

**MANAGEMENT BOARD'S REPORT
ON THE LC CORP GROUP'S OPERATIONS
FOR THE PERIOD
FROM JANUARY 1ST TO JUNE 30TH 2007**



Pursuant to the provisions of the Accounting Act of September 29th 1994 the Management Board is obliged to ensure the preparation of the annual report on the LC Corp Group's operations during the accounting period, including significant information on the assets 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 referred to as the "Group") covers the period from January 1st to June 30th 2007.

I. Basic information.....	2
II. Group's activity in the first half of 2007 - Significant events affecting the Group's activity in the reporting period.....	4
III. Financing of the Group's activity in the reporting period.....	6
IV. Assets, financial, and revenue position.....	7
V. Events having material bearing on the Group's activity, which occurred after the reporting period.....	8
VI. Risk factors.....	11
Financing the Group's activity in the reporting period.....	12
VII. Development directions.....	16
VIII. Major achievements in the research and development area.....	17
IX. Acquisition of treasury/own shares by the Group's companies.....	17
X. Branches.....	17
XI. Summary.....	17
XII. Declaration of the Management Board.....	17

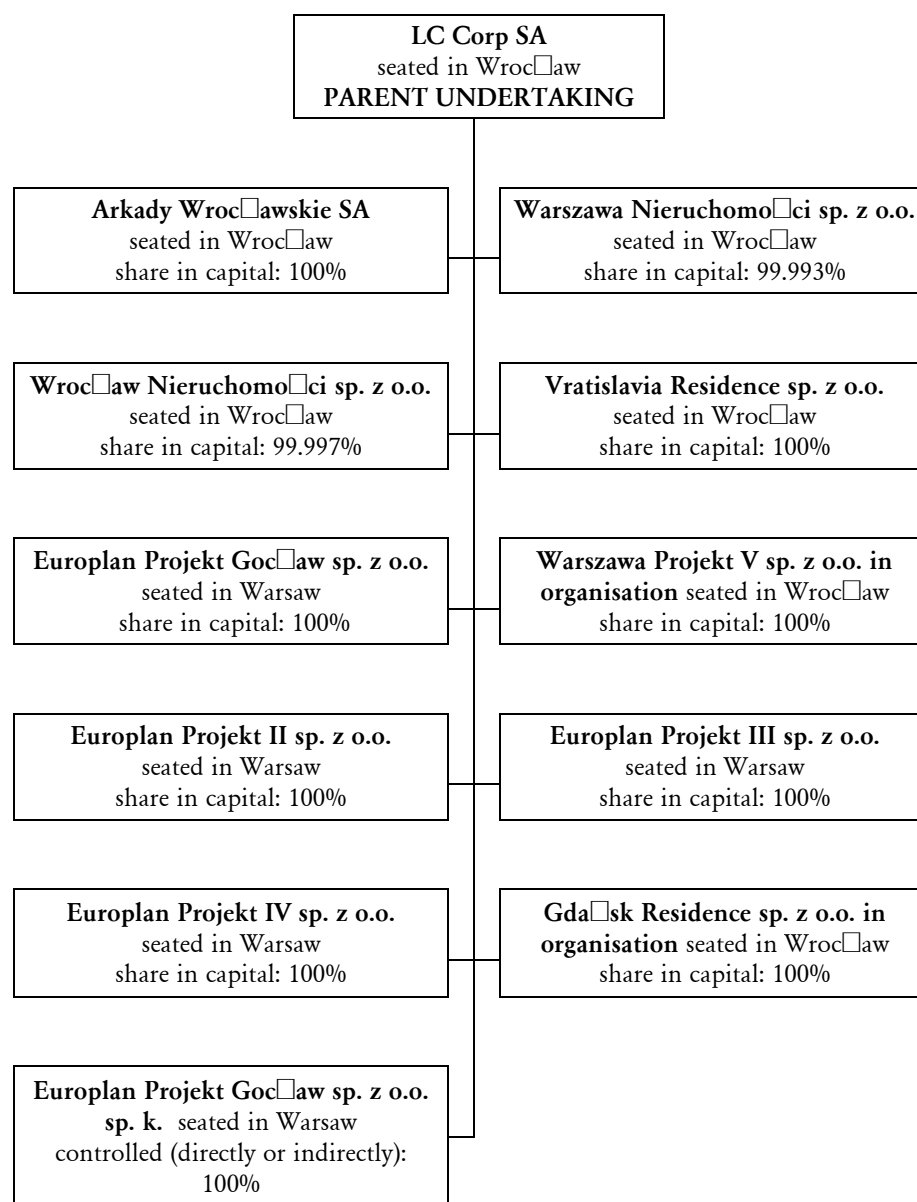
I. Basic information

LC Corp SA (hereinafter also "LC Corp") was established on March 3rd 2006, and on March 15th 2006 it was entered in the National Court Register maintained by the District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Section of the National Court Register under KRS No. 0000253077. The Company has been assigned statistical identification number REGON 020246398.

As at June 30th 2007 the Group comprises, apart from LC Corp SA, the following subsidiary undertakings:

