

**LC CORP S.A. CAPITAL GROUP**  
**WROCLAW, UL. POWSTAŃCÓW ŚLĄSKICH 2-4**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE 2008 FINANCIAL YEAR**

**WITH**  
**AUDITOR'S OPINION**

**AND**  
**AUDIT REPORT**

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**REPORT ON THE ACTIVITIES OF THE CAPITAL GROUP**

## **AUDITOR'S OPINION**

### **To the Shareholders and Supervisory Board of LC Corp S.A.**

We have audited the attached consolidated financial statements of the LC Corp S.A. Capital Group, with LC Corp S.A. with registered office in Wrocław, ul. Powstańców Śląskich 2-4 acting as its parent entity, including:

- consolidated balance sheet prepared as of 31 December 2008, with total assets and liabilities plus equity of PLN 1,668,423 thousand;
- consolidated income statement for the period from 1 January 2008 to 31 December 2008, disclosing a net profit of PLN 41,744 thousand;
- statement of changes in consolidated equity for the period from 1 January 2008 to 31 December 2008, disclosing an increase in equity of PLN 67,117 thousand;
- consolidated cash flow statement for the period from 1 January 2008 to 31 December 2008, showing a cash outflow of PLN 149,531 thousand;
- additional information and explanations.

Preparation of these consolidated financial statements is the responsibility of the Management Board of the Parent. Our responsibility was to audit and express an opinion on the fairness, correctness and clarity of these consolidated financial statements.

The consolidated financial statements of the Capital Group for the previous financial year ended 31 December 2007 were audited by another certified auditor, who issued an unqualified opinion on these financial statements on 4 April 2008. Our opinion refers only to the consolidated financial statements for the financial year ended 31 December 2008.

The consolidated financial statements were prepared using the full method with respect to fifteen subsidiaries.

Our audit of the consolidated financial statements was planned and performed in accordance with:

- section 7 of the Accounting Act of 29 September 1994 (Dz. U. of 2002 No. 76, item 694 with subsequent amendments);
- auditing standards issued by the National Council of Statutory Auditors in Poland;

in such a way as to obtain reasonable and sufficient basis for expressing an opinion as to whether the consolidated financial statements were free of material misstatements. Our audit included, in particular, examination of the consolidation documentation supporting the amounts and disclosures in the consolidated financial statements, assessment of the accounting principles (policy) applied in the preparation of the consolidated financial statements, related material estimates as well as evaluation of the overall presentation of the consolidated financial statements.

We believe that our audit provides a sufficient basis for our opinion.

In our opinion, based on the results of our audit, the audited consolidated financial statements of the LC Corp S.A. Capital Group for the 2008 financial year were prepared in all material respects in accordance with International Financial Reporting Standards as endorsed by the European Union and give a true and fair view of all the information essential for evaluating the financial and economic position as well as the financial result of the Capital Group for the 12-month period ended 31 December 2008.

The Report on the activities of the Capital Group in the 2008 financial year is complete within the meaning of Article 49 clause 2 of the Accounting Act and the ordinance of the Minister of Finance of 19 October 2005 on current and periodical information submitted by issuers of securities, and consistent with the underlying information disclosed in the audited consolidated financial statements.

.....  
Dariusz Gawrych  
Certified auditor  
no. 11086/7982

.....  
represented by

.....  
entity authorized to audit  
financial statements entered under  
number 73 on the list kept by the  
National Council of Statutory Auditors

Warsaw, 13 March 2009

***The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.***

**REPORT SUPPLEMENTING THE OPINION ON THE AUDIT  
OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE LC CORP S.A.  
CAPITAL GROUP  
FOR THE 2008 FINANCIAL YEAR**

**I. GENERAL INFORMATION**

**1. Details of the audited entity**

The Parent Entity of the Capital Group (the Company) operates under the name of LC Corp S.A. The Company's registered office is located in Wrocław, ul. Powstańców Śląskich 2-4.

