

**REPORT OF DIRECTORS ON THE ACTIVITIES OF  
CENTRUM BANKU ŚLĄSKIEGO SP. Z O.O.  
FOR THE PERIOD  
FROM JANUARY TO DECEMBER 2012**

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## **DESCRIPTION OF ACTIVITY, MEMBERS, SHARE CAPITAL AND AUTHORITIES OF THE COMPANY**

Centrum Banku Śląskiego Spółka z ograniczoną odpowiedzialnością with its registered office in Katowice, ul. Chorzowska 50, recorded in the National Court Register kept by the District Court in Katowice under the number 0000047713.

On 30 June 2010, on the basis of the Notarial Deed, Reg. A No. 5997/2010, the existing Member of the Company, ING Bank Śląski SA in Katowice, made a statement on taking over 138 552 new shares in the Company of the par value of PLN 1 000 each and increasing the Company's share capital by PLN 138 552 000, i.e. to PLN 230 343 000.00.

On 1 July 2010, on the basis of the Notarial Deed, Reg. A No. 6040/2010, all new shares were covered with an in-kind contribution in the form of an organised part of the Bank's enterprise carried out under the name of the Commercial Property Management Section, including, without limitation, properties located in Katowice at 50 Chorzowska Street and in Warsaw at 64A Powsińska Street.

As a result of the above changes, the Company's share capital as of 31 December 2012 is PLN 230 343 000 and is divided into 230 343 shares of PLN 1 000 each.

As of 31 December 2012, the Company's shareholder is ING Bank Śląski SA with its registered office in Katowice, which holds 230 343 (100%) shares

## **THE ACTIVITY OF THE COMPANY**

CBŚ Sp. z o.o. was re-established in 2008 to provide, without limitation, support in the management of the Bank's commercial facilities. This decision was mainly based on the specific character of the management of such facilities, a substantial growth of competition, in particular in the area of Katowice, as well as difficulties in the real property market. The Company took over the historic portfolio of difficult real properties to reduce significant impairment risk and focused its strategy on the optimisation and sale of the properties in profitable market conditions.

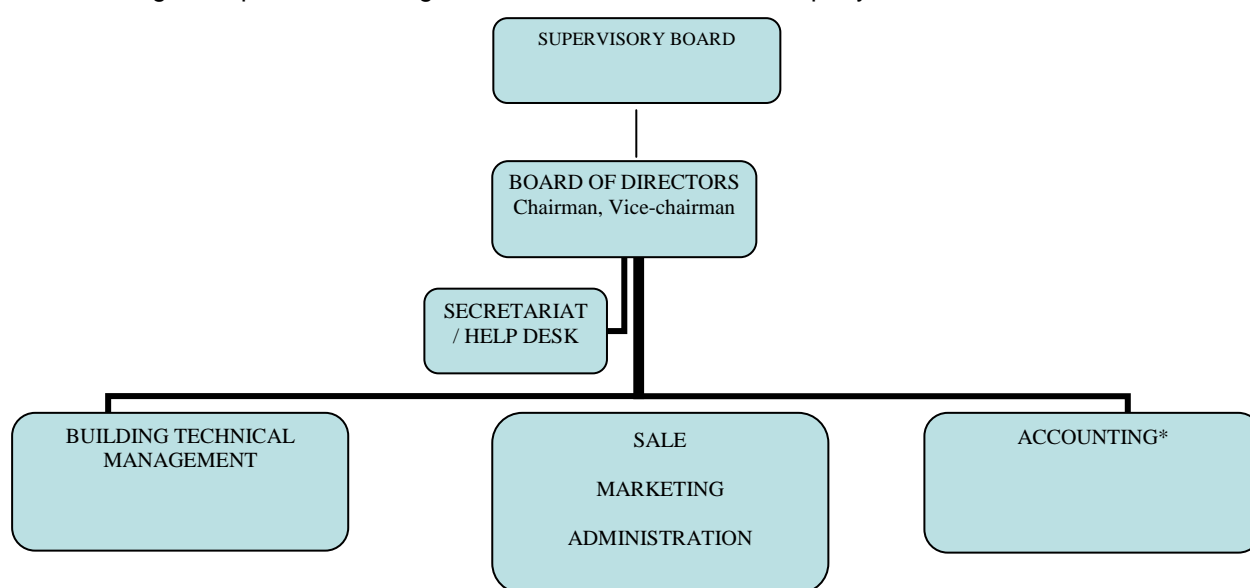
In 2012, the Company mainly managed the buildings at 34 Sokolska Street and 50 Chorzowska Street in Katowice and 64a Powsińska Street in Warsaw and administered the building at 45 Malczewskiego Street in Warsaw.