- Arkady Wrocławskie SA, with its business seat in Wrocław, registered in the National Court Register on September 12th 2002, is a company established to carry out and manage the property development project, Arkady Wrocławskie. LC Corp SA holds 100% of the company's share capital.
- Wrocław Nieruchomości sp. z o.o. with its business seat in Wrocław, registered in the National Court Register on December 16th 2005, is a company established to carry out and manage the property development project, Sky Tower. LC Corp SA holds 99.997% in the company's share capital.
- Warszawa Nieruchomości sp. z o.o. with its business seat in Wrocław, registered in the National Court Register on May 30th 2006, is a company established to carry out and manage the Group's property development projects in and near Warsaw. LC Corp SA holds 99.933% in the company's share capital.
- Vratislavia Residence Sp. z o.o. with its business seat in Wrocław, registered in the National Court Register on February 8th 2007, is a company established to carry out and manage the property development project, Vratislavia Residence. LC Corp SA holds 100% in the company's share capital.
- Europlan Projekt Gocław sp. z o.o. with its business seat in Warsaw, registered in the National Court Register on August 8th 2005, is a company established to carry out and manage the property development project, Osiedle Przy Promenadzie. The Issuer holds 100% in the company's share capital.
- Europlan Projekt II sp. z o.o. registered in the National Court Register on May 12th 2006, is a company established to carry out and manage the property development project, Crown Apartments. The Issuer holds 100% in the company's share capital.
- Europlan Projekt III sp. z o.o. registered in the National Court Register on December 8th 2006, is a company established to carry out and manage the property development project, Rezydencja Kaliska. The Issuer holds 100% in the company's share capital.
- Europlan Projekt IV sp. z o.o. registered in the National Court Register on March 8th 2007, is a company established to carry out and manage the property development project, Osiedle Zielony Złocie. The Issuer holds 100% in the company's share capital.
- Europlan Projekt Gocław Sp. z o.o. sp. k. registered in the National Court Register on October 11th 2005, is a company established to carry out and manage the property development project, Osiedle Przy Promenadzie. The Issuer exercises 100% control over Europlan Projekt Gocław Sp. z o.o. sp. k. (directly or indirectly through Europlan Projekt Gocław sp. z o.o.).
- Łódź Residence sp. z o.o., an associated undertaking as at June 30th 2007, registered in the National Court Register on February 27th 2007, is a company established to carry out and manage the property development project, Łódź Residence. As at June 30th 2007 the Issuer held 48% in the company's share capital.

Organisational structure of LC Corp Group as at June 30th 2007



1. Major changes in the Group in the period from January 1st to June 30th 2007

As a result of acquiring shares from Leszek Czarnecki, on February 28th 2007, LC Corp has become the sole shareholder of Vratislavia Residence Sp. z o.o. On May 14th 2007 LC Corp SA acquired all shares in the following companies: Europlan Projekt Gocław Sp. z o.o., Europlan Projekt II Sp. z o.o., Europlan Projekt III Sp. z o.o., Europlan Projekt IV Sp. z o.o., and all rights and obligations of the limited partners of Europlan Projekt Gocław Sp. z o.o. Sp. k. with its business seat in Warsaw, and through the sole general partner, Europlan Projekt Gocław Sp. z o.o., LC Corp exercises the total control over this company.

Under the Resolution of the Management Board of the Warsaw Stock Exchange, dated June 26th 2007, all LC Corp's shares (A, B, C, D, E, F, G, and H) and allotment certificates for Series

J shares were admitted to public trading, and the first quotation of LC Corp's shares and allotment certificates for Series J shares took place on June 29th 2007.

2. Scope of Business

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

During the first half of 2007 LC Corp SA was implementing the strategy compliant with the company's core activity, i.e. investment activity.

II. Group's activity in the first half of 2007 - Significant events affecting the Group's activity in the reporting period

1. Completed property development projects

Arkady Wrocławskie

The project was carried out on the property of 17,576 m², located in the centre of Wrocław, at ul. Powstańców Śląskich 2-4. A part of the plots forming the property belongs to Arkady Wrocławskie SA (purchased in 2004), and for a part of the plots the company holds perpetual usufruct rights (acquired in 2004), and two plots (on which the buildings have been founded) have been leased from a third party for the period of 30 years. The construction started on March 23rd 2004.

The project included the construction and use of a modern retail centre, Arkady Wrocławskie, having the total rental area of 77,685 m² (comprising, among others, retail space of 29,961 m² and A class office space of 9,625 m²). The facility was opened for clients on April 28th 2007, and, since then, Arkady Wrocławskie SA, as a managing entity, has been renting it for the retail, cultural, and office purposes.

2. Property development projects in progress

Sky Tower

In May 2007 Wrocław Nieruchomości Sp. z o. o. obtained a permit for demolition of the Poltegor building, where the Group's most prestigious investment will be carried out – the Sky Tower project. In conformance to the architectural plan, developed on the basis of the guidelines of the local spatial development plan, Sky Tower will be a residential, office, and retail complex, consisting of 7 buildings of varying height and a total area of 267,566 m². One of the Sky Tower apartment buildings, more than 220 m high, will be the tallest residential building in Poland. Currently, the Company is conducting an advanced demolition process. The completion of the Sky Tower project is planned for the turn of the 3rd quarter of 2010.

Vratislavia Residence

On February 20th 2007 Vratislavia Residence sp. z o.o. acquired a real estate of about 169 ha, located in the Wisznia Mała District, near the village of Malin, approx. 5 km from the northern boundary of Wrocław. The real property (currently allotted for agricultural purposes) is located near the key transport arteries, the A4 motorway and the dual carriageway Wrocław-Poznań. In the vicinity of the real property there are vast areas of greenery and a waterbody, as well as a 18-hole golf course pole, and a stud farm.

In accordance with LC Corp's plans about 650 terraced and detached houses will be built on this property, with a total usable space of about 158,800 m². The Vratislavia Residence estate will also include a swimming pool, gyms, tennis courts, shops, catering facilities, and community health centres, covering an area of about 46,730 m², and also an international school and a kindergarten.

As at the date of drawing up this report Vratislavia Residence sp. z o.o. did not have the permits indispensable for commencing the project. It planned to obtain them by the end of 2008 at the latest. Immediately after granting the indispensable permits the construction of Vratislavia Residence will be started. In May 2007, an ecological and physiographic study was completed. The concept of providing utilities to the property is under development, and its completion is expected in November 2007. The architectural design is at the stage of preparing a detailed concept which takes into consideration the geotechnical and physiographic studies of the land. At the end of September 2007, the works on the architectural design should be finalised. The completion of the Vratislavia Residence project is planned for 2012.

Osiedle Przy Promenadzie in Warsaw

In August 2006 Europlan Projekt Gocław Sp. z o.o. sp. komandytowa started the construction of a residential project, Osiedle Przy Promenadzie, in the Gocław district, Praga-Południe in Warsaw, on the plot of 32,702 m², located at the back of the Promenada Shopping Centre, at the junction of ul. Rechniewskiego and ul. Anińska.

