares

Full name	Function in the body	Holding of the Issuer's shares as at 31/12/2016(*)	Increase	Decrease	Holding of the Issuer's shares as at 31/12/2017
Dariusz Niedośpiał	President of the Management Board	158,791	-	-	158,791
Jakub Malski <sup>(1)</sup>	First Vice President of the Management Board	9,830	-	-	9,830
Tomasz Wróbel	Member of the Management Board	-	-	-	-
Mirosław Kujawski	Member of the Management Board	-	-	-	-
Małgorzata Danek	Member of the Management Board	15,000	-	-	15,000
Radosław Stefurak <sup>(2)</sup>	Member of the Management Board	11,280	-	-	11,280

(1) On 31/01/2018, Jakub Malski was dismissed from the Management Board of the Company effective 09.02.2018.

(2) Radosław Stefurak was appointed to the Management Board on 17/07/2017 effective 01/10/2017.

#### 10.3. 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 concluded by the Issuer and Members of the Management Board anticipate payments of six months' remuneration in the case the Company terminates any such contract, and in the case of removal of a member of the management board or failure to appoint him for the new term after a change of the majority shareholder, the contracts anticipate the obligation to pay compensation equivalent to eighteen months' remuneration.



## 11. ADDITIONAL INFORMATION

### 10.1. Major achievements in research and development

In 2017 neither the Company nor any of the Group's companies reported any major research and development achievements.

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

In 2017, the Company nor any of the Group companies did not acquire any shares.

### 10.3. Branches of the Group's undertakings

The Company nor the Group companies have any branches.

## 12. SUMMARY

In the year 2017 the activity was focused on carrying out investment projects and searching for real estate for new investment projects for the Group's companies and managing commercial buildings by the Group's companies. While maintaining its financial security, the Group continued its investment projects and significantly expanded its offer through appropriate acquisitions. The Group's strategy assumes maintaining the scale of residential activity in the following years at a level achieved in 2017 (both in terms of sales volume and margins), as well as the strengthening of the other sector of its business, i.e. activity in the area of commercial property (mainly office space).

In the Management Board's opinion, the operating results and margins achieved in 2017 were satisfactory.

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

2017

On 12 June 2017, an agreement was concluded with Ernst & Young Audyt Polska Sp. z o.o. Sp. k., seated in Warsaw, on the audit of the financial statements and consolidated financial statements of LC Corp S.A. for the year 2017. The remuneration under the above agreement totals PLN 100 thousand net. An agreement on the review of the financial statements and consolidated financial statements of LC Corp S.A. for the half of 2017 was concluded on 12 June 2017. The remuneration under this agreement totals PLN 55 thousand net.

In 2017, Ernst & Young Audyt Polska Sp. z o.o. Sp. k. also concluded agreements on the audit of the separate financial statements for 2017 of Arkady Wrocławskie S.A., Warszawa Przyokopowa Sp. z o.o., Sky Tower S.A., LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k., LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k., LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k., Kraków Zielony Złocień Sp. z o.o. and LC Corp Invest XI Sp. z o.o., the total remuneration on account of the above agreements was PLN 190 thousand.

2016

On 10 October 2016, an agreement was concluded with Ernst & Young Audyt Polska Sp. z o.o. Sp. k., seated in Warsaw, on the audit of the financial statements and consolidated financial statements of LC Corp S.A. for the year 2016. The remuneration under the above agreement totals PLN 100 thousand net. An agreement on the review of the financial statements and consolidated financial statements of LC Corp S.A. for the first half of 2016 was concluded on 11 July 2016. The remuneration under this agreement totals PLN 55 thousand net.

In 2016, Ernst & Young Audyt Polska Sp. z o.o. Sp. k. concluded agreements on the audit of the separate financial statements for 2016 of Arkady Wrocławskie S.A., Warszawa Przyokopowa Sp. z o.o., Sky Tower S.A., LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k., LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k., Kraków Zielony Złocień Sp. z o.o. and LC Corp Invest XI Sp. z o.o., the total remuneration on account of the above agreements was PLN 175 thousand.



#### 14. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE RULES

The declaration on the application of the Corporate Governance rules is attached to this report.

#### 15. DECLARATION OF THE MANAGEMENT BOARD

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

Drawn up in: Wrocław, on 19 March 2018

Dariusz Niedośpiał – President of the Management Board

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Małgorzata Danek – Member of the Management Board

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Mirosław Kujawski – Member of the Management Board

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Tomasz Wróbel – Member of the Management Board

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Radosław Stefurak – Member of the Management Board

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