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Events Having Significant Impact on 2018 Financial Results

Legal basis: Article 17(1) of MAR - inside information

In conjunction with the publication of the 2018 consolidated annual report, which has been scheduled for 25 April 2019, the Management Board of LC Corp S.A., "the Issuer", informs that:

I.

The LC Corp Group has recognised in the 2018 financial results amounts resulting from a substantial change in the EUR exchange rate which has had a significant impact on the gross profit or loss within the period, i.e.:

1) For 2018 cumulatively (a period from 01/01/2018 to 31/12/2018):

- An increase in the fair value of investment property, the valuation of which is made in EUR and translated into PLN, in an amount of PLN 54,213,000. This amount will be disclosed in the consolidated statement of comprehensive income under "Revaluation of non-current non-financial assets";
- An increase in the measurement of loan liabilities resulting from loans taken out in EUR for the construction of investment property in an amount of PLN 17,846,000. This amount will be disclosed in the consolidated statement of comprehensive income under "Financial expenses".

The impact of the aforementioned change in the EUR exchange rate (as at 31 December 2018, the EUR exchange rate stood at PLN 4.3000, which meant an increase by PLN 0.1291 compared to the EUR exchange rate published on 31 December 2017, which amounted to PLN 4.1709), on the 2018 consolidated gross profit or loss of the Group totalled PLN 36,367,000 and resulted in an increase in the consolidated gross profit by the said amount.

2) For Q4 2018 cumulatively (a period from 01/10/2018 to 31/12/2018):

- An increase in the fair value of investment property, the valuation of which is made in EUR and translated into PLN, in an amount of PLN 12,011,000. This amount will be disclosed in the consolidated statement of comprehensive income under "Revaluation of non-current non-financial assets";
- An increase in the measurement of loan liabilities resulting from loans taken out in EUR for the construction of investment property in an amount of PLN 3,901,000. This amount will be disclosed in the consolidated statement of comprehensive income under "Financial expenses".

The impact of the aforementioned change in the EUR exchange rate (as at 31 December 2018, the EUR exchange rate stood at PLN 4.3000, which meant an increase by PLN 0.0286 compared to the EUR exchange rate published on 30 September 2018, which amounted to PLN 4.2714), on the consolidated gross profit or loss of the Group for Q4 2018 totalled PLN 8,110,000 and resulted in a decrease in the consolidated gross profit by the said amount.

The change in the EUR exchange rate is of a non-cash nature and has no bearing on the current position and operating activities of the LC Corp companies.

II.

The LC Corp Group has recognised in the 2018 financial results significant amounts resulting from a substantial change in the fair value of investment property, which has had a significant impact on the gross profit or loss within the period, i.e.:

- a) Due to considerable progress on the construction works and the commercialisation of the Wola Retro Building in Warsaw, the first fair value valuation of the investment property under construction, i.e. Wola Retro, has been recognised. As at 31/12/2018, the fair value of the property amounted to EUR 42,500,000, whereas the impact of the recognition of the valuation on the gross profit or loss totalled EUR 17,008,000 (PLN 73,135,000);
- b) Due to the fact that the situation on the Wrocław's local retail real estate market has changed and having considered a revision of estimates pertaining to the net operating result of Arkady Wrocławskie S.A., the fair value valuation of Arkady Wrocławskie dropped and as at 31/12/2018 amounted to EUR

- 69,340,000, which means a decrease in the property value in an amount of EUR 22,560,000 (PLN 85,144,000), of which EUR 10,660,000 (PLN 43,550,000) has been disclosed in the result for Q4 2018;
- c) The value of investment property, Silesia Star in Katowice and Retro Office House in Wrocław, corresponds to values determined in preliminary sales and purchase agreements pertaining to Silesia Star in Katowice and Retro Office House in Wrocław (which was communicated by the Issuer in its Statement no. 12/2019 of 11/04/2019) and totals:
- Silesia Star – the property fair value as at 31/12/2018 amounted to EUR 54,375,000;
 - Retro Office House – the property fair value as at 31/12/2018 amounted to EUR 58,800,000.

The following figures relate to the fair value of investment property of the Group as at 31 December 2018:

- Arkady Wrocławskie – EUR 69,340,000
- Wola Center – EUR 102,300,000
- Sky Tower – EUR 121,400,000
- Silesia Star – EUR 54,375,000
- Retro Office House – EUR 58,800,000
- Wola Retro – EUR 43,500,000

The following figures relate to the fair value of investment property of the Group as at 30 September 2018:

- Arkady Wrocławskie – EUR 80,000,000
- Wola Center – EUR 104,400,000
- Sky Tower – EUR 122,190,000
- Silesia Star – EUR 63,560,000
- Retro Office House – EUR 55,910,000

The following figures relate to the fair value of investment property of the Group as at 31 December 2017:

- Arkady Wrocławskie – EUR 91,900,000
- Wola Center – EUR 104,400,000
- Sky Tower – EUR 122,190,000
- Silesia Star – EUR 63,560,000
- Retro Office House – EUR 37,872,000

The changes in valuations presented above will be disclosed in the consolidated statement of comprehensive income under "Revaluation of non-current non-financial assets".

The impact of the disclosure of changes in investment property valuation referred to in item II on the consolidated gross profit or loss of the Group (excluding the impact of the change in the EUR exchange rate described in item I above) totalled PLN 38,139,000, resulting in a decrease in the consolidated gross profit by the said amount. The change in the aforesaid valuations is of a non-cash nature.

The overall impact of the changes referred to in items I and II on the 2018 consolidated gross financial result of the Group amounted to PLN 1,772,000, resulting in a decrease in the consolidated gross profit by the said amount.

The change in the aforesaid valuations is of a non-cash nature.

III.

LC Corp S.A. recognised in the 2018 financial results substantial amounts having a significant impact on the financial gross profit or loss within the period, in respect of:

- Dividends received and share in profit, the total amount of which, as disclosed in the statement of comprehensive income for 2018, was PLN 136,899,000. The said amount was recognised in full in the results covering three quarters of 2018;
- The change in the value of write-downs of the Issuer's shares in companies in an amount of PLN 2,634,000. The said amount will increase the Issuer's separate financial result for 2018. A negative (-) amount of PLN 3,386,000 has been recognised in the company's result for Q4 2018.

These revenues have no effect on the consolidated financial statements of the LC Corp Group.

This information, according to the Issuer's Management Board, constitutes inside information within the meaning of Article 17(1) of the European Parliament and of the Council (EU) No. 596/2014 of 16 April 2014 on market abuse.

Z komentarzem [UsW1]: W oryginale jest samo "136.899", ale przypuszczalnie to błąd i powinno być "136.899 tys. zł" co uwzględniono już w tłumaczeniu