Taking into account the standard of finishing and the offered price, apartments are intended for the middle class residents of Warsaw.

As part of the enclosed complex, the company plans to build about 620 apartments, having a total area of 42,724 m², as well as retail space of 731 m², and 648 underground parking spaces.

As at the date of drawing up this report, the construction works were fairly advanced at the two eleven-storey residential buildings which are part of the estate having an area of 15,000 m², comprising 235 flats. Completion of the construction of these buildings is planned for January 2008. By May 15th 2007 preliminary agreements were concluded concerning 100% of flats in the building with 164 flats, and 65% of flats in the building with 71 flats.

Commencing the construction of the subsequent phase of the property development project, comprising a building with about 400 flats, is planned for July 2007, while its completion is expected in December 2008. The Investor has already obtained the planning permit concerning this phase, and is waiting for a building permit with regard to this part of the residential estate.

Osiedle przy Promenadzie will also have an educational facility (kindergarten), to be leased or sold to an operator of such type of educational facilities. The Group has already obtained the planning permit as well as the building permit for this educational building. Commencement of its construction is planned for July 2007, while its completion is expected in March 2009.

Rezydencja Kaliska in Warsaw

On January 29th 2007, Europlan Projekt III sp. z o.o. acquired the right of perpetual usufruct for a non built-up plot of an area of 4,997 m² in Kaliska and Niemcewiczka streets (at the boundary of Śródmieście and Ochota districts in Warsaw). The plot is situated in the area of residential buildings. The plot is surrounded by multi-family residential buildings (between 5 and 11 storeys) and is several hundred metres away from the very centre of Warsaw, close to Aleje Jerozolimskie, next to the city square. In the plot the Group intends to carry out a property development project consisting in building an apartment complex housing about 104 high-standard flats, with a total area of 8,000m². Moreover, 156 parking spaces are planned in the building.

On May 22nd 2007, the planning permit was granted. This decision is not definitive, because the time for appeal has not elapsed yet. December 2007 is the date planned for commencing the project, and its completion is expected at the end of August 2009.

Crown Apartments w Warsaw

The property development project will be carried out on the real estate having an area of 12,822 m², located in ul. Przyokopowa, at the boundary of the \u015a ródmie \u015b cie and Wola districts in Warsaw. Europlan Projekt II sp. z o.o. concluded with the receiver in bankruptcy of Universal S.A. a contract of sale of the company within the meaning of art. 55 of the Civil Code, whose main component is the above-mentioned property.

The real property is located in the area allotted for office or residential development. It is surrounded by multi-family buildings (between 5 and 11 storeys). So far the neighbourhood of this property was dominated by office buildings (the headquarters of BPH, Kredyt Bank, and BG \u015a SA are situated in the vicinity). At present, however, the area has been changing its character. Residential property development projects are carried out nearby (e.g. Platinum Towers at the Hilton Hotel alongside ul. Grzybowska). The property is located close to the very centre of Warsaw (10 minute walk from Rondo ONZ).

On the property the Group intends to adapt for residential purposes the existing office/former factory 9-storey building, and build a new 8-storey high-standard apartment building along ul. Przyokopowa (the total area of apartments to be built as part of the property development project will be about 25,000 m²). Owing to the attractive location the Group is planning to build high-standard apartments.

As at the date of drawing up the report the Investor did not have a planning permit for which it had already applied. The commencement of the construction is planned for the first quarter of 2008, and its completion is expected at the end of 2009.

Osiedle Zielony Z \u015a locie \u015b in Krakow

On June 25th 2007 Europlan Projekt IV sp. z o.o. concluded an agreement on transferring the perpetual usufruct right concerning the real property in Krakow, where the Company will carry out a property development project, Osiedle Zielony Z \u015a locie \u015b . The residential estate will be built within the property having the area of 102,314 m², located in the Bie \u015b anów-Z \u015a locie \u015b district in Krakow. The area has a valid planning permit for multi-family residential development, allowing the company to build about 2,080 flats with a total area of about 100,000 m².

The property development project includes the construction of 4-storey residential buildings (the top storey with a mezzanine) with staircase access. The ground floor will be used for residential and retail purposes. Additionally, the complex will be equipped with park facilities, sports and leisure areas, strolling areas and other green areas, including also the greenery used as screens. Owing to the construction standard and the anticipated selling price for flats, the offer of this property development project will be addressed to the lower middle class.

Construction of the first phase of the project is planned to start in March 2008, and the completion of the whole property development is anticipated in the 1st quarter of 2011.

III. Financing of the Group's activity in the reporting period

Increase in capital of LC Corp and its subsidiary undertakings

In the reporting period the LC Corp's activity was financed exclusively from the increase in share capital effected on December 22nd 2006 (registration in the National Court Register on January 4th 2007), to the amount of PLN 251,124,564, on February 6th 2007 (registration in the National Court Register on March 13th 2007), to the amount of PLN 331,124,564, and on April

16th 2007 (registration in the National Court Register on May 11th 2007), to the amount of PLN 389,558,311).

On March 15th 2007, in connection with the planned debut on the Warsaw Stock Exchange, the Extraordinary General Shareholders Meeting of LC Corp adopted a resolution regarding the increase in the share capital by not more than PLN 57,000,000 by way of issuing of not more than 57,000,000 Series J shares and registering the company's shares in the National Depository for Securities, dematerialising them, and applying for admission of the Company's shares to trading on the regulated market, and a resolution regarding the public offering. In addition, on March 23rd 2007, the Extraordinary General Shareholders Meeting of LC Corp adopted a resolution to implement in the Company the Management Option Scheme by way of issuing bonds with pre-emptive rights, to conditionally increase the share capital by way of issuing not more than 3,000,000 Series I ordinary bearer shares, of a par value PLN 1.00 each, and the issue value equal to the par value, and to deprive the shareholders of the subscription right to bonds with pre-emptive rights and the subscription right to Series I shares. On the grounds of this resolution, the Company will issue not more than 3,000,000 Series A bonds with pre-emptive rights, of a par value PLN 0.01 each, entitling to subscribe, with priority over the Company shareholders, not more than 3,000,000 Series I ordinary bearer shares, of a par value PLN 1.00 each. The only persons authorised to hold Series I shares will be bondholders of Series A bonds with the pre-emptive right.

