

## **(Current Report No 029/2008)**

**Wrocław, April 7<sup>th</sup> 2008**

### Assessment of LC Corp SA Standing

Legal basis: Other regulations

The Management Board of LC Corp SA ("the Issuer") reports that today i.e. April 7<sup>th</sup> 2008 the Company's Supervisory Board, acting pursuant to "Best Practices of WSE Listed Companies", has assessed the operations of the Company and approved the report on the activities of the Supervisory Board in 2007.

The Management Board of LC Corp S.A. hereby presents the assessment and the report on the activities of the Supervisory Board:

#### **The Supervisory Board's assessment of the operations of LC Corp S.A. with its registered office in Wrocław.**

The Supervisory Board has given positive evaluation of the Company's business strategy and the target set by the Management Board, consisting in investments in property development. The Supervisory Board reviewed the Management Board's report on the Company's operations in 2007 and the information of the Management Board on financing the property development projects executed by LC Corp's special purpose entities, and concludes that this strategy is being followed. The Management Board's report on LC Corp SA's operations in 2007 includes the necessary synthetic information concerning the operation of the Company in the business year, and has received approval of the Supervisory Board.

#### **Assessment of the financial statements for 2007**

The Supervisory Board evaluated the financial statements of LC Corp S.A. for 2007. The statements were examined, pursuant to current regulations, by an independent auditor company Ernst & Young Audit Sp. z o.o., whose opinion on the financial statements contained no reservations.

The Board reviewed the auditor's opinion and the supplementary report, and reported no remarks or reservations concerning the financial statements, giving its approval of the Management Board's proposed allocation of the 2007 profit of PLN 1,829,000 (full amount of PLN 1,828,780.91) to supplementary capital.

Full content of the report by the Supervisory Board of LC Corp S.A. on its supervision of the Company's operations in 2007:

#### REPORT OF THE SUPERVISORY BOARD OF LC CORP S.A.

##### **I. Composition of the Supervisory Board in the reported period:**

The Composition of the Supervisory Board as at December 31<sup>st</sup> 2007 was as follows:

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

There were changes in the makeup of the Supervisory Board within the year 2007.

On March 15<sup>th</sup> 2007 Mr Leszek Czarnecki resigned from the Supervisory Board. Under its resolution of March 15<sup>th</sup> 2007 the General Meeting appointed Mr Dariusz Niedośpiał to the position of Vice Chairman and Mr Remigiusz Baliński to the position of the Chairman of the Supervisory Board.

**II. The Supervisory Board provided permanent supervision over all fields of business of the Company, specifically including:**

- Analysis of the Company's current financial results and their evaluation,
- Analysis of the periodic financial reports,
- Review of the Management Board's periodic reports and planned activities of the Company,
- Analysis of materials obtained from the Management Board (at the request of the Supervisory Board)
- Approval and granting consent to obligations undertaken by the Company.

**III. The Supervisory Board of LC Corp S.A. while fulfilling its duties in the business year 2007,** held 6 meetings, during which it adopted 33 resolutions, and 41 resolutions pursuant to Art. 19.6 of the Company's Articles of Association i.e. by circulation. Minutes of the Supervisory Board meetings were taken and are kept with other documentation at the Company's registered office.

While performing its duties the Supervisory Board:

- made changes in the composition of the Management Board, set rules for remunerating members of the Management Board,
- gave its opinion on draft resolutions before they were submitted to the General Meeting,
- evaluated the Management Board's report its operations and the financial statements for 2006,
- prepared and adopted the report on the activities of the Supervisory Board in 2006,
- prepared an assessment of the Company,
- approved the budget of the Company for 2008 and the forecast for 2008-2010,
- gave its approval for entering into an agreement with UniCredit CAIB in connection with public issue of the Company's shares,
- gave its approval for the Company's acquisition of shares in the companies which are now part of the LC Corp SA Group,
- gave its approval for financing subsidiary companies in relation to their purchases of real estates and completion of building projects,
- gave its approval for issuing zero-coupon series B bonds,
- gave its approval for advancing loans to subordinated related undertakings
- gave its approval for entering (by the Company) into a Bond Issue Scheme, and granting surety to LC Corp Sky Tower Sp. z o.o. in connection with the Bond Issue Scheme, and subsequently the issue of bonds under the Bond Scheme,
- gave its approval for sale of an airplane,
- gave its approval for selection of an auditor,
- adopted Rules for Management Share Options Scheme, and drew up the list of eligible persons.