In the area of own properties, the Company carries out in particular activities connected with the rental of office and commercial premises in its properties at 50 Chorzowska Street in Katowice and 64a Powsińska Street in Warsaw, rationalises maintenance expenses, and implements an active property value management policy.

## THE ORGANISATIONAL STRUCTURE OF THE COMPANY

To carry out its statutory activities, the Company employs 16 persons (15.5 FTE) as of 31 December 2012 on the basis of employment contracts.

The following chart presents the organisational structure of the Company:



\* As of 1 September 2012, the core accounting area was outsourced.

## THE AUTHORITIES OF THE COMPANY:

### ***Supervisory Board:***

As of 31 December 2012, the Supervisory Board of the Company was composed of:

Mirosław Boda, Chairman of the Supervisory Board

Justyna Kesler, Member of the Supervisory Board

Sławomir Stawczyk, Member of the Supervisory Board

Tomasz Biłous, Member of the Supervisory Board

Ilona Dzierżanowska, Member of the Supervisory Board

**Board of Directors:**

Jacek Frejlich, Chairman of the Board of Directors

Piotr Syrnicki, Vice-chairman of the Board of Directors

**DESCRIPTION OF THE MARKET AND COMMERCIAL ACTIVITIES**

➤ **Market of office properties in Katowice:**

In the first half of 2012, the total volume of rental transactions in the Katowice market was around 18 000 square meters, including mostly (80%) new contracts. It is expected that at the end of 2012 the volume will reach the level of 2011, i.e. 37 200 square meters.

The biggest transactions in the market were the rental of 3 200 square meters by Telefonika and 2 089 square meters by Rockwell Automation in Centrum Biurowe Francuska of GTC and the extension of an agreement concerning the rental of 2 837 square meters by Steria in Altus.

Since demand did not change and no new surface was commissioned in the last half of the year, the percentage of empty premises dropped from 11.4% (as of the end of 2011) to 9.9%. Till the end of the year, several new projects are to be commissioned, including, without limitation, Nowe Katowickie Centrum Biznesu (13 000 square meters) and GPP Business Park (6 300 square meters). Total resources of Katowice amount 269 600 square meters, starting rents do not exceed 14 EUR/square meter/month (without maintenance charges), and effective rates oscillate around 11 EUR/square meter/month (without maintenance charges).

➤ **Commercial activities:**

In 2012, the Directors of the Company managed to maintain a high occupancy rate (98%) and an average rent higher than a market rent in the Building at Chorzowska 50 Street. An average rent for office facilities in the commercial building at Chorzowska 50 Street was 18.22 €/m<sup>2</sup> (including maintenance charges), and for commercial facilities 22.95 €/m<sup>2</sup> (including maintenance charges) in comparison to the average rent in the local market of 14 €/m<sup>2</sup> (including maintenance charges).

Last year, the Directors focused on the intensification of activities aiming at selling the property at 64a Powsińska Street in Warsaw, including:

- permanent sales announcements at [www.chrzowska50.pl](http://www.chrzowska50.pl) and specialist portals ("Gratka", "Tablica.pl" and "Oferty net.pl", which also guarantees the publication of offers in 15 largest real estate portals in Poland, including: "domy.pl", "nieruchomosci.pl", "komercyjne.pl", "Money.pl", "Zumi", "YellowPages.pl", "Gospodarka.pl", "Newsweek.pl", "Forbes.pl", "dladomu.pkt.pl", "Trolit", "Fakt.pl", "ofeminin.pl", "budujemyDom.pl"), press announcements (VIP, Fakty-Magazyn Gospodarczy),
- intensive cooperation with local real estate agencies, and
- offers directly addressed to those business partners that have already bought other facilities from the portfolio of properties for sale. Meetings with potential partners to present information and necessary materials about the building.

The Company talked to, without limitation, the Polish Centre of Accreditation, the Voivodeship Fund for Environmental Protection and Water Management.

In the building at 64a Powsińska Street, an average rent for commercial and service facilities was 20.35 €/m<sup>2</sup> and for office facilities was 13.43 €/m<sup>2</sup>. The Directors also took up actions to optimise the costs of the building.

