



**MANAGEMENT BOARD'S REPORT
ON THE LC CORP GROUP'S OPERATIONS
FOR THE PERIOD
FROM JANUARY 1ST TO DECEMBER 31ST 2008**

Wrocław, March 13th 2009

Rules for drawing up the annual consolidated financial statements of the LC Corp Group

Pursuant to the provisions of the Accounting Act of September 29th 1994 the Management Board is obliged to ensure the preparation of the annual report on the LC Corp Group's operations during the accounting period, including significant information on the economic and financial position, evaluation of achieved results, identification of risks, and description of threats.

This report on the LC Corp Group's operations (hereinafter the "Group") covers the period from January 1st 2008 to December 31st 2008.

The LC Corp Group's annual consolidated report, drawn up for the period from January 1st 2008 to December 31st 2008, contains:

- LC Corp Group's consolidated financial statements for the accounting period from January 1st 2008 to December 31st 2008 and as at December 31st 2008, drawn up in accordance with the International Financial Reporting Standards, including: consolidated balance sheet, consolidated profit and loss account, consolidated statement of changes in equity, consolidated cash flow statement and additional explanatory notes to the consolidated financial statements,
- Financial data comparable to the consolidated financial statements as at December 31st 2007 and for the period of twelve months ended on December 31st 2007.
- Management Board's report on operations of the LC Corp Group for the period from January 1st 2008 to December 31st 2008.
- Management Board's declaration, pursuant to Art. 96.1.5) and 6) of the Regulation of the Minister of Finance dated October 19th 2005 on current and interim information submitted by issuers of securities.

I. BASIC INFORMATION

The 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 3rd 2006 and entered on March 15th 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 was assigned statistical identification number REGON 020246398.

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

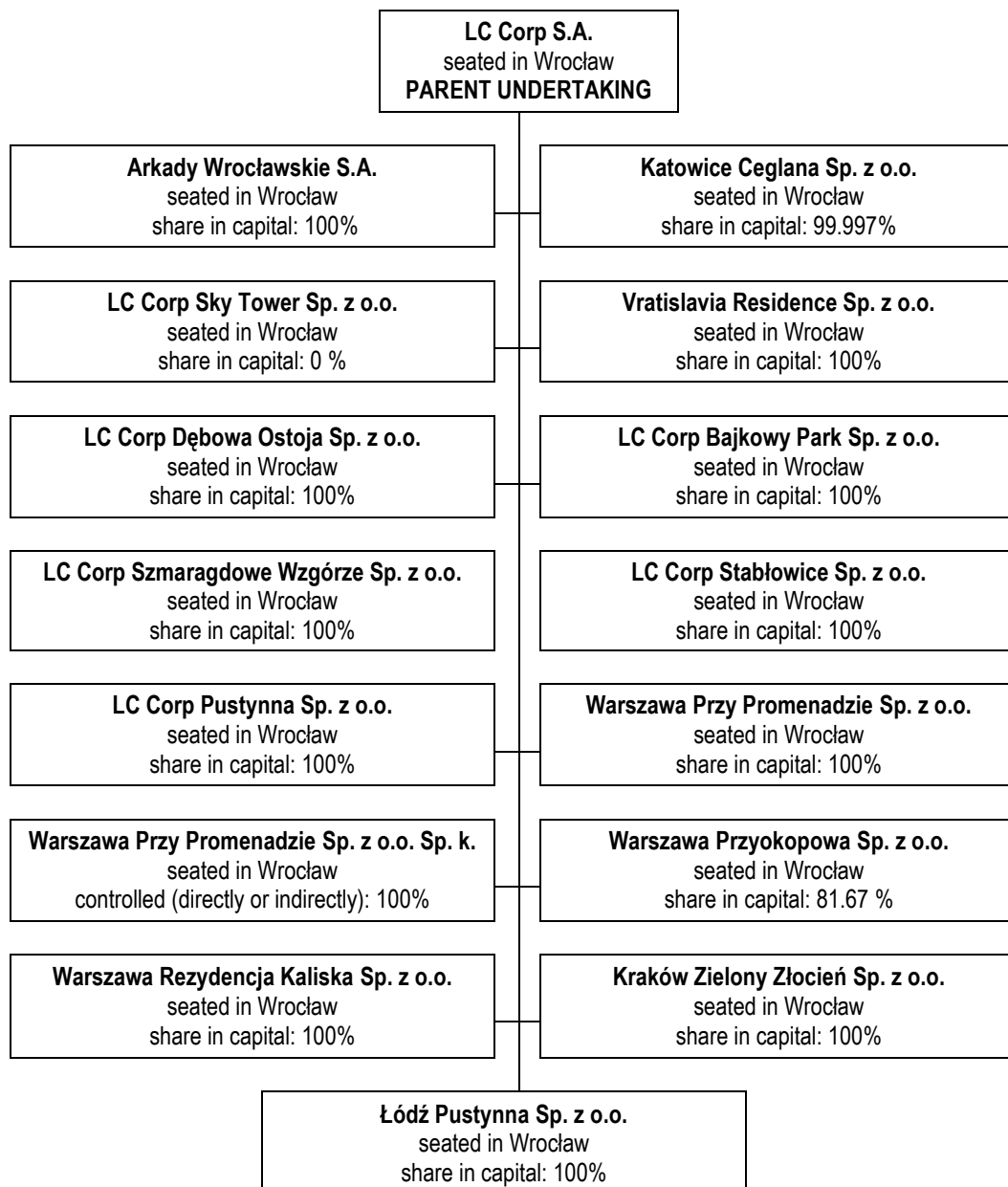
- PKD 64.20.Z Activities of Holdings
- The subsidiaries' primary activity is carrying out construction projects on the land belonging to these companies for the purpose of further renting and selling residential and commercial property
- LC Corp B.V., controlled by Leszek Czarniecki, is the Parent Undertaking of LC Corp S.A. and the whole Group.

As at December 31st 2008 the LC Corp Group comprises the following subsidiaries of LC Corp S.A.:

- Arkady Wrocławskie S.A. - seated in Wrocław, ul. Powstańców Śl. 2-4,
- LC Corp Sky Tower sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4 (*)
- Katowice Ceglana sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4 (until January 10th 2008 operating under the business name Warszawa Nieruchomości sp. z o.o.),
- 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, (until July 2nd 2008 operating under the business name Łódź Residence Sp. z o.o.)
- LC Corp Bajkowy Park sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4, (until July 2nd 2008 operating under the business name Gdańsk Residence Sp. z o.o.)
- LC Corp Szmaragdowe Wzgórze sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4, (until May 8th 2008 operating under the business name Warszawa Projekt V Sp. z o.o., and until June 25th 2008 under the business name Gdańsk Osiedle Łostowice Sp. z o.o.)
- 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 (until December 20th 2007 operating under the business name Europlan Projekt Goćław sp. z o.o. seated in Warsaw, Al. Jana Pawła II 15),
- Warszawa Przy Promenadzie sp. z o.o. sp.k. - seated in Wrocław, ul. Powstańców Śl. 2-4 (until February 11th 2008 operating under the business name Europlan Projekt Goćław sp. z o.o. Sp. k. seated in Warsaw, Al. Jana Pawła II 15),
- Warszawa Przykopowa sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4 (until January 17th 2008 operating under the business name Europlan Projekt II sp. z o.o. seated in Warsaw, Al. Jana Pawła II 15),
- Warszawa Rezydencja Kaliska sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4 (until January 15th 2008 operating under the business name Europlan Projekt III sp. z o.o. seated in Warsaw, Al. Jana Pawła II 15),
- Kraków Zielony Złocień sp. z o.o. - seated in Wrocław, ul. Powstańców Śl. 2-4 (until January 14th 2008 operating under the business name Europlan Projekt IV sp. z o.o. seated in Warsaw, Al. Jana Pawła II 15),
- Łódź Pustynna Sp. z o.o. – seated in Wrocław, ul. Powstańców Śląskich 2-4

(*) – On November 2nd 2008, the Issuer sold shares of LC Corp Sky Tower Sp. z o.o. to LC Corp B.V. (See: Section I.1.1.3), however pursuant to IAS 27 and IAS 39 the conditions for transferring both benefits and risks, and control from LC Corp SA to LC Corp B.V. were not met. As a result, the Parent Undertaking continues to disclose the shares of LC Corp Sky Tower Sp. z o.o. in the separate (non-consolidated) financial statements, and net assets of that company in the consolidated financial statements of the LC Corp Group. The cash obtained from the share disposal is disclosed as financial liability valued at amortized cost.

Group's organisational structure as at December 31st 2008



1. Major changes in the Group in the period from January 1st to December 31st 2008.

1.1. Issue of series I shares of LC Corp S.A. under the Management Share Options Scheme related to conditional raising of the share capital

Between January 30th 2008 and February 6th 2008 a subscription for series I shares was held. It was the first tranche of the issue of series I shares offered by the Issuer under the Management Share Options Scheme in accordance with resolution No. 3 of the Extraordinary General Meeting adopted on March 23rd 2007.

The subscription finished on February 6th 2008. The number of securities subscribed for in this tranche totalled 1,000,000. The number of eligible persons who took over 1,000,000 series I shares was 21. The offer under which the series I shares were acquired in connection with the conditional raising of the share capital did not constitute public trading in securities as understood by the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies dated July 29th 2005 (Journal of Laws No. 184, item 1539). The price of the securities was PLN 1.00 each (the issue price corresponds to their par value). As a result of the issue of series I shares, at December 31st 2008 the new amount of the Issuer's share capital totalled PLN 447,558,311 and was divided into 447,558,311 ordinary bearer shares, each carrying one vote at the General Shareholders Meeting, with a par value of PLN 1.00 per share.

