



**MANAGEMENT BOARD'S REPORT  
ON LC CORP GROUP'S OPERATIONS  
IN THE FIRST HALF OF 2010**

**Wrocław, August 26<sup>th</sup> 2010**

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## **RULES FOR PREPARING LC CORP GROUP'S MID-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

LC Corp Group, where LC Corp is the Parent Undertaking, is obliged to draw up its consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the European Union.

LC Corp Group's mid-year condensed consolidated financial statements for the reporting period from January 1<sup>st</sup> 2010 to June 30<sup>th</sup> 2010 were drawn up in accordance with the International Financial Reporting Standards ("IFRS") in their form adopted by the EU, applying to mid-year financial reporting.

Information on the rules used for drawing up mid-year condensed consolidated financial statements of the Group are also presented in Note 6 to the enclosed mid-year condensed consolidated financial statements.

Changes in the accounting rules used by LC Corp Group and their impact on the Group's accounting policy and methods of data presentation are described in Note 4 to the enclosed mid-year condensed consolidated financial statements.

### **I. BASIC INFORMATION**

LC Corp Group (the "Group") consists of LC Corp S.A. and its subsidiary undertakings.

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

The Parent Undertaking has been assigned statistical identification number REGON 020246398 and NIP 899-25-62-750.

LC Corp's share capital totals PLN 447,558,311 (fully paid-up).

The Parent Undertaking and the Group's subsidiaries have been established for an indefinite time. The Parent Undertaking's primary activity is:

- PKD 64.20.Z Activities of financial holding companies

The subsidiaries' primary activity is carrying out construction projects on the land belonging to these companies, for the purpose of further renting and selling residential and commercial property.

LC Corp B.V., controlled by Leszek Czarnecki, is the Parent Undertaking of LC Corp S.A. and the whole Group.

As at June 30<sup>th</sup> 2010 the LC Corp Group comprised LC Corp SA and the following subsidiaries of LC Corp SA:

- Arkady Wrocławskie S.A. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- Katowice Ceglana Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- Vratislavia Residence Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Dębowa Ostoja Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Bajkowy Park Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Szmaragdowe Wzgórze Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Stabłowice Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Pustynna Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- Warszawa Przy Promenadzie Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- Warszawa Przy Promenadzie Sp. z o.o. Sp. k. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- Warszawa Przyokopowa Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- Warszawa Rezydencja Kaliska Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- Kraków Zielony Złocień Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Osiedle Pustynna Sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4,

The subsidiary companies are fully consolidated, and associated companies are valued with the equity method.

## MB Report on LC Corp Group's operations in the first half of 2010

### Group's organisational structure as at June 30<sup>th</sup> 2010



#### 1. Major changes in the Group in H1 2010

In the period of 6 months ended June 30<sup>th</sup> 2010, there were no changes in the composition of the Group. The composition of the LC Corp Group as at June 30<sup>th</sup> 2010 and as at December 31<sup>st</sup> 2009 is presented in Note 2, in the enclosed mid-year condensed consolidated financial statements.

#### 2. Scope of business

The Group's core activity comprises property development, related to the construction projects underway, and the core activity of LC Corp, reflected in REGON, i.e. the statistical records system, includes activities of financial holding companies, management and consulting activities in the scope of business management, and development and sale of own property.

Over the period from January 1<sup>st</sup> 2010 to June 30<sup>th</sup> 2010 LC Corp SA and the Group were implementing the strategy compliant with the company's core activity, i.e. investment activity.

## **MB Report on LC Corp Group's operations in the first half of 2010**

### **3. Group's share capital as at June 30<sup>th</sup> 2010**

#### **3.1. Ownership structure of significant blocks of the Issuer's shares**

As at June 30<sup>th</sup> 2010 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 of LC Corp SA as at the date of submitting the report for Q1 2010, according to the information obtained by the Issuer**

Shareholder	Number of shares	Number of votes	Share % in share capital	Share % in vote at general meeting
Leszek Czarnecki directly and indirectly*	229,126,674	229,126,674	51.19%	51.19%
including: LC Corp B.V. seated in Amsterdam	214,701,110	214,701,110	47.97%	47.97%
ING Otwarty Fundusz Emerytalny	32,684,371	32,684,371	7.30%	7.30%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	55,000,000	55,000,000	12.29%	12.29%

\* Leszek Czarnecki directly holds 14,424,564 shares constituting 3.22% of the share capital and 3.22% share in the vote at the General Meeting, and indirectly through his subsidiary undertakings Leszek Czarnecki holds 214,702,110 shares constituting 47.97% of the share capital and 47.97% share in the vote at the General Meeting. Leszek Czarnecki's subsidiary undertaking is LC Corp. B.V seated in Amsterdam holding 214,701,110 shares constituting 47.97% of the share capital and 47.97% share in the vote at the General Meeting and RB Investcom Sp. z o.o. seated in Wroclaw holding 1,000 shares constituting 0.0002% of the share capital and 0.0002% share in the vote at the General Meeting.