## **KEY EVENTS AND CONTRACTS**

- In 2012, a contract with Deutsche Bank was extended.
- ING Services Polska increased surface rented so far by 642.54 m<sup>2</sup>, as a result of which its rental area is 1531.9 m<sup>2</sup>.
- The company took up actions to find tenants for the commercial area and carried on actions in accordance with its strategic investor's expectations.
- After 2 years of negotiations conducted by the Directors, the City Office in Katowice agreed to sign, without a bid procedure, a notarial deed on establishing land servitude on the property located at Sokolska Street (land plot No. 24/3).
- Costs connected with the maintenance of the building at 64a Powsińska Street were reduced by almost 30%, i.e. PLN 61 416 net per annum.
- Starting from January 2013, electricity costs will be reduced by approximately PLN 500 per month in comparison to the cost of 2012.
- Central heating costs were also reduced by approximately PLN 4000 per month.

## THE COMPANY'S DEVELOPMENT STRATEGY

The Company operates on the basis of its strategic investor's expectations and a management model that was developed in previous years in relation to the portfolio of real property the Company manages.

In 2013, the Company plans to:

- carry on actions connected with the building at 50 Chorzowska Street (the major asset in the portfolio of the Company's own properties) in accordance with the strategic investor's expectations;
- carry on actions aiming at optimising the value of and selling the building in Warsaw at 64a Powsińska Street in profitable market conditions at an expected minimum price (book value).

## FINANCIAL STATEMENTS AS OF 31 DECEMBER 2012

The following information is presented as of 31 December 2012.

### Balance sheet

The balance-sheet total as of 31 December 2012 was PLN 225 405 587.13, which means that it grew by 5% in comparison to the previous year.

The structure of the Company's assets, equity and liabilities changed in comparison to the previous year due to the growth of cash (short-term investments) by PLN 11.5 million.

Under current assets, the Company holds short-term investments in the form of bank deposits which mature in the first half of 2013 (PLN 89 000 000), cash of PLN 1 742 888.59 and receivables connected with its current activities (PLN 796 400.36).

As regards equity and liabilities, a major change was recorded in equity, which increased by PLN 11.7 million).

### Assets

Fixed assets as of the balance-sheet date amounted PLN 131 988 047.03 and formed 58.56% of total assets, while current assets amounted PLN 93 417 540.10 and formed 41.44% of total assets.

Fixed assets comprise mainly (99.84%) long-term investments in the form of investment properties at 50 Chorzowska Street in Katowice and 64A Powsińska Street in Warsaw.

Current assets include mainly cash in the form of deposits that mature in March 2013 and June 2013 kept with ING Bank Śląski SA, which amount PLN 89 243 835.62 (including interest accrued till the balance-sheet date) and form 95.54% of current assets, as well as cash in hand and bank accounts of PLN 1 750 440.95, which form 1.87% of current assets.

Receivables from services form 0.64% and tax receivables form 0.22% of current assets. Cash deposits of tenants form 1.73% of current assets.

#### Equity and liabilities

The major item of the Company's equity and liabilities is the equity of PLN 219 310 724.36, which forms 97.30% of the balance-sheet total.

It includes:

- share capital of the Company (PLN 230 343 000.00)
- supplementary capital of the Company (PLN 87 526.12)
- losses of previous years (PLN -22 879 627.52)
- net profit of the current year (PLN 11 759 825.76).

Liabilities comprise deferred income tax provisions, provisions for pension and other benefits, short-term trade payables, and tax payables (2.7% of the balance-sheet total).

Long-term provisions and payables of PLN 6 094 862.77 comprise mainly a deferred income tax provision (PLN 2 338 804.00), a provision for 2012 performance of PLN 175 000.00, and a provision for pension benefits of PLN 27 517.33.

Short-term payables are trade payables of 1 309 774.60 and payables due to tenant deposits of PLN 1 618 763.98.

Payables related to taxes, wages and salaries and social insurance amounted PLN 605 502.86 and were settled by the Company on a timely basis (January 2013).

#### Profit (loss)

In the period from January to December 2012, the Company recorded profit from sale of PLN 9 024 247.36, profit before tax of PLN 14 558 857.76 and profit after tax of PLN 11 759 825.76.

Profit from sale reflects the Company's operating activities, i.e. income earned from the rental of office and commercial facilities, the provision of real property management and administration services, other services connected with the operation of buildings, as well as expenses incurred to generate such income, excluding fit-out costs that were moved to other operating expenses for presentation purposes.

