

**THE REPORT OF THE SUPERVISORY BOARD
OF LC CORP S.A. HEADQUARTERED IN WROCLAW
ON EXERCISING SUPERVISION OVER THE COMPANY'S ACTIVITY
IN THE PERIOD FROM 01.01.2018 TO 31.12.2018**

I. The composition and activity of the Supervisory Board in 2018.

1. The composition of the Supervisory Board

As at 1 January 2018, the Supervisory Board was composed of:

- Michał Hulbój – Chairperson of the Supervisory Board
- Michał Kowalczewski – Vice-Chairperson of the Supervisory Board
- Grzegorz Grabowicz – Member of the Supervisory Board
- Krzysztof Kaczmarczyk – Member of the Supervisory Board
- Jacek Osowski – Member of the Supervisory Board
- John Bańka – Member of the Supervisory Board
- Paweł Małyska – Member of the Supervisory Board

On 27 June 2018, in connection with the expiration of all the mandates of Members of the Supervisory Board, the Ordinary General Meeting of the Company appointed a new Supervisory Board for a three-year term of office in the following composition:

- Michał Hulbój – Chairperson of the Supervisory Board
- Michał Kowalczewski – Vice-Chairperson of the Supervisory Board,
- Jacek Osowski – Member of the Supervisory Board,
- Paweł Małyska – Member of the Supervisory Board,
- Grzegorz Grabowicz – Member of the Supervisory Board,
- Krzysztof Kaczmarczyk – Member of the Supervisory Board,
- Michał Wnorowski – Member of the Supervisory Board

As of 27 June 2018, i.e. on the date on the Ordinary General Meeting, in view of the expiration of all the mandates of the Supervisory Board and in connection with the fact that Mr John Richard Bańka was not appointed to the Supervisory Board for a new joint term of office, the mandate of Mr John Richard Bańka as Member of the Supervisory Board expired.

As of 12 October, Mr Michał Kowalczewski resigned from sitting on the Supervisory Board and as of 15 October 2018 Mr Krzysztof Kaczmarczyk resigned from sitting on the Supervisory Board.

On 15 October 2018 the Extraordinary General Meeting of the Company decided that the Issuer's Supervisory Board would consist of six people and as of 15 October Mr Piotr Kaczmarek was appointed to sit on the Supervisory Board. On 30 October 2018 the Supervisory Board appointed Mr Jacek Osowski Vice-Chairperson of the Supervisory Board. In connection with the afore-mentioned changes, as at the date of publication of this report, the Company's Supervisory Board is composed of:

- Michał Hulbój – Chairperson of the Supervisory Board
- Jacek Osowski – Vice-Chairperson of the Supervisory Board
- Grzegorz Grabowicz – Member of the Supervisory Board
- Michał Wnorowski – Member of the Supervisory Board
- Paweł Małyska – Member of the Supervisory Board
- Piotr Kaczmarek – Member of the Supervisory Board

In addition, the Supervisory Board was split into two committees: the Audit Committee and the Appointment and Remuneration Committee described in section II below.

2. Resolutions adopted

The Supervisory Board of LC Corp S.A., performing its obligations in the financial year 2018, held 12 meetings and adopted 45 resolutions, including:

- 28 resolutions adopted during the meetings

- 17 circular resolutions adopted pursuant to Art. 19 par. 6 of the Articles of Association. Minutes of the Supervisory Board's meetings and are stored in the Company's registered office along with other documents.

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 Code of Commercial Companies and Partnerships and the Company's Articles of Association, and supervised the proper performance of tasks provided for in the Company's statutes.

The supervision and inspection included, in particular:

- analysing and evaluating current financial performance of the Company,
- analysing interim financial statements,
- reviewing interim information from the Management Board concerning current and projected operation of the Company,
- analysing materials submitted by the Management Board,
- approving and accepting liabilities incurred by the Company, including a bank loan,
- granting consent for the establishment of guarantees and sureties to the Group's companies,
- granting consent for the establishment of collaterals for loan agreements concluded by the companies from the Group,
- granting consent for the acquisition of real property.

