



**MANAGEMENT BOARD'S REPORT
ON LC CORP S.A.'S OPERATIONS
FOR 2011**

Wrocław, 19 March 2012.

Rules for drawing up the annual financial statements of LC Corp S.A.

Pursuant to the provisions of the Accounting Act of 29 September 1994 the Management Board is obliged to ensure the preparation of the annual report on LC Corp'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 operations of LC Corp S.A. (hereinafter "LC Corp", the "Company" or the "Issuer") covers the period from 1 January to 31 December 2011.

The LC Corp's annual report, drawn up for the reporting period from 1 January 2011 to 31 December 2011, contains:

- LC Corp's financial statements for the accounting period from 1 January 2011 to 31 December 2011 and as at 31 December 2011, drawn up in accordance with the International Financial Reporting Standards, including: statement of financial position at the end of the period, statement of comprehensive income for the period, statement of cash flows for the period, statement of changes in equity for the period and notes to the financial statements.
- Financial data comparable to the financial statements as at 31 December 2010 and for the period of twelve months ended on 31 December 2010.
- Management Board's report on operations of LC Corp S.A. for the period from 1 January 2011 to 31 December 2011.
- Management Board's declaration, pursuant to Art. 92.1.5) and 6) of the Directive of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent the information required by the laws of a non-member state.

On 3 November 2011, the Extraordinary General Meeting of LC Corp S.A. and the Extraordinary General Meeting of LC Corp Invest Sp. z o.o. adopted the resolutions on merging LC Corp S.A. (Acquiring Company) and LC Corp Invest Sp. z o.o. (Acquired Company – former LC Corp Invest III Sp. z o.o. Sp. k.) pursuant to Art. 492.1.1 of the Code of Commercial Partnerships and Companies, by transferring to the Acquiring Company, as the sole shareholder of the Acquired Company, all assets of the Acquired Company, in accordance with the conditions set out in the Merger Plan of 31 August 2011. The merger was registered on 17 November 2011.

The settlement of the merger in the books of accounts of LC Corp S.A. and the transformation of comparable data for 2010 were presented in Note 8.1 to the Company's financial statements.

1. BASIC INFORMATION

LC Corp S.A. (hereinafter also "LC Corp", the "Company" or the "Issuer") was established by the Notarial Deed dated 3 March 2006 and entered on 15 March 2006 into the National Court Register maintained by the District Court for Wrocław-Fabryczna in Wrocław, 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 Company was assigned statistical identification number REGON 020246398.

The Company was established for an indefinite time. The Company's core business includes activities of financial holdings (PKD 64.20.Z)

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

LC Corp S.A. is the parent undertaking with regard to the companies of the LC Corp's Group (hereinafter also the "Group").

As at 31 December 2011 the LC Corp Group comprised LC Corp S.A. and its following subsidiaries:

Company	Share capital as at 31 Dec 2011 (PLN)	Effective share of LC Corp S.A.	
		31 December 2011	31 December 2010
Arkady Wrocławskie S.A. seated in Wrocław	113.700.000 (paid up in the amount of 108.700.000)	100%	100%
Warszawa Przyokopowa Sp. z o.o. seated in Wrocław	3.000.000	81,67 %	81,67 %
Kraków Zielony Złocień Sp. z o.o. seated in Wrocław	6.000.000	100%	100%
LC Corp Invest I Sp. z o.o. seated in Wrocław	5.000	100% (directly and indirectly)	-
LC Corp Invest II Sp. z o.o. seated in Wrocław	88.000.000	100%	100%
LC Corp Invest III Sp. z o.o. seated in Wrocław	6.000.000	100%	100%
LC Corp Invest VII Sp. z o.o. seated in Wrocław	1.000.000	100%	100%
LC Corp Invest VIII Sp. z o.o. seated in Wrocław	13.500.000	100%	100%
LC Corp Invest IX Sp. z o.o. seated in Wrocław	1.000.000	100%	100%
LC Corp Invest X Sp. z o.o. seated in Wrocław	8.000.000	100%	100%
LC Corp Invest XI Sp. z o.o. seated in Wrocław	36.000.000	100%	100%
LC Corp Invest XII Sp. z o.o. seated in Wrocław	23.000.000	100%	100%
LC Corp Invest XIV Sp. z o.o. seated in Wrocław	5.050.000	100%	100%
LC Corp Invest XV Sp. z o.o. seated in Wrocław	5.000	100%	100%
LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k. seated in Wrocław	-	100% (indirectly)	-
LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k. z siedzibą we Wrocławiu	-	100% (indirectly)	-
LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k. seated in Wrocław	-	100% (indirectly)	-
LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k. seated in Wrocław	-	100% (indirectly)	-
LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. seated in Wrocław	-	100% (indirectly)	-
LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k. seated in Wrocław	-	100% (indirectly)	-
LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. k. seated in Wrocław	-	100% (indirectly)	-
LC Corp Invest XVI Sp. z o.o. seated in Wrocław	5.000	100%	-
Warszawa Przy Promenadzie Sp. z o.o. seated in Wrocław ¹	1.500.000	-	100% (indirectly and directly)
LC Corp Invest Sp. z o.o. seated in Wrocław ²	-	-	100% (indirectly and directly)