#### **Ownership structure of significant blocks of the Issuer's shares as at the date of submitting the mid-year consolidated financial statements for H1 2010, according to the information obtained by the Issuer.**

#### **Shareholders possessing, directly or indirectly, at least 5% of the total vote at the General Meeting of LC Corp SA:**

Shareholder	Number of shares	Number of votes	Share % in share capital	Share % in vote at general meeting
Leszek Czarnecki directly and indirectly*	229,126,674	229,126,674	51.19%	51.19%
including: LC Corp B.V. seated in Amsterdam	214,701,110	214,701,110	47.97%	47.97%
ING Otwarty Fundusz Emerytalny	32,684,371	27,774,961	7.30%	7.30%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK **	55,000,000	55,000,000	12.29%	12.29%

\* Leszek Czarnecki directly holds 14,424,564 shares constituting 3.22% of the share capital and 3.22% share in the vote at the General Meeting, and indirectly through his subsidiary undertakings Leszek Czarnecki holds 214,702,110 shares constituting 47.97% of the share capital and 47.97% share in the vote at the General Meeting. Leszek Czarnecki's subsidiary undertaking is LC Corp. B.V seated in Amsterdam holding 214,701,110 shares constituting 47.97% of the share capital and 47.97% share in the vote at the General Meeting and RB Investcom Sp. z o.o. seated in Wroclaw holding 1,000 shares constituting 0.0002% of the share capital and 0.0002% share in the vote at the General Meeting.

In the period following the submission of the report for Q1 2010 there were no changes in the ownership structure of significant blocks of the Issuer's shares.

#### **3.2. Holding of the Issuer's shares or options by the management staff and the supervisory staff**

## MB Report on LC Corp Group's operations in the first half of 2010

Full name	Function in the body	Holding of the Issuer's shares as at May 14 <sup>th</sup> 2010 (*)	Increase	Decrease	Holding of the Issuer's shares as at August 26 <sup>th</sup> 2010
<b>Supervisory staff</b>					
Leszek Czarniecki	Chairman of the Supervisory Board	14,424,564	-	-	14,424,564
Andrzej Błażejewski	Vice-Chairman of the Supervisory Board	20,000	-	-	20,000
Ludwik Czarniecki	Member of the Supervisory Board	10,000	-	-	10,000
Artur Wiza	Member of the Supervisory Board	14,000	-	-	14,000
Remigiusz Baliński	Member of the Supervisory Board	65,445	-	-	65,445
<b>Management staff</b>					
Dariusz Niedośpał	President of the Management Board	6,000	-	-	6,000
Waldemar Czarniecki	Member of the Management Board	-	-	-	-
Joanna Jaskólska	Member of the Management Board	6,000	-	-	6,000

(\*)pursuant to the information included in the quarterly report for Q1 2010

### 3.3. Share capital of LC Corp's subsidiary undertakings as at June 30<sup>th</sup> 2010

Subsidiary undertaking	Share capital as at June 30 <sup>th</sup> 2010 PLN	Share of LC Corp S.A.
Arkady Wrocławskie S.A.	113,700,000 (paid up in the amount of 108,700,000)	100 %
Katowice Ceglana Sp. z o.o.	36,000,000	99.99 %
Vratislavia Residence Sp. z o.o.	88,000,000	100 %
Warszawa Przy Promenadzie Sp. z o.o.	1,500,000	100 %
Warszawa Przyokopowa Sp. z o.o.	3,000,000	81.67 %
Warszawa Rezydencja Kaliska Sp. z o.o.	4,500,000	100 %
Kraków Zielony Złocień Sp. z o.o.	6,000,000	100 %
LC Corp Dębowa Ostoja Sp. z o.o.	1,000,000	100 %
LC Corp Pustynna Sp. z o.o.	50,000	100 %
LC Corp Stabłowice Sp. z o.o.	23,000,000	100 %
LC Corp Bajkowy Park Sp. z o.o.	1,000,000	100 %
LC Corp Szmaragdowe Wzgórze Sp. z o.o.	13,500,000	100 %
Łódź Pustynna Sp. z o.o.	8,000,000	100 %
Warszawa Przy Promenadzie Sp. z o.o. Sp.k.*	10,000	99%