1.2. Acquisition of new shares

1. On January 2nd 2008, registration of a new amount of the share capital of Warszawa Projekt V Sp. z o.o. (at present LC Corp Szmargdowe Wzgórze Sp. z o.o.) was made, following an increase in the share capital which took place on December 10th 2007. Currently, the share capital amounts to PLN 13,500,000. LC Corp S.A. holds 100% of the share capital.
2. On January 10th 2008, registration of a new amount of the share capital of Katowice Ceglana Sp. z o.o. was made, following an increase in the share capital which took place on December 10th 2007. Currently, the share capital amounts to PLN 36,000,000. LC Corp. S.A. holds 35,999 shares with a par value of PLN 1,000 each, i.e. with the total par value of PLN 35,999,000.
3. On January 15th 2008, registration of a new amount of the share capital of Warszawa Rezydencja Kaliska Sp. z o.o. was made, following an increase in the share capital which took place on November 23rd 2007. Currently, the share capital amounts to PLN 4,500,000. LC Corp. S.A. holds 100% of the share capital.
4. On February 8th 2008, registration of a new amount of the share capital of LC Corp Stablówice Sp. z o.o. was made, following an increase in the share capital which took place on December 21st 2007. Currently, the share capital amounts to PLN 23,000,000. LC Corp. S.A. holds 100% of the share capital.
5. On March 7th 2008 LC Corp S.A. submitted its statement on entering into Łódź Pustynna Sp. z o.o. and acquiring in that company's increased share capital 7,950 new shares with a par value of PLN 1,000 per share, and the total value of PLN 7,950,000 in return for cash contribution. On March 31st 2008 the Issuer acquired 50 shares of Łódź Pustynna Sp. z o.o. from Leszek Czarnecki, thus becoming the company's sole shareholder.
6. On March 17th 2008 the Meeting of Partners in Gdańsk Residence Sp. z o.o. (at present LC Corp Bajkowy Park Sp. z o.o.) adopted a resolution to increase the share capital on the strength of contractual clauses to the amount of PLN 1,000,000, and the new shares were acquired by the Issuer.
7. On July 8th 2008 the Issuer, acting as the sole shareholder, adopted a resolution on increasing the share capital of Warszawa Przyokopowa Sp. z o.o., from PLN 2,450,000 to PLN 3,000,000, i.e. by the amount of PLN 550,000 by issuing 5,500 new shares with a par value of PLN 100 per share. All new shares in the share capital of Warszawa Przyokopowa Sp. z o.o. were acquired by LC Corp B.V. of Amsterdam, which simultaneously joined the company as its new shareholder. LC Corp B.V. acquired 5,500 shares in the share capital of Warszawa Przyokopowa Sp. z o.o., with a par value of PLN 100 each, and the total par value of PLN 550,000 for the price of PLN 113,850,000 covered in full by cash contribution.

1.3. Disposal of shares

On November 2nd 2008 the Issuer, under a share disposal agreement, sold 118,998 (one hundred eighteen thousand nine hundred ninety eight) shares of LC Corp Sky Tower Sp. z o.o., with its seat in Wrocław (being a subsidiary of the Issuer until the disposal date), of PLN 1,000 per share, with the total par value of PLN 118,998,000.00 (one hundred eighteen million nine hundred ninety eight thousand), to LC Corp B.V. of Amsterdam, for the total price of PLN 118,998,000.00 (one hundred eighteen million nine hundred ninety eight thousand). Under the agreement and until February 15th 2010, the Issuer will be entitled to repurchase unilaterally all the shares at a price of PLN 118,998,000 (one hundred eighteen million nine hundred ninety eight thousand), increased by arm's length interest. In addition, LC Corp B.V. undertook to provide LC Corp Sky Tower Sp. z o.o. with the means up to PLN 170,000,000 (one hundred seventy million), which the Company needs to pay all its liabilities towards the Issuer and its subsidiary - Warszawa Przyokopowa Sp. z o.o.

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 S.A., reflected in REGON, i.e. the statistical records system, includes activities of holding companies, management and consulting activities in the scope of business management, and development and sale of own property.

In 2008 LC Corp S.A. and the Group were implementing the strategy compliant with the company's core activity, i.e. investment activity.

3. Group's share capital as at December 31st 2008.

3.1. Share capital and shareholding structure of LC Corp S.A. as at December 31st 2008.

As at December 31st 2008 the share capital of LC Corp 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.

List of shareholders possessing at least 5% of the total vote at the General Meeting

| Shareholder | Number of shares | Number of votes | Holding in share capital [%] | Share in vote at general meeting [%] |
|---|------------------|-----------------|------------------------------|--------------------------------------|
| Leszek Czarniecki directly and indirectly* including: LC Corp B.V. seated in Amsterdam | 229,126,674 | 229,126,674 | 51.19% | 51.19% |
| ING Otwarty Fundusz Emerytalny | 214,701,110 | 214,701,110 | 47.97% | 47.97% |
| Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK S.A | 27,774,961 | 27,774,961 | 6.21% | 6.21% |
| | 40,000,000 | 40,000,000 | 8.94% | 8.94% |

* Leszek Czarniecki directly holds 14,424,564 shares constituting 3.23% of the share capital and 3.23% share in the vote at the General Meeting, and indirectly through his subsidiary undertakings Leszek Czarniecki holds 214,702,110 shares constituting 47.97% of the share capital and 47.97% share in the vote at the General Meeting. Leszek Czarniecki'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 Wrocław holding 1,000 shares constituting 0.0002% of the share capital and 0.0002% share in the vote at the General Meeting.

3.2. Share capital of LC Corp's subsidiary undertakings

3.2.1. Arkady Wrocławskie S.A.

As at December 31st 2008 the company's share capital amounted to PLN 113,700,000 and was divided into 113,700,000 shares of a par value of PLN 1.00 each. The share capital was paid up to the amount of PLN 108,700,000.00. LC Corp S.A. is the sole shareholder of the Company.

3.2.2. LC Corp Sky Tower Sp. z o.o.

As at December 31st 2008 the company's share capital amounted to PLN 119,000,000 and was divided into 119,000 shares, of PLN 1,000 each. LC Corp S.A. does not hold any shares in the share capital, however, it still remains the parent undertaking, exercising control over Sky Tower Sp. z o.o., in the meaning of Art. 3.37 of the Accounting Act of September 29th 1994, under the provisions of the agreement on disposal of shares concluded between LC Corp S.A. and LC Corp B.V. on November 2nd 2008, stating that:

- a) by February 15th 2010 the Buyer, LC Corp B.V., acting as the company's partner, will not grant its consent, without prior written consent from the Seller i.e. LC Corp S.A., to LC Corp Sky Tower for:
 - incurring financial liabilities other than those towards the Buyer;
 - asset disposal or encumbrance;
- b) by February 15th 2010 the Seller i.e. LC Corp S.A., will be entitled to repurchase unilaterally all the shares at a price of PLN 118,998,000 (one hundred eighteen million nine hundred ninety eight thousand), increased by arm's length interest.

3.2.3. Katowice Ceglana Sp. z o.o. (formerly under the business name Warszawa Nieruchomości Sp. z o.o.)

As at December 31st 2008 the company's share capital amounted to PLN 36,000,000 and was divided into 36,000 shares, of PLN 1,000 each. LC Corp S.A. holds 35,999 shares (99.99%) in the share capital.

3.2.4. Vratislavia Residence Sp. z o.o.

As at December 31st 2008 the company's share capital amounted to PLN 88,000,000 and was divided into 88,000 shares, of PLN 1,000 each. LC Corp S.A. holds 100% shares in the share capital.

3.2.5. Warszawa Przy Promenadzie Sp. z o.o. (formerly under the business name Europlan Projekt Gocław Sp. z o.o.)

As at December 31st 2008 the company's share capital amounted to PLN 1,500,000 and was divided into 15,000 shares, of PLN 100 each. LC Corp S.A. holds 100% shares in the share capital.

3.2.6. Warszawa Przyokopowa Sp. z o.o. (formerly under the business name Europlan Projekt II Sp. z o.o.)

As at December 31st 2008 the company's share capital amounted to PLN 3,000,000 and was divided into 30,000 shares, of PLN 100 each. LC Corp S.A. holds 81.67 % shares in the share capital.

3.2.7. Warszawa Rezydencja Kaliska Sp. z o.o. (formerly under the business name Europlan Projekt III Sp. z o.o.)

As at December 31st 2008 the company's share capital amounted to PLN 4,500,000 and was divided into 45,000 shares, of PLN 100 each. LC Corp S.A. holds 100% shares in the share capital.

3.2.8. Kraków Zielony Złocień Sp. z o.o. (formerly under the business name Europlan Projekt IV Sp. z o.o.)

As at December 31st 2008 the company's share capital amounted to PLN 6,000,000 and was divided into 60,000 shares, of PLN 100 each. LC Corp S.A. holds 100% shares in the share capital.

3.2.9. LC Corp Dębowa Ostoja Sp. z o.o. (formerly under the business name Łódź Residence Sp. z o.o.)

As at December 31st 2008 the company's share capital amounted to PLN 1,000,000 and was divided into 1,000 shares, of PLN 1,000 each. LC Corp S.A. holds 100% shares in the share capital.

3.2.10. LC Corp Bajkowy Park Sp. z o.o. (formerly under the business name Gdańsk Residence Sp. z o.o.)

As at December 31st 2008 the company's share capital amounted to PLN 1,000,000 and was divided into 1,000 shares, of PLN 1,000 each. LC Corp S.A. holds 100% shares in the share capital.

3.2.11. LC Corp Szmaragdowe Wzgórze Sp. z o.o. (formerly under the business name Warszawa Projekt V Sp. z o.o. and Gdańsk Osiedle Łostowice Sp. z o.o.)

As at December 31st 2008 the company's share capital amounted to PLN 13,500,000 and was divided into 13,500 shares, of PLN 1,000 each. LC Corp S.A. holds 100% shares in the share capital.

3.2.12. Łódź Pustynna Sp. z o.o.

As at December 31st 2008 the company's share capital amounted to PLN 8,000,000 and was divided into 8,000 shares, of PLN 1,000 each. LC Corp S.A. holds 100% shares in the share capital.