- 1) On 1 February 2011 the merger of LC Corp S.A.'s subsidiary undertakings, Warszawa Rezydencja Kaliska Sp. z o.o., as the Merging Company, with Warszawa Przy Promenadzie Sp. z o.o., as the Merged Company, was registered, pursuant to Art. 492.1.1 of the Polish Code of Commercial Partnerships and Companies. As a result of the merger the share capital of the Merging Company (Warszawa Rezydencja Kaliska Sp. z o.o. - currently LC Corp Invest III Sp. z o.o.) was increased. As a result of the merger of those companies, the share capital of the Merging Company was increased by PLN 1,500,000, i.e. to PLN 6,000,000, through issuing 15,000 shares of a par value of PLN 100 each. In return for 15,000 shares of a par value of PLN 100 each in the Merged Company, LC Corp S.A. received 15,000 shares of a par value of PLN 100 each in the Merging Company. As at 31 December 2011 the share capital of LC Corp Invest III Sp. z o.o. stood at PLN 6,000,000 and was divided into 60,000 shares of a par value of PLN 100 each and the Issuer held all 60,000 shares, i.e. 100% shares in the share capital.
- 2) On 29 June 2011, the transformation of LC Corp S.A.'s subsidiary undertaking, LC Corp Invest III Sp. z o.o. Sp. k. into LC Corp Invest Sp. z o.o. was registered. As a result of this transformation the share capital of the transformed company was established at the level of PLN 10,000, divided into 100 shares with a par value of PLN 100 each, out of which LC Corp S.A. held 99 shares representing 99% of the share capital. On 18 August 2011, LC Corp S.A. acquired from its subsidiary undertaking, LC Corp Invest III Sp. z o.o., one share in LC Corp Invest Sp. z o.o. (former LC Corp Invest III Sp. z o.o. Sp. k.), becoming the sole shareholder of LC Corp Invest Sp. z o.o. On 3 November 2011 the Extraordinary General Meeting of LC Corp S.A. and the Extraordinary General Meeting of LC Corp Invest Sp. z o.o. adopted the resolutions on merging LC Corp S.A. (Acquiring Company) and LC Corp Invest Sp. z o.o. (Acquired Company - former LC Corp Invest III Sp. z o.o. Sp. k.) pursuant to Art. 492.1.1 of the Code of Commercial Partnerships and Companies, by transferring to the Acquiring Company, as the sole shareholder of the Acquired Company, all assets of the Acquired Company, in accordance with the conditions set out in the Merger Plan of 31 August 2011. The merger was registered on 17 November 2011.

The Company's share capital and ownership as at 31 December 2011.

As at 31 December 2011 the share capital of LC Corp S.A. amounted to PLN 447,558,311 and was divided into 447,558,311 ordinary bearer shares carrying one vote at the General Meeting, with a par value of PLN 1.00 each.

Shareholders possessing, directly or indirectly through subsidiaries, at least 5% of the total vote at the General Meeting

SHAREHOLDERS POSSESSING, DIRECTLY OR INDIRECTLY, AT LEAST 5% OF THE TOTAL VOTE AT THE GENERAL MEETING AS AT 31 DECEMBER 2011

Shareholder	Number of shares	Number of votes	Share % 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%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	32.684.371	32.684.371	7,30%	7,30%
	36.800.000	36.800.000	8,22%	8,22%

* Leszek Czarniecki directly holds 14,424,564 shares representing 3.22% of the share capital and 3.22% share in the vote at the General Meeting, and indirectly through his subsidiary undertakings Leszek Czarniecki holds 214,702,110 shares representing 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 representing 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 representing 0.0002% of the share capital and 0.0002% share in the vote at the General Meeting.

SHAREHOLDERS POSSESSING, DIRECTLY OR INDIRECTLY, AT LEAST 5% OF THE TOTAL VOTE AT THE GENERAL MEETING AS AT THE DATE OF PUBLICATION OF THESE FINANCIAL STATEMENTS

Shareholder	Number of shares	Number of votes	Share % 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%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	32.684.371	32.684.371	7,30%	7,30%
	36.800.000	36.800.000	8,22%	8,22%
OFE PZU "Złota Jesień"	24.084.546	24.084.546	5,38%	5,38%

* Leszek Czarniecki directly holds 14,424,564 shares representing 3.22% of the share capital and 3.22% share in the vote at the General Meeting, and indirectly through his subsidiary undertakings Leszek Czarniecki holds 214,702,110 shares representing 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 representing 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 representing 0.0002% of the share capital and 0.0002% share in the vote at the General Meeting

2. ACTIVITIES OF LC CORP IN 2011

In 2011 LC Corp S.A. focused its activities on administrating, managing and exercising owner's supervision over its subsidiary undertakings and acquiring funds for their investment activity.

LC Corp S.A. was also involved in intense activities related to the acquisition of land for its new projects in Warsaw, Kraków and Wrocław.

LC Corp's subsidiary undertakings were active on the property development market, continuing their projects or preparing to start building projects as well as managing a modern office and retail complex (Arkady Wrocławskie). The description of the activities undertaken by the companies managed by LC Corp S.A. is presented in the Management Board's report on the LC Corp Group's operations.

1. Basic products, goods for resale and services

The Company's core business includes its holding activity consisting in the provision of holding services (management, financial, administration) to the subsidiary undertakings.

The Company operates in Poland.