\* owing to the fact that Warszawa Przy Promenadzie Sp. z o.o. Sp.k. is a limited partnership, the item presented in the table above as share capital refers to the amount of the commendam sum

## II. GROUP'S ACTIVITY IN H1 2010

In the first half of 2010 LC Corp focused its activities on administrating, managing and exercising owner's supervision over its subsidiary undertakings and acquiring funds for their project related activity. LC Corp's

subsidiary undertakings were active on the property development market continuing their projects or preparing to start building projects as well as managing a modern office and retail complex, Arkady Wrocławskie.

## **1. Ongoing property development projects**

### **1.1. Osiedle Przy Promenadzie in Warsaw (stage III)**

The project is implemented by Warszawa Przy Promenadzie Sp. z o.o. It is stage III of the housing estate 'Przy Promenadzie' in the Gołław district, Praga-Południe in Warsaw. A residential building comprising 90 apartments and 6 retail premises is constructed on the plot of 32,000 m<sup>2</sup>, located at the junction of ul. Rechniewskiego and ul. Anińska. The construction works and pre-sales of apartments started in July 2009; it is planned to complete the project at the beginning of Q4 2010. Works are carried out in the general contracting system.

### **1.2. Rezydencja Kaliska in Warsaw**

The project is implemented by Warszawa Rezydencja Kaliska Sp. z o.o. on the plot of 4,999 m<sup>2</sup>, located in ul. Kaliska and ul. Niemcewicza (at the boundary of the Śródmieście and Ochota districts in Warsaw). The location of the plot is attractive, several hundred meters away from the very centre of Warsaw, close to Aleje Jerozolimskie, next to the city square. The residential building will comprise 94 high standard apartments and 6 retail premises.

The construction works started in August 2009 and in September 2009 pre-sales of apartments commenced. Completion of the project is planned in Q1 2011. Construction works are carried out in the general contracting system.

### **1.3. 'Osiedle Dębowa Ostoja' project in Łódź**

The project is carried out by LC Corp Dębowa Ostoja Sp. z o.o. on the property of 73,156 m<sup>2</sup>. It will be an estate composed of detached houses, located in ul. Spadkowa, Bałuty, in Łódź, close to the road out of the city (ul. Aleksandrowska ) to Konin and Poznań. The project consists in the construction of about 150 single-family, two-storey, terraced, semi-detached, and detached houses and the so-called city villas (about 4-6 apartments in the building corpus of a single-family house). In June 2010 works related to the infrastructure for the whole area and construction of stage I consisting of about 22 terraced houses were started. Construction works are carried out in the general contracting system.

### **1.4. Zielony Złocień in Krakow**

The 'Osiedle Zielony Złocień' project is carried out by Kraków Zielony Złocień Sp. z o.o. on the plot of 10.22 ha., located in the Bieżanów-Złocień district in Kraków. The company has obtained a planning permission for this area, on the basis of which a housing estate has been designed for 1658 flats. The company has also the final building permits for about 1000 apartments. In June 2010 works related to the construction of stage I were started. Construction works are carried out in the general contracting system.

### **1.5. Project in ul. Przyokopowa in Warsaw**

The project concerning an office and retail building is implemented by Warszawa Przyokopowa Sp. z o.o., on the property located in Warsaw in ul. Grzybowska and ul. Przyokopowa. The building will be situated near the very centre of Warsaw. On April 2<sup>nd</sup> 2010 the company obtained a planning permission, which became final on April 27<sup>th</sup> 2010. The contractor was selected to carry out the demolition and preparatory works whose completion will make it possible to start the construction works. At present, the activities necessary to start construction works and obtain a building permit are in progress. On the basis of estimates the building will offer rental space of about 31,000 m<sup>2</sup>.