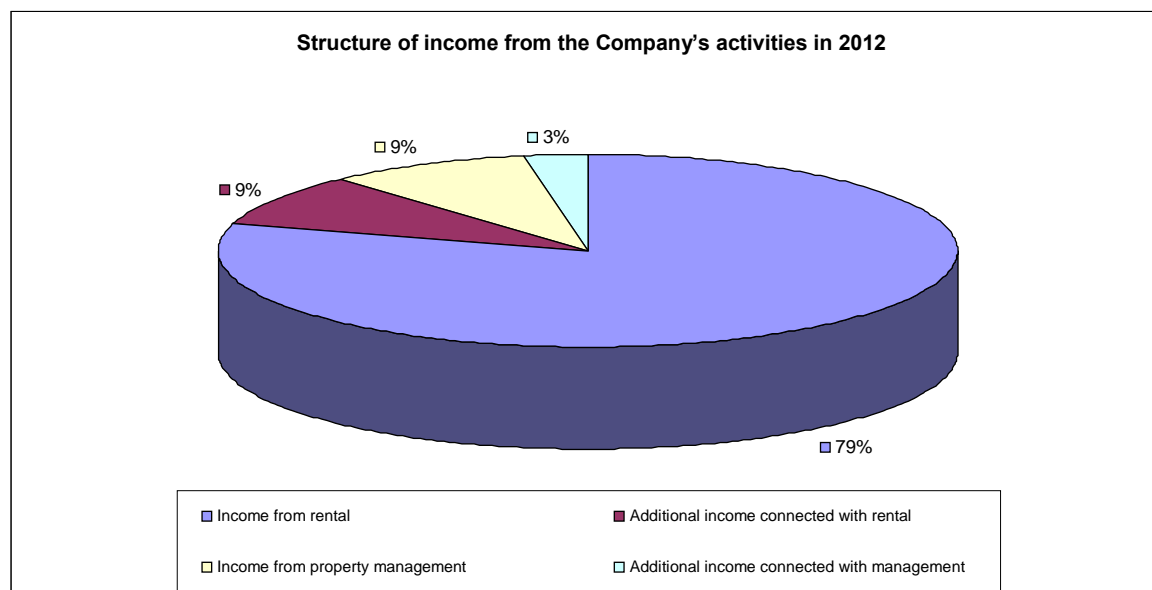
Profit (loss) was influenced by:

#### INCOME



- sales of rental services	PLN 16 532 537
– income from other services connected with rental (resale of technical materials, adaptation works, utilities, telephone services)	PLN 1 893 029
– sales of ING Bank Śląski SA property management services	PLN 1 857 133
- the provision of other services not connected with building management	PLN 560 779
- operating income	PLN 1 756 469
including:	
income from revaluation of the property at 50 Chorzowska Street	PLN 1 697 436
– financial income	PLN 4 512 465
including:	
interest on deposit accounts	PLN 3 881 090
settlement of forwards (hedging)	PLN 615 191
<b>EXPENSES</b>	
– operating expenses	PLN 11 819 231
(as specified in the profit and loss account)	
– other operating expenses	PLN 732 396
including:	
revaluation of the property at 64A Powsińska Street	PLN 665 877
(including expenses for building modernisation of PLN 375 877.92 and the negative expert appraisal of PLN 290 000)	
impairment of receivables claimed at courts and disputable receivables	PLN 57 665
- financial expenses	PLN 1 927

Structure of income in 2012:



## Short-term investments and cash

At the end of the year, the Company had cash kept mainly in the form of short-term bank deposits of PLN 92 613 040.55 in total, including:

- short-term deposits of the nominal value of PLN 89 000 000.00 (two deposits that mature in March 2013 and June 2013),
- deposit interest as of the balance-sheet date of PLN 243.835.62,
- cash deposits paid by tenants to secure lease agreements of PLN 1 618 763.98,
- cash, including short-term deposits and current accounts, of PLN 1 750 440.95.

In 2012, the Company's financial liquidity was good.

In accordance with Members' resolutions of previous years, the Directors suggest that the net profit of the current year of PLN 11 759 825.76 should be used to cover the losses of previous years.

Jacek Frejlich  
Chairman of the Board of Directors

Piotr Syrnicki  
Vice-chairman of the Board of Directors

Katowice, 4 February 2013