

**THE REPORT OF THE SUPERVISORY BOARD OF
LC CORP S.A. WITH THE HEADQUARTERS IN WROCŁAW
ON EXERCISING SUPERVISION OVER THE COMPANY'S ACTIVITY
IN THE PERIOD FROM 01.01.2017 TO 31.12.2017.**

I. The composition and activity of the Supervisory Board in 2017.

1. The composition of the Supervisory Board

As on 1 January 2017, the Supervisory Board was composed of the following persons::

- Leszek Czarnecki – Chairman
- Andrzej Błażejowski – Vice Chairman
- Remigiusz Baliński – Member
- Zbigniew Dorenda – Member
- Joanna Gransort – Member
- Grzegorz Korczyński – Member

On 27 April 2017, in view of the election of the Supervisory Board by group voting, all the mandates of the acting members of the Supervisory Board expired and the Extraordinary General Meeting elected a new composition of the Supervisory Board with the following members:

- Leszek Czarnecki – Chairman
- Remigiusz Baliński – Vice Chairman
- Joanna Gransort – Member
- Grzegorz Korczyński – Member
- Michał Hulbój – Member
- Paweł Małyska – Member

On 20 September 2017, Leszek Czarnecki resigned from the Supervisory Board. On 28 September 2017, Remigiusz Baliński resigned from the Supervisory Board as of 30 September 2017.

On 19 October 2017, the Extraordinary General Meeting recalled all acting members of the Supervisory Board and elected a new composition of the Supervisory Board with the below stated members. The composition of the Supervisory Board was valid as on 31 December 2017:

- Michał Hulbój – Chairman
- Michał Kowalczewski – Vice Chairman
- Grzegorz Grabowicz – Member
- Krzysztof Kaczmarczyk – Member
- Jacek Osowski – Member
- John Bańka – Member
- Paweł Małyska – Member

2. Resolutions adopted

The Supervisory Board of LC Corp S.A., exercising its duties in the financial year 2017, held 5 meetings and adopted 25 resolutions, including the following:

- 17 resolutions adopted at the meetings
- 8 resolutions adopted pursuant to § 19 item 6 of the Company's Articles of Association, i.e. by circulation.

The Supervisory Board meetings were followed by minutes, which are kept together with other documentation at the Company's headquarters.

3. Activity of the Supervisory Board

The Supervisory Board exercised constant supervision over the Company's activities in all areas of its activity, in accordance with the powers and duties provided for in the Commercial Companies Code and the Company's Articles of Association, and supervised the proper performance of the Company's statutory tasks.

The supervisory and control activities included in particular:

- analysing the current financial results of the Company and evaluating them,
- analysing periodical financial statements,
- reviewing periodic information of the Management Board concerning the current and planned activity of the Company,
- analysing materials received from the Management Board,
- approving and granting consent for the Company to incur liabilities, including bank credits,
- granting consent to the establishment of guarantees and sureties to the companies of the Group,
- granting consent to the establishment of collateral for credit agreements concluded by the companies of the Group,
- granting consent for the acquisition of real estate.

In the course of performing its duties, the Supervisory Board:

- gave its opinion on draft resolutions prior to their presentation to the General Meeting of Shareholders,
- assessed the report on the activities of the Company's Management Board and the financial statements for the financial year 2016,
- prepared and approved a report on the activities of the Supervisory Board for the financial year 2016,
- prepared and performed the evaluation of the Company,
- approved the Company's budget for 2018,
- granted its consent to the Company's Management Board for the Company to establish collateral and sureties for its subsidiaries in connection with bank credits contracted by them,
- granted its consent to the Company's Management Board for the Company to purchase real property and to purchase and take up shares in other entities (including the companies of the Group),
- selected the Company's auditor to audit the separate and consolidated financial statements of the Company for 2017 and to review the semi-annual financial statements of the Company,
- appointed the Audit Committee and the Appointment and Remuneration Committee from among its members and adopted the rules of procedure of these committees
- made changes in the Company's Management Board.

The Supervisory Board also supervised the situation of the Company and gave its opinion on current and planned activities of the Company. In performing its duties, the Supervisory Board obtained information, necessary to perform its duties, from documents, information, presentations and explanations presented by the Management Board.

The Supervisory Board states that the cooperation with the Company's Management Board in the reporting period was correct and that the Management Board provided reliable and comprehensive information with regard to all aspects related to the activities of the Company and of the companies belonging to the Capital Group of LC Corp, as well as that the Management Board informed the Supervisory Board, on an ongoing basis, about matters falling within its competence.

The list of detailed activities undertaken by the Supervisory Board is included in the minutes from the Supervisory Board meetings which, together with the resolutions adopted by the Supervisory Board in 2017, are archived at the Company's headquarters.

II. Committees of the Supervisory Board

The Supervisory Board performed its tasks both at its meetings and during the work of the committees of the Supervisory Board. In accordance with the Articles of Association and the Regulations of the Supervisory Board, the Supervisory Board may, by way of a resolution, establish permanent and ad hoc committees. In such a case, the Supervisory Board shall determine the regulations of such a committee, its composition and objectives. The Committees

performed their functions in accordance with the provisions of the Regulations of the Supervisory Board and the Regulations of individual Committees. In 2017, the following committees of the Supervisory Board were established: the Audit Committee and the Appointment and Remuneration Committee.

