

Assessment of the situation of LC Corp S.A. by the Supervisory Board including the assessment of internal control systems, risk management, compliance, internal audit functions and the assessment of the Company's compliance with the disclosure requirements concerning the application of corporate governance principles for the financial year 2017

I. Assessment of the Company's standing

The year 2017 brought further development to the Company operating in the real estate development sector. The Company achieved its objectives and generated a very satisfactory financial result. This was achieved through a consistent implementation of the adopted development strategy which assumed strengthening the position and increasing revenues on the real estate market, both as regards the residential as well as the commercial real estate segments. This year was also special for the Company due to the sale of shares by the existing majority shareholder.

In the opinion of the Supervisory Board of LC Corp S.A., activities undertaken by the Company in 2017 contributed both to the increase of the financial results of the Capital Group in 2017 as well as created a good basis for further development of the Group and strengthening its market position.

The Supervisory Board positively assesses the business strategy and objectives of the Company established by the Management Board: expanding its activity in key Polish cities (Warsaw, Wrocław, Kraków, Gdańsk) through appropriate launching of investments from the existing portfolio as well as through new real estate acquisitions, with the diversification of the product offer in terms of location and standard.

The Supervisory Board positively assesses the Company's activity in 2017 and the work of the Company's Management Board executing adopted plans. The Supervisory Board is of the opinion that the Company is managed properly and effectively.

II. The assessment of the internal control system and the risk management, compliance and internal audit functions

The risk management at LC Corp S.A. is carried out through a formalized process of periodic identification, analysis and assessment of risk factors in various areas of the Company's and the Group's activities. While identifying risks, appropriate procedures and processes are established, the implementation of which is aimed at eliminating or reducing the risk for the Company and the Group. There is no specialised and functionally separated internal control unit (internal audit) or compliance in the Company – these activities are defined and supervised directly by the Management Board, however, the Audit Committee has recommended to the Management Board to establish an internal audit unit.

The Supervisory Board supervised the Management Board's risk management activities at the Company. In the opinion of the Supervisory Board, the key risk management systems developed by the Company, i.e. operational, legal and financial risks, functioned properly.

In the opinion of the Supervisory Board, the Management Board of the Company properly identified risks significant for the Company and managed them effectively in a dynamically changing external environment.

III. The assessment of the Company's compliance with the disclosure requirements concerning the application of corporate governance principles set forth in the Exchange Rules and the regulations concerning current and periodical information submitted by issuers of securities

Disclosure requirements concerning the application of corporate governance principles are specified in the Exchange Rules and in the Regulation of the Minister of Finance of 19

February 2009 on current and periodic information provided by issuers of securities and conditions of recognizing information required by the regulations of non-member states as equivalent (Journal of Laws of 2009 No. 33, item 259). The rules of submitting current reports on the application of detailed corporate governance principles are set out in Resolution No. 1309/2015 of the Management Board of the WSE of 17 December 2015.

According to the Exchange Rules, if a given corporate governance principle is not applied on a permanent basis or is breached incidentally by the issuer; the issuer is obliged to publish a report on the matter. The report should be published on the official website of the issuer and in a manner analogous to the one used for the submission of current reports. Pursuant to Resolution No. 1309/2015 of the Management Board of the WSE, reports on the application of detailed corporate governance principles referred to in Article 29 item 3 of the Exchange Rules shall be submitted via the Electronic Information Base (EBI). The Regulation of the Minister of Finance of 19 February 2009 specifies what information should be included in the statement on the application of corporate governance constituting a separate part of the report on the issuer's activity in the annual report of the Company.

In 2017, the Company applied corporate governance principles with the exception of the following recommendations and principles I.Z.1.16., I.Z.1.20., II.Z.3., II.Z.5., II.Z.6, II.Z.7, II.Z.8, III.Z.3., III.Z.4, IV.Z.2., V.Z.6., VI.Z.4, whereas, principles II.Z.3, II.Z.5, II.Z.6, II.Z.7, II.Z.8 began to be applied by the Company in the course of 2017.

The Supervisory Board is of the opinion that the Company correctly fulfils its disclosure obligations related to the application of corporate governance principles, as set forth in the legal regulations mentioned above. The Supervisory Board has familiarized itself with the statement on the application of corporate governance contained in the Annual Report of LC Corp S.A. and the Annual Report of the Capital Group of LC Corp S.A. This statement describes corporate governance issues in a detailed way and contains information required by the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of recognizing information required by the regulations of non-member states as equivalent.

IV. Summary

The consistently implemented development strategy contributed to the dynamic development of the scale of the activity of the Company of the LC Corp S.A. Capital Group, which translated into a systematic improvement of the generated revenues and financial results. The Supervisory Board positively evaluates the Company's strategy and objectives set and executed by the Management Board in the financial year 2017, aimed at achieving the Company's high position among developers operating in Poland. In the opinion of the Supervisory Board, the overall economic and financial situation of the Company is stable. The Supervisory Board does not see any premises threatening the continuation of the activity of the Company or the Capital Group in the perspective of 2018 and subsequent years.