On June 29th 2007 the first quotation of shares and allotment certificates for Series J shares of LC Corp took place.

The other subsidiary undertakings were financed exclusively with the funds coming from the increase in capital made by LC Corp, which acquired new shares. It concerned Vratislavia Residence Sp. z o.o. (increase in capital on February 20th 2007, from the amount of PLN 50,000 to PLN 88,000,000), Wrocław Nieruchomości Sp. z o.o. (increase in capital on May 9th 2007, from the amount of PLN 97,000,000 to PLN 109,000,000), Europlan Projekt Gocław Sp. z o.o. (increase in capital on June 29th 2007, from the amount of PLN 50,000 to PLN 100,000), and Europlan Projekt II Sp. z o.o. (increase in capital on June 6th 2007, from the amount of PLN 50,000 to PLN 750,000).

Loan agreement

On June 22nd 2007 Europlan Projekt IV Sp. z o.o. concluded with Getin Bank SA an agreement on a bridge loan in the amount of PLN 100,000,000.00, intended for acquiring the perpetual usufruct right for the real property located in Krakow, in the Podgórze district (designated for carrying the "Zielony Złocie" project). The repayment of the loan was scheduled as a one-off payment to be made by August 20th 2007, and it occurred as stipulated. The agreement was concluded based on market conditions.

Other agreements

On February 28th 2007 LC Corp acquired from Leszek Czarnecki 24 shares of Ód Residence sp. z o.o., having a par value of PLN 1,000. The shares were purchased at their par value. The shares acquired by LC Corp represent 48% of shares of Ód Residence sp. z o.o.

On February 28th 2007 LC Corp acquired from Leszek Czarnecki 50 shares of Vratislavia Residence sp. z o.o., having a par value of PLN 1,000, thus becoming the sole shareholder of this company. The shares were sold at their par value.

In addition, LC Corp and the Group companies concluded with Getin Bank SA agreements on bank accounts and deposits.

IV. Assets, financial, and revenue position

Basic economic and financial figures	June 30 th 2007
	PLN
Non-current assets	374,096,953.49
Current assets	947,497,878.58
Equity capital	787,038,466.98
Liabilities and provisions for liabilities	534,556,365.09
Balance sheet total	1,321,594,832.07
Net revenue from sales	11,458,352.79
Profit (loss) on sales	5,039,040.41
Operating profit (loss)	(2,892,577.19)
Pre-tax profit (loss)	(300,612.03)
Net profit (loss)	(772,224.57)

During the period of 6 months ended on June 30th 2007 the Group produced the net revenue on sales in the total amount of PLN 11,458,352.79. The net loss totalled PLN 772,224.57.

The financial results achieved in this period were influenced by the implementation of the adopted strategy, which involved incurring expenditure for new investment projects and development of the Group.

V. Events having material bearing on the Group's activity, which occurred after the reporting period

Registration of an increase in capital of LC Corp and conversion of allotment certificates for Series J shares to Series J shares

On July 2nd 2007 LC Corp submitted an application to the National Court Register for registration of an increase in the share capital, resulting from the issue of Series J shares and a conditional increase in the share capital. In connection with the registration performed by the Registry Court on July 20th 2007, as of August 3rd 2007, in compliance with the ordinary procedure, 57,000,000 Series J ordinary bearer shares of LC Corp were admitted to trading on the primary market. As at the date of drawing up this report the fully paid-up share capital of LC Corp totalled PLN 446,558,311.

Acquisition of shares after the balance-sheet date

On July 27th 2007 implementing the investment agreement concluded with Leszek Czarnecki, LC Corp acquired from Leszek Czarnecki 26 shares of □ód□ Residence sp. z o.o., having a par value of PLN 1,000. The shares were acquired by LC Corp at their par value, and they represented 52% of shares of □ód□ Residence sp. z o.o. LC Corp SA has become the sole shareholder of this company.

Establishing of new companies by LC Corp SA as the sole shareholder, which occurred after the balance-sheet date

- On July 27th 2007, LC Corp, as the sole shareholder, entered into the deed of company formation of Gda□sk Residence Sp. z o.o., having its business seat in Wroc□aw, with the share capital of PLN 50,000.
- On July 27th 2007, LC Corp as the sole shareholder, entered into the deed of company formation of Warszawa Projekt V Sp. z o.o. having its business seat in Wroc□aw, with the share capital of PLN 50,000.

- On August 10th 2007 LC Corp as the sole shareholder, entered into the deed of company formation of LC Corp Pustynna Sp. z o.o. having its business seat in Wrocław, with the share capital of PLN 50,000.
- On August 10th 2007, LC Corp as the sole shareholder, entered into the deed of company formation of LC Corp Stabłowice Sp. z o.o. having its business seat in Wrocław, with the share capital of PLN 50,000.

Increase in subsidiary undertakings' capital

After the reporting period LC Corp increased the capital, by way of taking over all new shares in such capital, of the following subsidiary undertakings: Europlan Projekt Gocław Sp. z o.o. (increase in the capital on August 7th 2007, to the amount of PLN 200,000), Europlan Projekt II Sp. z o.o. (increase in the capital on July 31st 2007, to the amount of PLN 2,450,000), and Europlan Projekt IV Sp. z o.o. (increase in the capital on August 10th 2007, from the amount of PLN 50,000 PLN to PLN 6,000,000).