The Company operates as a joint-stock company established by a notarized deed of 3 March 2006 prepared by Wojciech Kamiński, Notary Public in Wrocław (Repertory A No. 1956/2006).

The Company is entered in the National Court Register kept by the District Court for Wrocław-Fabryczna, VI Business Division of the National Court Register, under the number KRS 0000253077.

The Company has the following tax identification number NIP: 899-25-62-750 assigned by the Tax Office in Wrocław-Krzyki on 27 March 2006.

The REGON number assigned to the Company by the Statistical Office on 17 March 2006 is 020246398.

The Company operates based on the provisions of the Code of Commercial Companies.

The Company's business activity involves primarily holding management.

In the audited period, the Company conducted activities involving holding services and extending loans to subsidiaries.

As of 31 December 2008, the Company's share capital equaled PLN 447,558,311.00 and was divided into 447,558,311.00 ordinary shares with a face value of PLN 1 each. As of 31 December 2008, the Company's shareholders included:

- LC Corp B.V. 47.97% of shares;
- Leszek Czarnecki –3.22% of shares;
- ING Nationale-Nederlanden Polska OFE –6.21% of shares;
- Commercial Union OFE BPH CU WBK –6.03% of shares;
- other shareholders – 36.57% of shares.

In the period from 30 January 2008 to 6 February 2008 subscription was conducted for I series shares. It was the first tranche of I series shares offered by the Issuer under the Management Option Scheme pursuant to Resolution no. 3 of the Extraordinary Shareholders' Meeting adopted as of 23 March 2007. The subscription ended on 6 February 2008. Due to the issue of shares, the share capital of LC Corp S.A. was increased by PLN 1,000,000, as recorded in the National Court Register on 11 April 2008.

In the audited period the following changes in the ownership structure of the Company's share capital above the 5% share threshold took place:

- on 24 April 2008 Pioneer Pekao Investment Management SA exceeded the 5% share threshold;
- on 20 October 2008 the share of Pioneer Pekao Investment Management SA decreased below the 5% threshold.

No changes in the Company's share capital resulting in any of the shareholders exceeding the 5% share threshold took place after the balance sheet date.

As the Company's shares are publicly traded on the Warsaw Stock Exchange, the Company does not have access to detailed information on changes in the structure of its share capital as regards shareholders who have not exceeded the 5% share threshold.

As of 31 December 2008 the Group's equity amounted to PLN 964,687 thousand.

The Capital Group's financial year is the calendar year.

As of the opinion date, the composition of the Company's Management Board was as follows:

- Dariusz Niedośpiał - Chairman of the Management Board;
- Dariusz Karwacki - First Vice Chairman of the Management Board;
- Waldemar Horbacki - Vice Chairman of the Management Board;
- Waldemar Czarnecki - Member of the Management Board.

The following changes in the composition of the Company's Management Board took place during the audited period:

- on 16 October 2008 Mr. Waldemar Czarnecki was appointed Member of the Management Board;
- on 16 October 2008 Mr. Dariusz Karwacki assumed the function of First Vice Chairman of the Management Board;
- on 21 November 2008 Mr. Konrad Dubelski was dismissed from the position of Member of the Management Board;
- on 21 November 2008 Mr. Dariusz Niedośpiał was appointed Chairman of the Management Board.

The above changes were filed with and recorded in the competent court register.

As of 31 December 2008, the LC Corp S.A. Capital Group included:

- Parent Entity – LC Corp S.A., and
- subsidiaries:
  - Arkady Wrocławskie S.A.;
  - LC Corp Sky Tower Sp. z o.o.;
  - LC Corp Bajkowy Park Sp. z o.o.;
  - LC Corp Szmaragdowe Wzgórze Sp. z o.o.;
  - Warszawa Przy Promenadzie Sp. z o.o.;
  - Warszawa Przyokopowa Sp. z o.o.;
  - Kraków Zielony Złocień Sp. z o.o.;
  - Łódź Pustynna Sp. z o.o.;
  - Katowice Ceglana Sp. z o.o.;

- Vratislavia Residence Sp. z o.o.;
- LC Corp Dębowa Ostoja Sp. z o.o.;
- LC Corp Stabłowice Sp. z o.o.;
- LC Corp Pustynna Sp. z o.o.;
- Warszawa Rezydencja Kaliska Sp. z o.o.;
- Warszawa Przy Promenadzie Sp. z o.o.; Sp. kom.