## **2. Property development projects under preparation**

### **2.1. Project in Łódź in ul. Pustynna**

The project is carried out by LC Corp Osiedle Pustynna Sp. z o.o. on the plot located in Łódź, at ul. Pustynna no. 43. An estate composed of terraced houses will be constructed there. The company expects to obtain a building permit in Q3 2010.

### **2.2. Projects in Gdańsk**

- the 'Osiedle Bajkowy Park' project will be carried out by LC Corp Bajkowy Park Sp. z o.o. in the southern part of Gdańsk-Mańkowy in ul. Starogardzka. At present the designing works are in progress. The planned total usable area of flats will amount to about 42,735 m<sup>2</sup>, and the total commercial area will amount to about 11,362 m<sup>2</sup>.
- the 'Osiedle Szmaragdowe Wzgórze' project is carried out by LC Corp Szmaragdowe Wzgórze Sp. z o.o. in the Łostowice District. On the purchased property a project consisting in the construction of a housing estate

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will be completed in two stages: Szmaragdowe Wzgórze I (with a total floor space and usable space of 26,900 m<sup>2</sup>), and Szmaragdowe Wzgórze II (with a total floor space and usable space of 20,150 m<sup>2</sup>).

### **2.3. Vratislavia Residence in Malin near Wrocław**

The project is carried out by Vratislavia Residence Sp. z o.o. on the property located in Malin near Wrocław. It will include a luxurious housing estate composed of detached and terraced houses (with the total usable floor space of about 158.8 thousand m<sup>2</sup>) and a retail and entertainment part.

### **2.4. Projects in Katowice**

- the project is carried out by Katowice Ceglana Sp. z o.o. on the property located in Katowice, in ul. Ceglana, having a total area of 103,940 m<sup>2</sup>, intended for a high standard residential development. On June 30<sup>th</sup> 2010 the Local Area Development Plan has been approved, which was indispensable for carrying out the project in line with the Company's concept. Furthermore, the works related to levelling and preparation of the site for construction were started.
- the project in ul. Roździeńskiego is implemented by LC Corp Stabłowice Sp. z o.o. on the property having the area of 0.9938 ha, intended for office, residential, and commercial development. At present the ongoing designing works focus on the selection of a conceptual design.

Furthermore, in the first half of 2010 actions were taken to acquire land for new projects. Taking part in the tender announced by the Mayor of Wrocław for acquisition of land located in Wrocław, in the Jagodno section, LC Corp Pustynna Sp. z o.o. won two tenders, as a result of which it entered into agreements on acquisition of real estate described in item V.2.

## **III. ASSET, FINANCIAL AND REVENUE POSITION OF LC CORP GROUP IN H1 2010**

<b>Basic economic and financial figures</b>	<b>Position as at June 30<sup>th</sup> 2010 PLN'000</b>	<b>Position as at June 30<sup>th</sup> 2009 PLN'000</b>
Non-current assets	440,850	679,915
Current assets	795,218	1,033,765
Equity	947,062	970,914
Liabilities and provisions for liabilities	289,006	742,766
Balance-sheet total	1,236,068	1,713,680
Revenue from sales	96,808	24,297
Profit (loss) on sales	40,545	18,199
Operating profit (loss)	36,739	34,792
Pre-tax profit (loss)	34,526	9,067
Net profit (loss)	26,189	6,227

In the period ended June 30<sup>th</sup> 2010, the Company earned net revenue from sales in the total amount of PLN 96,808,000 and net profit of PLN 26,189,000.

Major factors and events which had a material impact on the financial results of the LC Corp Group in the period of 6 months ended June 30<sup>th</sup> 2010 include in particular:

1. transferring, on the basis of a notarial deed, the title to a part of apartments in the Przy Promenadzie project, stage II – realisation of a part of profit from the sales of apartments in this project
2. realisation of planned profit from the operation of a retail and office centre, Arkady Wrocławskie