In connection with the merger of LC Corp S.A. (Acquiring Company) and LC Corp Invest Sp. z o.o. (Acquired Company – former LC Corp Invest III Sp. z o.o. Sp. k., transformed on 29 June 2011 into a limited liability company), providing property development services, the following segments were distinguished:

- holding activity segment
- property development activity segment

The tables below present revenue and profits in the respective segments for the year ended 31 December 2011 and for the year ended 31 December 2010, containing the data after transformation, and assets and liabilities in the respective segments as at 31 December 2011 and as at 31 December 2010.

Year ended 31 December 2011	Holding activity	Property development activity	Overall activity
Revenue			
Revenue from sale of services	3 128	57 640	60 768
Revenue from interest and discounts	35 892	0	35 892
Revenue from dividend	0	0	0
Other financial income	19 195	0	19 195
Other	606	0	606
Total revenue	58 821	57 640	116 461
Expenses			
Operating expenses	(11 661)	(54 276)	(65 937)
Interest and discount expenses	(8 121)	0	(8 121)
Other financial expenses	(37 431)	0	(37 431)
Other	(106)	0	(106)
Total expenses	(57 319)	(54 276)	(111 595)
Pre-tax profit (loss) of the segment	1 502	3 364	4 866
Assets and liabilities			
Total assets	941 536	24 036	965 459
Total liabilities	180 698	0	180 698

Year ended 31 December 2010	Holding activity (*)	Property development activity	Eliminations	Overall activity
Revenue				
Revenue from sale of services	2 921	112 063	(657)	114 327
Revenue from interest and discounts	21 583	892	(1 994)	20 481
Revenue from dividend	47 478	0	(47 478)	0
Other	32	19	0	51
Total revenue	72 014	112 974	(50 129)	134 859
Expenses				
Operating expenses	(8 728)	(79 151)	656	(87 223)
Interest and discount expenses	(3 114)	(1 996)	1 994	(3 116)
Other financial expenses	(21 438)	0	0	(21 438)
Other	(102)	(20)	0	(122)
Total expenses	(33 382)	(81 167)	2 650	(111 899)
Pre-tax profit (loss) of the segment	38 632	31 807	(47 479)	22 960
Assets and liabilities				
Total assets	841 663	58 057	(41 748)	857 972
Total liabilities	72 567	46 241	(40 639)	78 169

(*) according to the published financial statements

2. Market situation

The Company's activity addresses the needs of the subsidiary undertakings and is limited to the territory of Poland.

3. Company's dependence on suppliers and recipients

- Service recipients

In 2011 neither the Company nor the Group's companies were dependent on any service recipient, as the Group's clients are mainly natural persons, belonging to a broadly understood consumer group.

- Service suppliers

In 2011 neither the Company nor the Group's companies were dependent on specific suppliers – building services are offered by numerous companies competing on the Polish developed construction market and the Group's companies use the services provided by various construction companies to eliminate the risk of being dependent on a single entity. The Group enters into contracts on construction works selecting contractors by way of tenders and choosing the most advantageous bid.

4. Significant agreements, insurance agreements

In 2011 the Company did not conclude any significant agreements whose value would represent at least 10% of the Issuer's equity. Other significant agreements (regarding in particular real property financing and acquisition) were described in these financial statements.

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

3.1. Information about loans incurred/repaid by the Issuer

Loan agreement concluded by LC Corp S.A.

On 19 December 2011, LC Corp S.A. entered into a loan agreement with Getin Noble Bank S.A. (the Bank) up to the amount of PLN 30,000,000, intended for the fulfilment of the company's statutory tasks. The security for the above loan will be established in the form of, among others, a deposit made by the company. Up till now the loan has not been initiated and security has not been established.

3.2. Information on material transactions concluded by the Issuer with related entities on the terms other than at arm's length

The Company did not effect any transactions other than those concluded at arm's length.

3.3. Loan agreements concluded by LC Corp S.A. with its related undertakings in 2011

Lender	Borrower	Date of concluding the agreement	Interest rate*	Contractual amount of the loan PLN'000	Repayment date
LC Corp S.A.	LC Corp Invest VIII Sp. z o.o.	31 Mar 2011	5,63%	5.000	Unspecified
LC Corp S.A.	LC Corp Invest IX Sp. z o.o.	14 Apr 2011	5,63%	7.000	Unspecified
LC Corp S.A.	LC Corp Invest XIV Sp. z o.o.	14 Apr 2011	5,63%	10.000	Unspecified
LC Corp S.A.	LC Corp Invest XV Sp. z o.o.	26 Aug 2011	5,63%	12	Unspecified
LC Corp S.A.	LC Corp Invest XVI Sp. z o.o.	26 Aug 2011	5,63%	12	Unspecified
LC Corp S.A.	LC Corp Invest X Sp. z o.o.	31 Aug 2011	5,63%	8.000	Unspecified
LC Corp S.A.	LC Corp Invest I Sp. z o.o.	22 Sept 2011	8,96%	41.000	Unspecified
LC Corp S.A.	LC Corp Invest I Sp. z o.o.	6 Oct 2011	5,13%	30.000	Unspecified

* average value for 2011

3.4. Issue and buyback of securities

Financing within the Group takes place also by using debt instruments such as notes or bonds. In 2011 significant operations of this type included:

1. On 20 January 2011, pursuant to the Bills of Exchange Law, LC Corp S.A. issued at arm's length ten investment notes with a par value of PLN 1,000,000 each, whose maturity falls on 29 June 2012, which were purchased by a subsidiary undertaking, Arkady Wroclawskie S.A.
2. On 20 January 2011, LC Corp S.A. concluded with Warszawa Przy Promenadzie Sp. z o.o. Sp. k. (then LC Corp Invest III Sp. z o.o. Sp. k., currently LC Corp Invest Sp. z o.o.) an annexe to the agreement on issue, purchase and buyback of securities of 20 January 2009. Under the annexe the maturity date of 14 investment notes issued by Warszawa Przy Promenadzie Sp. z o.o. Sp. k. and acquired by LC Corp S.A. was rescheduled from 20 January 2011 to 20 April 2011, whereby an earlier buyback of investment notes is admissible.
3. On 28 February 2011, LC Corp S.A. concluded with LC Corp Invest III Sp. z o.o. Sp. k. (formerly Warszawa Przy Promenadzie Sp. z o.o. Sp. k., currently LC Corp Invest Sp. z o.o.) an annexe to the agreement on issue, purchase and buyback of securities of 31 August 2009. Under the annexe the maturity date of two investment notes issued by Warszawa Przy Promenadzie Sp. z o.o. Sp. k. and acquired by LC Corp S.A. was rescheduled from 28 February 2011 to 31 December 2011, whereby an earlier buyback of investment notes is admissible.
4. On 15 April 2011, LC Corp S.A. issued 1,000 three-year unsecured coupon bonds with a par value of PLN 100,000. The bonds were issued in the form of bearer securities, unsecured, dematerialised and bearing arm's length interest payable at six months' intervals. Bond buyback will take place on 15 April 2014, according to the bonds' face value.

5. On 20 April 2011, LC Corp S.A. concluded with LC Corp Invest III Sp. z o.o. Sp. k. (formerly Warszawa Przy Promenadzie Sp. z o.o. Sp. k., then LC Corp Invest Sp. z o.o.) an annexe to the agreement on issue, purchase and buyback of securities in the form of notes of 20 January 2009. Under the Annexe the maturity date of investment notes was rescheduled from 20 April 2011 to 20 January 2012. In connection with the merger of LC Corp Invest Sp. z o.o. and LC Corp S.A. the confusion of receivables occurred.
6. On 1 June 2011, pursuant to the Bills of Exchange Law, LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k. issued seven investment notes: six notes with a par value of PLN 1,000,000 and one note with a par value of PLN 500,000, whose maturity falls on 1 June 2014, which were acquired by LC Corp S.A.
7. On 20 June 2011, pursuant to the Bills of Exchange Law, LC Corp Invest XV Sp. z o.o. Sp. k. issued five investment notes with a par value of PLN 50,000 each, whose maturity falls on 20 June 2014, which were acquired by LC Corp S.A.
8. On 22 June 2011, pursuant to the Bills of Exchange Law, LC Corp Invest XV Sp. z o.o. Sp. k. issued thirteen investment notes with a par value of PLN 50,000 each, whose maturity falls on 23 June 2014, which were acquired by LC Corp S.A.
9. On 18 July 2011, pursuant to the Bills of Exchange Law, LC Corp Invest XV Sp. z o.o. Sp. k. issued eight investment notes with a par value of PLN 400,000 each, whose maturity falls on 18 July 2014, which were acquired by LC Corp S.A.
10. On 22 August 2011, LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k., pursuant to the Bills of Exchange Law, issued four investment notes with a par value of PLN 100,000 each, whose maturity date fell on 22 September 2011, which were purchased by LC Corp S.A.. Bond buyback took place at the agreed date.
11. On 24 August 2011, LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k., pursuant to the Bills of Exchange Law, issued one investment note with a par value of PLN 100,000, whose maturity date fell on 24 September 2011, which was purchased by LC Corp S.A. Bond buyback took place at the agreed date.
12. On 19 August 2011, LC Corp S.A. concluded with LC Corp Invest Sp. z o.o. (formerly LC Corp Invest III Sp. z o.o. Sp. k.) an annexe to the agreement on issue, purchase and buyback of securities of 21 August 2009. Under the annexe the maturity date of three investment notes issued by LC Corp Invest Sp. z o.o. and acquired by LC Corp S.A. was rescheduled from 22 August 2011 to 21 December 2011, whereby an earlier buyback of investment notes is admissible.

3.5. Sureties and guarantees granted and received in the accounting period

In 2011 LC Corp S.A. granted the following sureties to its subsidiaries, in connection with the loan agreements concluded by them:

- surety of up to PLN 22,185,000, granted by LC Corp S.A. in connection with the agreement on the loan granted to LC Corp Invest XIV Sp. z o.o. by Nordea Bank Polska S.A., referred to in item 3.1.

On 31 August 2011, the surety for a blank note expired, granted by LC Corp S.A. as security for the bank loan given by PKO BP S.A. to LC Corp Invest IX Sp. z o.o., in connection with the expiry of the loan agreement referred to in item 3.1.

Furthermore, in connection with the loan agreement described in item 3.1 herein, a support agreement was concluded between Warszawa Przyokopowa Sp. z o.o., Raiffeisen Bank Polska S.A. and LC Corp S.A., pursuant to which in case the budget for the construction has been exceeded LC Corp S.A. is obliged to ensure for Warszawa Przyokopowa Sp. z o.o., as a borrower, indispensable funds of up to 10% of the estimated construction costs.