Bond Issue Scheme Agreement and Bond Issue

On July 27th 2007, LC Corp together with its subsidiary undertaking Wrocław Nieruchomości Sp. z o.o. with its business seat in Wrocław as the Issuers, signed a bond issue agreement and a dealer agreement with Bank BPH SA with its business seat in Krakow, at ul. Al. Pokoju 1, and BRE Bank SA with its business seat in Warsaw, at ul. Senatorska 18. Under the terms of these agreements LC Corp SA together with its subsidiary undertaking Wrocław Nieruchomości Sp. z o.o. can issue Polish zloty short-term bearer bonds, maturing between 7 and 364 days, and medium-term bonds, maturing between 365 days and 5 years. Bank BPH SA will be the Issue Agent and the Agent for Payments and Records within the scope of the Bond Issue Scheme, and BRE Bank SA will be the Sub-Agent for the Issue and Payments, as well as the Sub-Depositary. Concurrently, Bank BPH SA and BRE Bank SA will be the Dealers. Furthermore, in connection with the above-mentioned agreements, LC Corp SA as the Underwriter, granted security for all liabilities resulting from the Bonds, in the case where the bond issue is carried out by Wrocław Nieruchomości Sp. z o.o. or another subsidiary undertaking of LC Corp. The security was granted for the duration of the bond scheme. The bonds will be offered pursuant to Art. 9.3 of the Act on Bonds dated June 29th 1995, and the issue will not constitute the public offering as provided for in the Act. The maximum total par value of all issued Bonds will not exceed the amount of PLN 400,000,000. The Bond Issue Scheme is anticipated to continue for an indefinite period, and the Bonds will constitute direct, unconditional, unsubordinated, and unsecured obligation of each of the Issuers.

On August 22nd 2007, under the Bond Issue Scheme, LC Corp issued 700 zero coupon bonds having a par value of PLN 70,000,000, maturing on September 25th 2007. The par value totalled PLN 100,000 per bond.

Obtaining a building permit for Sky Tower

On August 10th 2007, the Mayor of Wrocław, following his consideration of an application dated April 17th 2007, filed by Wrocław Nieruchomości Sp. z o.o., issued the Decision approving the building design, and granted Wrocław Nieruchomości Sp. z o.o. the building permit for the construction of the office/retail/residential SKY TOWER building, located at ul. Powstańców Śląskich 73-95, ul. Wielka 4-20, ul. Gwiaździsta 62-68, and in ul. Szczepińska in Wrocław, within plots nos. 14/1, 14/2, 14/3 – AM 23, the South District. The above-mentioned Decision became final and binding on September 3rd 2007.

Loan agreements concluded between LC Corp and its related undertakings

- Loan agreement dated July 5th 2007, for the amount of PLN 100,000.00, concluded between LC Corp as a Lender and Ód Residence Sp. z o.o. as a Borrower. The loan's interest rate

is based on market conditions. The loan was granted for the period ending on August 27th 2007, and it was repaid in full on July 31st 2007.

- Loan agreement dated July 31st 2007, for the amount of PLN 3,000,000.00, concluded between LC Corp as a Lender and □ód□ Residence Sp. z o.o. as a Borrower. The loan's interest rate is based on market conditions. The loan was granted for an indefinite period, however, the Borrower committed itself to repay to the Lender the whole amount of the loan including interest within the period of one month as of the date of serving written notice of termination of this agreement by the Lender.
- Loan agreement dated August 10th 2007, for the amount of PLN 9,100,000.00, concluded between LC Corp as a Lender and Europlan Projekt IV Sp. z o.o. as a Borrower. The loan's interest rate is based on market conditions. The loan was granted for an indefinite period, however, the Borrower committed itself to repay to the Lender the whole amount of the loan including interest within the period of one month as of the date of serving written notice of termination of this agreement by the Lender.
- Loan agreement dated August 21st 2007, for the amount of PLN 30,000,000.00, concluded between LC Corp as a Lender and Wroc□aw Nieruchomo□ci Sp. z o.o. as a Borrower. The loan's interest rate is based on market conditions. The loan was granted for an indefinite period, however, the Borrower committed itself to repay to the Lender the whole amount of the loan including interest within the period of one month as of the date of serving written notice of termination of this agreement by the Lender. The loan amount will be paid in tranches upon the Borrower's written request specifying both the date and amount of the requested payment. On August 21st 2007 the amount of PLN 7,000,000, and on August 29th 2007 the amount of PLN 7,000,000 were paid on the grounds of the above.
- Loan agreement dated August 10th 2007, for the amount of PLN 37,400,000.00, concluded between LC Corp as a Lender and Gda□sk Residence Sp. z o.o. as a Borrower. The loan's interest rate is based on market conditions. The loan was granted for an indefinite period, however, the Borrower committed itself to repay to the Lender the whole amount of the loan including interest within the period of one month as of the date of serving written notice of termination of this agreement by the Lender.

Issue of Series B registered bonds, with the date of issue of July 6th 2007, was acquired by Towarzystwo Ubezpiecze□ Europa SA with its business seat in Wroc□aw

On July 6th 2006, pursuant to Art. 9.3 of the Act on Bonds and the relevant resolutions, LC Corp issued 25 unsecured, zero-coupon Series A registered bonds, having a par value of PLN 1,077,258.33 each, of the total par value of PLN 26,931,458.25. The issue price totals PLN 1,000,000 per bond, and the total issue price amounts to PLN 25,000,000. The objective of the issue was to finance the operations of LC Corp. July 6th 2007 is the maturity date, however, earlier buyback of the bonds is admissible. Buyback of the bonds at the maturity date will be carried out at the par value. In the case of earlier buyback of the bonds, the buyback price will be calculated on the pro rata basis, taking into consideration the actual duration of issue. In the case of delay in payment of the buyback amount to the bondholder statutory interest will be due.

The terms of bond issue provided for the bondholder's obligation to accept, within the period of two years as of July 6th 2006, a proposal of acquiring new bonds issued by LC Corp. On July 6th 2007, in line with this solution, by way of issuing 25 new Series B unsecured zero-coupon registered bonds, having a par value of PLN 1,091,451.21 each, with the total par value of PLN 27,286,280.25, all Series A bonds were bought back. The issue price totals PLN 1,077,258.33 per bond, and the total issue price amounts to PLN 26,931,458.25. The objective of the issue is to finance the operations of LC Corp. The liabilities resulting from the new issue

and the bonds subject to buyback were compensated in accordance with the agreement concluded on July 6th 2007.

