



**REPORT OF THE MANAGEMENT BOARD
CONCERNING THE ACTIVITIES OF
LC CORP S.A.
AND
LC CORP S.A. CAPITAL GROUP
FOR YEAR 2018**

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1. PRINCIPLES OF PREPARATION OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF LC CORP S.A. AND LC CORP CAPITAL GROUP

Pursuant to the Accounting Act of 29 September 1994, the Management Board is responsible for ensuring that the annual report on the activities of the company and of the capital group in the financial year, including significant information about the economic standing, financial position, assessment of effects and identification of risk factors and description of hazards, is prepared. The said report can be prepared jointly with the report on the activities of the parent company – LC Corp S.A. in a single document.

This report on the activities of LC Corp S.A. (here "LC Corp", the "Company" or the "Issuer") and of LC Corp Capital Group (here the "Group") covers the period from 1 January 2018 until 31 December 2018

2. BASIC INFORMATION ABOUT THE COMPANY AND THE GROUP

The joint stock company LC Corp S.A. was formed with a notarial deed on 3 March 2006. On 15 March 2006 it was entered into the National Court Register (KRS) maintained by the District Court for Wrocław – Fabryczna in Wrocław, 6th Commercial Division of the National Court Register under KRS number 0000253077. The registered office of the Parent company is located in Wrocław at ul. Powstańców Śląskich 2-4.

The Company was assigned statistical business registration number (REGON) 020246398.

The duration of the activities of the Company and other entities forming the Group is not specified. The core business areas of the Company are:

- PKD 64.20.Z Activities of holding companies
- The core business area of subsidiaries is managing construction investments on land owned by those companies for further rental and sale of residential and commercial real property.

The Company is a parent company (controlling entity) for entities forming part of LC Corp Capital Group.

2.1. Members of the Capital Group and their share capitals

As at 31.12.2018, LC Corp Capital Group consisted of LC Corp S.A. and the following subsidiaries:

Name of subsidiary	Share capital as at 31.12.2018 in PLN	Effective interest of LC Corp S.A.	
		31.12.2018	31.12.2017
Arkady Wrocławskie S.A.	113,700,000	100 %	100 %
Sky Tower S.A.	23,100,000	100 %	100 %
Warszawa Przyokopowa Sp. z o.o.	33,003,000	100 %	100 %
Kraków Zielony Złocień Sp. z o.o.	13,530,000	100 % (directly and indirectly)	100 % (directly and indirectly)
LC Corp Invest I Sp. z o.o.	5,000	100 % (directly and indirectly)	100 % (directly and indirectly)
LC Corp Invest II Sp. z o.o.	88,800,000	100 %	100 %
LC Corp Invest III Sp. z o.o.	6,700,000	100 %	100 %
LC Corp Invest VII Sp. z o.o.	4,000,000	100 %	100 %
LC Corp Invest VIII Sp. z o.o.	13,500,000	100 %	100 %
LC Corp Invest IX Sp. z o.o.	4,700,000	100 %	100 %
LC Corp Invest X Sp. z o.o.	10,300,000	100 %	100 %
LC Corp Invest XI Sp. z o.o.	41,000,000	100 %	100 %
LC Corp Invest XII Sp. z o.o.	24,800,000	100 %	100 %
LC Corp Invest XV Sp. z o.o. Finance S.K.A. ¹⁾	210,000	100 % (indirectly)	100 % (indirectly)
LC Corp Invest XV Sp. z o.o.	305,000	100 %	100 %
LC Corp Invest XVI Sp. z o.o.	5,000	100 %	100 %