4. ASSET, FINANCIAL, AND REVENUE POSITION OF THE COMPANY

Basic economic and financial figures	Position as at 31 December 2011 PLN'000	Position as at 31 December 2010 PLN'000
Non-current assets	771 350	705 022
Current assets	194 109	152 950
Equity	784 761	779 803
Liabilities and provisions for liabilities	180 698	78 169
Balance-sheet total	965 459	857 972
Revenue from sale of services, products and goods for resale	60 768	114 327
Revenue from interest and discounts	35 892	20 481
Other financial income	19 195	0
Total operating expenses	(111 595)	(111 899)
Net profit (loss)	5 116	16 779

The merger with LC Corp Invest Sp. z o.o., described in Note 8.1 to the Company's financial statements, was a significant event that had an impact on the financial results recorded by LC Corp S.A. in 2011.

In 2011 LC Corp S.A. earned revenue from the sale of services of PLN 3,128,000, from the sale of products and goods for resale of PLN 57,640,000, from interest and discounts of PLN 35,892,000 and other financial income of PLN 19,195,000.

The Company disclosed the net profit of PLN 5,116,000.

An additional factor exerting influence on the financial results was the verification of valuation allowances for shares in subsidiary undertakings and loans granted to these companies. The total amount debited to profit or loss on account of the above was PLN 18,070,000.

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

LC Corp did not publish any financial forecasts in 2011.

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

The detailed information about off-balance sheet items is presented in Notes 28.2 and 28.4 of the Accounting principles (policy) and Additional explanatory notes to the financial statements of LC Corp S.A. for 2011.

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

	31 Dec 2011		31 Dec 2010	
Assets				
A. Non-current assets	771 350	80%	705 022	82%
1. Intangible assets	326	0%	492	0%
2. Property, plant and equipment	745	0%	736	0%
2.1. Tangible assets	741	0%	736	0%
2.2. Tangible assets under construction	4	0%	0	0%
3. Loans and non-current receivables	491 532	51%	401 097	47%
4. Non-current investment	275 822	29%	300 022	35%
5. Non-current prepayments and accrued income	0	0%	0	0%
6. Deferred tax assets	2 925	0%	2 675	0%
B. Current assets	194 109	20%	152 950	18%
1. Prepayments for land purchases	24 036	2%	25 452	4%
2. Trade and other receivables	5 372	1%	738	0%
3. Income tax receivable	1 085	0%	98	0%
4. Current financial assets	55 731	6%	62 880	7%
5. Cash and cash equivalents	107 791	11%	63 703	7%
6. Current prepayments and accrued income	94	0%	79	0%
C. Non-current assets classified as held for sale	0	0%	0	0%
Total assets	965 459	100%	857 972	100%
Equity and liabilities				
A. Equity	784 761	81%	779 803	91%
1. Share capital	447 558	46%	447 558	52%
2. Balance of called-up share capital not paid	0	0%	0	0%
3. Reserve funds	288 430	30%	289 826	34%
4. Other reserve funds	30 000	3%	0	0%
5. Other capital	3 068	0%	3 108	0%
6. Retained profits/loss carry-forward	15 705	2%	39 311	5%
B. Non-current liabilities	150 681	16%	58 702	7%
1. Non-current financial liabilities	150 662	16%	58 683	7%
2. Provisions	19	0%	19	0%
3. Deferred tax liability	0	0%	0	0%
C. Current liabilities	30 017	3%	19 467	2%
1. Current financial liabilities	22 353	2%	7 064	1%
2. Trade and other payables	5 954	1%	5 589	0%
3. Income tax payable	0	0%	0	0%
4. Provisions	0	0%	78	0%
5. Accrued expenses and revenue	1 710	0%	6 736	1%
Total equity and liabilities	965 459	100%	857 972	100%

The most important factors affecting the value of the balance-sheet items in the period ended 31 December 2011:

- an increase in loans and non-current receivables was connected with further financing of property development projects in the subsidiary undertakings,
- an increase in cash and cash equivalents was related to the takeover of cash obtained from the sale of flats of LC Corp Invest Sp. z o.o. and the issue of bonds,
- an increase in financial liabilities was connected with the issue of bonds during the accounting year.

4.4 Assessment of financial management

Selected financial ratios:

No.	Profitability ratios	2011	2010
1	ROA (net profit / total assets)	0,5%	2,0%
2	ROE (net profit / equity)	0,7%	2,3%

No.	Liquidity ratios		
1	Current ratio current assets / (current liabilities)	6,5	7,9
2	Quick ratio current assets – inventory) / (current liabilities)	5,7	6,5
3	Cash ratio (cash / current liabilities)	3,6	3,3

No.	Debt ratios		
1	Debt to equity (total liabilities / equity)	23,2%	10,6%
2	Total debt (total liabilities / total assets)	18,7%	9,1%

The presented financial ratios for 2011 evidence the Company's very good financial standing. The profitability ratios for 2011 take account of valuation allowances.

Financial risk management has been described in the separate financial statements, in Notes 32, 33 and 34.