Acquisition of real property by subsidiary undertakings

- On July 9th 2007 Óód Residence Sp. z o.o. signed an agreement transferring the title to the real property having an area of 7.3157 ha, located in Óód, Bałuty district, at ul. Spadkowa 5-9, for the amount of PLN 3,292,000.
- On July 31st 2007 Europlan Projekt Gocław sp. z o.o. concluded a preliminary agreement concerning the purchase of the real property comprising 53 plots of a total area of 10.6217 ha, located in Gdańsk, Łostowice District, for the total net price of PLN 43,600,000.00 (gross amount of PLN 53,192,000.00).
- On July 31st 2007 Europlan Projekt Gocław Sp. z o.o. Sp. komandytowa concluded an agreement concerning General Contractor services for the Osiedle przy Promenadzie project, for the total net amount of PLN 115,900,000.00.
- On August 13th 2007 Gdańsk Residence Sp. z o.o., a company in organisation, concluded an agreement concerning the purchase of the real property comprising 47 plots of a total area of 9.9421 ha, located in Gdańsk, in ul. Starogardzka (94 district), for the total amount of PLN 36,400,000.00. The acquired real property is designated for carrying out the investment project aimed at building a residential estate.

Loan agreements

On August 14th 2007, Europlan Projekt IV Sp. z o.o. entered into an agreement with PKO BP SA concerning a loan of PLN 94,000,000.00, allocated to refinancing of the purchase of the perpetual usufruct right to the land located in Krakow's Podgórze District (intended for carrying out the "Zielony Złocie" project). The main security on the loan is formed by ordinary (for a fixed amount) joint mortgage and joint ceiling (cap) mortgage on the perpetual usufruct right to the land located in Krakow's Podgórze District, and registered pledge on the Issuer's shares in Europlan Projekt IV sp. z o.o. Other forms of security are similar to those applied by banks while signing loan agreements. The loan will be repaid in instalments, the last one of which is due on September 30th 2009. The agreement was concluded based on market conditions.

On August 20th 2007 Europlan Projekt IV Sp. z o.o. repaid the whole amount of the loan granted on June 22nd 2007 under the agreement concluded with Getin Bank SA for the amount of PLN 100,000,000.00, designated for the purchase of the perpetual usufruct right to the land located in Krakow's Podgórze district.

Payment guarantee

On August 6th 2007 Getin Bank SA, acting on the order of Europlan Projekt Gocław Sp. z o.o., issued a bank guarantee up to the amount of PLN 10,000,000, implementing the agreement on the purchase of the real property comprising 53 plots of a total area of 10.6217 ha, located in Gdańsk, Łostowice district, to secure the payment of a part of the price for purchasing the real property. The Guarantee is secured by a cash deposit of LC Corp SA.

VI. Risk factors

Risk related to strategic objectives

There is no guarantee that the Company's strategic objectives will be fulfilled. The market on which the Group operates is subject to continuous changes, and the direction and extent of such changes depend on numerous factors beyond the Group's control. Therefore, the Group's

future position, revenue, and profit are contingent on its ability to develop an effective long-term strategy. Any misjudged decisions, taken as a result of erroneous assessment of the situation, or inability to adapt to the changing market circumstances or manage the Group's dynamic growth may have an adverse impact on its activity, financial position, and results.

Risk related to the possibility of acquiring real property and identification of profitable property development projects

Successful development of the Group's activity and its profitability rely in particular on the ability to acquire attractive land for development at competitive prices and its proper utilisation, and, then, on the Group's ability to sell residential units at profitable margins, and rent retail and office space at favourable rates. Acquiring the land for development may be difficult due to the competition on the real property market, long-lasting process of obtaining permits, lack of zoning plans, and limited availability of land with appropriate infrastructure. Furthermore, there is no certainty over the result of ongoing negotiations on acquiring real property for development. Each of these individual facts or all of them together may have a negative influence on the Group's operations, financial standing or results.

Risk related to competition

The Group may face stiff competition from other developers. The competition may lead, among others, to surplus supply of residential or commercial property, caused by an excessive number of available facilities, or to an increase in prices for land. Potentially, it may have a negative impact on the Group's activity, financial position or results.

Risk related to the concentration of the Group's activity in and near Wrocław

All Group's property development projects, currently carried out or planned for implementation, are located in or near Wrocław. In consequence, in a short-time the majority of profits generated by the Group will depend on the economic conditions on the market in retail, office, and residential property in this region. At present, the Group has been analysing the real property market in other Polish cities, in particular in Warsaw, Łódź, Krakow, Katowice, and Trójmiasto (Gdańsk, Sopot, and Gdynia collectively), and in their vicinity. Any downward trend on the market in retail, office and residential property in Wrocław may have a significant unfavourable influence on the Group's operations, financial standing or results.

Financing the Group's activity in the reporting period

Foreign exchange risk

A part of the Group's liabilities resulting from the agreement on financing the Arkady Wrocławskie project is denominated in EUR. In consequence, the Group is exposed to foreign exchange risk related to the fluctuations of PLN/EUR exchange rate. So as to minimise the foreign exchange risk the Group determined the rent rates for space in Arkady Wrocławskie in EUR, and it is planning to conclude standard transactions hedging against foreign exchange fluctuations. All these measures are aimed at reducing a potential foreign exchange risk, however, it cannot be guaranteed that a possible drop in the value of PLN will be without adverse effect on the Group's operations, financial position or results.

Risk related to property rental (credit risk)

The value of real property intended for lease depends to a great extent on the remaining period when the related lease agreements are in force and also on the tenants' financial capacity. If the Group was not able to prolong, under favourable terms, expiring lease agreements, or find and keep appropriate tenants, characterised by good financial standing and wishing to enter into long-term lease agreements, it would have an adverse impact on the market value of its portfolio. A given tenant's financial capacity may deteriorate in a short- or medium-term period, which would update the risk of this tenant's insolvency or lack of the possibility of fulfilling the tenant's obligations resulting from the lease agreement. If the Group's assessment

of a significant tenant or location, or real property functionality or advantages turns out to be incorrect, the Group's profit on such real property may be considerably lower than estimated, whereas its operating expenses in most cases will remain at a fixed level. All these factors may have a material detrimental effect on the Group's activity, financial position or results.