3.2.13. LC Corp Pustynna Sp. z o.o.

As at December 31st 2008 the company's share capital amounted to PLN 50,000 and was divided into 50 shares, of PLN 1,000 each. LC Corp S.A. holds 100% shares in the share capital.

3.2.14. LC Corp Stabłowice Sp. z o.o.

As at December 31st 2008 the company's share capital amounted to PLN 23,000,000 and was divided into 23,000 shares, of PLN 1,000 each. LC Corp S.A. holds 100% shares in the share capital.

II. COMPOSITION OF LC CORP'S SUPERVISORY BOARD AND MANAGEMENT BOARD AND HOLDING OF THE ISSUER'S SHARES BY THE SUPERVISORY AND MANAGEMENT STAFF

1. Supervisory Board of LC Corp S.A.

As at December 31st 2008 the Supervisory Board was composed of:

- Leszek Czarnecki – Chairman;
- Remigiusz Baliński – Vice-Chairman;
- Artur Wiza – Member,
- Andrzej Błażejowski - Member

During the reporting period the Supervisory Board's composition was changed.

As at January 1st 2008 the Supervisory Board was composed of:

- Remigiusz Baliński – Chairman;
- Dariusz Niedośpiel – Vice-Chairman;
- Ludwik Czarnecki – Member,
- Jarosław Dowbaj – Member,
- William Michael Pollard - Member

As of the General Shareholders Meeting session held on April 21st 2008, Jarosław Dowbaj, William Michael Pollard, and Ludwik Czarnecki submitted their resignation from the functions performed in the Supervisory Board, in place of whom Leszek Czarnecki, Artur Wiza, and Andrzej Błażejowski were appointed.

On November 24th 2008 Dariusz Niedośpiel submitted his resignation from the function performed in the Supervisory Board.

On January 5th 2009 Ludwik Czarnecki was appointed Member of the Supervisory Board.

2. Management Board of LC Corp S.A.

As at December 31st 2008 the Management Board of LC Corp S.A. was composed of:

- Dariusz Niedośpiel – President of the Management Board
- Dariusz Karwacki – First Vice President of the Management Board
- Waldemar Horbacki – Vice President of the Management Board
- Waldemar Czarnecki – Member of the Management Board

During the reporting period the Management Board's composition was changed.

As at January 1st 2008 the Management Board was composed of:

Konrad Dubelski – President of the Management Board
Dariusz Karwacki – Vice President of the Management Board
Waldemar Horbacki – Vice President of the Management Board

As of October 16th 2008, by way of a resolution adopted by the Supervisory Board, Waldemar Czarnecki was appointed Member of the Management Board and Dariusz Karwacki was entrusted with the function of First Vice President of the Management Board.

As of November 24th 2008, by way of a resolution of the Supervisory Board, Konrad Dubelski, President of the Management Board, was dismissed from the Management Board, in place of whom Dariusz Niedośpiel was appointed and entrusted with the function of President of the Management Board.

3. Holding of the Issuer's shares by the supervisory staff:

Supervisory staff holding the Issuer's shares – as at December 31st 2008:

| Full name | Function in the body | Ownership of the Issuer's shares as at Dec 31 st 2008 | Total par value of all shares PLN |
|---------------------|--|--|-----------------------------------|
| Leszek Czarniecki | Chairman of the Supervisory Board | 14,424.564 | 14,424,564 |
| Remigiusz Baliński | Vice-Chairman of the Supervisory Board | 65,445 | 65,445 |
| Ludwik Czarniecki | Member of the Supervisory Board | 10,000 | 10,000 |
| Artur Wiza | Member of the Supervisory Board | 14,000 | 14,000 |
| Andrzej Błażejowski | Member of the Supervisory Board | 20,000 | 20,000 |

4. Holding of the Issuer's shares by the management staff:

Management staff holding the Issuer's shares – as at December 31st 2008:

| Full name | Function in the body | Ownership of the Issuer's shares as at Dec 31 st 2008 | Total par value of all shares PLN |
|---------------------|--|--|-----------------------------------|
| Dariusz Niedośpiał | President of the Management Board | 6,000 | 6,000 |
| Dariusz Karwacki | Vice President of the Management Board | 120,000 | 120,000 |
| Waldemar Horbacki | Vice President of the Management Board | 15,000 | 15,000 |
| Waldemar Czarniecki | Member of the Management Board | - | - |

III. GROUP'S ACTIVITY IN 2008

In 2008 LC Corp focused its activities on exercising owner's supervision over its subsidiary undertakings and acquiring funds for their activity related to purchase of new property for development projects and implementation of such projects. LC Corp's subsidiary undertakings were active on the property development market, carrying out their construction projects and earning profits from rental of commercial and office space (Arkady Wrocławskie S.A.) and from sale of apartments in the completed projects (Warszawa Przy Promenadzie Sp. z o.o. Sp. k.).

1. Completed property development projects

Arkady Wrocławskie

Arkady Wrocławskie S.A. is a company managing an office and retail complex, Arkady Wrocławskie, in Wrocław. The main source of the company's income is constituted by revenue from rental of space in the complex. The facility offers about 39,586 m² of space for rental (including 29,961 m² of commercial space and 9,625 m² of A class office space, and a multi-level car park with 1,000 parking spaces). Arkady Wrocławskie is a modern, dominant complex which fulfils shopping, service, entertainment, and office functions. It is located in the central-

southern part of Wrocław, within the block of Powstańców Śląskich, Swobodna, Komandorska , and Nasypowa Streets.

All activities undertaken by the company are aimed at enhancing the attractiveness of the facility, and, apart from management functions, they focus on the marketing activity.

2. Ongoing property development projects

2.1. Sky Tower in Wrocław

The project is executed by LC Corp Sky Tower sp. z o.o. on the plot of 27,362 m² located in the very centre of Wrocław, in the square formed by Powstańców Śląskich, Gwiaździsta, Wielka, and Szczęśliwa streets, approximately 2.5 km from the Market Square.

Sky Tower will be a residential, office, and commercial complex consisting of 7 buildings of different heights and an aggregate area of 267,566 m². One of the apartment buildings comprised by Sky Tower will be more than 200 metres high, and, thus, it will be the tallest residential building in Poland. At present advanced construction works are in progress, related to reinforced concrete works at the Podium of the project. Sale of apartments and commercialization of the facility started in January 2008.

Due to the turmoil on the domestic and world financial market, as of November 2008 the company stopped the sale of apartments, which will recommence as soon as the situation is stabilised, and terminated all so far concluded preliminary agreements on sale of residential space.

Construction works were not interrupted, and they proceed as planned.

The completion of stage I of the project, divided by the Investor into four stages, is planned for Q4 2010, and the whole project should be finalised in December 2012.

2.2. Vratislavia Residence in Malin near Wrocław

The project is carried out by Vratislavia Residence Sp. z o.o. on the property of 169 ha. 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 m²) and a retail and entertainment part. At present the works related to planning and completion of infrastructure are in progress, indispensable for carrying out the project.

2.3. Osiedle Przy Promenadzie in Warsaw

The project is implemented by Warszawa Przy Promenadzie Sp. z o.o. sp. k. and consists in the construction of a housing estate 'Przy Promenadzie' in the Goław district, Praga-Południe in Warsaw, on the plot of 32 thousand m², located at the junction of ul. Rechniewskiego and ul. Anińska. 'Osiedle przy Promenadzie' is a complex of four apartment buildings, designed by one of the best architectural studios in Warsaw. The design combines modernity and elegance with a unique atmosphere pervading the interior part of the estate. These aims were achieved owing to the emphasis placed on greenery, meticulous care taken to finish the buildings in the manner friendly to their inhabitants, and the interior design. Due to the standard of finishing and the offered price, the flats are intended for middle-class Warsaw residents. The construction of the residential complex 'Osiedle przy Promenadzie' has been divided into three stages:

- Stage I a – 10-storey residential building with 164 apartments
- Stage I b – 10-storey residential building with 71 apartments
- Stage II – 16-storey building for residential and commercial functions with 385 apartments
- Stage III – 13-storey residential building with about 85 apartments.

In Q1 2008 stage I of the project was completed and the ownership of apartments was transferred to the buyers. On October 28th 2008 a building permit for the construction of Stage III of the project was granted, for the area of 3,716 m². The decision became final on November 18th 2008.

As part of the same housing estate another project will be implemented by Warszawa Przy Promenadzie Sp. z o.o. The company already started the activities aimed at commencing the project on the property located in Warsaw, the Praga-Południe district, in ul. T. Rechniewskiego, having the area of 3,716 m². This housing estate project will be carried out as part of 'Osiedle Przy Promenadzie'.

2.4. Rezydencja Kaliska in Warsaw

The project is implemented by Warszawa Rezydencja Kaliska Sp. z o.o. on the plot of 4,999 m², located in ul. Kaliska and ul. Niemcewicz (at the boundary of Śródmieście and Ochota districts in Warsaw). The plot is situated in the residential area and surrounded by multi-family apartment buildings (between 5 and 11 storeys). It is several hundred metres away from the very centre of Warsaw, close to Aleje Jerozolimskie, next to the city square. The Group intends to use the plot for a housing development project consisting in the construction of a residential complex with approx. 98 high-standard apartments. The average size of an apartment in the building is 66.5 m². Moreover, the building provides for 136 parking spaces on 2 levels of an underground car park. Safety and comfort are guaranteed by pleasant fencing, reception, 24-hour security and monitoring.

On August 25th 2008 the company received a building permit, which became final. The company selected the general contractor (Erbud S.A. seated in Warsaw) and signed the relevant agreement with it. The general contractor commenced construction works.

2.5. 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 m². 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 city villas.

On July 25th 2008 the company received a building permit for stage I of the project, including the construction of one-family housing development (30 segments, semi-detached and terraced). The building permit is final, and now the Company is waiting to obtain a loan to finance capital expenditure, for the purpose of partial financing of the project.

