



**MANAGEMENT BOARD'S REPORT
ON THE OPERATIONS
OF THE LC CORP GROUP
FOR 2013**

Wrocław, 20 March 2014

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

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 the 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 operations of the LC Corp Group (hereinafter the "Group") covers the period from 1 January to 31 December 2013.

The LC Corp Group's annual consolidated report, drawn up for the period from 1 January 2013 to 31 December 2013, contains:

- The LC Corp Group's consolidated financial statements for the accounting period from 1 January 2013 to 31 December 2013 and as at 31 December 2013, drawn up in accordance with the International Financial Reporting Standards, including: consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the financial statements;
- Financial data comparable to the consolidated financial statements as at 31 December 2012 and for the period of twelve months ended on 31 December 2012;
- Management Board's report on operations of the LC Corp Group for the period from 1 January 2013 to 31 December 2013;
- 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 recognising as equivalent the information required by the laws of a non-member state.

1. BASIC INFORMATION ON THE GROUP

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 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 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 financial 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 Czarnecki, is the Parent Undertaking of LC Corp S.A. and the whole Group.

1.1. Composition of the Group and share capital of its subsidiary undertakings

As at 31 December 2012 the LC Corp Group comprised LC Corp S.A. and its following subsidiaries:

Company	Share capital as at 31 Dec 2013 (PLN)	Effective share of LC Corp S.A.	
		31 December 2013	31 December 2012
Arkady Wrocławskie S.A. seated in Wrocław	113,700,000	100%	100%
Sky Tower S.A. seated in Wrocław ¹	23,100,000	100%	-
Warszawa Przyokopowa Sp. z o.o. seated in Wrocław	3,000,000	100%	100%
Kraków Zielony Złocięń Sp. z o.o. seated in Wrocław	11,230,000	100%	100%
LC Corp Invest I Sp. z o.o. seated in Wrocław	5,000	100% (indirectly and directly)	100% (indirectly and directly)
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	6,700,000	100%	100%
LC Corp Invest VII Sp. z o.o. seated in Wrocław	4,000,000	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	4,700,000	100%	100%
LC Corp Invest X Sp. z o.o. seated in Wrocław	10,300,000	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 XV Sp. z o.o. seated in Wrocław	5,000	100%	100%
LC Corp Invest XVI 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)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k. seated in Wrocław	-	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 9 Sp. k. seated in Wrocław ²	-	100% (indirectly)	-
LC Corp Invest XV Sp. z o.o. Projekt 10 Sp. k. seated in Wrocław ³	-	100% (indirectly)	-

LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. seated in Wrocław	-	100% (indirectly)	100%
LC Corp Invest XVII Sp. z o.o. seated in Wrocław	5,000	100%	100%
LC Corp Invest XV Sp. z o.o. Finance S.K.A.	50,000	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest XV Sp. z o.o. Projekt 14 S.K.A.	5,050,000	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest XV Sp. z o.o. Investmets S.K.A. ⁴	91,905,080	100% (indirectly and directly)	-

- (1) On 6 December 2013, LC Corp S.A. purchased 100% of the shares of Sky Tower S.A. from LC Corp B.V. becoming the sole shareholder of the company, which became a member of the LC Corp Group on that date.
- (2) On 23 April 2013, a limited partnership LC Corp Invest XV Sp. z o.o. Projekt 9 Sp. k. was established on the basis of an agreement made between LC Corp S.A.'s subsidiary companies, i.e. LC Corp Invest XV Sp. z o.o. and LC Corp Invest XI Sp. z o.o. The partnership was established to implement a property development investment in which LC Corp Invest XI Sp. z o.o. is the limited partner.
- (3) On 6 November 2013, a limited partnership LC Corp Invest XV Sp. z o.o. Projekt 10 Sp. k. was established on the basis of an agreement made between LC Corp S.A.'s subsidiary companies, i.e. LC Corp Invest XV Sp. z o.o. and LC Corp Invest XI Sp. z o.o. The partnership was established to implement a property development investment in which LC Corp Invest XI Sp. z o.o. is the limited partner.
- (4) On 1 October 2013, the limited joint-stock partnership LC Corp Invest XV Sp. z o.o. S.K.A. was registered. LC Corp Invest XV Sp. z o.o. took 50 shares in its share capital, whereas LC Corp Invest XVI Sp. z o.o took 4,950 shares. On 21 October 2013, an Extraordinary Shareholders Meeting adopted a resolution regarding an increase of the Partnership's share capital from PLN 50,000.00 to PLN 91,905,080.00, i.e. by 91,855,080.00, by issuing 9,185,508 Series C registered shares with a par value of PLN 10.00 each. Thus, upon the registration of the share capital increase, LC Corp S.A. became a partner in the partnership with 99.95% of its shares.

1.2. Major events with regard to changes in the Group from 1 January to 31 December 2013

1. On 23 April 2013, a limited partnership LC Corp Invest XV Sp. z o.o. Projekt 9 Sp. k. was established on the basis of an agreement made between LC Corp S.A.'s subsidiary companies, i.e. LC Corp Invest XV Sp. z o.o. and LC Corp Invest XI Sp. z o.o. The partnership was established to implement a property development investment in which LC Corp Invest XI Sp. z o.o. is the limited partner.
2. On 28 May 2013, a new limited partner, Kraków Zielony Złocień Sp. z o.o., joined the limited partnership LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. As of that moment, the structure of the Partnership is as follows: general partner: LC Corp Invest XV Sp. z o.o. – contribution PLN 100.00 (0.1%), limited partners: LC Corp Invest X Sp. z o.o. – contribution PLN 9,900.00 (9.0%); Kraków Zielony Złocień Sp. z o.o. – contribution PLN 100,000.00 (90.9%).
3. On 21 June 2013, as a result of entering into a contract for the sale of all general partner rights and duties, the general partner of LC Corp Invest XV Sp. z o.o. Projekt 20 Sp. k. changed. LC Corp Invest XVII Sp. z o.o. became a new general partner of the Partnership with a contribution of PLN 100.00 (1%), Consequently, as of the moment of the registration of the change in the National Court Register, the Partnership operates under the business name LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. Furthermore, on 25 June 2013, as a result of entering into a contract for the sale of all limited partner rights and duties, LC Corp Invest XI Sp. z o.o. became a new limited partner with a contribution of PLN 9,900.00 (99%).
4. On 5 July 2013, the only shareholder of Arkady Wrocławskie S.A., LC Corp S.A., paid all the unpaid shares, as a result of which the company's share capital of PLN 113,700,000.00 is paid in full.
5. On 10 July 2013, the District Court for Wrocław-Fabryczna, VI Commercial Section of the National Court Register, registered a change in the share capital of LC Corp Invest VII Sp. z o.o. resulting from a share capital increase made by the sole shareholder, LC Corp S.A. The new amount of the Company's share capital is PLN 2,000,000.00, divided into 2,000 shares of PLN 1,000 each.
6. On 24 July 2013, as a result of the deed of association of LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k., a new limited partner, LC Corp Invest XII Sp. z o.o., joined the Partnership with a monetary contribution of PLN 100,000.00. In consequence of the change, the amount of the partners' contributions is PLN 110,000.00, of which LC Corp Invest XV Sp. z o.o. contributed PLN 100.00 (about 0.1%), LC Corp Invest XI Sp. z o.o. contributed PLN 9,900.00 (9%), and LC Corp Invest XII Sp. z o.o. contributed PLN 100,000.00 (about 90.9%).
7. On 1 October 2013, the limited joint-stock partnership LC Corp Invest XV Sp. z o.o. S.K.A. was registered. LC Corp Invest XV Sp. z o.o. took 50 shares in its share capital, whereas LC Corp Invest XVI Sp. z o.o. took 4,950 shares. On 21 October 2013, an Extraordinary Shareholders Meeting adopted a resolution regarding an increase of the Partnership's share capital from PLN 50,000.00 to PLN 91,905,080.00, i.e. by 91,855,080.00, by issuing 9,185,508 Series C registered shares with a par value of PLN 10.00 each. Thus, upon the registration of the share capital increase, LC Corp S.A. became a partner in the partnership with 99.95% of its shares.
8. On 31 October 2013, as a result of the deed of association of LC Corp Invest XV Sp. z o.o. Projekt 20 Sp. k., a new limited partner, LC Corp S.A., joined the Partnership with a non-monetary contribution of PLN 60,900,000.00 (99.98%). As a result of the change, the total amount of the partners' contributions is PLN 60,910,000.00, of which LC Corp Invest XVII Sp. z o.o. contributed PLN 100.00 and LC Corp Invest XI Sp. z o.o. contributed PLN 9,900.00.
9. On 6 November 2013, a limited partnership LC Corp Invest XV Sp. z o.o. Projekt 10 Sp. k. was established on the basis of an agreement made between LC Corp S.A.'s subsidiary companies, i.e. LC Corp Invest XV Sp. z o.o. and LC Corp Invest XI Sp. z o.o. The partnership was established to implement a property development investment in which LC Corp Invest XI Sp. z o.o. is the limited partner.