Risk related to additional demand for cash

Although LC Corp has obtained some funds from issuing Series J shares, in the future it may be necessary for the Group or its undertakings to raise additional funds through, for example, issuing shares (also with exclusion of the pre-emptive right), raising loans, borrowing, or issuing debt instruments. There is no guarantee that such attempts at raising funds will end up in financial success. The development of the Group's activity may be restricted if the attempts at raising funds prove to be ineffective or the financial resources are raised under unfavourable terms.

Risk related to financial leverage

For the purpose of financing their activity the Company and the Group's undertakings make use of loans, borrowing, and debt instruments. The Company cannot guarantee that it will be able to ensure financing for its activity at favourable prices or, having raised funds, to repay interest and principal amounts or meet other obligations resulting from financing agreements or issued debt instruments. If the Group is not able to raise additional funding in line with its expectations, it may be forced to change its strategy or restrict its development and refinancing of the existing debt. If the Group is not able to refinance its existing debt, the debt of the Group's undertakings may become due and payable, in part or in whole, with immediate effect, and the Group may be forced to sell its assets, in part or in whole, to repay such debt. It may have a substantial detrimental effect on the Company's operations, financial standing or results.

Risk related to completion of property development projects

Civil structures built by the Group require substantial capital expenditure at the phase of preparing the project and during its construction. Due to considerable needs for funding, such undertakings are usually accompanied by numerous considerable risks. These risks include, in particular, failure to obtain permits indispensable to make use of real property as planned by the Group, delays in completion of projects, costs exceeding the costs assumed in the budget due to unfavourable weather conditions, insolvency of contractors or subcontractors, labour disputes concerning contractors or subcontractors, shortage of construction materials or equipment, accidents or unforeseeable technical difficulties, impossibility of obtaining occupancy permits or other required permits regarding a building or buildings, or changes in the regulations concerning the use of land. If any of the above-mentioned risks takes place, there may occur delays in completion of property development projects, an increase in costs or loss of revenue, freezing of funds invested to purchase the real property for development, and in some cases the inability to finalise projects, which may have a considerable adverse impact on the Group's operations, financial position or results.

Risk related to an increase in operating expenses and other costs

The Group's operating expenses and other costs may increase without a corresponding increase in the Group's revenue.

Factors which may cause an increase in operating expenses and other costs include:

- (a) inflation;
- (b) increase in taxes and other public law liabilities;
- (c) changes in the provisions of law, other important regulations or government policy;
- (d) increase in the costs of funding.

These factors may have a substantial adverse effect on the Group's activity, financial standing or results.

Risk related to construction costs

The Group's undertakings are concluding and will conclude agreements with general contractors regarding construction works related to completion of Group's property development projects.

Costs of property development projects may be subject to change due to:

- (a) modifications in the scope of a property development project and alterations in an architectural design;
- (b) increase in prices for construction materials;
- (c) increase in costs of hiring skilled labour or shortage of such labour;
- (d) failure on the part of a contractor to complete the works within the agreed time limits or in accordance with the standard acceptable for the Group.

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

Risk related to the Group's dependence on building contractors

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

Risk of the lack of liquidity of real property investments

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

Risk related to prices for real property and lease rates

The Group's profitability depends, among others, on the level of prices for flats and houses as well as lease rates for retail and office space in Poland, and, in particular, in Wrocław and its vicinity. In the case of a drop in prices the Group cannot guarantee that it will be able to rent retail and office space or sell the flats it has built at favourable prices. It may have a strong adverse impact on the Group's operations, financial standing or results.

Risk related to liability for flats and houses after their sales

The Group's activity will include in particular sale of flats and houses. In connection with that the Group may be exposed to disputes and court proceedings related to completed investments, 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 infrastructure

A property development project may be carried out only when the building site has access to appropriate infrastructure (e.g. internal roads, utility connections, etc.), required by the provisions of law. If such infrastructure has not been provided to the site of the property

development project it may be impossible to carry out the project until the infrastructure is ensured. It may happen that the relevant administrative agencies demand that the Group prepare the appropriate infrastructure as part of the works related to the property development project, which may have a considerable influence on the costs of construction works covered by the property development project. Administrative agencies may also demand that the Investor complete the infrastructure which is not indispensable from the point of view of carrying out the property development project, however, its completion is expected by these agencies as the Investor's contribution to the local community's development. Due to delays in the provision of infrastructure, and, in particular, as a result of the operation of factors beyond the Group's control, there may occur a delay in finalising a given property development project or an unforeseeable increase in costs related to ensuring/providing infrastructure. Such event may have a strong influence on the profitability of a property development project. It may have a considerable adverse effect on the Group's operations, financial standing or results.

Risk related to the act on payment guarantees for construction works

Pursuant to the provisions of the Act of July 9th 2003 on Payment Guarantees for Construction Works (Dz.U. No 180, item 1758) the building contractor entrusted by the Group with carrying out the property development project, may at any time demand that the Group provide a payment guarantee up to the amount of potential claim for remuneration as specified in the agreement and additional orders. In conformance to the provisions of the Act such payment guarantee is understood as a bank or insurance guarantee as well as a bank's letter of credit or warranty granted to the contractor upon the Client's order. Under the current practice, contractors would not demand that the Group's undertakings provide a payment guarantee. However, there is a potential risk that such demands can be made in the future. The lack of sufficient payment guarantee poses an obstacle to completion of the construction works for reasons attributable to the Group, and entitles the contractor to claim remuneration pursuant to Art. 639 of the Civil Code (*The client may not refuse to pay remuneration even if the works were not completed, in case the contractor was ready to carry them out, but encountered an obstacle for reasons attributable to the client. However, in such case the client may deduct the amount saved by the contractor due to non-performance of the works*). It may cause an increase in costs and a delay in completing property development projects, or even render their completion impossible, thus having a considerable negative impact on the Group's operations, financial position or results.