The activities of the Supervisory Board comprised:

- expressing opinions on draft resolutions prior to their presentation to the General Meeting,
- evaluating the report on activities prepared by the Management Board of the Company and the financial statements pertaining to the financial year 2017,
- preparing and approving the report concerning the activities of the Supervisory Board for the financial year 2017,
- preparing and performing the evaluation of the Company,
- approving the Company's budget for the years 2018 and 2019,
- granting consent to the Company's Management Board for the Company to establish collaterals and sureties for its subsidiaries in connection with bank loans contracted by such subsidiaries,
- granting 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 from the Group),
- selecting the Company's auditor to audit the separate and consolidated financial statements of the Company and the Group for years 2018-2020 and to review the semi-annual financial statements pertaining to that period,
- appointing the Audit Committee and the Appointment and Remuneration Committee from among its members and implementing changes in the composition of those committees,
- approving changes to the regulations of the Audit Committee and the Appointment and Remuneration Committee,
- implementing changes in the composition of the Management Board of the Company and determining the principles of remuneration for members of the 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 for the performance of their duties, from documents, information, presentations and explanations presented by the Management Board.

The Supervisory Board confirms 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 forming LC Corp S.A. Capital Group 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 of the Supervisory Board's meetings which, together with the resolutions adopted by the Supervisory Board in 2018, are archived at the Company's headquarters

II. Committees of the Supervisory Board

The Supervisory Board performed its tasks both during its meetings and during the works 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, set up 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 respective 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

As at 1 January 2018 the composition of the Supervisory Board's Audit Committee was as follows:

- Grzegorz Grabowicz – Chairperson
- Jacek Osowski
- Krzysztof Kaczmarczyk

In connection with the expiration of the term of office of the Supervisory Board and the appointment of a new board, during the meeting on 5 July 2018 the Supervisory Board appointed the following new members of the Audit Committee:

- Michał Wnorowski – Chairperson
- Grzegorz Grabowicz
- Jacek Osowski
- Krzysztof Kaczmarczyk

In connection with the changes in the composition of the Supervisory Board, the Supervisory Board during its meeting on 30 October 2018 put Mr Piotr Kaczmarek on the Audit Committee to replace Mr Krzysztof Kaczmarczyk and Mr Jacek Osowski resigned from sitting on Committee.

From 30 October 2018 the composition of the Audit Committee was as follows and it was identical as at 31 December 2018 and as at the date of these statements.

- Michał Wnorowski – Chairperson
- Grzegorz Grabowicz
- Piotr Kaczmarek

The Audit Committee acted in compliance with the Act on auditors and their self-regulation, entities authorised to audit financial statements and public supervision.

All members of the Supervisory Board, including all members of the Supervisory Board's Audit Committee sitting on that committee in 2018 have satisfied the independence criterion. All members of the Audit Committee who has been sitting on that committee since 2018 are knowledgeable in accounting and financial statements auditing.

In addition, among all members of the Audit Committee, Mr Michał Wnorowski, Mr Krzysztof Kaczmarczyk (sitting on the Audit Committee since 15 October 2018) and Mr Piotr Kaczmarek (sitting on the Audit Committee since 30 October 2018) present the knowledge and skills related to the industry in which the Company operates.

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

- the results of the interim review of the financial statements for the first six months of 2018,
- the results of the audit of the financial statements for 2018 and

- issues and risks identified in the course of the audit of the interim and annual financial statements.

In addition, during the sessions of the Audit Committee, issues related to the organisation of internal control functions: that is, internal control and internal audit were discussed. In performing its duties in the financial year 2018, the Audit Committee held 7 (seven) meetings in 2018 at which it adopted 3 (three) resolutions and 2 (two) meetings in 2019 at which it adopted 3 (three) resolutions. In addition, 3 (three) circular resolutions were adopted in 2018 and 2 (two) in 2019.

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

- the results of the audit of the financial statements for 2018 and
- the results of the interim review of the financial statements for the first six months of 2018,
- the results of the audit of the financial statements for 2018,
- issues and risks identified in the course of the audit of the interim and annual financial statements.

In addition, during the sessions of the Audit Committee, issues related to the organisation of internal control functions: that is, internal control and internal audit were discussed. With regard to the fact that the responsibilities of the Audit Committee determined in the Regulations comprise evaluation and recommendation of the auditor as well as checking if the auditor auditing the Company's financial statements is independent both of the Company and its management and supervisory bodies, the Audit Committee having reviewed the bids and having met five audit firms on 16 May 2018, i.e.: Moore Stephens Central Audit Sp. z o.o., TPA Sp. z o.o. Sp. k., Mazars Audyt Sp. z o.o., Deloitte Audyt Sp. z o.o. Sp. k. and BDO Sp. z o.o. adopted resolution number 2/2018 of 31 May 2018 recommending Deloitte Audyt Sp. z o.o. Sp. k. as the auditor to perform the audit in 2018-2020, based on which the Supervisory Board duly selected the auditor by way of resolution no. 8/2018 of 20 June 2018.