10. On 27 November 2013, the District Court for Wrocław-Fabryczna, VI Commercial Section of the National Court Register, registered a change in the share capital of LC Corp Invest VII Sp. z o.o. The new amount of the Company's share capital is PLN 4,000,000.00. All shares in the company are held by LC Corp S.A.
11. On 28 November 2013, the District Court for Wrocław-Fabryczna, VI Commercial Section of the National Court Register, registered a change in the share capital of LC Corp Invest II Sp. z o.o. The new amount of the Company's share capital is PLN 88,800,000.00. All shares in the company are held by LC Corp S.A.
12. On 6 December 2013, LC Corp S.A. acquired 100% of the shares of Sky Tower S.A. from LC Corp B.V., becoming the sole shareholder of the acquired company. As of that date the company became a member of the LC Corp Group.
13. On 16 December 2013, the District Court for Wrocław-Fabryczna, VI Commercial Section of the National Court Register, registered a change in the share capital of LC Corp Invest IX Sp. z o.o. The new amount of the Company's share capital is PLN 4,700,000.00. All shares in the company are held by LC Corp S.A.
14. On 20 December 2013, a change of the amount of the share capital of Kraków Zielony Złocień Sp. z o.o. was registered. The new amount of the Company's share capital is PLN 11,230,000.00. All shares in the company are held by LC Corp S.A.
15. On 23 December 2013, a change of the amount of the share capital of LC Corp Invest X Sp. z o.o. was registered. The new amount of the Company's share capital is PLN 10,300,000.00. All shares in the company are held by LC Corp S.A.

No other essential changes to the composition of the Group, in addition to the above-described events, took place in the period from 1 January 2013 to 31 December 2013.

1.3. Activities of the Group

The activities of the Group consist in real property development through construction projects, The activities of LC Corp S.A., reflected in the REGON system of business records, consists of financial holding activities, buying and selling of own real estate, and business and management consultancy activities.

During 2013, LC Corp S.A. and the Group followed a strategy consistent with its basic activities, i.e. property investment activities consisting in constructing and selling residential buildings (units) and constructing and renting office and commercial space (the Wola Center office building, the Arkady Wrocławskie retail and office building, and the Sky Tower office and retail building).

2. ACTIVITIES OF THE GROUP IN 2013

In 2013, 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, Gdańsk and Wrocław and acquired all shares in a company that manages the Sky Tower office and retail building. LC Corp S.A.'s subsidiary undertakings were active on the property development market, continuing their investments or preparing to start building projects as well as managing a modern office and retail complex (Arkady Wrocławskie).

2.1. Basic products, goods for resale and services

The main source of revenue for the Group in 2013 was the sale of residential and retail premises, which represented 76.0% of the total revenue. The Group's revenue from the rental of commercial properties amounted to 23.8%.

The table below presents revenue and profits (PLN '000) of the Group's respective segments for the year ended 31 December 2013:

Year ended 31 December 2013	Rental activity	Property development activity	Holding activity (other)	Overall activity
Total revenue from sales	49,664	159,097	460	209,221
Gross profit / (loss) on sales – Segment results	34,718	34,821	245	69,784

2.2. Market situation

The Group operates in Poland and its key projects are located in big cities: Warsaw, Wrocław, Kraków, Gdańsk, Łódź and Katowice.

Revenue earned in 2013 can be attributed to the property development activity of the Group's undertakings carried out on the domestic market, mainly in Wrocław, Warsaw, Kraków, Gdańsk and Łódź.

In 2013, a total of 768 flats and suites of retail premises were sold (presale agreements, having taken account of withdrawals – an increase by 26% in comparison with 2012), and 609 flats and suites of retail premises were transferred on the basis of notarial deeds (sales disclosed in the income statement) – an increase by 34% compared to 2012.

The Group consistently implemented its strategy of diversification of project locations and expansion of its activity on the residential markets of Warsaw, Wrocław, Kraków and Gdańsk, which was reflected in the sale structure in 2013 as presented in the table below showing the number of pre-sold flats/suites in each city:

City	2012	2013
Warsaw	94	212
Wrocław	275	372
Kraków	207	140
Gdańsk	25	31
Łódź	9	13
total	610	768

26%

and the table showing the numbers of flats/suites transferred by notarial deeds:

City	2012	2013
Warsaw	95	61
Wrocław	150	329
Kraków	201	161
Gdańsk	6	39
Łódź	1	21
total	453	611

35%

Moreover, as at 31 December 2013 the offer included 969 flats and suites of retail premises:

City	number of flats/suites
Warsaw	247
Wrocław	451
Kraków	193
Gdańsk	44
Łódź	34
total	969

Subsequent projects are prepared for their commencement in 2014, for additional about 1,700 flats (mainly in Warsaw, Wrocław, Kraków and Gdańsk).

Below the Group's ongoing and prepared projects have been described.