2.6. Miasteczko Zielony Złocień in Kraków

The 'Miasteczko 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. They will be located in 4-storey buildings having the total floor space of 92,367m². 'Osiedle Zielony Złocień' will offer 166 one-room flats, 932 two-room flats, 503 three-room flats, and 57 four-room flats, having the floor space between 28 and over 100 m². The complex will contain sports and recreational infrastructure, walking and green areas for the relaxation of the residents. A big advantage of the flats will be furnishing them with mechanical ventilation devices.

Due to the macroeconomic situation the Group intends to commence the project when the factors indicating an improvement in the real property market have been identified, however, not earlier than in Q1 2010, whereas the completion of the construction of the whole estate is planned for Q1 2015.

On August 28th 2008 the company obtained a building permit, which is now final.

Property development projects under preparation

3.1. Project in Łódź in ul. Pustynna

The project is carried out by Łódź Pustynna Sp. z o.o. on the plot of 2.2441 ha., located in Łódź at ul. Pustynna no 43, purchased on March 4th 2008. An estate composed of terraced houses will be constructed there. Due to the macroeconomic situation the Group intends to commence the project when the factors indicating an improvement in the real property market have been identified, however, not earlier than in Q1 2010.

3.2. Osiedle Bajkowy Park Project in Gdańsk

The 'Osiedle Bajkowy Park' Project will be carried out by LC Corp Bajkowy Park Sp. z o.o. on the plot of 9.9421 ha., located in the southern part of Gdańsk-Mańkowy in ul. Starogardzka. The property is very well communicated – ul. Starogardzka connects Trakt Św. Wojciecha (entry to Gdańsk from the south) with the Tri-City (Trójmiasto) ring road. The design works are in progress – consisting in preparation of a conceptual design study of the whole housing estate and a land development design. The planned total usable area of flats will amount to about 42,735 m², and the total commercial area will amount to about 11,362 m². Due to the macroeconomic situation the Group intends to commence the project when the factors indicating an improvement in the real property market have been identified, however, not earlier than in Q1 2010.

3.3. Osiedle Szmaragdowe Wzgórze Project in Gdańsk

The project is carried out by LC Corp Szmaragdowe Wzgórze Sp. z o.o. on the property purchased on January 21st 2008. The property is composed of 53 plots of a total area of 10.6217 ha., located in Gdańsk, in the Łostowice District. The project will consist in the construction of a housing estate. 'Osiedle Szmaragdowe Wzgórze' is located at the junction of ul. Niepołomicka and ul. Srebrna in the Gdańsk Łostowice District, which has excellent transport connections to both the Tri-City ring road and the centre of Gdańsk. The 'Osiedle Szmaragdowe Wzgórze' Project anticipates completion of two stages called: Szmaragdowe Wzgórze I (with a total floor space and usable space of 26,900 m²), and Szmaragdowe Wzgórze II (with a total floor space and usable space of 20,150 m²). Buildings erected as part of the estate will combine functionality and aesthetic qualities, and will be distinguished by their shapes and colour scheme. At present the designing works are in progress. Due to the macroeconomic situation the Group intends to commence the project when the factors indicating an improvement in the real property market have been identified, however, not earlier than in Q1 2010.

3.4. Project in ul. Przyokopowa in Warsaw

The project is implemented by Warszawa Przyokopowa Sp. z o.o., on the property located in Warsaw in ul. Grzybowska and ul. Przyokopowa. The project is situated near the very centre of Warsaw, where a rapid development of office and residential space can be observed. At present the designing and demolition works are carried out, necessary before commencing the project. Due to the macroeconomic situation the Group intends to commence the project when the factors indicating an improvement in the real property market have been identified, however, not earlier than in Q1 2010.

3.5. Project in Katowice, in ul. Ceglana

The project is carried out by Katowice Ceglana Sp. z o.o. on the property acquired on December 12th 2007, located in Katowice, in ul. Ceglana, having a total area of 103,940 m², intended for residential and commercial development. At present the designing works are in progress. Due to the macroeconomic situation the Group intends to commence the project when the factors indicating an improvement in the real property market have been identified, however, not earlier than in Q1 2010.

3.6. Project in Katowice, in ul. Roździeńskiego

The project is implemented by LC Corp Stabłowice Sp. z o.o. on the property purchased on January 17th 2008, located in Katowice, in Al. Roździeńskiego, having the area of 0.9938 ha., intended for office, residential, and commercial development. The current designing works focus on the selection of a conceptual design. Due to the macroeconomic situation the Group intends to commence the project when the factors indicating an improvement in the real property market have been identified, however, not earlier than in Q1 2010.

3.7. Searching for real estate intended for development in the largest cities in Poland

In 2008 the Group was still actively looking for attractive locations suitable for new projects, to ensure continuation of its activity and implementation of projects over the period of at least 5 following years, in line with the strategic assumptions regarding continuity of project processes.

4. Market situation

4.1. Economic situation

In Q3 and Q4 2008 the financial crisis was augmenting and it started to have a real bearing on the Polish economy. Confronted with the financial crisis spreading throughout the worldwide and domestic markets the Group adopted some measures aimed at minimising its effects. A slump on the financial market entailed a slump on the property trading market, on which the Issuer and its subsidiary undertakings operate. The Issuer and the Group consider important the commencement, in Q4 2008, of the procedure for rationalisation of the Group's structure and reduction in its operating costs, consisting in reduction in administrative and financial costs and restricting the liquidity risk to the minimum. Taking the above actions by the Issuer was aimed at preparing the Group to the transitional market situation. Owing to these endeavours the Group's projects are ready for immediate commencement, its assets are free from debt and the Issuer's structures are prepared for development.

The Group still intends to focus on the projects in the big Polish cities such as Warsaw, Wrocław, Katowice, Gdańsk, Kraków, and Łódź. In these cities the flats with a medium-level finish standard still form the dominant group, but at present high standard projects and apartments gradually start to appear.

As there is a shortage of apartments throughout the country, related also to the fact that the majority of Polish dwelling units is very old and in the need of immediate renovation, the demand for new apartments will remain at a high level. On the other hand, a drop in the number of transactions concluded on the housing market in Q4 2008, which, to a significant extent, results from lessening of the possibilities of external financing for end customers, has a negative impact on the situation on the property market, exerting a price pressure on the property development companies. At present, the long-term effects of restrictions on banks' lending activity are unknown yet, and stabilisation of the situation and restoring free access to loans depend on the factors which are beyond the Group's direct control. However, developers' discontinuation of their projects on a massive scale should create a balance between demand and supply in strictly defined market segments in the third quarter of 2009.

4.2. Office space market

With respect to the size of the office space market Wrocław is the fourth city in Poland. The supply of modern office space amounts to almost 209,000 m², the majority of which (nearly 60%) is located outside the city centre. At present the wide offer of the Wrocław office space market does not exceed class B and B+.

The Wrocław office space market is characterised by a low vacancy rate and a growing demand for office space, including in particular the facilities above 1,000 m², rented by foreign investors in Wrocław, attracted by the policy adopted by the city authorities and the country's increasing popularity as a location for outsourcing. In the following years the demand for office space will be generated mainly by international companies representing the IT and telecom sectors. An increase in the office space supply in Wrocław is estimated at about 200,000 m² in four subsequent years. The growth rate of the office space market in Wrocław is estimated at 25% per year

4.3. Commercial space market

A low percentage (1-2%) of vacant space in the existing shopping centres and the interest in renting space not only in the currently constructed but also in the planned centres proves the existence of demand for modern commercial space. A good economic situation and promising perspectives translate into developers' and retailers' interest in Wrocław.

Apart from a low rate of vacant property Wrocław is also characterised by a low rate of market saturation with commercial space.

IV. EVENTS EXERTING A SIGNIFICANT IMPACT ON THE GROUP'S ACTIVITY AND FINANCING OF THE GROUP'S OPERATIONS IN THE ACCOUNTING PERIOD

1. LC Corp S.A.

1.1. Issue of series C and D bonds

On September 9th 2008, pursuant to Art. 9.3 of the Acts on Bonds and the relevant resolutions, LC Corp S.A. issued 10 unsecured zero coupon series C bonds with a par value of PLN 1,078,300 each, and the total par value of PLN 10,783,000. The issue price of one bond amounted to PLN 1,000,000 and the aggregate issue price totalled PLN 10,000,000. The aim of the issue was to finance the activity of the Issuer.

On October 30th 2008, LC Corp S.A. issued 23 unsecured zero coupon D series registered bonds with a par value of PLN 1,170,400 each, and the total par value of PLN 26,919,200. The redemption date is October 30th 2010, wherein earlier redemption of the bonds is admissible. In the case of an earlier redemption of the bonds, the redemption price will be calculated in proportion to the actual duration of the issue. Both bond series were acquired by Warszawa Przyokopowa Sp. z o.o. The transactions were concluded at arm's length.

1.2. Bonds issue and redemption under the Bond Issue Scheme

To finance the Group's activity in 2008 LC Corp S.A. performed subsequent bond issues, as part of the Bond Issue Scheme, pursuant to Art. 9.3 of the Act on Bonds of June 29th 1995, which included zero coupon short-term bonds. In 2008, the total par value of the issue amounted to PLN 479,000,000. Redemption covering the total

amount of PLN 421,000,000 occurred at maturity dates. As at December 31st 2008 the par value of unredeemed bonds totalled PLN 58,000,000.

On February 12th 2009, LC Corp S.A. redeemed the last series of LC Corp's bonds issued under the Bond Issue Scheme, and as at the date of drawing up this report on the company's operations it had no liabilities on account of the above.