In addition, the companies in the LC Corp B.V. Capital Group are treated as related parties of the LC Corp S.A. Capital Group.

The following companies were included in the consolidated financial statements as of 31 December 2008:

a) Parent Entity – LC Corp S.A.

We have audited the financial statements of the Parent Entity – LC Corp S.A. for the period from 1 January to 31 December 2008. As a result of our audit, we issued an unqualified opinion on these financial statements on 13 March 2009.

b) Entities subject to full consolidation:

<b>Name and registered office of the Company</b>	<b>Interest in the share capital (%)</b>
Arkady Wrocławskie S.A.	100%
LC Corp Sky Tower Sp. z o.o.	0% (*)
Warszawa Przy Promenadzie Sp. z o.o.; Sp. kom	100%
LC Corp Bajkowy Park Sp. z o.o.	100%
LC Corp Szmaragdowe Wzgórze Sp. z o.o.	100%
Warszawa Przy Promenadzie Sp. z o.o.	100%
Warszawa Przyokopowa Sp. z o.o.	81.67%
Kraków Zielony Złocień Sp. z o.o.	100%
Łódź Pustynna Sp. z o.o.	100%
Katowice Ceglana Sp. z o.o.	99.993%
Vratislavia Residence Sp. z o.o.	100%
LC Corp Dębowa Ostoja Sp. z o.o.	100%
LC Corp Stabłowice Sp. z o.o.	100%
LC Corp Pustynna Sp. z o.o.	100%
Warszawa Rezydencja Kaliska Sp. z o.o.	100%

(\*) Pursuant to a share disposal agreement entered into on 2 November 2008, LC Corp S.A. disposed of 118,998 (one hundred eighteen thousand nine hundred ninety eight) shares in LC Corp Sky Tower Sp. z o.o. with registered office in Wrocław with a value of PLN 1,000 per share and the total face value of PLN 118,998,000.00 (one hundred eighteen million nine hundred ninety eight thousand zlotys) for the benefit of LC Corp B.V. with registered office in Amsterdam, for the (total) price of PLN 118,998,000.00 (one hundred eighteen million nine hundred ninety eight thousand zlotys). Pursuant to the above agreement, by 15 February 2010 the Company will be entitled to a unilateral option to repurchase the shares disposed of for PLN 118,998,000 (one hundred eighteen million nine hundred ninety eight thousand zlotys) increased by arm's length interest. In line with IAS 27 and 39, as a result of the concluded agreement the criterion to transfer the risk, rewards and control from LC Corp S.A. to LC Corp B.V. was not fulfilled. Therefore, LC Corp S.A. continues to include the above subsidiary in its consolidated financial statements.

The financial statements of the following subsidiaries:

- Arkady Wrocławskie S.A.;
- LC Corp Sky Tower Sp. z o.o.;
- Warszawa Przy Promenadzie Sp. z o.o. Sp. kom.

have been audited by Deloitte Audyt Sp. z o.o. As of the opinion date, the above audits had not been completed. In order to issue an opinion on the consolidated financial statements of the LC Corp SA Capital Group, material items of the consolidated financial statements were audited.

## **2. Information on the consolidated financial statements for the previous financial year**

The activities of the Capital Group in 2007 resulted in a net profit of PLN 106,502 thousand. The consolidated financial statements of the Capital Group for the 2007 financial year were audited by a certified auditor. The audit was performed by the authorized entity Ernst & Young Audit Sp. z o.o. On 4 April 2008, the certified auditor issued an unqualified opinion on these financial statements.