2.3. Completed property development projects

2.3.1. Commercial projects

Project	City	District	Segment	Completion date	Floor space (sq m)
Wola Center	Warsaw	Wola	Office and retail	Q3 2013	33,841
Arkady Wrocławskie	Wrocław	Krzyki	Office, retail	Q2 2007	39,625
Sky Tower	Wrocław	Krzyki	Office, retail	Q1 2013	42,426

2.3.2. Residential projects

Project	City	District	Segment	Completion date	Number of flats and retail suites	Floor space (sq m)
Osiedle Przy Promenadzie (stages I, II and III)	Warsaw	Praga-Południe	Flats	Q4 2010	730	48,160
Rezydencja Kaliska	Warsaw	Śródmieście-Ochota	Flats	Q1 2011	101	7,441
Osiedle Powstańców 33 (stage I)	Ząbki near Warsaw		Flats	Q4 2012	114	6,919
Osiedle Maestro (stage I)	Wrocław	Krzyki-Jagodno	Flats	Q3 2012	176	9,352
Osiedle Maestro (stage II)	Wrocław	Krzyki-Jagodno	Flats	Q3 2013	160	8,829
Osiedle Potokowa (stages I and IIc)	Wrocław	Maślice	Flats and houses	Q2 2013 and Q3 2013	114	6,860
Osiedle Graniczna (stage I)	Wrocław	Fabryczna	Flats	Q3 2013	173	9,197
Osiedle Nowalia	Wrocław	Klecina	Terraced houses	Q1 2014	44	4,636
Słoneczne Miasteczko (stages I and II)	Kraków	Bieżanów-Prokocim	Flats	Q4 2011 and Q4 2012	284	15,584
Okulickiego 59	Kraków	Mistrzejowice	Flats	Q4 2012	146	6,701
Osiedle Przy Srebrnej (stages Ia and Ib)	Gdańsk	Łostowice	Flats	Q4 2012 and Q4 2013	78	4,358
Osiedle Dębowa Ostoja (stage I)	Łódź	Beauty	Flats and houses	Q3 2011	22	4,548
Osiedle Pustynna 43 (stage I)	Łódź	Górna	Flats	Q4 2012	38	2,884

2.4. Ongoing property development projects

2.4.1. Warsaw

Osiedle Na Woli

On the property located in ul. Sowińskiego in Warsaw, LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k. is carrying out a project consisting in the construction of two eight-storey buildings, comprising 190 flats and two suites of retail premises, having the total area of 10,024 sq m. The construction works started on 1 March 2013, in the general contracting system, and the completion of the project is scheduled for the third quarter of 2014. The sale of flats is in progress.

Stage II of the project is at the stage of awaiting a building permit and preparation of the building plans. This stage is expected to consist of the construction of one residential building with an underground garage with 112 flats and a total area of 5,657 sq m. The construction works are planned to start in May of this year.

Powstańców 33 at Ząbki

On the plot of 3.5 hectares, located at ul. Powstańców 33, in Ząbki near Warsaw, LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k. is carrying out a residential estate – Powstańców 33. The project provides for the construction of about 840 flats and it will be completed in five stages. In December 2012, stage I of the project (114 flats) was completed. In November 2012, the Group started the construction of stage II of the project, comprising 229 flats, having the total area of 13,128 sq m. It is planned to complete stage II of the project in the second quarter of 2014. The sale of flats is in progress.

Poborzańska

On the parcel of land located in ul. Poborzańska in Warsaw, purchased in Q2 2013, it is planned to build two six-storey buildings (one purely residential and the other combining residential and retail functions), with underground parking garages (one common garage), offering the floor space of 4,181 sq m. Eighty-four flats, with areas from 32 sq m to 74 sq m, and seven retail suites are planned in the buildings. The construction works are planned to start in May 2014.

Promenada stage IV

The planned project comprises one eight-storey residential and retail building with an underground parking garage, having the floor space of over 9,500 sq m. In the building, 196 flats are planned, with areas from 28 sq m to 82 sq m, and six retail suites. The construction works are planned to start in July 2014.

Ostrobramska

On the acquired plot of land in ul. Ostrobramska in Warsaw, it is planned to carry out a project consisting of three stages. Under the project three multi-storey residential buildings (with underground parking garages) are contemplated, having the total floor space of about 27,500 sq m. It is expected to offer 498 flats and 24 retail suites in the above buildings. The construction works are planned to start at the beginning of Q4 2014.

Chrzanowskiego stage I

Project planned on a property that is part of a big plot of land in ul. Chrzanowskiego, on which a multistage housing estate is planned. Stage I will consist of one multifamily, six-storey residential building with an underground garage. The building with a total floor area of 7,357 sq m will have 125 flats and 13 retail suites. The construction works are planned to start in July 2014.

2.4.2. Wrocław

Osiedle Maestro

LC Corp Invest XV Projekt 14 S.K.A. (formerly LC Corp Invest XIV Sp. z o.o.) is building in three stages the "Maestro" housing estate, located on the 3.0 hectare property in ul. Dróżnicza, in the Krzyki-Jagodno district in Wrocław. The first stage (176 flats) and the second stage (160 flats), consisting of buildings B1 and B2, were completed. In July 2013, the occupancy permit was obtained for building B1, and the occupancy permit for building B2 in November 2013. The stage III construction works are planned to start in the first quarter of 2014. The sale of flats is in progress.

Osiedle Potokowa

LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. carries out the construction of an estate of multi- and single-family houses on the plot of about 1.9 hectares in ul. Potokowa in Wrocław, purchased by LC Corp S.A. in March 2011 and transferred to LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. in January 2012. As part of stage I, two buildings were completed, including 53 flats with underground parking garages and nine single-family terrace buildings with adjacent gardens. During stage II one multi-family building with 42 flats and an underground parking garage was completed. The Company obtained occupancy permits for both stages (stage I on 16 May 2013 and stage II on 3 October 2013). Moreover, on 18 March 2013, the construction of stage III was started, comprising two multi-family and single-family terrace buildings (73 flats). The completion of this stage is scheduled for March 2014. The sale of flats is in progress.

Osiedle Graniczna

LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k. is carrying out the four-stage project of a residential estate comprising multi-family houses, on the property of about 3.4 hectares, located in ul. Graniczna, in the Muchobór Wielki section in Wrocław, purchased by LC Corp S.A. in 2011 and transferred to LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k. in April 2012. In August 2013, the construction of stage II was started – building E (179 flats), the completion of which is planned for Q3 2014. The stage III construction works are planned to start in the first quarter of 2014. The sale of stage II flats is in progress.

Brzeska 5

On the 0.4 hectare property located in ul. Brzeska in Wrocław, LC Corp Invest XV sp. z o.o. Projekt 4 sp. k. is carrying out a project consisting in the construction of a seven-storey residential building with a two-level car park with 150 parking spaces, retail premises on the ground floor and 164 flats. It is planned to complete the project in the third quarter of 2014. The sale of flats is in progress.

Stabłowicka 77

In September 2013, LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k. started the project in ul. Stabłowicka in Wrocław, consisting in the construction of three multi-family buildings on the 1.0 hectare parcel of land. In March 2013, the company obtained the building permit. The implementation of the project is divided into two stages: stage I – buildings B and C (73 flats); stage II – building A (60 flats). The construction work began in August 2013. Stage I of the project is scheduled to be completed at the end of August 2014, whereas stage II is planned to be completed at the end of February 2015. The sale of flats is in progress.

Kielczowska

On the 0.9 parcel of land located in ul. Kielczowska, purchased in the second quarter of 2013, the Group is planning the construction of multi-family buildings. At present, the works relating to the building plans are in progress; it is expected that a building permit will be applied for in March 2014. The commencement of the works is planned for the third quarter of 2014.