1.3. Disposal of shares of LC Corp Sky Tower Sp. z o.o.

On November 2nd 2008 the Issuer, under a share disposal agreement, sold 118,998 (one hundred eighteen thousand nine hundred ninety eight) shares of LC Corp Sky Tower Sp. z o.o., with its seat in Wrocław (being a subsidiary of the Issuer until the disposal date), of PLN 1,000 per share, with the total par value of PLN 118,998,000.00 (one hundred eighteen million nine hundred ninety eight thousand), to LC Corp B.V. of Amsterdam, for the total price of PLN 118,998,000.00 (one hundred eighteen million nine hundred ninety eight thousand). Under the agreement and until February 15th 2010, the Issuer will be entitled to repurchase unilaterally all the shares at a price of PLN 118,998,000 (one hundred eighteen million nine hundred ninety eight thousand), increased by arm's length interest. In addition, LC Corp B.V. undertook to provide LC Corp Sky Tower Sp. z o.o. with the means up to PLN 170,000,000 (one hundred seventy million), which the Company needs to pay all its liabilities towards the Issuer and its subsidiary - Warszawa Przyokopowa Sp. z o.o.

1.4. Guarantee for a loan granted to LC Corp Bajkowy Park

On June 6th 2008, LC Corp S.A. provided Gdańsk Residence Sp. z o.o. (at present LC Corp Bajkowy Park Sp. z o.o.) with guarantee up to the amount of PLN 15,357,500 as security for repayment of a bank loan in the amount of PLN 25,480,000, granted to this company by Bank DnB Nord Polska S.A. on June 5th 2008.

2. Arkady Wrocławskie S.A.

2.1 Syndicated loan agreement concluded by Arkady Wrocławskie S.A.

On February 28th 2008, Arkady Wrocławskie S.A. concluded a credit agreement for the amount of EUR 61,000,000.00 with the entities forming a consortium of banks composed of ING Bank Śląski SA with its registered office in Katowice, ING Bank Hipoteczny S.A. with its registered office in Warsaw, and Kredyt Bank S.A. with its registered office in Warsaw. The credit is intended for refinancing of the expenditure incurred for carrying out the Arkady Wrocławskie project, including refinancing of the existing credit obligation. The agreement was concluded on an arm's length basis. The lending rate for the loan granted under the abovementioned agreement was determined on the basis of EURIBOR rate, increased by an arm's length margin. The loan will be repaid by instalments, the last of which matures on December 31st 2017.

Security for the loan is provided by: contractual real estate mortgage on the property belonging to Arkady Wrocławskie S.A., declarations of submission to enforcement under Art. 97 of the Banking Act, made for the benefit of each Lender, financial and registered pledges on receivables from bank accounts together with a proxy to administer such accounts, a registered pledge on a collection of things and rights which form the Borrower's economic entity, a registered pledge on all shares (113,700,000 shares with a par value of PLN 1.00 each) in Arkady Wrocławskie S.A., with a financial pledge as temporary security by the time the registered pledge is entered to the register of pledges established by the Issuer, a transfer of the Borrower's rights from all lease agreements concluded by the Borrower, insurance agreements and other agreements concluded by the Borrower, made to secure the payment of debt.

On February 29th 2008, Arkady Wrocławskie SA filed a notification of earlier total repayment of a syndicated loan contracted on May 18th 2006 with Getin Bank S.A., Raiffeisen Bank Polska S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. The notification was filed on account of concluding the credit agreement with a consortium of banks composed of ING Bank Śląski S.A., ING Bank Hipoteczny S.A., and Kredyt Bank S.A. on February 28th 2008.

2.2. Establishing a registered pledge on shares in Arkady Wrocławskie S.A.

On March 11th 2008, the Court of Registration made an entry in the Register of Pledges, concerning a registered pledge established for the benefit of ING Bank Śląski S.A., ING Bank Hipoteczny S.A., and Kredyt Bank S.A. on all shares (113,700,000 shares of a par value of PLN 1.00 each) in Arkady Wrocławskie S.A., held by LC Corp S.A. The pledge forms security for a bank loan granted to Arkady Wrocławskie S.A.

2.3 Insurance guarantees

On February 1st 2008, insurance guarantee commissioned by Arkady Wroclawskie SA was issued by TU EUROPA SA for the beneficiary Spółdzielnia Usług Motoryzacyjnych SPOLMOT, seated in Wrocław, in order to secure the payment of the lease fee in the period February 1st 2008 – January 31st 2009, specified in the lease agreement concluded on May 13th 2004, together with Annexe No.1 dated December 9th 2005. The value of the guarantee amounted to PLN 267,421.75

On February 1st 2008, insurance guarantee commissioned by Arkady Wroclawskie S.A. was issued by TU EUROPA S.A. for the beneficiary Spółdzielnia Usług Motoryzacyjnych SPOLMOT, seated in Wrocław, in order to secure the payment of the lease fee in the period February 1st 2008 – January 31st 2009, specified in the lease agreement and the preliminary sale contract concluded on May 13th 2004. The value of the guarantee amounted to PLN 276,766.05.

3. LC Corp Sky Tower Sp. z o.o.

3.1 Issue of series D registered bonds, dated July 16th 2008

On July 16th 2008, on the grounds of Art. 9.3 of the Act on Bonds and relevant resolutions, LC Corp Sky Tower Sp. z o.o. issued 30 unsecured zero coupon series D registered bonds with a par value of PLN 1,169,800 per bond, and the aggregate par value of PLN 35,094,000. The issue price of one bond amounted to PLN 1,000,000 and the aggregate issue price totalled PLN 30,000,000. The aim of the issue was to raise funds for the Sky Tower project carried out by the Company. The redemption date is July 16th 2010, wherein earlier redemption of the bonds is admissible. Redemption of the bonds at the redemption date will be effected at their par value. In the case of an earlier redemption of the bonds, the redemption price will be calculated in proportion to the actual duration of the issue. In the case of delay in payment of the redemption price the bondholder will be entitled to statutory interest. The bonds were acquired by Warszawa Przyokopowa Sp. z o.o. The transaction was concluded at arm's length.

3.2 Issue of investment notes

On October 31st 2008, LC Corp Sky Tower Sp. z o.o. issued 1 investment note with a par value of PLN 55,000,000. On November 18th 2008, the note's par value was changed to PLN 44,916,911.13. The redemption value of the investment note was established at arm's length. The note's redemption date is October 31st 2010, with an optional payment available at an earlier date. In case of an early payment, its redemption value will be established in proportion to the actual duration of the issue. The investment note was acquired by Leszek Czarnecki. The transaction was concluded at arm's length.

On November 17th 2008, LC Corp Sky Tower Sp. z o.o. issued 1 investment note with a par value of PLN 25,000,000. The redemption value of the investment note was established at arm's length. The note's redemption date is February 17th 2009, with an optional payment available at an earlier or later date. In case of an earlier or later payment, its redemption value will be established in proportion to the actual duration of the issue. The investment note was acquired by Fiolet-Powszechny Dom Kredytowy S.A. The transaction was concluded at arm's length. The redemption date for the note was set for August 17th 2009, and the redemption value was proportionally increased.

3.3 Incurring and repayment of a loan for capital expenditure

On September 24th 2008, LC Corp Sky Tower Sp. z o.o. entered into an agreement with Getin Bank S.A., a subsidiary undertaking of LC Corp S.A., on a bank loan for capital expenditure, in the amount of PLN 80,000,000.00, intended for financing of the Sky Tower project underway. The agreement was concluded at arm's length. The lending rate of the loan granted under the abovementioned agreement was established on an arm's length basis. The loan is due for repayment by September 19th 2011. LC Corp Sky Tower Sp. z o.o. established for the benefit of Leszek Czarnecki, indirect and direct majority shareholder of the Issuer and the Chairman of the Issuer's Supervisory Board, a contractual (deposit) mortgage up to the amount of PLN 100,000,000, securing claims of Leszek Czarnecki in connection with security for a bank loan, established by him for the benefit of Getin Bank S.A.

On October 31st 2008, LC Corp Sky Tower Sp. z o.o. repaid in total the loan incurred in Getin Bank S.A. on September 24th 2008.

4. Warszawa Rezydencja Kaliska Sp. z o.o.

4.1 Issue of investment notes

In December 2nd 2008, Warszawa Rezydencja Kaliska Sp. z o.o. issued 9 investment notes with a par value of PLN 1,000,000 each. The redemption value of the notes was determined on an arm's length basis. The redemption date was set for December 2nd 2010, with an optional payment available at an earlier date. In case of an earlier payment, the redemption value will be established in proportion to the actual duration of the issue. The investment notes were acquired by LC Corp S.A. The transaction was concluded at arm's length.

5. LC Corp Bajkowy Park Sp. z o.o.

5.1 Loan agreement

On June 5th 2008, LC Corp Bajkowy Park entered into a loan agreement with DnB Nord Polska S.A. for the amount of PLN 25,480,000. LC Corp S.A. granted a guarantee up to the amount of PLN 15,357,500 securing repayment of the bank loan.

6. Transactions with related undertakings whose individual or aggregate value for a given undertaking as of the beginning of the accounting year exceeds the PLN equivalent of EUR 500,000.