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

As at 31 December 2011 no individual proceedings were initiated with regard to liabilities or receivables of LC Corp S.A. or its subsidiaries, whose value would represent at least 10% of the Issuer's equity. As at 31 December 2011 no proceedings were initiated with regard to liabilities and receivables of LC Corp S.A. and its subsidiaries, whose aggregate value would represent at least 10% of the Issuer's equity.

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

6.1. Acquisition of real property by the Group's undertakings

On 9 January 2012, pursuant to the purchase and sale agreement, LC Corp S.A. sold to LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. the property of about 18,578 m², located in ul. Potokowa in Wrocław. The property was previously acquired from the Wrocław Commune.

On 3 February 2012, the District Court for Warszawa – Wola, as a result of winning by LC Corp S.A. the auction by order of the court regarding the acquisition of the right of perpetual usufruct to the property of 7,857 m², located in Warsaw in ul. Sowińskiego, issued a decision on awarding this right to the Company. The decision has come into force. When an entry to the relevant land and mortgage register has been made, LC Corp S.A. will become a perpetual usufructuary of the property, on which it is planned to carry out a construction project.

6.2. Loan agreements concluded by the Group's undertakings

- 1) LC Corp S.A. entered into the following cash loan agreements with LC Corp Invest I Sp. z o.o. (the Borrower):
 - a) on 16 January 2012, a loan agreement for PLN 4,000,000, concluded at arm's length for an indefinite period,
 - b) on 29 February 2012, a loan agreement for PLN 24,042,000, concluded at arm's length for an indefinite period,
 - c) on 1 March 2012, a loan agreement for PLN 10,000,000, concluded at arm's length for an indefinite period.
- 2) LC Corp Invest I Sp. z o. o. entered into the following cash loan agreements with the LC Corp Group's undertakings:
 - a) on 16 January 2012, it concluded with LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. a loan agreement, at arm's length, for PLN 4,000,000, for an indefinite period.
 - b) on 19 January 2012, it concluded with Kraków Zielony Złocień Sp. z o.o. a loan agreement, at arm's length, for PLN 1,000,000, for an indefinite period.
 - c) on 9 February 2012, it concluded with Kraków Zielony Złocień Sp. z o.o. a loan agreement, at arm's length, for PLN 10,000,000, for an indefinite period.
 - d) on 29 February 2012, it concluded with LC Corp Invest III Sp. z o.o. a loan agreement, at arm's length, for PLN 24,042,000, for an indefinite period.
 - e) on 1 March 2012, it concluded with LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. a loan agreement, at arm's length, for PLN 10,000,000, for an indefinite period.
 - f) on 14 March 2012, it concluded with LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. a loan agreement, at arm's length, for PLN 100,000, for an indefinite period.

6.3. Annexe to the agreement on issue, purchase and buyback of securities

On 20 January 2012, LC Corp S.A. concluded with LC Corp Invest III Sp. z o.o. an annexe to the agreement on issue, purchase and buyback of securities of 2 December 2008. Under the annexe the maturity date of nine investment notes issued by Warszawa Rezydencja Kaliska Sp. z o.o. (currently LC Corp Invest III Sp. z o.o.) and acquired by LC Corp S.A. was rescheduled from 20 January 2012 to 20 January 2013, whereby an earlier buyback of the notes is admissible.

On 9 March 2012, pursuant to the Bills of Exchange Law, LC Corp S.A. issued at arm's length seven investment notes with a par value of PLN 2,000,000 each, whose maturity date falls on 31 January 2014, which were acquired by a subsidiary undertaking, Arkady Wrocławskie S.A.

6.4. Formation of new subsidiary undertakings

- 1) On 23 December 2011 (17 January 2012 registration with KRS), LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o. o. and LC Corp Invest X Sp. z o. o., concluded a limited partnership agreement, LC Corp Invest XV Sp. z o. o. Projekt 8 Sp. k. The company was established to carry out a property development project and LC Corp Invest X Sp. z o. o. is its limited partner.
- 2) On 23 December 2011 (27 January 2012 registration with KRS), LC Corp S.A.'s subsidiary undertakings, LC Corp Invest XV Sp. z o. o. and Kraków Zielony Złocień Sp. z o. o., concluded a limited partnership agreement, LC Corp Invest XV Sp. z o. o. Projekt 20 Sp. k. The company was established to carry out a property development project and Kraków Zielony Złocień Sp. z o. o. is its limited partner.

6.5. Increase in the share capital of a subsidiary undertaking, LC Corp Invest III Sp. z o.o.

On 3 February 2012, pursuant to the resolution adopted by the General Meeting of LC Corp Invest III Sp. z o.o. its share capital was increased to the level of PLN 6,700,000, by issuing 7,000 new shares which were taken up by LC Corp S.A. in return for cash contributions. The registration of the above change with KRS took place on 14 February 2012.

Apart from the above, as of 31 December 2011 there were no other events that might have a material impact on the financial results of LC Corp S.A.

7. FACTORS SIGNIFICANT FOR THE COMPANY'S DEVELOPMENT AND FOR PROSPECTS OF ITS DEVELOPMENT

7.1. Risk factors

A part of the risks related to the Group's property development activity may affect the Company's activity – the main ones have been listed below.