Risk related to VAT rate in Poland

As of January 1st 2008 the VAT rate on sale of flats and houses will change from 7% to 22%. The increase in the rate will not apply to the so-called social housing. As at the date of drawing up this report, there is no certainty over the definition of "social housing" and the extent of flats and houses built by the Group under current and future property development projects which will not satisfy the requirements of such definition, and, therefore, their sale will be subject to 22% VAT rate. There is a risk that after the period of increased demand, caused by the expected increase in VAT, and following the introduction of the increase, the Group may be unable to offload on its clients the whole VAT increase with regard to flats and houses which will not fit the definition of "social housing", although it is the Group's intention to introduce a relevant price adjustment clause - related to a potential increase in the VAT rate - to standard agreements on sale of flats and houses. It may have a considerable negative influence on the Group's operations, financial condition or results.

Risk related to the Company's insolvency

In the case of the Company's insolvency its creditors will be entitled to satisfy their claims from the Company's assets. The most part of the Group's real property represents security for the Group's financing and is encumbered with mortgages. In the case of the Company's bankruptcy (or bankruptcy of the Group's undertaking) there is a high probability that the

Group's assets, in whole or in part, would be allocated to satisfy its creditors' claims, and the Investors holding Shares would lose their investments in part or in whole.

VII. Development directions

The goal of the group created by LC Corp is to build the leading position on the Wrocław market, and to transfer this experience to the markets in other urban areas so as to gain a significant position on the Polish real property market. In order to fulfil this goal the Group has defined and has been working towards the following strategic objectives:

Focus on projects ensuring a high internal rate of return (IRR)

The Group concentrates on the projects having the potential for achieving a high internal rate of return. This strategy makes it possible to add, in a short time, significant value to the currently implemented projects, without sizeable equity investments. The Company monitors its investments and the real property market on a regular basis, looking for the projects potentially ensuring an even higher IRR. In such case the Company may generate part of revenue from the existing projects and invest the funds in a project showing a potentially higher IRR. For the purpose of implementing this strategy the Group intends to make use of different methods of financing investments, available on the real property market.

Supplier of a complete range of services

The Group operates effectively on the property development market, and also manages office space (currently in the Poltegor building), and is prepared to manage retail and residential space (Arkady Wrocławskie and Sky Tower). By diversifying the offer already at the design phase (office, retail, and multi-family and single-family residential space) the Group intends to vary its sources of revenue, and it will try to manage effectively investment opportunities in relevant segments of the real property market.

Quality of the Group's products ensures higher profitability of projects

The Group concentrates on the investments characterised by a unique architectural design and innovation on a given market. Furthermore, the characteristics that should differentiate the Group's investments include high quality of workmanship, attractive locations, innovative manner of presenting the offer to clients when the project is still in progress, and complementary character of services made available to residents and tenants. Combining all these characteristics in the Group's projects aims at achieving higher than average margins, and negotiating attractive rates for renting office and retail space.

Building the Land Bank

Taking into consideration the increase in prices for real property intended for investment in Poland, the Group has started to create a 'land bank'. In the scope of this project the Group intends to continue the acquisition of plots attractive in terms of location and having a large area, which will enable the Group to carry out property development projects for the minimum of 5 successive years of its activity.

Expansion outside the Wrocław market

Drawing from its position on the Wrocław market, the Company wishes to transfer its experience and innovative approach to the markets of other developing urban areas in Poland. Such strategy will enable the Group to diversify its activity in terms of territory, and obtain economies of scale in its operations. Thus, the Group will build up a growing reputation and recognizability on the market, and it will facilitate access to attractive land in different cities in Poland. This strategy is being implemented through acquisition of real property in Krakow, Łódź, Gdańsk, Warsaw, and Wrocław.

Financing strategy

The Group cooperates with renowned financial institutions. On the basis of its experience and the quality of possessed assets the Group is able to finance up to 80% of investments with bank loans or other debt based funding at each phase of a property development project. In this way the Group is able to employ its own capital in numerous attractive projects (including the creation of a "the land bank"), and, thus, to diversify the risk related to the level and fluctuations of revenue as well as to maximise its IRR.

Strategy for active construction costs management

The Group's objective is to carry out construction projects making use of general contracting services provided by companies enjoying good reputation in this field. Stringent multistage controls on general contractors, the quality of cost estimates and schedules assumed in a budget, and the quality of companies cooperating with the Group should enable it to do accurate planning and realise the profitability of a property development project as assumed in its budget.

VIII. Major achievements in the research and development area

None of the Group's companies has any major achievements in the research and development area.

IX. Acquisition of own shares by the Group's companies

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

X. Branches

The Group does not have any branches.

Apart from its business seat in Wrocław LC Corp SA also runs an office in Warsaw, located at ul. Jana Pawła II no 15.

XI. Summary

The first half of 2007 was marked by implementing investment projects and establishing a group of special purpose companies designed to carry out specific projects, and the focus on LC Corp's going public, which was successfully accomplished on June 29th 2007, when the first quotation of the company's shares took place. Moreover, the Group focused on the process of acquiring real property throughout Poland, for the purpose of carrying out its future property development projects on those plots.

In the opinion of the Management Board of LC Corp SA the Group's stated objectives have been fulfilled.

The Group's companies discharge their liabilities towards the State Budget, financial institutions, and other contracting parties on a timely basis. The Group's anticipated financial standing ensures its further development, and financing its current operating and investment activity. Raising the planned funding from the stock exchange, increased cooperation with the banks financing real property, and the currently prepared bond issue scheme represent a sufficient financial basis to carry out the current and future investment projects.

XII. Declaration of the Management Board

The Management Board of LC Corp Spółka Akcyjna hereby declares that the company's ability to continue as a going concern is not at risk.

Drawn up in Wrocław, on September 21st 2007.

Konrad Dubelski
President of the Management Board

Waldemar Horbacki
Vice-President of the Management Board

Dariusz Karwacki
Vice-President of the Management Board

Artur Kozieja
Vice-President of the Management Board