Apart from the transactions described in Section I.1 and other transactions referred to above in this Section IV, the Group's undertakings effected the following transactions:

6.1 Loan agreements concluded by LC Corp S.A. with its subsidiary undertakings in 2008

| Borrower | Date of concluding the agreement | Contractual amount of the loan PLN | Repayment date |
|--|---|------------------------------------|----------------|
| Warszawa Rezydencja Kaliska Sp. z o.o. | Jan 21 st 2008 | 8,000,000.00 | unspecified |
| LC Corp Szmaragdowe Wzgórze Sp. z o.o. | Jan 21 st 2008 June 16 th 2008 (Annexe) | 42,500,000.00 | unspecified |
| Vratislavia Residence Sp. z o.o. | Feb 14 th 2008 | 5,000,000.00 | unspecified |
| Łódź Pustynna Sp. z o.o. | Mar 7 th 2008 | 16,000,000.00 | unspecified |
| LC Corp Sky Tower Sp. z o.o. | Apr 1 st 2008 | 20,000,000.00 | unspecified |
| LC Corp Sky Tower Sp. z o.o. | Apr 29 th 2008 | 30,000,000.00 | unspecified |
| LC Corp Dębowa Ostoja Sp. z o.o. | June 6 th 2008 | 500,000.00 | unspecified |
| Vratislavia Residence Sp. z o.o. | June 26 th 2008 | 5,000,000.00 | unspecified |
| Warszawa Rezydencja Kaliska Sp. z o.o. | June 26 th 2008 | 5,000,000.00 | unspecified |
| LC Corp S.A. (Lender: Warszawa Przykopowa Sp. z o.o.) | July 8 th 2008 | 25,000,000.00 | unspecified |
| LC Corp Dębowa Ostoja Sp. z o.o. | July 23 rd 2008 | 500,000.00 | unspecified |
| LC Corp Dębowa Ostoja Sp. z o.o. | July 31 st 2008 | 3,000,000.00 | unspecified |
| Kraków Zielony Złocień Sp. z o.o. | Nov 3 rd 2008 | 700,000.00 | unspecified |
| LC Corp Dębowa Ostoja Sp. z o.o. | Nov 7 th 2008 | 2,350,000.00 | unspecified |

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|--------------------------------------|---------------------------|--------------|-------------|
| Kraków Zielony Złocień Sp. z o.o. | Nov 7 th 2008 | 400,000.00 | unspecified |
| Kraków Zielony Złocień Sp. z o.o. | Nov 28 th 2008 | 600,000.00 | unspecified |
| Warszawa Przy Promenadzie Sp. z o.o. | Nov 28 th 2008 | 4,500,000.00 | unspecified |
| Kraków Zielony Złocień Sp. z o.o. | Dec 19 th 2008 | 1,600,000.00 | unspecified |

7. Other significant agreements with related undertakings

7.1 Agreements on provision of services

For the benefit of its subsidiary undertakings LC Corp provided management, accounting, administrative, business consulting, and corporate consulting services; services of preparing offers and negotiating contractual terms and conditions; supporting and organising the process of carrying out projects; legal services; searching for, disposing of, and acquiring real property; analysing potential property markets; legal, financial, and administrative service for client's property; consulting services for client's property management and all other issues related to client's activity.

V. ASSET, FINANCIAL, AND REVENUE POSITION OF THE GROUP

| Basic economic and financial figures | Position as at December 31 st 2008 PLN'000 | Position as at December 31 st 2007 PLN'000 |
|--|---|---|
| Non-current assets | 657,216 | 562,496 |
| Current assets | 1,011,207 | 974,483 |
| Equity | 964,687 | 897,570 |
| Liabilities and provisions for liabilities | 703,736 | 639,409 |
| Balance-sheet total | 1,668,423 | 1,536,979 |
| Revenue from sales | 136,498 | 34,390 |
| Profit (loss) on sales | 61,702 | 19,738 |
| Operating profit (loss) | 99,937 | 121,401 |
| Pre-tax profit (loss) | 41,744 | 106,502 |
| Net profit (loss) | 41,744 | 106,502 |

In 2008, the Group earned net revenue from sales in the total amount of PLN 136,498,000. The net profit totalled PLN 41,744,000.

Factors and events which had a material impact on the financial results of the LC Corp's Group in 2008 include in particular:

1. settlement of the transaction of increasing the share capital of Warszawa Przyokopowa Sp. z o.o. (LC Corp B.V. acquired 5,500 shares in the share capital of Warszawa Przyokopowa Sp. z o.o., with a par value of PLN 100 each and the total par value of PLN 550,000, which were paid for in cash in the amount of PLN 113,850,000), disclosed by the Group in the profit and loss account as the profit on disposal of subsidiary undertaking's net assets in the amount of PLN 89,419,000.

2. sale of shares in LC Corp Sky Tower Sp. z o.o. (described in Section IV.1.4.)
3. revaluation of investment property, Arkady Wrocławskie retail centre. In 2008 revaluation of non-current non-financial assets totalled PLN 36,364,000.
4. taking valuation allowances for the projects of the Group's undertakings (disclosed in financial statements as inventories). The total value of the allowances amounted to PLN 67,917,000.

In the Management Board's opinion there occurred circumstances indicating a loss of value and, using its best estimates, based on reasonable and justified assumptions and forecasts, it analysed the projects with regard to the future benefits provided by them. On such basis the Management Board took allowances of the abovementioned inventories to their recoverable value. The recoverable value was defined as the higher of: the fair value decreased by selling costs or the value in use of a given asset.

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 Group did not publish any financial forecasts for the year 2008.

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

Detailed information about off-balance sheet items is presented in Note 27.3 and 27.5 of the Accounting principles (policy) and additional explanatory notes to the Group's consolidated financial statements for the year 2008.

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

| | Dec 31 st 2008 | | Dec 31 st 2007 | |
|--|---------------------------|-------------|---------------------------|-------------|
| Assets | | | | |
| A. Non-current assets | 657,216 | 39% | 562,496 | 37% |
| 1. Intangible assets | 1,016 | 0% | 447 | 0% |
| 2. Property, plant and equipment | 127,650 | 8% | 68,122 | 4% |
| 2.1. Tangible assets | 6,043 | 0% | 1,584 | 0% |
| 2.2. Tangible assets under construction | 121,607 | 7% | 66,538 | 4% |
| 3. Non-current receivables | 0 | 0% | 0 | 0% |
| 4. Investment property | 525,806 | 32% | 489,373 | 32% |
| 5. Non-current prepayments and accrued income | 1,354 | 0% | 1,811 | 0% |
| 6. Deferred tax assets | 1,390 | 0% | 2,743 | 0% |
| B. Current assets | 1,011,207 | 61% | 974,483 | 63% |
| 1. Inventories | 879,155 | 53% | 674,665 | 44% |
| 2. Trade and other receivables | 58,835 | 4% | 77,925 | 5% |
| 3. Income tax receivable | 806 | 0% | 164 | 0% |
| 4. Cash and cash equivalents | 71,640 | 4% | 220,708 | 14% |
| 5. Current prepayments and accrued income | 771 | 0% | 1,021 | 0% |
| C. Non-current assets classified as held for sale | 0 | 0% | 0 | 0% |
| Total assets | 1,668,423 | 100% | 1,536,979 | 100% |
| Equity and liabilities | | | | |
| A. Equity | 964,687 | 58% | 897,570 | 58% |
| 1. Share capital | 447,558 | 27% | 446,558 | 29% |
| 2. Balance of called-up share capital not paid | 0 | 0% | 0 | 0% |
| 3. Reserve funds | 418,648 | 25% | 302,659 | 20% |
| 4. Other reserve funds | 39,771 | 2% | 39,771 | 3% |

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|---|------------------|-------------|------------------|-------------|
| 5. Other capital | 3,108 | 0% | 3,108 | 0% |
| 6. Retained profit/losses nor covered | 30,462 | 2% | 105,474 | 7% |
| 7. Minority interest | 25,140 | 2% | 0 | 0% |
| B. Non-current liabilities | 394,154 | 24% | 350,102 | 23% |
| 1. Non-current financial liabilities | 349,953 | 21% | 304,884 | 20% |
| 2. Non-current trade and other payables | 2,977 | 0% | 7,923 | 1% |
| 3. Provisions | 23 | 0% | 26 | 0% |
| 4. Deferred tax liability | 41,201 | 2% | 37,269 | 2% |
| C. Current liabilities | 309,582 | 19% | 289,307 | 19% |
| 1. Current financial liabilities | 227,517 | 14% | 171,137 | 11% |
| 2. Current trade and other payables | 39,218 | 2% | 29,721 | 2% |
| 3. Income tax payable | 561 | 0% | 0 | 0% |
| 4. Provisions | 804 | 0% | 4,861 | 0% |
| 5. Accrued expenses and revenue | 41,482 | 2% | 83,588 | 5% |
| Total equity and liabilities | 1,668,423 | 100% | 1,536,979 | 100% |

The most important changes in the value of assets recorded in the presented period:

- significant increase in tangible assets under construction, related to an increase in capital expenditure incurred for the project carried out by LC Corp Sky Tower Sp. z o.o., in its part intended for lease,
- significant increase in investment property, related to revaluation of the Arkady Wrocławskie retail centre,
- increase, by one-third, in the value of inventories, related to intense acquisition of land for subsequent projects and an increase in capital expenditure incurred for the project of Warszawa Przy Promenadzie Sp. z o.o. sp. k. and the project of LC Corp Sky Tower Sp. z o.o., in its part intended for apartments,
- decrease in the value of cash and cash equivalents, related to financing of carried out projects and repayment of financial liabilities.

The most important changes in the value of equity and liabilities recorded in the presented period:

- higher level of both non-current and current liabilities, which results from financing of carried out projects,
- decrease in the value of provisions, mainly because of a decrease in the value of provisions for court and litigious cases,
- almost twofold decrease in accrued expenses and revenue, related to the commencement of sale of apartments in the project of Warszawa Przy Promenadzie Sp. z o.o. sp. k.

VI. OTHER EVENTS SIGNIFICANTLY AFFECTING THE COMPANY'S OPERATION, WHICH OCCURRED DURING THE ACCOUNTING PERIOD AND THEREAFTER, BY THE DATE OF APPROVING THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

1. LC Corp S.A.

1.1. Loan granted to Warszawa Rezydencja Kaliska Sp. z o.o.

On January 5th 2009, LC Corp S.A. granted a subordinated loan to Warszawa Rezydencja Kaliska Sp. z o.o., in the amount of PLN 1,600,000, for an indefinite period and following an arm's length principle, intended for the Rezydencja Kaliska project.

1.2 Loan granted to Warszawa Rezydencja Kaliska Sp. z o.o.

On January 21st 2009, LC Corp S.A. granted a subordinated loan to Warszawa Rezydencja Kaliska Sp. z o.o., in the amount of PLN 2,050,000, for an indefinite period and following an arm's length principle, intended for current business activity.

1.3 Loans granted to Kraków Zielony Złocień Sp. z o.o.

On January 21st 2009, LC Corp S.A. granted a subordinated loan to Kraków Zielony Złocień Sp. z o.o., in the amount of PLN 700,000, for an indefinite period and following an arm's length principle, intended for current business activity.