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

In 2011 the situation on the markets on which the Issuer operates improved slightly. The factors that could exert a negative impact on the Group's activity, and thus on the Company's activity, include the policy implemented by the banking sector with regard to property development companies, as the scale of giving loans to property development companies will have a significant influence on the scale of commencing new projects. The policy of the banking sector with regard to mortgage loans affects natural persons and also represents a substantial risk factor. More restrictive criteria adopted by the banks to assess their clients' creditworthiness caused that numerous new potential residential buyers encounter the credit rating barrier. The lack of new credit solutions and the limited credit availability may be a factor reducing the demand for new flats and houses. In addition, the *Rodzina na Swoim* program, which is an affordable way of financing the purchase of flats in the popular segment, will terminate by the end of 2012.

Interest rate risk

The interest rate risk relates mainly to financial liabilities based on a floating interest rate.

Credit risk

The Group concludes transactions with renowned companies of good credit capacity. Moreover, due to the current monitoring of receivables, the Group's exposure to the risk of uncollectible receivables is negligible. In reference to the Group's other financial assets, such as cash and cash equivalents, the Group's credit risk is minimal, because the Group deposits resources in banks of good, stable financial standing. There is no significant concentration of credit risk in the Group.

Liquidity risk

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

The Company has its own funds to secure the current activity and ongoing projects, however in order to expand its business it needs to obtain additional financing by entering into bank loan agreements or issuing bonds. Maturity dates of successive instalments are adjusted to projected proceeds from sale of individual projects.

Risk related to implementation of property development projects

The completion of property development projects, due to their complex legal and technical nature, is accompanied by numerous substantial risks. These risks include, in particular, failure to obtain permits indispensable to make use of real property as planned by the Group, delays in completion of projects, costs exceeding the costs assumed in the budget due to unfavourable weather conditions, insolvency of contractors or subcontractors, labour disputes concerning contractors or subcontractors, shortage of construction materials or equipment, accidents or unforeseeable technical difficulties, impossibility of obtaining occupancy permits or other required permits regarding a building or buildings, or changes in the regulations concerning the use of land. If any of the above-mentioned risks takes place, there may occur delays in the completion of a property development project, 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, and indirectly on the Company's, operations, financial position or results.

Administrative and construction related risk

Imperfections in the provisions of the Polish legislation lead to situations where the construction administration authorities may issue administrative decisions (e.g. building permit) which infringe the provisions of law, which in turn may result in appealing against such decisions by third parties acting out of self-interest. Appealing against the above decisions may result in an interruption of the construction process, which translates directly into deterioration in the profitability of the project, and thus in the Investor's financial results.

Risk related to liability for flats and houses after their sales

The Group's activity will include in particular the 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 the entry into force of the act governing the so-called new property development agreement

As of the end of April 2012 the Act on the protection of the rights of a person buying a flat or single-family house of 16 September 2011 will come into effect. Although the objective of the act is to increase the protection of residential buyers and to set in order the existing provisions of law concerning the sale of residential premises and houses on the primary market, for the property development entities this regulation poses certain risks. Such risk is related mainly to an increase in the project costs, due to imposing on developers the obligation to keep and handle trust accounts and, possibly, to provide bank and insurance guarantees. A considerable uncertainty is also associated with the growing importance of the banking sector as an active participant of the property development process, including, among others: 1/ supervisory and decision-making authority granted to the banks with regard to the payment of funds to the developer, 2/ granting an exclusive right to terminate the agreement on a trust account, opened by the developer for its projects, or, the last but not the least 3/ the possibility of actually limiting by the banks the protection measures stipulated in the act for residential buyers exclusively to the 'closed' residential trust account.

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

7.2. Strategy

The Company works out, and then, through the appropriate project management, implements the optimum strategy for making use of the Group's available resources and for expanding its activity, depending on the market situation. Its fundamental elements comprise the following:

- Product and geographical diversification

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

- Extending the product and service range

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

- Maintaining the required level of project profitability

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

- Building the bank of land

Monitoring the land property market, particularly in big agglomerations, the Group consistently increases its bank of land. Creating the bank of land the Group acquires and intends to continue the acquisition of plots in attractive locations, enabling it to carry out property development projects for at least the following five years of the Group's activity. At present, the Group holds the plots in Warsaw, Wrocław and its neighbourhood, Kraków, Gdańsk, Łódź and Katowice.

- Maintaining the appropriate financing structure

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

8. EMPLOYMENT STRUCTURE IN LC CORP

8.1. Employment structure in LC Corp S.A.

The average employment in the Company in the year ended 31 December 2011 was as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
Management Board	4,0	1,2
White collar workers / administrative staff	44,3	34,8
Blue collar workers	0,0	0,0
Total	48,3	36,0

8.2. System of control over Staff Incentive Schemes

The Company implements the Management Share Options Scheme under which members of the management staff of the Company and its subsidiary undertakings are eligible to take up shares issued by the Company. The granting of shares is conditional on meeting the terms included in the Scheme Regulations approved by the Company's Supervisory Board, and supervised by both the Management Board and the Supervisory Board. On 19 May 2010 the General Shareholders Meeting adopted a resolution on altering the conditions of the programme by changing the period of its implementation, i.e. at present, it covers the years 2007, 2011, 2012 and 2013. The deadline for Series I shares subscription rights, arising from the bonds, was set on 30 November 2013 and the conditions which have to be fulfilled in order for the trustee to dispose of the bonds with priority rights to subscribe for Series I shares to eligible persons were changed. On 1 December 2011, LC Corp S.A. bought back 1,000,000 bonds with priority rights, on the basis of which the right to take up 1,000,000 Series I shares was exercised. Concurrently, following the buyback of the bonds, the conditions for the issue of bonds were changed, pursuant to the above resolution of the General Meeting adopted on 19 May 2010. In the year ended on 31 December 2011, due to the macroeconomic factors and the situation on the stock exchange the share options were not granted.