LC Corp Invest XVII Sp. z o.o.	5,000	100 %	100 %
LC Corp Invest XVIII Sp. z o.o. w likwidacji (in liquidation) ²⁾	180,000	100 %	100 %
LC Corp Invest XIX Sp. z o.o.	50,000	100 %	100 %
LC Corp Invest XX Sp. z o.o.	2,000,000	100 %	100 %
LC Corp Invest XXI Sp. z o.o.	5,000	100 %	100 %
LC Corp Invest XXII Sp. z o.o.	50,000	100 %	100 %
LC Corp Invest XXIII Sp. z o.o.	50,000	100 %	100 %
LC Corp Invest XXIV Sp. z o.o.	2,050,000	100 %	100 %
LC Corp Invest XV Sp. z o. o. Projekt 1 Sp. k. * ¹⁾	10,000	100 % (indirectly)	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 2 Sp. k. *	10,000	100 % (indirectly)	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 3 Sp. k. * ¹⁾	10,000	100 % (indirectly)	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 4 Sp. k. *	10,000	100 % (indirectly)	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 5 Sp. k. * ¹⁾	110,000	100 % (indirectly)	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 6 Sp. k. *	10,000	100 % (indirectly)	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 7 Sp. k. *	10,000	100 % (indirectly)	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 8 Sp. k. *	10,000	100 % (indirectly)	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 9 Sp. k. *	10,000	100 % (indirectly)	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 10 Sp. k. *	10,000	100 % (indirectly)	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 11 Sp. k. *	10,000	100 % (indirectly)	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 12 Sp. k. * ¹⁾	140,000	100 % (indirectly)	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 14 Sp. k. * ¹⁾	50,000	100 % (directly and indirectly)	100 % (directly and indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 20 Sp. k. *	85,910,000	100 % (directly and indirectly)	100 % (directly and indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 21 Sp. k. *	10,000	100 % (indirectly)	100 % (indirectly)
LC Corp Invest XV Sp. z o. o. Projekt 22 Sp. k. *	42,710,000	100 % (directly and indirectly)	100 % (directly and indirectly)
LC Corp Invest XV Sp. z o. o. Investments S.K.A.	91,905,080	100 % (directly and indirectly)	100 % (directly and indirectly)

* with regard to the fact that a limited partnership is a partnership, values disclosed in the table above as capital refer to capital contributions

- 1) On 13 December 2018 resolutions concerning the combination of the companies LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k. in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k. in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 12 Sp. k. in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 14 Sp. k. in Wrocław and LC Corp Invest XV Sp. z o.o. Finance Spółka komandytowo-akcyjna in Wrocław pursuant to Art. 492 par. 1 sub-paragraph 2) of the Code of Commercial Companies and Partnerships, by incorporating a new joint stock company LC Corp Service S.A. in Wrocław with the share capital amounting to PLN 630,000.00, divided into 630,000 ordinary, registered A class shares with the par value of PLN 1.00 each. The newly formed joint stock company will also acquire the assets of all the combined companies in exchange for the shares of the newly formed joint stock company. Upon combination the joint stock company LC Corp Service S.A. in Wrocław will also assume all the rights and obligations (liabilities) of all the combined companies. The combination was registered by Court on 9 April 2019.
- 2) On 25 October 2018 the partnership LC Corp Invest XVIII Sp. z o.o. w likwidacji Real Estate Sp. k. in Wrocław was incorporated as a result of transformation of LC Corp Invest XVIII Sp. z o.o. Real Estate S.K.A. in Wrocław. On 4 December 2018 the partners resolved to dissolve the partnership without liquidation proceedings. Pursuant to the decision of the District Court for Wrocław – Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, of 28 December 2018, the company LC Corp Invest XVIII Sp. z o.o. w likwidacji Real Estate Sp. k. was

deleted from the National Court Register and on 21 February 2019 also LC Corp Invest XVIII Sp. z o.o. Real Estate S.K.A. was deleted from the National Court Register.