The Audit Committee monitored works related to the process of preparing and reviewing the Company's financial statements on an ongoing basis, thus the Committee cooperated with the auditor in this area on an ongoing basis. Representatives of Ernst & Young Audyt Polska sp. z o.o. sp. k. auditing the statements for 2018 were present at 3 (three) meetings of the Audit Committee (10 January, 1 March and 28 March 2018) and representatives of the audit firm Deloitte Audyt Sp. z o.o. Sp. k. auditing the statements for 2018 were present at 2 (two) meetings of the Audit Committee in 2018 (29 August and 4 December) and 2 (two) meetings in 2019 (10 January and 12 March). The Audit Committee at the meeting on 07.12.2017 developed a work plan for November 2017- December 2018, and evaluated the implementation of amendments to the Act on statutory auditors, developing proposals of changes to the Regulations of the Audit Committee as well as procedures and policies regarding the selection of the auditor that were later approved by the Supervisory Board which amended both the Regulations of the Audit Committee and the procedures and policy regarding the selection of the auditor as indicated by the Audit Committee. The Audit Committee at the meeting on 09.01.2019 developed a work plan for January-December 2019.

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 give a true and fair reflection of the state of affairs.

2. The Appointment and Remuneration Committee

As at 1 January 2018 the composition of the Supervisory Board's Appointment and Remuneration Committee was as follows:

- Michał Hulbój – Chairperson

- Michał Kowalczewski
- Paweł Małycka

In connection with changes in the composition of the Supervisory Board, the Supervisory Board at its meeting on 30 October 2018 appointed Mr Jacek Osowski to replace Mr Michał Kowalczewski on the Appointment and Remuneration Committee.

From 30 October 2018 the composition of the Appointment and Remuneration Committee was as follows and it was identical as at 31 December 2018 and as at the date of these statements.

- Michał Hulbój – Chairperson
- Jacek Osowski
- Paweł Małycka

In performing its duties in the financial year 2018, the Appointment and Remuneration Committee held 6 meetings during which 3 resolutions were not adopted. In addition, 6 circular resolutions were adopted. Minutes of the meetings of the Supervisory Board's Appointment and Remuneration Committee are prepared and stored in the Company's headquarters along with other documents.

In 2018, the scope of works of the Appointment and Remuneration Committee included:

- Review of existing contracts of members of the Management Board and issuing opinions on changes;
- Accepting a recommendation regarding dismissal of a member of the Management Board;
- Accepting a recommendation regarding appointment of members of the Management Board for a new term of office;
- Accepting a recommendation regarding the termination of the contract of employment with a member of the Management Board,
- Issuing a recommendation regarding appointment of an internal auditor;
- Approving the report on the activities of the Appointment and Remuneration Committee;
- Accepting a recommendation regarding bonuses for members of the Management Board;
- Analysis of the Company's organisational structure.

The Appointment and Remuneration Committee performed its activities in compliance with the applicable regulations and best practices of corporate governance.

III. 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.

IV. 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.

V. 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.

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 2018, the Company did not conduct any sponsorship, charitable activity 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 2018