2.4.3. Kraków

Grzegórzecka 77

LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. k. is carrying out the residential project on the property of the total area of 1.4 hectares, located in ul. Grzegórzecka in Kraków. The project comprises the construction of three multi-family buildings (in three stages) with the total usable area of about 19,600 sq m (i.e. about 390 flats). In September 2013 the Company obtained the building permit. In October 2013, the construction of the building with the area of 8,031 sq m, representing the first stage of the project, was started. This stage should be completed in the second quarter of 2015. The commencement of stage II of the project is planned for the first quarter of 2014. The sale of flats is in progress.

Słoneczne Miasteczko

In October 2013, the Company started the construction of stage III of the Słoneczne Miasteczko project in Kraków, the OB1 unit consisting of two buildings, B1 and B2, with a total floor area of 2,145 sq m (42 flats). The project is carried out on plot No. 471/2, section 105, Kraków-Podgórze, located in ul. Henryka i Karola Czaczków, Kraków, with a total area of 0.4 hectares. It is planned to complete the project in the fourth quarter of 2014. The commencement of stage IV of the project is planned for the second quarter of 2014. The sale of flats is in progress.

2.4.4. Katowice

The Silesia Star commercial project

In August 2013, the construction of an office complex in ul. Roździeńskiego in Katowice was started. The project was initially carried out by LC Corp Invest XII Sp. z o.o., in the centre of Katowice, near Spodek, the sports and entertainment arena. The project consists in the construction of two eight-storey buildings with one-level underground parking garages and retail premises on the ground floor, situated on the parcel of land of 9,938 sq m. The project will be completed in two stages. The first stage (the construction of the first building) is planned to be completed in Q4 2014. In March 2013 the Company obtained the building permit. The works related to this project will be carried out by the general contractor. In October 2013, the property on which the project is carried out was transferred to LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k., which assumed also the role of the project owner and entered into all rights and obligations arising from the agreements concluded by the previous perpetual usufructuary and related to the execution of the project.

2.4.5. Gdańsk

Osiedle Przy Srebrnej

On the property of about 10.2 hectares, located in the Łostowice district in Gdańsk, LC Corp Invest VIII Sp. z o.o. is building a residential estate, to be completed in two stages, with a total residential and retail space of about 50,240 sq m. The first sub-stage (72 flats/premises) of the project was completed in Q4 2012. The construction of the second sub-stage, comprising 100 flats and 6 retail premise units, started in April 2013. The construction of six retail premise units was completed in November 2013. The construction of building I/3, with 22 residential units, planned to be completed in the second quarter of 2014, is underway. The commencement of the next building, I/2, is scheduled for May 2014. The sale of flats is in progress.

Powstańców Wielkopolskich

On an 0.9 hectare parcel of land located in the seaside district Gdańsk Zaspą, purchased in the second quarter of 2013, LC Corp Invest VII Sp. z o.o. is carrying out a project consisting in the construction of a residential estate. The project will be completed in two stages and includes multi-family residential buildings with parking spaces – about 207 flats in total, having the floor space of about 10,400 sq m. A conceptual design for the project has been completed, connection agreements have been signed with the utility service owners, and an agreement has been entered into with the manager of municipal roads. The construction and assembly works are scheduled to begin in the first and second quarter of 2014.

2.5. Development projects in preparation

1. Project	City	District	Segment	Completion date	Number of flats and retail units	Floor space (sq m)
Al. Roździeńskiego (stage II)	Katowice	Bogucice-Zawodzie	Office and retail	Q1 2015	-	14,015

Additionally, depending on how quickly a given project is sold, the further stages of the projects are planned to be launched.

Intensive efforts were made during 2013 to acquire land for new residential projects in the cities that are key for the Group: Warsaw, Wrocław, Kraków, and Gdańsk. Some of those efforts were finalised through purchase transactions in 2013; construction has already begun on that land or intensive preparations for the projects are underway (as mentioned above). Some will be finalised in 2014. Transactions to purchase further land in Warsaw and Kraków are in the course of advanced negotiations. The projects planned there will supplement the Group's residential offering for 2014–16. In accordance with its strategy, the Group also intends to broaden its activities on the market for commercial space (mostly office spaces) and for this purpose also plans to acquire land for such development in Warsaw.

2.6. Group's dependence on suppliers and recipients

- Service recipients

In 2013, with regard to the sale of residential and retail premises, the Group's companies were not dependent on any service recipient, as the Group's clients are mainly natural persons, belonging to a broadly understood consumer group.

- Service suppliers

In 2013 the Group's companies were not 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. The Group's projects are carried out in the general contracting system.

2.7. Significant agreements, insurance agreements

- 1) On 6 December 2013, LC Corp S.A. acquired 100% of the shares of Sky Tower S.A. from LC Corp B.V., becoming the sole shareholder of the acquired company, for a price of PLN 259 million payable in instalments by 31 December 2019. As of that date the company became a member of the LC Corp Group. The main asset of Sky Tower SA is the commercial property consisting of a 9882950/14523463 interest in the built-up land property at ul. Powstańców Śląskich 95, ul. Gwiaździsta 62, 64, 66, and ul. Szczęśliwa 33, Wrocław, and the building thereon, consisting of office and retail parts, together known as the Sky Tower, which consists of a shopping centre and offices. The purchase of the company was a consequence of the strategy of expanding the portfolio of commercial properties in the LCC Group.
- 2) On 6 December 2013, LC Corp S.A. also entered in a contract for the establishment of a financial pledge on the registered shares of Sky Tower S.A., with LC Corp S.A. as the pledger and Getin Noble Bank S.A. and Alior Bank S.A. as the pledgees. The financial pledge was established as security for a long-term investment loan granted to Sky Tower S.A. of Wrocław by the above banks. Under this agreement, the Issuer established for the pledgees financial pledges on 23,000,000 Series B registered shares of Sky Tower S.A. up to the highest security amount of €90,000,000 (ninety million euros). The pledges expired upon the registration of the court decision of 2 December 2013 on the registration of the registered pledge of shares in favour of the pledgees under the agreement of 28 November 2013 entered into with LC Corp BV of Amsterdam becoming final and binding.

The other Group companies did not enter into any significant agreements whose value would be at least 10% of the Issuer's equity. To the remaining extent significant for the Group's companies, such agreements (regarding in particular real property financing and acquisition) are described in these financial statements.

3. EVENTS EXERTING A SIGNIFICANT IMPACT ON THE GROUP'S ACTIVITY AND FINANCING THE GROUP'S ACTIVITY IN THE ACCOUNTING YEAR 2013

3.1. Information about loans incurred/repaid by the Issuer or its subsidiary undertaking

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

In 2013, Arkady Wrocławskie repaid, in accordance with the repayment schedule, a loan taken out in EUR from a consortium of banks, ING Bank Śląski S.A. and BZWBK S.A., in the amount of PLN 15,165,000. As at 31 December 2013 the total amount to be repaid, after conversion into PLN, stood at PLN 143,891,000.

3.1.2. Payment of dividends by Arkady Wrocławskie S.A.

On 5 July 2013, total dividends of PLN 14,781,000 were paid to the sole shareholder, LC Corp S.A., pursuant to the resolution of the General Shareholders Meeting of Arkady Wrocławskie S.A. of 4 July 2013.