2.2. Major changes in the Group from 1 January to 31 December 2018

- 1) On 24 April 2018, by way of resolution of the Extraordinary Meeting of Shareholders, the share capital of LC Corp Invest XVIII sp. z o.o. was increased to PLN 180,000, and LC Corp S.A. subscribed to all the new shares.
- 2) On 27 April 2018, by way of resolution of the Extraordinary Meeting of Shareholders, the share capital of LC Corp Invest XX sp. z o.o. was increased to PLN 1.000.000, and LC Corp S.A. subscribed to all the new shares.
- 3) On 22 May 2018, by way of resolution of the Extraordinary General Meeting of Shareholders, the share capital of LC Corp Invest XVIII sp. z o.o. Real Estate SKA was increased to PLN 120,000.
- 4) On 20 June 2018, as a result of amendment to the articles of association of LC Corp Invest XV sp. z o.o. Projekt 14 sp. k., the contribution of LC Corp S.A. was decreased from PLN 5,049 thousand to PLN 49 thousand, and the amount by which the contribution was decreased was disbursed to LC Corp S.A..
- 5) On 20 June 2018, as a result of amendment to the articles of association of LC Corp Invest XV sp. z o.o. Projekt 12 sp. k., the partners' contributions in the company were increased: contribution of the general partner LC Corp Invest XV sp. z o.o. from PLN 100 to PLN 1,400, contribution of the limited partner LC Corp Invest IX sp. z o.o. from PLN 4,900 to PLN 68,600, and contribution of the limited partner LC Corp Invest VIII sp. z o.o. from PLN 5,000 to PLN 70,000.
- 6) On 20 June 2018, LC Corp Invest XVII Sp. z o.o. sold all the shares (4,950) it held in LC Corp Invest XV Sp. z o.o. Finance S.K.A. to LC Corp S.A.
- 7) On 20 June 2018, by way of resolution of the Extraordinary General Meeting of Shareholders, the share capital of LC Corp Invest XV sp. z o.o. Finance SKA was increased to PLN 210,000. LC Corp S.A. subscribed to all shares in the increased capital.
- 8) On 29 June 2018, by way of resolution of the Extraordinary Meeting of Shareholders, the liquidation proceedings were opened for LC Corp Invest XVIII sp. z o.o.
- 9) On 20 July 2018, by way of resolution of the Extraordinary Meeting of Shareholders, the share capital of LC Corp Invest VIII sp. z o.o. was increased to PLN 13,600,000, and LC Corp S.A. subscribed to all the new shares.
- 10) On 20 July 2018, by way of resolution of the Extraordinary Meeting of Shareholders, the share capital of LC Corp Invest XX sp. z o.o. was increased to PLN 2,000,000. LC Corp S.A. subscribed to all the new shares.
- 11) On 24 August 2018, LC Corp S.A. acquired from Kraków Zielony Złocień Sp. z o. o. all the rights and obligations of a limited partner in LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k. and at the same time became the limited partner of that partnership.
- 12) On 24 August 2018, LC Corp S.A. acquired from LC Corp Invest XII Sp. z o. o. all the rights and obligations of a limited partner in LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k. and at the same time became the sole limited partner of that partnership.
- 13) On 24 August 2018, LC Corp S.A. acquired from Kraków Zielony Złocień Sp. z o. o. all the rights and obligations of a limited partner in LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k. and at the same time became the sole limited partner of that partnership.
- 14) On 24 August 2018, LC Corp S.A. acquired from Kraków Zielony Złocień Sp. z o. o. all the rights and obligations of a limited partner in LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. and at the same time became the limited partner of that partnership.
- 15) On 24 August 2018, LC Corp S.A. acquired from LC Corp Invest X Sp. z o. o. all the rights and obligations of a limited partner in LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. and at the same time became the sole limited partner of that partnership.
- 16) On 24 August 2018, LC Corp S.A. acquired from LC Corp Invest VIII Sp. z o. o. all the rights and obligations of a limited partner in LC Corp Invest XV Sp. z o.o. Projekt 12 Sp. k. and at the same time became the limited partner of that partnership.
- 17) On 24 August 2018, LC Corp S.A. acquired from LC Corp Invest IX Sp. z o. o. all the rights and obligations of a limited partner in LC Corp Invest XV Sp. z o.o. Projekt 12 Sp. k. and at the same time became the sole limited partner of that partnership.

- 18) On 17 September 2018, by way of resolution of the Extraordinary Meeting of Shareholders, the share capital of LC Corp Invest XXIV sp. z o.o. was increased to PLN 2,050,000. LC Corp S.A. subscribed to all the new shares.
- 19) On 25 October 2018 the partnership LC Corp Invest XVIII Sp. z o.o. w likwidacji Real Estate Sp. k. in Wrocław was incorporated as a result of transformation of LC Corp Invest XVIII Sp. z o.o. Real Estate S.K.A. in Wrocław was deleted from the National Register. On 4 December 2018 the partners resolved to dissolve the partnership without liquidation proceedings. Pursuant to the decision of the District Court for Wrocław – Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, of 28 December 2018, the company LC Corp Invest XVIII Sp. z o.o. w likwidacji Real Estate Sp. k. was deleted from the National Court Register and on 21 February 2019 also LC Corp Invest XVIII Sp. z o.o. Real Estate S.K.A. in Wrocław was deleted from the National Court Register.
- 20) On 13 December 2018 resolutions concerning the combination of the companies LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k. in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k. in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k. in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 12 Sp. k. in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 14 Sp. k. in Wrocław and LC Corp Invest XV Sp. z o.o. Finance Spółka komandytowo-akcyjna in Wrocław pursuant to Art. 492 par. 1 sub-paragraph 2) of the Code of Commercial Companies and Partnerships, by incorporating a new joint stock company LC Corp Service S.A. in Wrocław with the share capital amounting to PLN 630,000.00, divided into 630,000 ordinary, registered A class shares with the par value of PLN 1.00 each. The newly formed joint stock company will also acquire the assets of all the combined companies in exchange for the shares of the newly formed joint stock company. Upon combination the joint stock company LC Corp Service S.A. in Wrocław will also assume all the rights and obligations (liabilities) of all the combined companies. The combination was registered by Court on 9 April 2019.