Pursuant to Article 382 § 3 of the Code of Commercial Companies and Partnerships, 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 2018, including:
 - a) the statement of financial position as at 31 December 2018 with total assets and liabilities amounting to PLN 1,503,327 thousand (in words: one billion five hundred three million three hundred twenty-seven thousand zlotys).
 - b) the statement of comprehensive income pertaining to the financial year from 1 January 2018 to 31 December 2018 showing profit after tax amounting to PLN 118,661 thousand (in words: one hundred eighteen million six hundred sixty-one thousand zlotys) and comprehensive income amounting to PLN 118,661 thousand (in words: one hundred eighteen million six hundred sixty-one thousand zlotys).
 - c) the statement of changes in equity pertaining to the financial year from 1 January 2018 to 31 December 2018, showing an increase in equity capital by PLN 11,247 thousand (in words: eleven million two hundred forty-seven thousand zlotys),
 - d) the cash flow statement pertaining to the period from 1 January 2018 to 31 December 2018, showing a decrease in net cash balance by PLN 6,241 thousand (in words: six million two hundred forty-one thousand zlotys).
 - e) notes to the financial statements – Accounting principles (policies) and explanatory notes.
2. the financial statements of LC Corp S.A. Capital Group for 2018, including:
 - a) the consolidated statement of financial position as at 31 December 2018 with total assets and liabilities amounting to PLN 3,574,668 thousand (in words: three billion five hundred seventy-four million three hundred sixty-eight thousand zlotys),
 - b) the consolidated statement of comprehensive income pertaining to the financial year from 1 January 2018 to 31 December 2018 showing profit after tax amounting to PLN 160,380 thousand (in words: one hundred sixty million three hundred eighty thousand zlotys) and comprehensive income amounting to PLN 156,837 thousand (in words: one hundred fifty-six million eight hundred thirty-seven thousand zlotys),
 - c) the consolidated statement of changes in equity pertaining to the financial year from 1 January 2018 to 31 December 2018, showing an increase in equity capitals by PLN 49,423 thousand (in words: forty-nine million four hundred twenty-three thousand zlotys),
 - d) the consolidated cash flow statement pertaining to the period from 1 January 2018 to 31 December 2018, showing an increase in net cash balance by PLN 123,450 thousand (in words: one hundred twenty-three million four hundred fifty thousand zlotys),
 - e) notes to the consolidated financial statements – Accounting principles (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 2018 to 31 December 2018 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 2018.

Having reviewed the documents and having read the auditor's opinion of 24 April 2019, 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 2018 to 31 December 2018 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 gives a positive assessment of 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 2018 and supports the Management Board's proposal to allocate:

- a) profit generated by the Company in 2018 amounting to PLN 118,661,117.70 (in words: one hundred eighteen million six hundred sixty-one thousand one hundred seventeen zlotys and seventy groszes), and
- b) supplementary capital created from retained earnings amounting to PLN 2,179,626.27 (in words: two million one hundred seventy-nine thousand six hundred twenty-six zlotys and twenty-seven groszes)

towards payment of dividend to the Company's shareholders in the total amount of PLN 120,840,743.97 (in words: one hundred twenty million eight hundred forty thousand seven hundred forty-three zlotys and ninety-seven groszes). 447,558,311 shares would participate in the distribution of dividend. Each share would entitle to a dividend of PLN 0.27 (in words: twenty-seven groszes). 19 August 2019 would be considered the dividend day and 30 August 2019 would be considered the dividend payment day.

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

In 2018, the works of the Supervisory Board focused on current problems related to the Company's operations and on the further growth strategy. Based on the materials presented by the Management Board concerning the current activities of the Company, and in particular regarding its financial performance, 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 meet the independence criterion.

The Supervisory Board gives a positive assessment of its own work and of the work of its constituent committees in 2018.

IX. Recommendations

The Supervisory Board positively assesses the Company's activity in 2018 as well as the reports and statements presented for evaluation. Therefore, it recommends to the General Meeting of LC Corp S.A.:

1. to approve the report on the activity of the Supervisory Board for the financial year 2018, including: the assessment of the financial statements of LC Corp S.A. for the year ended on 31 December 2018, the report of the Management Board on the activity of LC Corp S.A. and LC Corp S.A. Capital Group in 2018 as well as the financial statements of LC Corp S.A. Capital Group for the year ended on 31 December 2018 and the assessment of the Management Board's motion concerning the allocation of profit,
2. to 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. to consider and approve the financial statements of LC Corp S.A. for the financial year 2018,
4. to consider and approve the Management Board's report on the activities of LC Corp S.A. and LC Corp S.A. Capital Group in 2018,
5. to consider and approve the financial statements of LC Corp S.A. Capital Group for the financial year 2018,

6. to acknowledge the fulfilment of duties by Members of the Management Board of LC Corp S.A. in 2018,
7. to acknowledge the fulfilment of duties by Members of the Supervisory Board of LC Corp S.A. in 2018,
8. to adopt a resolution concerning the allocation of profit for the financial year 2018.

Warsaw, 15 May 2019

Michał Hulbój
Chairperson of the Supervisory Board

Jacek Osowski
Vice-Chairperson of the Supervisory Board

Grzegorz Grabowicz
Member of the Supervisory Board

Paweł Małyska
Member of the Supervisory Board

Michał Wnorowski
Member of the Supervisory Board

Piotr Kaczmarek
Member of the Supervisory Board