**IV. Assessment of the Company's operations.**

Since its beginning, i.e. as of March 2006, the Company focused on its statutory activity – formation and running of a holding company.

The Supervisory Board gave its approval for entering (by the Company's Management Board) into agreements related to its operations, gave its consent to share acquisition decisions of the Company which acted as a dominant undertaking with respect to other companies running construction projects. The Supervisory Board monitored the relevant negotiations, and the progress in preparing documentation according to building project procedures.

The Supervisory Board has given positive evaluation of the Company's business strategy and the target set by the Management Board, consisting in continuing investments in property development. The Supervisory Board reviewed the Management Board's report on the Company's operations in 2007 and the information of the Management Board on further financing of the property development projects executed by LC Corp's special purpose entities, and concludes that this strategy is being followed. The Management Board's report on LC Corp SA's operations in 2007 includes the necessary synthetic information concerning the operation of the Company in the business year, and has received approval of the Supervisory Board.

## **V. Assessment of the financial statements for 2007**

The Supervisory Board selected the auditor for the Company's financial statements – Ernst & Young Audit Sp. z o.o. with its registered office in Warsaw, Rondo ONZ 1, 00-124 Warsaw, appointed to examine the financial statements of the Company for 2007. While deciding on the auditor company, the Supervisory Board considered the following factors:

- Reputation of "Ernst & Young Audit" Sp. z o.o.,
- Good knowledge of finance and accounting issues, as well as experience on the market of these services.

Pursuant to Art. 382.3 of the Code of Commercial Companies, the Supervisory Board verified:

1. the financial statements of the Company for 2007;
2. the Management Board's report on the Company's operations for the period Jan 1 2007-Dec 31 2007;
3. the Management Board's proposal concerning the distribution of the balance-sheet surplus for 2007;

in terms of their conformity to the books and documents, as well as the actual status.

The financial statements for 2007 include:

- 1) Balance sheet for the period ended December 31 2007, with total assets and liabilities amounting to PLN 894,224,000 (eight hundred ninety four million two hundred twenty four thousand zloty).
- 2) Profit and loss account for the period from January 1 2007 to December 31 2007, disclosing a net profit of PLN 1,829,000 (one million eight hundred twenty nine thousand zloty).
- 3) Specification of changes in equity for the period from January 1 2007 to December 31 2007, disclosing an increase in the equity by PLN 502,020,000 (five hundred two million twenty thousand zloty)
- 4) cash flow statement for the period from January 1 2007 to December 31 2007, disclosing a net cash inflow by PLN 155,054,000 (one hundred fifty five million fifty four thousand zloty).
- 5) Additional information – accounting principles and explanatory notes.

The Supervisory Board indicates that the figures presented in the annual report are reliable, correct as well as real, and were calculated and disclosed in compliance with relevant legal regulations.

The Board reviewed the auditor's opinion and the supplementary report, and reported no remarks or reservations concerning the financial statements, giving its approval of the Management Board's proposed allocation of the 2007 profit of PLN 1,829,000 (full amount of PLN 1,828,780.91) to supplementary capital.

## **VI. Recommendations**

The Supervisory Board hereby approves the activities of the Company in 2007 and the reports submitted for its evaluation, and requests the Ordinary General Meeting of the Company's Shareholders to accept:

1. the Management Board's report on LC Corp SA's operations for the period Jan 1 2007 -Dec 31 2007
2. the financial statements of the Company for 2007,
3. the motion of the Management Board concerning the proposed allocation of the 2007 profit to supplementary capital.