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



## MB Report on LC Corp Group's operations in the first half of 2010

	June 30 <sup>th</sup> 2010 PLN'000	Structure %
<b>Assets</b>		
<b>A. Non-current assets</b>	<b>440,850</b>	<b>35.67%</b>
1. Intangible assets	666	0.05%
2. Property, plant and equipment	990	0.08%
2.1. Tangible assets	990	0.08%
2.2. Tangible assets under construction	0	0.00%
3. Non-current receivables	0	0.00%
4. Investment property	437,646	35.41%
5. Non-current prepayments and accrued income	280	0.02%
6. Deferred tax assets	1,268	0.10%
<b>B. Current assets</b>	<b>795,218</b>	<b>64.33%</b>
1. Inventories	662,965	53.63%
2. Trade and other receivables	6,932	0.56%
3. Income tax receivable	43	0.00%
4. Current financial assets	0	0.00%
5. Cash and cash equivalents	122,815	9.94%
6. Current prepayments and accrued income	2,463	0.20%
<b>C. Non-current assets classified as held for sale</b>	<b>0</b>	<b>0.00%</b>
<b>Total assets</b>	<b>1,236,068</b>	<b>100.00%</b>
<b>Equity and liabilities</b>		
<b>A. Equity</b>	<b>947,062</b>	<b>76.62%</b>
1. Share capital	447,558	36.21%
2. Balance of called-up share capital not paid	0	0.00%
3. Reserve funds	373,558	30.22%
4. Other reserve funds	59,221	4.79%
5. Other capital	3,108	0.25%
6. Retained profit	36,574	2.96%
7. Minority interest	27,043	2.19%
<b>B. Non-current liabilities</b>	<b>235,402</b>	<b>19.04%</b>
1. Non-current financial liabilities	213,712	17.29%
2. Non-current trade and other payables	681	0.06%
3. Provisions	22	0.00%
4. Deferred tax liability	20,987	1.70%
<b>C. Current liabilities</b>	<b>53,604</b>	<b>4.34%</b>
1. Current financial liabilities	12,500	1.01%
2. Current trade and other payables	17,985	1.46%
3. Income tax payable	735	0.06%
4. Provisions	75	0.01%
5. Accrued expenses and revenue	22,309	1.80%
<b>Total equity and liabilities</b>	<b>1,236,068</b>	<b>100.00%</b>

### IV. EVENTS EXERTING A SIGNIFICANT IMPACT ON THE GROUP'S ACTIVITY AND FINANCING THE GROUP'S ACTIVITY IN H1 2010

#### 1. Repayment of a loan taken out by Arkady Wrocławskie from a consortium of banks

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In the period of 6 months ended June 30<sup>th</sup> 2010, Arkady Wrocławskie repaid, in accordance with the repayment schedule, a loan taken out in EUR from a consortium of banks: ING Bank Hipoteczny S.A., ING Bank Śląski S.A. and Kredyt Bank in the amount of PLN 6,024,000. As at June 30<sup>th</sup> 2010, the total amount to be repaid, after conversion into PLN, stood at PLN 226,182,000.

### **2. Repayment of a loan taken by LC Corp Bajkowy Park sp. z o.o. from DnB Nord Polska Polska S.A.**

On March 1<sup>st</sup> 2010 LC Corp Bajkowy Park Sp. z o.o. repaid in total its loan taken out with DnB Nord Polska S.A, in the amount of PLN 25,480,000.

### **3. Repayment of a loan taken out by Kraków Zielony Złocień sp. z o.o. from PKO BP S.A.**

On February 17<sup>th</sup> 2010 Kraków Zielony Złocień Sp. z o.o. paid the last instalment of PLN 34,000,000 of the loan taken out with PKO BP S.A.

### **4. Loans advanced by LC Corp S.A. to its subsidiary undertakings**

- On February 26<sup>th</sup> 2010 LC Corp S.A. granted a subordinated loan of PLN 26,000,000.00 to LC Corp Bajkowy Park Sp. z o.o. The loan was advanced for an indefinite period and at arm's length.
- On March 30<sup>th</sup> 2010 LC Corp S.A. granted a subordinated loan of PLN 90,000.00 to LC Corp Pustynna Sp. z o.o. The loan was advanced for an indefinite period and at arm's length.
- On April 1<sup>st</sup> 2010 LC Corp S.A. granted a subordinated loan of PLN 260,000.00 to LC Corp Pustynna Sp. z o.o., at arm's length, which was repaid in total on April 27<sup>th</sup> 2010.
- On June 11<sup>th</sup> 2010 LC Corp S.A. granted a subordinated loan of PLN 400,000.00 to LC Corp Pustynna Sp. z o.o. The loan was advanced for an indefinite period and at arm's length.
- On April 20<sup>th</sup> 2010 LC Corp S.A. granted a subordinated loan of PLN 5,000,000.00 to LC Corp Dębowa Ostoja Sp. z o.o. The loan was advanced for an indefinite period and at arm's length.
- On March 30<sup>th</sup> 2010 LC Corp S.A. granted a subordinated loan of PLN 500,000.00 to Katowice Ceglana Sp. z o.o. The loan was advanced for an indefinite period and at arm's length.
- On March 15<sup>th</sup> 2010 LC Corp S.A. granted a subordinated loan of PLN 500,000.00 to LC Corp Stabłowice Sp. z o.o. The loan was advanced for an indefinite period and at arm's length.
- On January 21<sup>st</sup> 2010 LC Corp S.A. granted a subordinated loan of PLN 10,500,000.00 to Kraków Zielony Złocień Sp. z o.o. The loan was advanced for an indefinite period and at arm's length.
- On February 16<sup>th</sup> 2010 LC Corp S.A. granted a subordinated loan of PLN 35,000,000.00 to Kraków Zielony Złocień Sp. z o.o. The loan was advanced for an indefinite period and at arm's length.