On February 26th 2009, LC Corp S.A. granted a subordinated loan to Kraków Zielony Złocień Sp. z o.o., in the amount of PLN 1,300,000, for an indefinite period and following an arm's length principle, intended for current business activity.

1.4 Loans repaid by subsidiary undertakings

On June 27th 2008, LC Corp Bajkowy Park Sp. z o.o. repaid a loan in the amount of PLN 19,000,000; on July 8th 2008 Warszawa Przyokopowa Sp. z o.o. repaid a loan in the amount of PLN 8,500,000. After the balance sheet date LC Corp Sky Tower Sp. z o.o. repaid a loan in the amount of PLN 42,198,828.64 and Katowice Ceglana Sp. z o.o. repaid a loan of PLN 16,242,590.89.

1.5 Redemption of series C bonds

On February 26th 2009, LC Corp S.A. redeemed all 10 unsecured zero coupon registered series C bonds, with a par value of PLN 1,078,300 each and the total par value of PLN 10,783,000, issued on September 9th 2008, pursuant to Art. 9.3 of the Act on Bonds. The total redemption price amounted to PLN 10,364,684.90.

1.6 Redemption of the last series of bonds

On February 12th 2009, LC Corp S.A. redeemed the last series of LC Corp's bonds issued under the Bonds Issue Program and at present it has no liabilities on account of that.

1.7 Acquisition of investment notes issued by Warszawa Przy Promenadzie Sp. k.

On January 20th 2009, Warszawa Przy Promenadzie Sp. z o.o. Sp. k. issued 14 investment notes, a par value of 13 of the notes was established as PLN 1,000,000 each, and of 1 note as PLN 500,000. The notes were acquired by LC Corp S.A. The redemption value of the investment notes was established at arm's length. The note's redemption date is January 20th 2010, with an optional payment available at an earlier date. In case of an early payment, the redemption value will be established in proportion to the actual duration of the issue. The transaction was concluded at arm's length.

1.8 Appointment of the Management Board for a new term of office

On March 4th 2009, as the term of office of the Management Board expired, the Company's Supervisory Board appointed to the Management Board Dariusz Niedośpiał as President of the Management Board and Waldemar Czarnecki as Member of the Management Board, for a new three years' term of office, common for the whole Management Board, commencing as of the day following the General Shareholders Meeting which approves the Company's financial statements for the accounting year 2008.

2. LC Corp Sky Tower Sp. z o.o.

2.1 Disposal of shares by LC Corp B.V.

On January 15th 2009, LC Corp B.V., with its seat in Amsterdam, disposed of 15,000 shares of LC Corp Sky Tower Sp. z o.o., of PLN 1,000 each, for the benefit of Leszek Czarnecki, with regard to which, under the agreement of November 2nd 2008 on disposal of all shares in this company, concluded between the Issuer and LC Corp B.V., the Issuer was entitled to repurchase them unilaterally. As a result of this transaction and signing of a relevant agreement between the Issuer and the buyer of shares, the option of share repurchase, to which the Issuer was entitled, remained effective under the previously agreed conditions.

2.2 Conclusion of a loan agreement with LC Corp B.V.

On January 15th 2009 LC Corp Sky Tower Sp. z o.o. incurred a loan in the amount of PLN 11,002,000 from its shareholder, LC Corp B.V., for a definite period of 2 years, at arm's length, intended for repayment of liabilities of LC Corp Sky Tower Sp. z o.o. towards LC Corp S.A. and Warszawa Przyokopowa Sp. z o.o.

2.3 Conclusion of a loan agreement with Leszek Czarnecki

On February 3rd 2009, LC Corp Sky Tower Sp. z o.o. incurred a loan in the amount of PLN 23,000,000 from its shareholder, Leszek Czarniecki, for a definite period of 2 years, at arm's length, intended for repayment of liabilities of LC Corp Sky Tower Sp. z o.o. towards LC Corp S.A. and Warszawa Przyokopowa Sp. z o.o.

2.4 Conclusion of a loan agreement with LC Corp B.V.

On February 13th 2009, LC Corp Sky Tower Sp. z o.o. incurred a loan in the amount of PLN 17,000,000 from its shareholder, LC Corp B.V., for a definite period of 2 years, at arm's length, intended for repayment of liabilities of LC Corp Sky Tower Sp. z o.o. towards LC Corp S.A. and Warszawa Przyokopowa Sp. z o.o.

2.5 Changed redemption date of an investment note

On February 16th 2009, the redemption date and the redemption value of the investment note issued on November 17th 2008 by LC Corp Sky Tower Sp. z o.o. and acquired by Fiolet-Powszechny Dom Kredytowy S.A., were changed. The redemption date was set for August 17th 2009, and the redemption value was increased accordingly.

3. Issue of investment notes by Warszawa Przy Promenadzie Sp. z o.o. Sp. k.

On January 20th 2009, Warszawa Przy Promenadzie Sp. z o.o. Sp. k. issued 14 investment notes, a par value of 13 of the notes was established as PLN 1,000,000 each, and of 1 note as PLN 500,000. The redemption value of the investment notes was established at arm's length. The note's redemption date is January 20th 2010, with an optional payment available at an earlier date. In case of an early payment, the redemption value will be established in proportion to the actual duration of the issue. The notes were acquired by LC Corp S.A. The transaction was concluded at arm's length

4. Building permit obtained for the construction of stage II of the Miasteczko Zielony Złocień project

In January 2nd 2009, Kraków Zielony Złocień Sp. z o.o. obtained a building permit for the construction of stage II of the project, located in Kraków, in the Bieżanów-Złocień district.

5. Conclusion of a loan agreement between Warszawa Rezydencja Kaliska and Bank PKO BP S.A.

On February 26th 2009, Warszawa Rezydencja Kaliska Sp. z o.o. concluded with Bank PKO BP S.A. an agreement on a loan for capital expenditure, 'Nowy Dom', in the amount of PLN 34,036,112.00, intended for partial financing of a housing project called "Calisia Residence", carried out on the plot situated in Warsaw, in ul. Kaliska. Signing of a loan agreement does not bring any financial effects for the company. The provisions of the loan agreement condition its release on the sale of a specified number of dwelling units in the carried out project. The loan will be repaid in instalments, by March 31st 2011. The agreement was concluded following an arm's length principle.

VII. FACTORS SIGNIFICANT FOR THE GROUP'S DEVELOPMENT AND FOR PROSPECTS OF ITS DEVELOPMENT

1. Risk factors

Ongoing crisis risk

In Q3 and Q4 2008 the financial crisis was still extending and it affected other areas of the Polish economy, including in particular the property market. A slump on the financial market entailed a slump on the property trading market, on which the Issuer and its subsidiary undertakings operate. In the present macroeconomic situation the slump on the housing market constitutes an identified significant risk factor, as it results in a reduced demand for residential space offered by the Group. At the moment it is difficult to make any forecasts regarding the end date of the crisis, which will be of crucial importance for the operation of both the Issuer and the Group.

Foreign exchange risk

A substantial part of the Group's liabilities, in particular those resulting from some agreements on financing, described in Sections "Significant Agreements" and "Transactions with Related Undertakings", is denominated in EUR. In consequence, the Group is exposed to foreign exchange risk related to the fluctuations of PLN/EUR exchange rate. So as to minimise the foreign exchange risk the Group determined the rent rates for space (e.g. in

Arkady Wrocławskie) in EUR, and it is planning to conclude standard transactions hedging against foreign exchange fluctuations. All these measures are aimed at reducing a potential foreign exchange risk.

Interest rate risk

The Company acquires financing for carrying out its projects mainly through loans with a floating interest rate. In the major part these are the loans incurred for the duration of a given project construction. It was assumed that changes of interest rates in this period did not require additional hedging options.

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 Group'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.

Risk related to financial leverage

For the purpose of financing its activity the Group makes use of loans, borrowings, and debt instruments. The Group cannot guarantee that it will be able to ensure financing for its activity at favourable prices or, having raised funds, to repay interest and principal amounts or meet other obligations resulting from financing agreements or issued debt instruments. If the Group is not able to raise additional funding in line with its expectations, it may be forced to change its strategy or restrict its development and refinance the existing debt.

Risk related to implementation of property development projects

Civil structures built by the Group require substantial capital expenditure at the phase of preparing the project and during its construction. Due to considerable needs for funding, such undertakings are usually accompanied by numerous considerable risks. 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. In the present macroeconomic situation an additional significant identified risk factor is a slump on a housing market, resulting in a decreased demand for residential space offered by the Group. In special circumstances it may result in prolonging the construction process or in the necessity of reducing average achievable prices for respective projects. 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. To adjust the project related assumptions to the fluctuating market situation, the Group decided to take a write-down of respective projects, as described in Section V.4.

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

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 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. 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.

As at December 31st 2008 the Group took a write-down of inventory in the amount of PLN 67,917,000.

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 related to VAT rate in Poland

It was planned to change the VAT rate on sale of flats and houses from 7% to 22% as of January 1st 2008, which was finally postponed to January 1st 2010. By this time the EU states should take the relevant decisions. The increase in the rate will not apply to the so-called social housing. As at the date of drawing up this report, there is no certainty over the rate applicable after the above date. The so-called social housing will be exempted from the said change. There is a risk that after the period of increased demand, caused by the expected increase in VAT, and following the introduction of the increase, the Group may be unable to offload on its clients the whole VAT increase with regard to flats and houses which will not fit the definition of "social housing", although it is the Group's intention to introduce a relevant price adjustment clause – related to a potential increase in the VAT rate – to standard agreements on sale of flats and houses. It may have a considerable negative influence on the Group's operations, financial condition or results.

Risk related to the Group's insolvency

In the case of the Group's insolvency its creditors will be entitled to satisfy their claims from the special purpose entities' assets. The most part of the Group's real property represents security for the Group's financing and is encumbered with mortgages. In the case of the Company's bankruptcy (or bankruptcy of the Group's undertaking) there is a high probability that the Group's assets, in whole or in part, would be allocated to satisfy its creditors' claims, and the Investors holding Shares would lose their investments in part or in whole.