3.1.3. Taking out and repayment of a loan taken out by LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k.

On 20 February 2013, LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k. concluded with PKO BP S.A. (Lender) an investment loan agreement for the maximum of PLN 24,000,000, to finance the investment project carried out in ul. Graniczna in Wrocław. As security for the loan, among others, contractual mortgage for up to the total of PLN 36,000,000 was established on the company's property with a blank promissory note. The loan was repaid in full on 3 December 2013.

3.1.4. Acquisition of shares of Sky Tower S.A. with a loan debt

The shares of Sky Tower SA were acquired (cf. 2.7.1 above) together with the long-term investment loan granted by a consortium of banks, Getin Noble Bank SA and Alior Bank SA. The agreement was entered into on 29 December 2013 with a final repayment date of 20 December 2022; loan amount: EUR 56,899,004.26. The first payment will be made in March 2014.

3.1.5. Loan taken out by LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k.

On 27 December 2013, LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k. concluded with PKO BP S.A. (Lender) an investment loan agreement for the maximum of PLN 31,173,000, to finance the investment project carried out at ul. Sowińskiego 51 in Warsaw.

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

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

3.3. Loan agreements concluded between the Group's undertakings and related companies in 2013

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 I Sp. z o.o.	2013 Jan 24	7.8%	14,000	Unspecified
LC Corp S.A.	LC Corp Invest I Sp. z o.o.	2013 Jan 24	7.8%	2,400	Unspecified
LC Corp S.A.	LC Corp Invest I Sp. z o.o.	2013 Jan 30	4.9%	14,000	Unspecified
LC Corp S.A.	LC Corp Invest I Sp. z o.o.	2013 May 23	4.2%	20,000	Unspecified
LC Corp S.A.	LC Corp Invest I Sp. z o.o.	2013 Jul 09	4.5%	31,000	Unspecified
LC Corp S.A.	LC Corp Invest I Sp. z o.o.	2013 Jul 22	4.6%	20,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 1 Sp.k.	2013 Jan 07	5.1%	5,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 8 Sp.k.	2013 Jan 24	5.0%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 8 Sp.k.	2013 Jan 24	7.9%	14,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 2 Sp.k.	2013 Jan 24	8.0%	2,400	Unspecified
LC Corp Invest I Sp. z o.o.	Kraków Zielony Złocień Sp. z o.o.	2013 Jan 30	5.1%	14,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 4 Sp.k.	2013 Feb 12	6.8%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest III Sp. z o.o.	2013 Apr 03	4.8%	5,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 4 Sp.k.	2013 Apr 16	7.6%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 5 Sp.k.	2013 Apr 16	7.6%	10,000	Unspecified

LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 8 Sp.k.	2013 May 08	4.6%	6,670	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest VII Sp. z o.o.	2013 May 23	6.9%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 14 SKA	2013 Jun 10	4.8%	5,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 2 Sp.k.	2013 Jun 10	6.7%	2,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 9 Sp.k.	2013 Jul 09	6.7%	24,700	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 9 Sp.k.	2013 Jul 09	6.7%	6,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 2 Sp.k.	2013 Jul 22	7.3%	2,200	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp.k.	2013 Sep 03	4.6%	50	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp.k.	2013 Sep 18	4.6%	20,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 6 Sp.k.	2013 Sep 30	4.6%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XII Sp. z o.o.	2013 Oct 07	4.6%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 1 Sp.k.	2013 Oct 07	4.6%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 3 Sp.k.	2013 Nov 04	6.7%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest X Sp. z o.o.	2013 Nov 27	6.4%	2,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XII Sp. z o.o.	2013 Nov 27	6.4%	10,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XII Sp. z o.o.	2013 Nov 27	6.4%	32,600	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Projekt 8 Sp.k.	2013 Dec 13	6.4%	10,000	Unspecified
Warszawa Przyokopowa Sp. z o.o.	LC Corp Invest I Sp. z o.o.	2013 Nov 20	4.6%	5,000	Unspecified

* average value for 2013

3.4. Issue and buyback of securities

- 1) On 18 January 2013, LC Corp S.A. concluded with LC Corp Invest III Sp. z o.o. an amendment to the agreement on the issue, purchase and buyback of securities of 2 December 2008. Under the amendment, the maturity date of two of the 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 2013 to 3 April 2013; an earlier buyback of investment notes is admissible. The remaining notes were bought back in full by LC Corp.
- 2) On 17 April 2013, notes were bought back early that had been issued by LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k. (former LC Corp Invest XV Sp. z o.o. Sp. k.) and bought by LC Corp S.A. with issuance on the following dates:
 - 20 June 2011 – 5 notes in execution of the agreement for the issue, purchase, and buyback of securities in the form of notes of 20 June 2011 between LC Corp S.A. and LC Corp Invest XV Sp. z o.o. Sp. k. (currently, LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k.), which notes were to be bought back by 2 June 2014.
 - 22 June 2011 – 13 notes in execution of the agreement for the issue, purchase, and buyback of securities in the form of notes of 22 June 2011 between LC Corp S.A. and LC Corp Invest XV Sp. z o.o. Sp. k. (currently, LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k.), which notes were to be bought back by 23 June 2014.
 - 18 July 2011 – 8 notes in execution of the agreement for the issue, purchase, and buyback of securities in the form of notes of 18 July 2011 between LC Corp S.A. and LC Corp Invest XV Sp. z o.o. Sp. k. (currently, LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k.), which notes were to be bought back by 18 July 2014.
- 3) On 29 May 2013, LC Corp S.A. concluded with Arkady Wrocławskie S.A. an amendment to the agreement on the issue, purchase and buyback of securities of 20 January 2011. Under the amendment, the maturity date of 10 notes issued by LC Corp S.A. and acquired by Arkady Wrocławskie S.A. was rescheduled from 28 June 2013 to 30 June 2015.

- 4) On 26 November 2013, LC Corp S.A. acquired for the purpose of retirement 110 unsecured dematerialised Series LCC001150414 coupon bonds, ISIN PLLCCRP00033, with a nominal value of PLN 100,000.00 each and a total nominal value of PLN 11,000,000.00, issued on 15 April 2011. The bonds were acquired by the Issuer for their retirement in accordance with Article 25.1 of the Bond Act of 29 June 1995. On 26 November 2013, the Management Board passed a resolution on the retirement of all the 110 (one hundred and ten) acquired bonds.
- 5) On 31 October 2013, LC Corp S.A. issued 500 five-year unsecured coupon bonds with a value of PLN 100,000.00 each and a total par value of PLN 50,000,000 under a Bond Issue Programme Agreement with Pekao S.A. of Warsaw and BRE Bank S.A. with a maturity date of 30 October 2018.
- 6) On 9 December 2013, LC Corp S.A. concluded with Warszawa Przyokopowa Sp. z o.o. an amendment to the agreement on the issue, purchase and buyback of securities of 9 December 2010. Under the amendment, the maturity date of 30 notes issued by LC Corp S.A. and acquired by Warszawa Przyokopowa Sp. z o.o. was rescheduled from 9 December 2013 to 9 December 2016.
- 7) On 11 December 2013, LC Corp S.A. redeemed the remaining 2,000,000 of the 3,000,000 bonds with preemptive rights, for which the right to take 2,000,000 Series I bonds, issued in connection with a management bond programme launched, was not exercised.