The General Shareholders' Meeting which approved the financial statements for the 2007 financial year was held on 21 April 2008.

The consolidated financial statements for the 2007 financial year were submitted in accordance with the law to the National Court Register on 6 May 2008 and submitted for publication in Monitor Polski B on 6 May 2008. The financial statements were published in Monitor Polski B no. 1155 on 26 August 2008.

## **3. Data identifying the entity authorized to audit financial statements and the certified auditor acting on its behalf**

The audit of the consolidated financial statements was performed based on an agreement of 19 December 2008 concluded between LC Corp S.A. and Deloitte Audyt Sp. z o.o. with the registered office in Warsaw, ul. Piękna 18, registered under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the consolidated financial statements was conducted under the supervision of a certified auditor Dariusz Gawrych (no. 11086/7982) at the premises of the Parent Entity from 9 to 27 February 2009 and at the registered office of the authorized entity from 2 to 13 March 2009.

The authorized entity was appointed by the Supervisory Board by resolution of 29 September 2008 based on authorization included in paragraph 20 point h of the Parent's By-Laws.

Deloitte Audyt Sp. z o.o. and the certified auditor Dariusz Gawrych confirm that they are authorized to carry out audits and meet the requirements of Article 66 clauses 2 and 3 of the Accounting Act to express an unbiased and independent opinion on the consolidated financial statements of the LC Corp S.A. Capital Group.

**4. Availability of data and management representations**

The scope of our audit was not limited.

During the audit, all necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the certified auditor, as confirmed in a written representation of the Management Board of the Parent Entity of 13 March 2009.

**5. Economic and financial position of the Capital Group**

Presented below are the main items from the consolidated income statement as well as financial ratios describing the financial result of the Capital Group and its financial position compared to the previous year. Due to the specifics of the industry, working capital ratios were not presented.

<u>Main items from the income statement (in PLN '000)</u>	<u>2008</u>	<u>2007(*)</u>
Sales revenues	136,498	34,390
Operating expenses	(95,564)	(32,278)
Other operating revenues	128,469	136,425
Other operating expenses	(69,466)	(17,136)
Financial revenues	4,881	23,519
Financial expenses	(50,965)	(11,229)
Income tax	12,109	(27,189)
Net profit (loss)	41,744	106,502

<u>Profitability ratios</u>	<u>2008</u>	<u>2007</u>
– gross profit margin	73%	353%
– net profit margin	31%	310%
– net return on equity	5%	13%

Liquidity/Net working capital

– debt ratio	42%	42%
– equity to fixed assets ratio	58%	58%
– net working capital (PLN '000)	701,625	685,176
– current ratio	3.27	3.37
– quick ratio	0.43	1.04

(\*) data not audited by Deloitte Audyt Sp. z o.o.

The analysis of the above figures and ratios identified the following trends in 2008:

- a decrease in profitability ratios;
- the debt ratio and equity to fixed assets ratio did not change;
- an increase in the net working capital;
- a decrease in liquidity ratios.

## **II. DETAILED INFORMATION**

### **1. Information on the audited consolidated financial statements**

The audited consolidated financial statements were prepared as of 31 December 2008 and include:

- consolidated balance sheet prepared as of 31 December 2008, with total assets and liabilities plus equity of PLN 1,668,423 thousand;
- consolidated income statement for the period from 1 January 2008 to 31 December 2008, disclosing a net profit of PLN 41,744 thousand;
- statement of changes in consolidated equity for the period from 1 January 2008 to 31 December 2008, disclosing an increase in equity of PLN 67,117 thousand;
- consolidated cash flow statement for the period from 1 January 2008 to 31 December 2008, showing a cash outflow of PLN 149,531 thousand;
- additional information and explanations.

The structure of assets and liabilities plus equity as well as items affecting the financial result was presented in the consolidated financial statements.