2. Strategy

In Q3 and Q4 2008 the financial crisis was augmenting and it started to have a real bearing on the Polish economy. Confronted with the financial crisis spreading throughout the worldwide and domestic markets the Group adopted some measures aimed at minimising its effects. A slump on the financial market entailed a slump on the property trading market, on which the Issuer and its subsidiary undertakings operate. The Issuer and the Group consider important the commencement, in Q4 2008, of the procedure for rationalisation of the Group's

structure and reduction in its operating costs, consisting in reduction in administrative and financial costs and restricting the liquidity risk to the minimum. In adjusting to the crisis conditions the sale of shares in LC Corp Sky Tower Sp. z o.o. by LC Corp S.A. (transaction described in Section IV.1.3.) was an important action taken by the Issuer, which enabled the Company to repay its liabilities and ensured its liquidity. A part of the Group's projects was carried out to the stage of obtaining building permits, which makes it possible to start these projects at any time. Depending on the possibilities of obtaining financing and the market conditions the Group will decide on carrying out the most profitable projects.

Taking the above actions by the Issuer was aimed at preparing the Group to the transitional market situation. Owing to these endeavours the Group's projects are ready for immediate commencement, its assets are free from debt and the Issuer's structures are prepared for development.

The Group's main goal is to build a significant position on the property development market in Poland. To achieve this goal the Group has defined and implements the following strategic objectives:

Focus on the projects ensuring high IRR

The Group concentrates on the projects with the potential to achieve a high internal rate of return (IRR). This strategy provides for adding a significant value to the current projects in a short period of time, without the need to invest substantial amounts of the company's own capital. The Company monitors its investments and the property market on an ongoing basis, looking for the projects potentially capable of ensuring an even higher internal rate of return. Having identified such projects the Company may realise a part of revenue from the existing projects, to make an investment in a project with a potentially higher IRR. To implement this strategy the Group intends to employ various methods for financing its projects, available on the property market.

Strategy to actively manage construction costs

The Group's objective is to carry out its projects on the basis of contracts with general contractors and making use of services provided by renowned companies operating in this branch. A strict multistep control over general contractors, the quality of cost estimates and schedules adopted for the budget, and the quality of enterprises cooperating with the Group should ensure exact planning and achievement of profitability assumed in the budget of a property development project.

Further expansion of the land bank

Taking into account an increase in prices for real property for development in Poland the Group started to build a 'Land Bank'. As part of this project the Group acquires and intends to acquire in future big plots of land in the attractive locations, making it possible to carry out property development projects for at least five subsequent years of the Group's activity. At present the Group owns plots in Warsaw, Wrocław and its surroundings, Katowice, Gdańsk, Kraków, and Łódź.

VIII. EMPLOYMENT STRUCTURE IN LC CORP AND IN THE GROUP

1. Employment structure in LC Corp S.A.

Average employment in the Company in the year ended December 31st 2008 was as follows:

| | Year ended December 31 st 2008 | Period from March 3 rd December 31 st 2007 |
|---|--|---|
| Management Board | 3.20 | 3.60 |
| White collar workers / administrative staff | 33.67 | 38.92 |
| Blue collar workers | 0 | 0 |
| Total | 36.87 | 42.52 |

2. Employment structure in the Group

Average employment in the Group in the year ended December 31st 2008 was as follows:

| Year ended December 31 st 2008 | Year ended December 31 st 2007 |
|--|--|
|--|--|

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| | | |
|---|-------------|-------------|
| Management Board of the Parent Undertaking | 3.2 | 3.6 |
| Management Boards of the Group's Entities (*) | 2.2 | 1.7 |
| Administration | 47.3 | 53.5 |
| Sales Department | 10 | 5.0 |
| Others | 1,0 | 1.0 |
| Total | 63.7 | 64.8 |

(*) – members of the Parent Undertaking's Management Board are also members of the management boards of the Group's entities

IX. VALUE OF REMUNERATION, AWARDS, 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

| Benefits for members of the Management Board of LC Corp S.A. | Jan 1 st 2008 - Dec 31 st 2008 PLN'000 | Jan 1 st 2007 - Dec 31 st 2007 PLN'000 |
|--|---|---|
| Konrad Dubelski | 1,194 | 2,948 |
| Short-term employee benefits | 1,194 | 902 |
| Share-based payment | 0 | 2,046 |
| Waldemar Horbacki | 760 | 793 |
| Short-term employee benefits | 760 | 747 |
| Share-based payment | 0 | 46 |
| Dariusz Karwacki | 610 | 752 |
| Short-term employee benefits | 610 | 380 |
| Share-based payment | 0 | 372 |
| Dariusz Niedośpiał | 20 | 0 |
| Short-term employee benefits | 20 | 0 |
| Waldemar Czarnecki | 25 | 0 |
| Short-term employee benefits | 25 | 0 |
| Total | 2,609 | 4,493 |

| Benefits for members of the Supervisory Board of LC Corp S.A. | Jan 1 st 2008 - Dec 31 st 2008 PLN'000 | Jan 1 st 2007 - Dec 31 st 2007 PLN'000 |
|---|---|---|
| Remigiusz Baliński | 28 | 70 |
| Short-term employee benefits | 28 | 27 |
| Share-based payment | 0 | 43 |
| William Michael Pollard | 7 | 18 |
| Short-term employee benefits | 7 | 18 |
| Dariusz Niedośpiał | 20 | 37 |
| Short-term employee benefits | 20 | 18 |
| Share-based payment | 0 | 19 |

| | | |
|------------------------------|------------|------------|
| Ludwik Czarnecki | 7 | 49 |
| Short-term employee benefits | 7 | 18 |
| Share-based payment | 0 | 31 |
| Jarosław Dowbaj | 7 | 235 |
| Short-term employee benefits | 7 | 18 |
| Share-based payment | 0 | 217 |
| Leszek Czarnecki | 0 | 0 |
| Short-term employee benefits | 0 | 0 |
| Share-based payment | 0 | 0 |
| Artur Wiza | 17 | 0 |
| Short-term employee benefits | 17 | 0 |
| Share-based payment | 0 | 0 |
| Andrzej Błażejowski | 17 | 0 |
| Short-term employee benefits | 17 | 0 |
| Share-based payment | 0 | 0 |
| Total | 103 | 409 |

In the accounting year 2008 the Members of the Management and Supervisory Boards of LC Corp S.A. did not obtain any remuneration for the functions performed in the authorities of the subsidiary undertakings.

X. ADDITIONAL INFORMATION

1. Holders of securities which give special control rights with regard to the Issuer and a description of such rights

The Company does not have any information about holders of securities which give special control rights with regard to it.

2. Restrictions on transfer of ownership of the Company's securities and restrictions on exercising voting rights carried by the Company's shares

The Company's shares are not subject to any restrictions regarding their transfer or exercising the voting rights carried by them.

3. Major research and development achievements

None of the Group's undertakings reported any major research and development achievements.

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

None of the Group's companies acquired own shares.

5. Branches of the Group's undertakings.

The Group's undertakings do not have any branches. In 2008 some entities ran offices outside their registered seats, as the implementation of the projects required them to have an office in the same city where a given project was carried out.

- LC Corp S.A., Warszawa Przy Promenadzie Sp. z o.o. Sp. k., Warszawa Przy Promenadzie Sp. z o.o., and Warszawa Przyokopowa Sp. z o.o. additionally run their offices in Warsaw, at ul. Jana Pawła II no 15.
- Kraków Zielony Złocień Sp. z o.o. ran its office also in Kraków, at ul. Złocieniowa 44 ap. 2.
- LC Corp Dębowa Ostoja Sp. z o.o. ran its additional office in Łódź, at ul. Obywatelska 102-104 room no 6.
- LC Corp Bajkowy Park Sp. z o.o. and LC Corp Szmaragdowe Wzgórze Sp. z o.o. run their offices also in Gdańsk, at ul. Budowlanych 27a.

XI. SUMMARY

In the year 2008 the activity was focused on carrying out the projects and building a group of special purpose entities, designed for specific investment projects.

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

The Group's companies discharged and still discharge their obligations towards the State Budget, 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.

XII. AGREEMENT WITH AN ENTITY QUALIFIED FOR AUDITING FINANCIAL STATEMENTS

On December 19th 2008, an agreement was concluded with Deloitte Audyt sp. z o.o., seated in Warsaw, for auditing financial statements and consolidated financial statements of LC Corp S.A. for the year 2008.

The total amount of remuneration under the agreement concluded with the entity qualified for auditing financial statements is PLN 85,000 net.

In addition, on October 20th 2008 the Company entered into an agreement with Deloitte Audyt sp. z o.o. regarding the implementation of agreed procedures, for the net amount of PLN 110,000.

On July 21st 2008, the Company concluded an agreement with Ernst&Young Audit Sp. z o.o. on carrying out a review of H1 2008 financial statements and consolidated financial statements of LC Corp S.A. for the net amount of PLN 105,000.

In addition, on the basis of a separate one-off agreement the company made a payment to Ernst&Young Audit Sp. z o.o. of a net amount of about PLN 25,000 for the provided consulting services.

XIII. COMPLIANCE WITH CORPORATE GOVERNANCE RULES

The Management Board of LC Corp S.A. informs that in 2008 it followed the 'Best Practices of WSE Listed Companies'. The following rules were not applied in whole or were applied only in part: Part II Rule 1, items 4, 6, 7, and 11, Rule 3 and 5, Part III Rule 1 item 1, and Rules 2, 6, 7, 8, and 9.

XIV. 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 March 13th 2009.

Dariusz Niedośpiał

President of the Management Board

Dariusz Karwacki
First Vice President of the Management Board

Waldemar Horbacki
Vice President of the Management Board

Waldemar Czarnecki
Member of the Management Board