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

In connection with the loan agreement concluded on 27 December 2013 between LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k. and PKO BP S.A., LC Corp Invest I Sp. z o.o. endorsed a blank promissory note issued by LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k. and submitted to enforcement up to the amount of 46,759,500.00 as security for the loan.

In 2013, the Group's undertakings obtained the following performance and maintenance bonds:

Recipient of the bond	Entity obliged to provide the bond	Type of guarantee	Guaranteed amount	Guarantee date
Warszawa Przyokopowa Sp. z o.o.	Budimex S.A.	Bank guarantee	PLN 10,694,060.61	22 Sep 2011
LC Corp Invest VIII Sp. z o.o.	P.B. Narloch Sp. z o.o.	Insurance guarantee	PLN 154,564.75	10 Jun 2013
LC Corp Invest VIII Sp. z o.o.	P.B. Narloch Sp. z o.o.	Insurance guarantee	PLN 46,369.43	10 Jun 2013
Kraków Zielony Złocień sp. z o.o.	TK- BUD sp. z o.o. SKA	Bank guarantee	PLN 548,750.00	24 Oct 2012
Kraków Zielony Złocień sp. z o.o.	TK- BUD sp. z o.o. SKA	Bank guarantee	PLN 272,500.00	24 Oct 2013
LC Corp Invest XV sp. z o.o. Projekt 5 sp.k.	PBH Arkop Krzysztof Pianowski i s-ka spółka jawna	Bank guarantee	PLN 320,038.20	24 Apr 2012
LC Corp Invest XV sp. z o.o. Projekt 5 sp.k.	PBH Arkop Krzysztof Pianowski i s-ka spółka jawna	Insurance guarantee	PLN 638,667.80	19 Jul 2012
LC Corp Invest XV sp. z o.o. Projekt 5 sp.k.	PBH Arkop Krzysztof Pianowski i s-ka spółka jawna	Insurance guarantee	PLN 1,280,152.70	19 May 2012
LC Corp Invest XV sp. z o.o. Projekt 5 sp.k.	PBH Arkop Krzysztof Pianowski i s-ka spółka jawna	Insurance guarantee	PLN 1,155,083.00	24 May 2013
LC Corp Invest XV sp. z o.o. Projekt 14 SKA.	PBH Arkop Krzysztof Pianowski i s-ka spółka jawna	Bank guarantee	PLN 367,373.90	29 Dec 2011
LC Corp Invest XV sp. z o.o. Projekt 14 SKA	ERBUD S.A.	Bank guarantee	PLN 294,163.00	4 Feb 2014
LC Corp Invest XV sp. z o.o. Projekt 14 SKA	ERBUD S.A.	Bank guarantee	PLN 313,320.00	4 Feb 2014
LC Corp Invest XV sp. z o.o. Projekt 2 sp. k.	TK-BUD sp. z o.o. SKA	Bank guarantee	PLN 582,277.35	27 Feb 2013
LC Corp Invest XV sp. z o.o. Projekt 2 sp.k.	EURO-STAHLSERVICE Sp. z o.o.	Bank guarantee	PLN 425,150.00	26 Jun 2012
LC Corp Invest XV sp. z o.o. Projekt 2 sp.k.	TK-BUD sp. z o.o. SKA	Bank guarantee	PLN 582,277.35	16 Oct 2013

LC Corp Invest XV sp. z o.o. Projekt 6 sp.k.	Instalbud – Rzeszów Sp. z o.o.	Bank guarantee	PLN 1,500,000.00	8 Jul 2013
LC Corp Invest XV sp. z o.o. Projekt 6 sp.k.	Instalbud – Rzeszów Sp. z o.o.	Bank guarantee	PLN 1,118,859.33	9 Jan 2014
LC Corp Invest XV sp. z o.o. Projekt 6 sp.k.	UNIBEP S.A.	Bank guarantee	PLN 549,712.88	6 Dec 2012
LC Corp Invest XII Sp. z o.o.	Budmiex S.A.	Bank guarantee	PLN 4,319,967.58	14 Aug 2013
LC Corp Invest XV sp. z o.o. Projekt 3 sp.k.	TULCON S.A.	Insurance guarantee	PLN 401,270.00	22 Aug 2013
LC Corp Invest XV sp. z o.o. Projekt 3 sp.k.	TULCON S.A.	Insurance guarantee	PLN 660,230.00	22 Aug 2013
LC Corp Invest XV sp. z o.o. Projekt 4 sp.k.	Przedsiębiorstwo Wielobranżowe Magropol Sp. z o.o.	Bank guarantee	PLN 1,225,000.00	11 Jun 2013
LC Corp Invest XV sp. z o.o. Projekt 7 sp.k.	EURO-STAHLSERVICE Sp. z o.o.	Bank guarantee	PLN 1,126,480.00	28 Nov 2013
LC Corp Invest XV sp. z o.o. Projekt 8 sp.k.	Kalter Sp. z o.o.	Bank guarantee	PLN 1,479,867.50	6 Mar 2013

Apart from the above bonds, Arkady Wrocławskie S.A. obtained bank guarantees securing the payment of rents for the premises leased in the Arkady Wrocławskie, Wola Center and Sky Tower shopping centres.

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

Basic economic and financial figures	Position as at	Position as at
	31 December 2013	31 December 2012
	PLN '000	PLN '000
Non-current assets	1,459,758	783,886
Current assets	954,190	886,511
Equity	1,184,776	1,079,084
Liabilities and provisions for liabilities	1,229,172	591,313
Balance sheet total	2,413,948	1,670,397
Sales revenue	209,221	176,401
Pre-tax profit on sales	69,784	60,179
Operating profit	87,550	53,864
Net profit on business activities	73,602	70,654
Net profit	73,602	70,654

In 2013, the Group achieved the total net sales revenue of PLN 209,221,000. The pre-tax profit on sales was PLN 69,784,000. The operating profit, having taken into account the change in the valuation of commercial property and other operating expenses/revenue, totalled PLN 87,550,000, and the Group recorded a net profit of PLN 73,602,000.

Factors and events that had a significant impact on the financial results of the LC Corp Group in 2013 included in particular:

1. sales of flats and retail units in the investments;
2. realisation of the planned profit on the operation of Arkady Wrocławskie, a shopping and office centre and commencement in September 2013 of the activities of the Wola Center office centre; revaluation of commercial property in Arkady Wrocławskie S.A., in Warszawa Przyokopowa Sp. z o.o. and Sky Tower S.A. as at the end of 2013;
3. revaluation of the projects of the Group's companies (disclosed in the consolidated financial statements as inventories).

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

The LC Corp Group did not publish any financial forecasts for the year 2013.

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

The detailed information about off-balance sheet items is presented in Notes 29.3 and 29.5 of the Accounting principles (policy) and Additional explanatory notes to the Group's consolidated financial statements for the year 2013.