### **5. Warszawa Przy Promenadzie Sp. z o.o. Sp. k. – Annexe to the agreement on issue, acquisition and buyback of securities**

On January 20<sup>th</sup> 2010 LC Corp S.A. concluded with Warszawa Przy Promenadzie Sp. z o.o. Sp. k. Annexe no. 1 to the agreement on issue, acquisition and buyback of securities of January 20<sup>th</sup> 2009. Pursuant to the annexe the date of buyback of 14 commercial notes, issued by Warszawa Przy Promenadzie Sp. z o.o. Sp. k. and acquired by LC Corp S.A., was changed from January 20<sup>th</sup> 2010 to January 20<sup>th</sup> 2011, whereby earlier buyback of the notes is admissible.

### **6. Buyback of the bonds issued by LC Corp Sky Tower Sp. z o.o. and acquired by Warszawa Przyokopowa Sp. z o.o.**

On February 15<sup>th</sup> 2010, fulfilling the provisions of the agreements of November 2<sup>nd</sup> 2008 and December 18<sup>th</sup> 2009, LC Corp Sky Tower Sp. z o.o. bought back, at an earlier date, all 30 Series D zero-coupon registered bonds, numbers from 1 to 30, issued on July 16<sup>th</sup> 2008 and acquired by Warszawa Przyokopowa Sp. z o.o., having a par value of PLN 1,169,800 each.

## **V. EVENTS WHICH OCCURRED AFTER JUNE 30<sup>TH</sup> 2010**

### **1. Loans advanced by LC Corp S.A. to its subsidiary undertakings**

- on July 2<sup>nd</sup> 2010 LC Corp SA granted a subordinated loan of PLN 1,500,000 to LC Corp Pustynna Sp. z o.o., at arm's length and for an indefinite period, designed for acquisition of real estate.
- on July 6<sup>th</sup> 2010 LC Corp SA granted a subordinated loan of PLN 500,000 to LC Corp Pustynna Sp. z o.o., at arm's length and for an indefinite period, designed for acquisition of real estate.

