

CORPORATE GOVERNANCE STATEMENT

The Management Board of LC Corp S.A. (the "Issuer" or the "Company"), fulfilling the obligation set out in Article 91(5)(4) of the Regulation on current and periodic information published by issuers of securities and on conditions under which such information may be recognised as being equivalent to information required by legal regulations of states other than Member States, publicly informs that the Company followed corporate governance principles in 2016.

1. Corporate Governance Principles

This information has been made in accordance with the Resolution No. 26/11413/2016 adopted by the Board of the Warsaw Stock Exchange as of 13 October 2016 – "Best practices for WSE Listed Companies 2016". The text of the corporate governance principles entitled "Best practices for WSE Listed Companies 2016" is available on the WSE website at: <http://corp-gov.gpw.pl/publications.asp>.

2. Reasons for Deviation from Corporate Governance Principles

Information and communication policy with investors

I.Z.1.16. information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting.

The Company does not apply the above principle. The principle is not applied because the IV.Z.2. Principle is not applied either.

I.Z.1.20. an audio or video recording of a general meeting.

The Company does not apply this principle. The principle is not applied because the IV.Z.2. Principle is not applied either.

Management and Supervisory Board

II.Z.3. At least two members of the supervisory board should meet the criteria of being independent, referred to in principle II.Z.4.

The Company does not apply the above principle. The Company is of the opinion that the present composition of the Supervisory Board allows for pursuing the Company's strategy in a proper and effective manner and provides sufficient safeguard of the interests of all groups of Company's shareholders. The Company's General Meeting elects members of the Supervisory Board from among persons having proper education and professional and life experience, who achieved high standards of morality and are able to devote enough time to proper performance of duties as Supervisory Board members. In the Company's opinion, the above criteria are sufficient to ensure that members of the Supervisory Board work efficiently and to the benefit of the Company, and consequently, to the benefit of the Company's all shareholders.

II.Z.5. Each supervisory board member should provide the other members of the supervisory board as well as the Company's management board with a statement of meeting the independence criteria referred to in principle II.Z.4.

The Company does not apply the above principle. The principle is not applied because the II.Z.3. Principle is not applied either.

II.Z.6. The supervisory board should identify any relationships or circumstances which may affect a supervisory board member's fulfilment of the independence criteria. An assessment of supervisory board members' fulfilment of the independence criteria should be presented by the supervisory board according to principle II.Z.10.2.

The Company does not apply the above principle. The principle is not applied because the II.Z.3. Principle is not applied either.

II.Z.7. Annex I to the Commission Recommendation referred to in principle II.Z.4 applies to the tasks and the operation of the committees of the Supervisory Board. Where the functions of the audit committee are performed by the supervisory board, the foregoing should apply accordingly.

The Company does not apply the above principle. This principle is not applied because the II.Z.3 Principle related to the independence of supervisory board members is not applied either.

II.Z.8. The chairman of the audit committee should meet the independence criteria referred to in principle II.Z.4.

The Company does not apply the above principle. Pursuant to Article 86(3) of the Act on Auditors and Their Self-Government, Entities Authorised to Audit Financial Statements and on Public Oversight of 7 May 2009, the tasks of the audit committee are performed by the Company's Supervisory Board.

III.Z.3. The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.

The Company does not apply the above principle. The Company does not employ a person heading the internal audit function. The Company has implemented internal systems that are commensurate with the type and scale of operations.

III.Z.4. The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and table a relevant report.

The Company does not apply the above principle. The principle is not applied because the III.Z.3. Principle is not applied either.

General Meeting and Shareholder Relations

IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

The Company does not apply the above principle. This principle is not applied because it is not justified by the structure of shareholders. Immediately after the general meeting, the Company publishes – by means of a current report – resolutions adopted, allowing thus all shareholders to become familiar with all matters discussed during the general meeting.

Conflict of Interest and Related Party Transactions

V.Z.6. In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should, among others, provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

The Company does not apply the above principle. This principle does not apply to the determination of detailed criteria and circumstances in which a conflict of interest may arise in the Company. According to the Company, the provisions of the Company's Management Board Regulations and Supervisory Board Regulations pertaining to the possibility of a conflict of interest are sufficient.

Remuneration

VI.Z.1. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term financial standing of the company and long-term shareholder value creation as well as the company's stability.

Due to the fact that the Company does not have any incentive schemes, the principles related thereto are not applicable.

VI.Z.2. To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

Due to the fact that the Company does not have any incentive schemes, the principles related thereto are not applicable.

VI.Z.4. In this activity report, the company should report on the remuneration policy including at least the following:

- 1) general information about the company's remuneration system;**
- 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship – separately for the company and each member of its group;**
- 3) information about non-financial remuneration components due to each management board member and key manager;**
- 4) significant amendments of the remuneration policy in the last financial year or information about their absence;**
- 5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.**

The Company does not apply the above principle. The above principle is not applied because the Company did not adopt regulations on a remuneration policy. Remuneration of Management Board Members is determined by the Company's Supervisory Board, whereas Supervisory Board Members receive lump-sum remuneration on a monthly basis, the amount of which is set by the Company's General Meeting by way of its resolution. The amount of Management Board Members' remuneration is shown in a report on the Company's operations.

3. Description of Internal Audit and Risk Management Systems Applied at Issuer With Regard to Process of Drawing Up Financial Statements and Consolidated Financial Statements.

The Company keeps its account books in accordance with the principles and practice of accounting adopted by enterprises in Poland, as required by the provisions of the Accounting Act of 29 September 1994, as amended.

Account books are kept by the Company by means of the Navision IT system. Access to the information resources of the IT system is limited by appropriate powers of the authorised employees exclusively with respect to the performance of their duties.

With regard to the process of drawing up financial statements, a proper and efficient internal audit system is the key element of risk management. It is the Company's Management Board that is responsible for creating an efficient internal audit system that allows for drawing up fair financial statements, ensures effective and smooth Company's operations and compliance with relevant legal regulations, whereas the responsibility for the oversight of the functioning of such a system through assessing its adequacy and efficiency rests with the Company's Supervisory Board.

Implementing the internal audit system in the process of drawing up financial statements aims to ensure that all business transactions in a given period are recognised fairly, thoroughly and correctly.

In the process of drawing up Company's financial statements, one of the fundamental elements of the audit is verification of a financial statement by an independent auditor. An auditor is indicated by the Supervisory Board. Before it is published, every financial statement is made available exclusively to persons involved with the process of drawing up, checking and approving such a statement.

In addition, as part of audit mechanisms, the Company analyses accounting principles applied by subsidiaries and changes to such principles relating to recognising and calculating revenues and costs, as well as, if necessary, passes its comments and gives its recommendations.