

Assessment of the standing 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 2018

I. Assessment of the Company's standing

The year 2018 brought further development to the Company operating in the real estate development sector. The Company achieved its targets and generated a very satisfactory financial result. The success was achieved through consistent implementation of the adopted growth strategy which assumed strengthening the position and increasing receipts from the real estate market, both in the housing as well as commercial segment.

In the opinion of the Supervisory Board of LC Corp S.A., activities undertaken by the Company in 2018 contributed both to the enhancement of the financial results of the Capital Group in 2018 as well as created solid grounds for continued growth of the Group and for 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 gives a positive assessment on the Company's activity in 2018 and on the works of the Company's Management Board executing the adopted plans. The Supervisory Board is of the opinion that the Company is managed correctly and effectively.

II. Assessment of the internal control and risk management systems, compliance and internal audit function

Risk management at LC Corp S.A. is carried out through a formal 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, relevant procedures and processes are determined in order to eliminate or mitigate the risks for the Company and for the Group. Before October 2018 the Company had no separate internal audit unit and the internal control functions in the Company were rendered by the Management Board, managers and other employees within the scope of their responsibilities. At that time control activities in the Company were undertaken on an ongoing basis and at the stage of verification of correct task performance carried out by managers and their appraisal of their subordinates, as well as upon creation of internal procedures by exerting special care to ensuring that adequate control mechanisms are in place. Any identified irregularities were corrected by employees on an ongoing basis. As of the beginning of December 2018 the Company employed an internal auditor who was entrusted with internal audit obligations and who has been auditing respective units of organisation and processes in the Company according to the audit plan approved by the Supervisory Board.

The Supervisory Board supervised the Management Board's activities in the area of risk management in the Company. In the opinion of the Supervisory Board, the key risk management systems developed by the Company, i.e. systems for managing 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. 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 interim reports 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 29 March 2018 concerning current and interim reporting by issuers of securities and the terms and conditions of harmonisation of the information required under regulations applicable in non-member states. The rules governing submission of current reports on the application of detailed corporate governance principles are set out in Resolution No. 1309/2015 of 17 December 2015 adopted by the Management Board of WSE.

According to the Exchange Rules, if a specific corporate governance principle is not applied on a permanent basis or it is incidentally breached by the issuer; the issuer is obliged to publish a relevant report. The report should be published on the issuer's official website and in a manner analogous to that 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 par. 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 information to be included in the statement on the application of corporate governance constituting a separate element of the report on the issuer's activity in the annual report of the Company.

In 2018 the Company applied corporate governance principles except for the following recommendations and principles I.Z.1.16, I.Z.1.20, III.Z.3, III.Z.4, IV.Z.2, V.Z.6, VI.Z.4.

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 read the statement on the application of corporate governance contained in the Annual Report of LC Corp S.A. and the Annual Report of LC Corp S.A. Capital Group. This statement describes corporate governance issues in detail and contains disclosures required according to the Regulation of the Minister of Finance of 29 March 2018 concerning current and interim reporting by issuers of securities and the terms and conditions of harmonisation of the information required under regulations applicable in non-member states.

IV. Summary

The consistently implemented growth strategy contributed to the dynamic development of the scale of the activity of the Company of LC Corp S.A. Capital Group, which is reflected in the 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 2018, aimed at enhancing the Company's 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 cannot see any circumstances threatening the continuation of the activity (going concern) of the Company or the Capital Group in the perspective of 2019 and the following years.