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- on July 28<sup>th</sup> 2010 LC Corp SA granted a subordinated loan of PLN 3,100,000 to LC Corp Pustynna Sp. z o.o., at arm's length and for an indefinite period, designed for acquisition of real estate.
  - on August 6<sup>th</sup> 2010 LC Corp S.A. entered, as a lender, into a subordinated loan agreement with Katowice Ceglana Sp. z o.o. The loan of PLN 4,000,000.00 was granted at arm's length, for an indefinite period.
  - on August 9<sup>th</sup> 2010 LC Corp S.A. entered, as a lender, into a subordinated loan agreement with Kraków Zielony Złocień Sp. z o.o. The loan of PLN 10,000,000.00 was granted at arm's length, for an indefinite period.
  - on August 10<sup>th</sup> 2010 LC Corp S.A. entered, as a lender, into a subordinated loan agreement with Warszawa Rezydencja Kaliska Sp. z o.o. The loan of PLN 10,000,000.00 was granted at arm's length, for an indefinite period.
  - on August 24<sup>th</sup> 2010 LC Corp S.A. entered, as a lender, into a subordinated loan agreement with LC Corp Pustynna Sp. z o.o. The loan of PLN 200,000.00 was granted at arm's length, for an indefinite period.
2. Acquisition of two parcels of real estate by LC Corp Pustynna Sp. z o.o.
- on July 8<sup>th</sup> 2010 LC Corp Pustynna Sp. z o. o. acquired a non-built-up parcel of real estate, having the area of 0.8070 ha, located in Wrocław.
  - on July 30<sup>th</sup> 2010 LC Corp Pustynna Sp. z o.o. acquired a non-built-up parcel of real estate, having the area of 1.0077 ha, located in Wrocław.
3. Payment of a part of retained profit for 2009 of Warszawa Przy Promenadzie Sp. z o.o. Sp. k. for the benefit of its partners
- On August 6<sup>th</sup> 2010 the partners of Warszawa Przy Promenadzie Sp. z o.o. Sp. k. adopted a resolution on payment of a part of retained profit for 2009 to the company's limited partner, LC Corp SA, in the amount of PLN 3,000,000, and to the general partner, Warszawa Przy Promenadzie Sp. z o.o., in the amount of PLN 30,000. The payment was made from the company's other capital reserve funds on August 16<sup>th</sup> 2010.
4. Resignation of a Management Board Member
- On August 18<sup>th</sup> 2010 Mr Waldemar Czarnecki resigned from the position of Member of the Management Board of LC Corp S.A., effective as of August 31<sup>st</sup> 2010.
5. Change of the buyback date for the commercial notes issued on August 21<sup>st</sup> 2009 by Warszawa Przy Promenadzie Sp. z o.o. Sp. k. and acquired by LC Corp S.A.
- Pursuant to the annexe concluded on August 20<sup>th</sup> 2010 the date of buyback of 3 commercial notes issued by Warszawa Przy Promenadzie Sp. z o.o. Sp. k. and acquired by LC Corp SA was changed from August 21<sup>st</sup> 2010 to August 22<sup>nd</sup> 2011, whereby earlier buyback of the notes is admissible.

Apart from the events listed above, there were no other events taking place after June 30<sup>th</sup> 2010 which could significantly affect the financial results of LC Corp Group.

## **VI. OPINION OF THE MANAGEMENT BOARD OF LC CORP SA ON THE FEASIBILITY OF MEETING THE EARLIER PUBLISHED FINANCIAL FORECASTS FOR THE YEAR IN VIEW OF THE RESULTS PRESENTED IN THIS MID-YEAR REPORT**

The Issuer did not publish any financial forecasts for the year 2010.

## **VII. LITIGATION**

As at June 30<sup>th</sup> 2010, no single proceedings were initiated with regard to liabilities or receivables of LC Corp SA and its subsidiaries, whose value amounted to at least 10% of the equity of LC Corp SA. As at June 30<sup>th</sup> 2010 there were also no proceedings initiated with regard to liabilities or receivables of LC Corp SA and its subsidiaries, whose total value amounted to at least 10% of the equity of LC Corp SA.

### **VIII. FACTORS WHICH MAY AFFECT THE ISSUER'S PERFORMANCE IN THE NEXT QUARTER**

Financial performance of LC Corp Group will be significantly affected by the availability of mortgages for prospective customers, which in consequence exerts an influence on the demand for new apartments and on the structure and prices of such apartments. In the first half of 2010 there was an improvement in offering mortgages by banks. However, the changes resulting from recommendations of KNF (Financial Supervision Authority), which will soon be implemented by banks, may deteriorate considerably the availability of mortgages and limit their amount for people who want to finance the purchase of an apartment on the primary market.

Operating results of the Group will also be influenced by the level of revenue generated from rental of commercial space in the Arkady Wrocławskie centre, which depends on the euro exchange rate. The euro exchange rate influences also the valuation of a foreign currency loan and investment property, i.e. Arkady Wrocławskie.

Furthermore, the value of agreements transferring the title to apartments/premises in the completed Przy Promenadzie project, stage II, will be a very important factor influencing the Group's operating result in the following quarter. In accordance with IAS 18 revenue from property development activity is recognised when basically all risks and benefits related to a particular apartment or premises have been transferred to a customer and when it can be reliably measured.

LC Corp Group recognises revenue upon signing a notarial deed transferring the title to property, therefore revenue from sales in the following quarter will depend on the value of agreements signed in this quarter.

### **IX. OTHER INFORMATION MATERIAL FOR THE ASSESSMENT OF THE PERSONNEL, ECONOMIC, OR FINANCIAL STANDING OF THE ISSUER OR FOR THE FEASIBILITY OF FULFILLING ITS OBLIGATIONS**

In the relevant reporting period, there were no events material for the assessment of the personnel, economic, or financial standing of the Issuer or for the feasibility of discharging its obligations.