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

	31 December 2013		31 December 2012	
Assets				
A. Non-current assets	1 459 758	60%	783,886	47%
1. Intangible assets	372	0%	347	0%
2. Property, plant and equipment	4, 716	0%	1,274	0%
2.1. Tangible assets	4,523	0%	1,250	0%
2.2. Tangible assets under construction	193	0%	24	0%
3. Non-current receivables	2,073	0%	32,044	2%
4. Investment property	1,434,661	59%	731,515	44%
5. Non-current prepayments and accrued income	88	0%	134	0%
6. Deferred tax assets	17,848	1%	18,572	1%
B. Current assets	954,190	40%	886,511	53%
1. Inventories	721,592	30%	703,467	42%
2. Trade and other receivables	39,165	2%	25,758	2%
3. Income tax receivable	446	0%	486	0%
4. Current financial assets	1,636	0%	3,210	0%
5. Cash and cash equivalents	190,319	8%	153,028	9%
6. Current prepayments and accrued income	1,032	0%	562	0%
C. Non-current assets classified as held for sale	0	0%	0	0%
Total assets	2,413,948	100%	1,670,397	100%

	31 December 2013		31 December 2012	
Equity and liabilities				
A. Equity	1,184,776	49%	1,079,084	64%
I. Equity attributable to shareholders of the parent	1,184,776	49%	1,079,084	64%
1. Share capital	447,558	19%	447,558	27%
2. Other capital	663,616	27%	562,248	34%
3. Net profit / (loss)	73,602	3%	69,278	4%
II. Minority interest	0	0%	0	0%
B. Non-current liabilities	924,076	38%	477,265	29%
1. Non-current loan and bond liabilities	681,114	28%	418,218	25%
2. Non-current liabilities on the acquisition of a subsidiary	175,572	7%	0	0%
3. Non-current trade and other payables	0	0%	0	0%
4. Provisions	22	0%	22	0%
5. Deferred tax liability	67,368	3%	59,025	4%

C. Current liabilities	305,096	13%	114,048	7%
1. Current loan and bond liabilities	119,548	5%	16,428	1%
2. Current liabilities on the acquisition of a subsidiary	41,264	2%	0	0%
3. Current trade and other payables	77,667	3%	51,119	3%
4. Income tax payable	47	0%	99	0%
5. Provisions	12,617	1%	397	0%
6. Accrued expenses and revenue	53,953	2%	46,005	3%
Total equity and liabilities	2,413,948	100%	1,670,397	100%

The most important factors affecting the value of the balance-sheet items in the year ended 31 December 2013:

- a change in the item Investment Property is associated primarily with the acquisition of the Sky Tower property, the transfer of the Silesia Star project from Inventories to Investment Property (Note 18 to the consolidated financial statements), and the revaluation of the Arkady Wrocławskie and Wola Center properties;

an increase in the item Financial Liabilities is associated with the takeover of Sky Tower, the loan financing its operations, and the settlement in respect of the acquisition of the company by the Group, as well as the releases of bank loans during the financial year (mainly the loan financing the construction of the Wola Center office building and the issue of bonds for the rolling of 50% out of the volume of bonds maturing in April 2014).

In the Management Board's opinion, the Group's liquidity situation is very good – cash and current financial assets enabled the Group to pay its current financial liabilities on a timely basis; the non-current part is mainly the loan refinancing Arkady Wrocławskie, the loan financing the construction of the Wola Center office building, and the loan financing the Sky Tower investment property. The repayment of these loans is secured by the proceeds from the operation of the investment properties (from rental agreements). Furthermore, proceeds are gained from the sale of flats in the investments in Warsaw, Wrocław, Kraków, Gdańsk and Łódź. Moreover, in order to finance projects approved for commencement, the Group applies to banks for co-financing in the form of loans whose repayment is secured by the proceeds from the sale of flats/premises.

3.4. Assessment of financial management

Selected financial ratios

No.	Profitability ratios	2013	2012
1	Operating profit margin (EBITDA / net revenue from sales)	42.1%	30.9%
2	Net profit margin (net profit / net revenue from sales)	35.2%	40.1%
3	ROA (net profit / total assets)	3.0%	4.2%
4	ROE (net profit / equity)	6.2%	6.5%
No.	Liquidity ratios		
	Current ratio current assets / (current liabilities)	4.0	13.1

No. Debt ratios			
1	Debt to equity (total liabilities / equity)	92.4%	45.0%
2	Leverage ratio (total net debt less cash and cash equivalents / equity)	72.9%	25.5%
3	Total debt (total liabilities / total assets)	45.4%	29.1%

The presented financial ratios for 2013 remain at a very good level. The increase in the debt ratios is mainly related to the increase in non-current loans financing the investment properties (Wola Center and Sky Tower) serviced by the proceeds from the rental agreements, the settlement in respect of the acquisition of Sky Tower S.A. (the acquisition price to be paid within six years), and the additional issue of 50 million bonds for the rolling of 50% out of the volume of bonds maturing in April 2014.

Financial risk management is described in the consolidated financial statements, in Notes 34, 35 and 36.

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

As at 31 December 2013, no individual proceedings were initiated with regard to liabilities or receivables of the Issuer or its subsidiaries, whose value would represent at least 10% of the Issuer's equity. As at 31 December 2013, neither were any proceedings initiated with regard to liabilities and receivables of the Issuer 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 LC CORP GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

6.1. Loan agreements concluded by the Group's undertakings

LC Corp Invest I Sp. z o.o. concluded the following money loan agreements with enterprises of the LC Corp Group:

- 1) on 27 January 2014, a loan agreement with LC Corp Invest IX Sp. z o.o. for the amount of PLN 1,000,000, at arm's length, for an indefinite period;
- 2) on 5 February 2014, a loan agreement with LC Corp Invest XV Sp. z o.o. Projekt 10 Sp. k. for the amount of PLN 5,000,000, at arm's length, for an indefinite period;

6.2. Amendment to the agreement on the issue, purchase and buyback of securities

On 31 January 2014, LC Corp S.A. concluded with Arkady Wrocławskie S.A. an amendment to the agreement on the issue, purchase and buyback of securities of 9 March 2012. Under the amendment, the maturity date of seven notes issued by LC Corp S.A. and acquired by Arkady Wrocławskie S.A. was rescheduled from 31 January 2014 to 31 January 2017.

6.3. Establishment of security for the bank loan agreement concluded by LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k.

On 23 January 2014, LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k., in execution of a loan agreement with PKO BP S.A., established securities necessary for the launch of that loan; among others, a statement was issued on the establishment of a mortgage to the amount of PLN 46,759,500.00 on a property owned by that company (mortgage registered in the Land and Mortgage Register on 3 February 2014), a blank promissory note was

issued by LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k. and endorsed by LC Corp Invest I Sp. z o.o., financial and registered pledges on bank accounts (registered pledges established on 7 February 2014) and other standard securities of loan agreements.

Apart from the above, as of 31 December 2013, there were no other events that might have a material impact on the LC Corp Group's financial results.

7.1. Risk factors

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

The factors that could exert a negative impact on the Group'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 banks to assess their clients' creditworthiness caused numerous new potential residential buyers to face the creditworthiness barrier. The lack of new credit solutions and the limited credit availability may be a factor reducing the demand for new flats and houses.

Foreign exchange risk

In the companies that manage commercial properties, the revenue and liabilities connected with the financing agreement are denominated in EUR. In consequence, the Group is exposed to foreign exchange risk related to the fluctuations in the PLN/EUR exchange rate.