The audit covered the period from 1 January 2008 to 31 December 2008 and was mainly focused on:

- the audit of the correctness and fairness of the consolidated financial statements prepared by the Management Board of the Parent Entity;
- audit of the consolidation documentation;
- evaluation of the correctness of consolidation methods and procedures applied during consolidation;
- audit of selected items of the consolidated financial statements.

The audit of the consolidated financial statements was conducted in line with the relevant applicable legal regulations as well as auditing standards issued by the National Council of Statutory Auditors.

### **2. Consolidation documentation**

The Parent Entity presented the consolidation documentation including:

- 1) financial statements of related parties, including:
  - a) individual (original) financial statements of related parties;
  - b) financial statements of controlled entities adjusted to the accounting principles (policy) applied in consolidation;
- 2) all adjustments and eliminations made during consolidation and required for the preparation of the consolidated financial statements.

#### Basis for the preparation of the consolidated financial statements

The consolidated financial statements of the Capital Group for the 2008 financial year were prepared in accordance with International Financial Reporting Standards as endorsed by the European Union.

Description of entities within the Capital Group

The criteria specified in International Financial Reporting Standards were applied when determining relationships as well as the consolidation scope and methods.

Reporting period

The consolidated financial statements were prepared as of the same balance sheet date and for the same financial year as the financial statements of the Parent Entity – LC Corp S.A. The subsidiaries included in consolidation prepared their financial statements as of the same balance sheet date as the Parent Entity. The financial year of all subsidiaries included in consolidation ended on 31 December 2008.

Consolidation method

Consolidation of the financial statements of the Capital Group was carried out based on the full method by summing up all relevant items of the respective financial statements of the Parent Entity and subsidiaries included in consolidation.

After summing up the values, consolidation adjustments and eliminations were applied to:

- the acquisition value of shares held by the Parent Entity in the subsidiaries and the portion of the net assets of the subsidiaries corresponding to the interest held by the Parent Entity in these entities;
- mutual receivables and liabilities of the entities included in consolidation;
- material revenues and expenses related to transactions entered into by the entities included in consolidation.

**3. Completeness and correctness of drawing up additional information and explanations and the report on the activities of the Capital Group**

The Parent Entity confirmed the validity of the going concern principle followed in the preparation of the consolidated financial statements. The additional information and explanations to the consolidated financial statements give a correct and complete description of measurement principles applied to assets and liabilities plus equity, principles of measuring the financial result as well as the method of preparation of the consolidated financial statements.

The Parent Entity prepared the additional information and explanations consisting of tabular notes to individual items in the consolidated balance sheet and consolidated income statement well as narrative descriptions in line with IFRS.

Explanatory notes describing: property, plant and equipment, intangible assets, investments as well as liabilities and provisions correctly present increases and decreases as well as their basis during the financial year.

Limitations imposed on individual assets disclosed in the consolidated balance sheet arising from pledges granted to creditors were described.

Individual assets and liabilities as well as revenues and expenses were correctly presented by the Parent in the consolidated financial statements. The consolidated balance sheet,

consolidated income statement, statement of changes in consolidated equity and consolidated cash flow statement with additional notes, information and explanations which constitute their integral part, contain all the items whose disclosure in the consolidated financial statements is required by the provisions of IFRS.

The Management Board prepared and attached to the consolidated financial statements a Report on the activities of the Capital Group in the 2008 financial year. The Report contains all information required under Article 49 clause 2 of the Accounting Act and the ordinance of the Minister of Finance of 19 October 2005 on current and periodical information submitted by issuers of securities. We have audited the Report with regard to the disclosed information derived directly from the audited consolidated financial statements.

**4. Final information and findings**

Management Board's Representations

Deloitte Audyt Sp. z o.o. and the certified auditor received a representation letter from the Management Board of the Parent, in which the Board stated that the Capital Group complied with the laws in force.

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Dariusz Gawrych  
Certified auditor  
no. 11086/7982

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represented by

.....  
entity authorized to audit  
financial statements entered under  
number 73 on the list kept by the  
National Council of Statutory Auditors

Warsaw, 13 March 2009