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

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

Payments made to members of the Management Board of LC Corp S.A. in the period from 1 January 2011 to 31 December 2011:

Dariusz Niedośpiał – remuneration, including bonuses, totalled PLN 1,135,000; no share-based payments
 Joanna Jaskólska – remuneration, including bonuses, totalled PLN 623,000; no share-based payments
 Mirosław Kujawski – remuneration, including bonuses, totalled PLN 260,000; no share-based payments
 Tomasz Wróbel – remuneration, including bonuses, totalled PLN 261,000; no share-based payments

Payments made to members of the Supervisory Board of LC Corp S.A. in the period from 1 January 2011 to 31 December 2011:

Leszek Czarnecki – remuneration totalled PLN 0; no share-based payments
 Andrzej Błażejowski – remuneration totalled PLN 24,000; no share-based payments
 Remigiusz Baliński – remuneration totalled PLN 24,000; no share-based payments
 Ludwik Czarnecki – remuneration totalled PLN 24,000; no share-based payments
 Artur Wiza – remuneration totalled PLN 9,000; no share-based payments
 Zbigniew Dorenda – remuneration totalled PLN 15,000; no share-based payments

9.2. Holding of the Issuer's shares or rights to such shares by its management and supervisory staff

Supervisory staff holding the Issuer's shares

Full name	Function in the body	Share ownership
Leszek Czarnecki	Chairman of the Supervisory Board	14.424.564
Andrzej Błażejowski	Vice-Chairman of the Supervisory Board	151.142
Ludwik Czarnecki	Member of the Supervisory Board	10.000
Artur Wiza	Member of the Supervisory Board	14.000
Remigiusz Baliński	Member of the Supervisory Board	65.445

Management staff holding the Issuer's shares

Full name	Function in the body	Share ownership
Dariusz Niedośpiał	President of the Management Board	6.000
Joanna Jaskólska	Vice President of the Management Board	6.000
Tomasz Wróbel	Member of the Management Board	-

Mirosław Kujawski	Member of the Management Board	-
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9.3. Agreements between the Issuer and management staff which anticipate compensation in case they resign or are dismissed from their position without a material reason, or in case their dismissal results from a merger of the Issuer by way of a takeover

Managerial contracts binding the Issuer and Members of the Management Board anticipate payments of 6-months' remuneration in case the Company terminates any such contract.

10. ADDITIONAL INFORMATION

10.1. Major research and development achievements

The Company did not report any major research and development achievements.

10.2. Information about acquisition of own shares

By the time of drawing up these financial statements the Company did not acquire own shares.

10.3. Company's branches

The Company does not have any branches.

11. SUMMARY

In the year 2011 the activity was focused on carrying out the projects and expanding a group of special purpose entities, designed for specific projects. The Group, managed by the Company, maintaining its financial security, continued its ongoing projects and through appropriate acquisitions significantly enlarged its residential offer. The strategy worked out by the Company for the Group assumes a significant increase in the scale of activity in the following years, particularly in the residential sector, as well as strengthening the other sector of its business, i.e. activity in the area of commercial property (mainly office space). In the Management Board's opinion the operating results and margins achieved in 2011 are satisfactory.

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

2011

An agreement with Ernst & Young Audit Sp. z o.o. seated in Warsaw, on auditing financial statements and consolidated financial statements of LC Corp S.A. for the year 2011 was concluded on 28 November 2011. The amount of remuneration under the above-mentioned agreement is PLN 91,000 net. An agreement on reviewing financial statements and consolidated financial statements of LC Corp S.A. for H1 2011 was concluded on 15 July 2011. The amount of remuneration under this agreement is PLN 46,000 net.

2010

An agreement with Ernst & Young Audit Sp. z o.o. seated in Warsaw, on auditing financial statements and consolidated financial statements of LC Corp S.A. for the year 2010 was concluded on 8 October 2010. The amount of remuneration under the above-mentioned agreement was PLN 88,000 net. An agreement on reviewing financial statements and consolidated financial statements of LC Corp S.A. for H1 2010 was concluded on 8 July 2010. The amount of remuneration under this agreement was PLN 46,000 net. In the year ended 31 December 2010 LC Corp S.A. purchased other additional services from Ernst & Young Audit Sp. z o.o. for the amount of PLN 2,000 as well as training services provided by Ernst&Young Academy of Business Sp. z o.o. and Ernst & Young Corporate Finance Sp. z o.o. for the total amount of PLN 23,000.

13. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE RULES

The Declaration on the application of the Corporate Governance rules is attached to these financial statements.

14. DECLARATION OF THE MANAGEMENT BOARD

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

Drawn up in Wrocław, on 19 March 2012.

Dariusz Niedośpiel
President of the Management Board

Joanna Jaskólska
Vice President of the Management Board

Tomasz Wróbel
Member of the Management Board

Mirosław Kujawski
Member of the Management Board