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

The currency risk also includes the balance sheet valuation of commercial properties and the valuation of the loans (financing the projects), which as at the balance sheet date are converted from EUR to PLN according to the average exchange rate of the National Bank of Poland effective on that date.

Interest rate risk

The interest rate risk relates mainly to non-current financial liabilities, based on a floating interest rate. This risk is partly compensated by indexation of revenue from rent. In some companies, financed by non-current investment loans, transactions will be entered into, in accordance with the provisions of those loan agreements, to hedge the interest rate risks, and hedge accounting will be used.

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 a balance between continuity and flexibility of financing, by means of using different sources of financing such as bank loans and bonds. The Group has its own funds to secure the current activity and ongoing projects, however in order to expand its business the Group needs to obtain additional financing by entering into bank loan agreements or issuing bonds. The maturity dates of successive instalments are adjusted to the projected proceeds from the sales 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 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.

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 such decisions being appealed by third parties acting out of their self-interest. Appeals against such decisions (whether justified or not) may result in an interruption of the construction process, which translates directly into deterioration in the profitability of the project, and thus in the owner's financial results. Another significant risk relates to the ever more frequent demands from the municipal authorities that make the issuance of building permits conditional on additional factors, not following from the law.

Risk related to liability for flats and houses after their sale

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 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

- 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 accordingly starts the property development projects from its portfolio as well as monitors the property development market searching for 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 acquire 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 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 its possessed assets and experience of obtaining funds, the Group is able to finance up to 70% of its 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 creation of the bank of land) and thus it is able to diversify the investment risk. The strategy for 2014 and subsequent years provides for an increase in the Group's share in the Warsaw market.

8. EMPLOYMENT STRUCTURE IN LC CORP AND IN THE GROUP

8.1. Employment structure in LC Corp S.A.

The average employment in the Company in the year ended 31 December 2013 was as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Management Board	4.1	4.0
White collar workers / administrative staff	71.4	58.8
Blue collar workers	0	0
Total	75.5	62.8

8.2. Employment structure in the Group

The average employment in the Group in the year ended 31 December 2013 was as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Management Board of the Parent Undertaking	4.1	4.0
Management Boards of the Group's Entities (*)	1.0	1.0
Administration	59.1	49.5
Sales department	23.1	19.9
Others	1.0	1.0
Total	88.3	75.4

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

8.3. System of control over Staff Incentive Schemes

The Company implemented the Management Share Options Scheme, under which members of the management staff of the Company and its subsidiary undertakings were eligible to take up shares issued by the Company. The granting of shares was conditional on meeting the terms included in the Scheme Regulations adopted 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. it covered the years 2007, 2011, 2012 and 2013. As the Series I shares were not taken within the deadline for Series I shares subscription rights arising from the bonds, which was set on 30 November 2013, the right to subscribe for the remaining 2,000,000 Series I shares expired. 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. On 11 December 2013, LC Corp S.A. redeemed the remaining 2,000,000 bonds with pre-emptive rights, for which the right to take 2,000,000 Series I bonds was not exercised.

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 2013 to 31 December 2013:

Dariusz Niedośpiał – remuneration, including bonuses, totalled PLN 1,878,000; no share-based payments
Joanna Jaskólska – remuneration, including bonuses, totalled PLN 1,102,000; no share-based payments
Mirosław Kujawski – remuneration, including bonuses, totalled PLN 634,000; no share-based payments
Tomasz Wróbel – remuneration, including bonuses, totalled PLN 580,000; no share-based payments
Małgorzata Danek – remuneration, including bonuses, totalled PLN 0; no share-based payments

Payments made to members of the Supervisory Board of LC Corp S.A. in the period from 1 January 2013 to 31 December 2013:

Leszek Czarnecki – remuneration totalled PLN 0; no share-based payments
Andrzej Błażejewski – 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 9,800; no share-based payments
Zbigniew Dorenda – remuneration totalled PLN 24,000; no share-based payments
Damian Milibrand – remuneration totalled PLN 10,900; no share-based payments
Jakub Malski – remuneration totalled PLN 1,700; no share-based payments

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

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
Remigiusz Baliński	Member of the Supervisory Board	32,722
Zbigniew Dorenda	Member of the Supervisory Board	-
Jakub Malski	Member of the Supervisory Board	9,830

Management staff holding the Issuer's shares

Full Name	Function in the body	Share ownership
Dariusz Niedospiał	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	-
Małgorzata Danek	Member of the Management Board	15,000

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

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

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

None of the Group's companies acquired its own shares.

10.3. Branches of the Group's undertakings

The Group's undertakings do not have any branches.

11. SUMMARY

In the year 2013 the activity was focused on carrying out investments and searching for real estate for new investments of the Group's companies and the takeover of Sky Tower S.A., the company managing the Sky Tower commercial property in Wrocław. While maintaining financial security, the Group continued its investments and significantly expanded its offer through appropriate acquisitions. The Group's strategy 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). The strategy for 2014 and subsequent years provides for an increase in the Group's share in the Warsaw market. In the Management Board's opinion, the operating results and margins achieved in 2012 were satisfactory.

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

2013

On 28 October 2013, an agreement was concluded with Ernst & Young Audyt Polska Sp. z o.o. Sp. k.(*) seated in Warsaw for auditing financial statements and consolidated financial statements of LC Corp S.A. for the year 2013. The amount of remuneration under the above agreement is PLN 95,000 excluding VAT. On 15 July 2013, an agreement, with an annexe, was concluded on carrying out a review of H1 2013 financial statements and consolidated financial statements of LC Corp S.A. The amount of remuneration under that agreement was PLN 62,000 excluding VAT. Additionally, the Company reported the cost of other advisory services provided by Ernst & Young Audit Sp. z o.o. in 2013 in the amount of PLN 77,000.

In 2013, Ernst & Young Audit Sp. z o.o. entered into agreements for the audits of the 2013 separate financial statements of Arkady Wrocławskie S.A., Warszawa Przyokopowa Sp. z o.o. and Sky Tower S.A. The total remuneration under those agreements was PLN 148,000.

(*) Until 18 October 2013, the company operated as Ernst & Young Audit Sp. z o.o.

2012

On 15 November 2012, an agreement was concluded with Ernst & Young Audit Sp. z o.o. seated in Warsaw for auditing financial statements and consolidated financial statements of LC Corp S.A. for the year 2012. The amount of remuneration under the above agreement was PLN 95,000 excluding VAT. On 16 July 2012, an

agreement was concluded on carrying out a review of H1 2012 financial statements and consolidated financial statements of LC Corp S.A. The amount of remuneration under that agreement was PLN 48,000 excluding VAT. In 2012, Ernst & Young Audit Sp. z o.o. entered into agreements for the audits of the 2013 separate financial statements of Arkady Wrocławskie S.A. and the remuneration under those agreements was PLN 45,000.

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 S.A. hereby declares that the Company's and the Group's continued activity is not at risk.

Drawn up in Wrocław, on 20 March 2014

Dariusz Niedośpiał – President of the Management Board

Joanna Jaskólska – Vice-President of the Management Board

Mirosław Kujawski – Member of the Management Board

Tomasz Wróbel – Member of the Management Board

Małgorzata Danek – Member of the Management Board