### **X. INFORMATION ON SIGNIFICANT, NON-ARM'S LENGTH, RELATED PARTY TRANSACTIONS OF THE ISSUER OR ITS SUBSIDIARY UNDERTAKING**

In the first half of 2010 the Issuer and its subsidiaries did not conclude any transactions with related undertakings that could be classified as significant or concluded under non-arm's length terms.

### **XI. INFORMATION ON LOAN SURETIES ISSUED BY THE ISSUER OR ITS SUBSIDIARY UNDERTAKING; GUARANTEES ISSUED FOR THE VALUE OF AT LEAST 10% OF THE ISSUER'S EQUITY**

In this reporting period there were no such transactions in LC Corp Group.

### **XII. RISK FACTORS SIGNIFICANT FOR THE GROUP'S OPERATION**

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

In the first half of 2010 the situation on the markets on which the Issuer operates became stabilized, or even improved slightly, however economists' opinions regarding further prospects are divided. Developments on the financial and real estate markets will have a considerable bearing on the Issuer's and Group's business activity.

#### **Foreign exchange risk**

A substantial part of the Group's liabilities, in particular those resulting from some agreements on financing, is denominated in EUR. In consequence, the Group is exposed to foreign exchange risk related to the fluctuations of PLN/EUR exchange rate.

Currency risk which results from servicing a foreign currency loan will be minimized by collecting rent indexed against the currency of the loan financing the investment. The risk posed by timing differences between invoicing and loan repayment is reduced, depending on the market situation, by purchasing a relevant amount of foreign currency at the dates of invoicing rents.

#### **Interest rate risk**

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The interest rate risk relates mainly to non-current financial liabilities, based on a floating interest rate. This risk is partly compensated by indexation of lease revenues.

### **Risk related to additional demand for cash**

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

### **Credit risk**

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

In reference to the Group's other financial assets, such as cash and cash equivalents, the Group's credit risk is minimal, because the Group deposits resources in banks of good, stable financial standing.

There is no significant concentration of credit risk in the Group.

### **Liquidity risk**

The Group aims to maintain balance between continuity and flexibility of financing, by means of using different sources of financing, such as bank loans and bonds.

The Group concludes bank loan agreements in order to finance its projects. Maturity dates of successive instalments are adjusted to projected proceeds from sale of individual projects.

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

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

### **Risk related to an increase in operating expenses and other costs**

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

### **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 appealing against such decisions by third parties acting out of self-interest. Appealing against the above decisions may result in an interruption of the construction process, which translates directly into deterioration in the profitability of the project, and thus in the Investor's financial results.

### **Risk related to construction costs**

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

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increase in costs or delay in finalising a property development project may affect adversely the Group's activity, financial position or results.

### **Risk related to the Group's dependence on building contractors**

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

### **Risk of a lack of liquidity in real property investments**

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

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

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

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

The Group's activity will include in particular sale of flats and houses. In connection with that the Group may be exposed to disputes and court proceedings related to completed projects, as a result of which the Group's undertakings may be obliged to fulfil specific obligations (e.g. resulting from performance bonds for construction works granted to clients). It may have a significant negative influence on the Group's activity, financial condition or results.

Risk management in LC Corp S.A. is effected by way of a formalised process of regular identification, analysis, and assessment of risk factors. In the process of risk identification appropriate procedures and processes are put in place, which aim at elimination or reduction in risk for the Company and for the Group.

## **XIII. SUMMARY**

In the first half of 2010 the Group continued the projects already in progress, commenced new projects and intensified its activities aimed at acquiring new land, taking advantage of price drops on the real estate market and in construction works.

In the opinion of the Management Board of LC Corp SA the objectives set for the Group were accomplished.

The Group's companies discharged and still discharge their obligations towards the State Treasury, financial institutions, and contracting partners on a timely basis. The Group's anticipated financial situation ensures its further development and financing of its current operating and investment activity.

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

Drawn up in Wrocław, on August 26<sup>th</sup> 2010

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Dariusz Niedośpiał  
President of the Management Board

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Joanna Jaskólska  
Member of the Management Board

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Waldemar Czarnecki  
Member of the Management Board

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