1. The Audit Committee

The Audit Committee was appointed on 17 July 2017 with the following composition:

- Joanna Gransort – Chairman
- Michał Hulbój
- Grzegorz Korczyński

Until the appointment of the Audit Committee, the function of the Audit Committee was performed by the Supervisory Board in gremio. Due to the resignation and dismissal of all acting members of the Supervisory Board (including all members of the Audit Committee) and the appointment by the Extraordinary General Meeting, held on 19 October 2017, of the entire new composition of the Supervisory Board, on 27 October 2017 the Supervisory Board appointed a new composition of the Audit Committee with the following members:

- Grzegorz Grabowicz – Chairman
- Jacek Osowski
- Krzysztof Kaczmarczyk

The Audit Committee acted in accordance with the Act of 11 May 2017 on certified auditors and their self-government, entities authorized to audit financial statements and on public supervision.

As part of its basic tasks, the Audit Committee held a number of meetings with the Company's auditor to discuss:

- the results of the interim review of the financial statements for the first half of 2017,
- the results of the audit of the financial statements for 2017 and
- issues and risks identified in the course of the audit of the interim and annual financial statements.

Moreover, during the meetings of the Audit Committee, the following issues were discussed: the organization of internal control functions: internal control, internal audit. In performing its duties in the financial year 2017, the Audit Committee held 2 meetings at which it adopted 1 resolution. The meetings of the Audit Committee were followed by minutes, which are kept together with other documentation at the Company's headquarters.

While evaluating its activities in 2017, the Audit Committee analysed the appropriateness and effectiveness of its activities within the scope of its tasks, including in particular:

- monitoring the process of financial reporting, including monitoring the work and independence of a certified auditor entitled to audit financial statements;
- monitoring the effectiveness of internal control, internal audit and risk management systems.

The Audit Committee monitored the financial reporting process on an ongoing basis, and the financial statements in all aspects were prepared in accordance with the accounting principles and on the basis of properly maintained accounting books, and in the opinion of the Audit Committee they reliably reflect the results of business activities and the financial and property standing of the Company. The Audit Committee also reviewed the Management Board's report on the Company's activities, considering that the presented figures and facts reflect a true and fair view of the Company's operations.

2. The Appointment and Remuneration Committee

On 27 October 2017, the Supervisory Board appointed, within the scope of its competence, the Appointment and Remuneration Committee with the following members:

- Michał Hulbój – Chairman
- Michał Kowalczewski

- Paweł Małyska

The Appointment and Remuneration Committee, while performing its duties in the financial year 2017, held 1 meeting at which no resolution was adopted. The minutes of the meeting of the Appointment and Remuneration Committee are prepared and kept together with other documentation at the Company's headquarters.

In 2017, the subject of the Nominating and Remunerating Committee's work was, among others:

- Review of existing contracts of members of the Management Board;
- Analysis of the Company's organisational structure.

The Appointment and Remuneration Committee performed its activities in accordance with the applicable regulations and best practice in the area of corporate governance principles.

III. 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.

IV. 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.

V. 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 recognising 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.

VI. Assessment of the rationality of the Company's policy referred to in recommendation I.R.2 of the Code of Best Practice for WSE Listed Companies 2016, or information on the absence of such policy

In the financial year 2017, the Company did not conduct any sponsorship, charity or other activities of a similar nature on a large scale, therefore, it does not have a detailed policy in this respect.

VII. Assessment of statements for 2017

Pursuant to Article 382 § 3 of the Commercial Companies Code, the Supervisory Board assessed the following documents with respect to their compliance with the books and documents and with the actual state of affairs:

1. the financial statements of LC Corp S.A. for 2017, including:
 - a) the report on the financial standing as of December 31st 2017, with the total assets and liabilities of PLN 1,470,516 thousand (say: one billion four hundred seventy million five hundred sixteen thousand Polish zlotys).
 - b) the statement of comprehensive income for the financial year from 1 January 2017 to 31 December 2017, presenting a net profit of PLN 100,909 thousand (say: one hundred million nine hundred nine thousand Polish zlotys) and a comprehensive income of PLN 100,909 thousand (say: one hundred million nine hundred nine thousand Polish zlotys).

- c) the statement of changes in equity for the financial year from 1 January 2017 to 31 December 2017, presenting an increase in equity by PLN 69,580 thousand (say: sixty nine million five hundred and eighty thousand Polish zlotys).
 - d) the statement of cash flows for the period from 1 January 2017 to 31 December 2017, presenting a net cash increase by PLN 35,577 thousand (say: thirty five million five hundred seventy seven thousand Polish zlotys).
 - e) notes to the financial statements - Accounting policies and explanatory notes.
2. the financial statements of LC Corp S.A. Capital Group for 2017, including:
- a) the consolidated report on the financial standing as of 31 December 2017, with the total assets and total liabilities of PLN 3,299,649 thousand (say: three billion two hundred and ninety-nine million six hundred and forty-nine thousand Polish zlotys),
 - b) the consolidated statement of comprehensive income for the financial year from 1 January 2017 to 31 December 2017, presenting a net profit of PLN 80,240,000 (say: eighty million, two hundred and forty thousand zlotys) and a comprehensive income of PLN 83,553,000 (say: eighty-three million, five hundred and fifty-three thousand Polish zlotys),
 - c) the consolidated statement of changes in equity for the financial year from 1 January 2017 to 31 December 2017, showing an increase in equity by PLN 52,224 thousand (say: fifty-two million two hundred twenty-four thousand Polish zloty),
 - d) the consolidated statement of cash flows for the financial year from 1 January 2017 to 31 December 2017, presenting a net cash decrease by PLN 10,603 thousand (say: ten million six hundred three thousand Polish zlotys),
 - e) notes to the consolidated financial statements - Accounting policies and explanatory notes.
3. the Management Board's report on the Company's and the Capital Group's activities for the period from 1 January 2017 to 31 December 2017 with respect to their consistency with the books and documents and with the actual state of affairs, and
4. the proposal of the Management Board concerning the allocation of profit for 2017.

Having examined the documents and having read the auditor's opinion of 20 March 2018, the Supervisory Board is of the opinion that the financial statements of LC Corp S.A. and the Management Board's report on the Company's and the Capital Group's activities for the period from 1 January 2017 to 31 December 2017 have been prepared in a reliable and correct manner and in accordance with the books and documents as well as with the facts known to the Supervisory Board. The Supervisory Board positively assesses the application of corporate governance principles by the Company.

The Supervisory Board gives a positive opinion to the Management Board's proposal concerning the allocation of profit for 2017 and supports the Management Board's proposal to allocate:

- a) the profit generated by the Company in 2017 in the amount of PLN 100,909,315.22 (say: one hundred million nine hundred nine thousand three hundred fifteen Polish zlotys twenty-two groszes), and
- b) the supplementary capital created from profits from previous years in the amount of PLN 6,504,679.42 (say: six million five hundred four thousand six hundred seventy-nine Polish zlotys forty-two groszes)

for the payment of the dividend for the Company's shareholders in the total amount of PLN 107,413,994.64 (say: one hundred and seven million four hundred and thirteen thousand, nine hundred and ninety-four Polish zlotys and sixty-four groszes). The dividend would be divided into 447,558,311 shares, and each share would carry a dividend of PLN 0.24 (twenty-four groszes) per share. The Supervisory Board leaves it up to the General Meeting of Shareholders to decide on the dividend date and dividend payment date.

VIII. Self-assessment of the Board and evaluation of independence of members of the Supervisory Board

In 2017, the Supervisory Board in its work focused on current problems related to the Company's operations and on the strategy of further development. On the basis of the materials presented by the Management Board concerning the current activity of the Company, in particular as regards financial results, the Supervisory Board assessed the results achieved and the work of the Management Board on an ongoing basis. The work of the Supervisory Board was organised correctly.

All members of the Supervisory Board appointed by the Extraordinary General Meeting of the Company on 19.10.2017 meet the criterion of independence. From 27.04.2017 to 19.10.2017, two members of the Supervisory Board met the independence criterion, and in the period from 01.01.2017 to 27.04.2017 there were no independent members.

The Supervisory Board positively assesses its work and that of the committees operating within its framework in 2017.

IX. Recommendations

The Supervisory Board positively assesses the Company's activity in 2017 and the statements presented to it for evaluation and therefore recommends to the General Meeting of LC Corp S.A. to:

1. approve the report on the activity of the Supervisory Board for the financial year 2017, including: the assessment of the financial statements of LC Corp S.A. for the year ended on 31 December 2017, the report of the Management Board on the activity of LC Corp S.A. and the Capital Group of LC Corp S.A. in 2017 as well as the financial statements of the Capital Group of LC Corp S.A. for the year ended on 31 December 2017, and the assessment of the Management Board's proposal concerning the distribution of profit
2. approve the Supervisory Board's evaluation of the Company's situation, including the evaluation of internal control systems, risk management, compliance and the internal audit function,
3. consider and approve the financial statements of LC Corp S.A. for the financial year 2017,
4. consideration and approval of the Management Board's report on the activities of LC Corp S.A. and the Capital Group of LC Corp S.A. in 2017,
5. consider and approve the financial statements of the Capital Group of LC Corp S.A. for the financial year 2017,
6. acknowledge the fulfilment of duties by Members of the Management Board of LC Corp S.A. in 2017,
7. acknowledge the fulfilment of duties by Members of the Supervisory Board of LC Corp S.A. in 2017,
8. adopt a resolution concerning the distribution of profit for the financial year 2017.

Warsaw, 28 March 2018

Michał Hulbój

Chairman of the Supervisory Board

Michał Kowalczewski

Vice Chairman of the Supervisory Board

John Bańka

Member of the Supervisory Board

Grzegorz Grabowicz

Member of the Supervisory Board

Krzysztof Kaczmarczyk
Member of the Supervisory Board

Paweł Małyska
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Jacek Osowski
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