Apart from the above-mentioned events, other significant changes in the Group's composition did not occur in the period from 1 January 2018 until 31 December 2018.

2.3. Business area

The business area of the Group is developer's activity connected with construction projects. The business area of LC Corp S.A. reflected in the statistical register of business activity REGON is activities of holding companies, buying and selling of own real estate, business management activities.

In 2018 LC Corp S.A. and the Group implemented a strategy compliant with its core business activity, i.e. investing activities comprising construction and sale of residential buildings (premises) and construction and rental of office and commercial space (office building Wola Center, shopping, service and office centre Arkady Wrocławskie, shopping, service and office centre Sky Tower, office building Silesia Star, office building Retro Office House and office building Wola Retro).

3. DESCRIPTION OF ACTIVITIES OF THE COMPANY AND OF THE GROUP IN 2018

In 2018, LC Corp S.A. completed tasks related to administration, management and corporate governance of its subsidiaries and organised financing of their investing activities. LC Corp SA also intensively acquired land for the needs of new investment projects in Warsaw, Kraków, Gdańsk and Wrocław. The subsidiaries of LC Corp S.A. operated in the building development market continuing commenced projects or preparing for commencement of construction projects and managing the shopping, service and office centres Arkady Wrocławskie and Sky Tower as well as office and service centres Wola Center, Silesia Star and Retro Office House.

3.1. Core products and services of the Company

The core business activity of the Company is providing holding (managerial, financial, administrative) services to subsidiaries.

The Company operates within the territory of Poland only.

The following tables present information about revenues and gains for the year ended on 31 December 2018 and for the year ended on 31 December 2017.

Activities of holding companies	Year ended on 31 December 2018	Year ended on 31 December 2017
Revenues		
Revenue from sales	89 601	21 700
Revenue from interest and discounts	18 556	16 415
Revenue from dividends	136 899	117 931
Other financial revenues	2 634	26 989
Other	746	779
Total revenues	248,436	183,814
Expenses		
Cost of operating activities	(96 633)	(48 393)
Cost of interest and discounts	(25 927)	(23 434)
Other financial expenses	(4 139)	(5 250)
Other	(1 870)	(3)
Total expenses	(128 570)	(77 080)
Profit (loss) before tax per segment	119 867	106 734
Assets and liabilities		
Total assets	1 503 327	1 470 516
Total payables	609 644	588 080

3.2. Core products and services of the Group

The main source of the Group's revenue in 2018 was sales of residential and business (service) premises accounting for 81.5% of the total revenues. Revenues of the Group from rental of commercial real property accounted for 18.5%.

The table below contains information for the year ended on 31 December 2018 regarding revenues and gains generated by respective segments of the Group (in kPLN):

Year ended on 31 December 2018	Rental services	Developer's activities	Activities of holding companies (other)	All activities
Total revenue from sales	147 645	648 960	129	796 734
Profit/ (loss) from sales before tax	99 231	201 216	129	300 576
Result per segment				

3.3. Information on selling markets

The Company operates for the benefit of its subsidiaries. The Company operates within the territory of Poland only.

The Capital Group operates in Poland and its key locations are big Polish cities: Warsaw, Wrocław, Kraków, Gdańsk, Łódź and Katowice.

In 2018, the revenues were generated by the building development activities of the Group's companies in the domestic market, and primarily in Wrocław, Warsaw, Kraków, Gdańsk and Łódź.

In 2018, in total 1710 residential and business premises were sold (pre-sale contracts: taking withdrawals into account, excluding preliminary contracts for premises – which constitutes a decrease by 16% compared to 2017r.), and title to 2036 residential and business premises was transferred by way of notarial deeds - which constitutes an increase by 13% compared to 2017.

The Group has consistently followed a strategy for diversifying the location of projects and expanding its activities in the housing market in Warsaw, Wrocław, Kraków and Gdańsk, which is reflected in the structure of sales in 2018.

The table below shows the number of pre-sold residential/business premises in respective cities (pre-sale agreements, taking withdrawals into account, excluding preliminary contracts for premises):

Pre-sale

City	Q4'2017	Q4'2018	January-December 2017	January-December 2018
Warsaw	265	125	959	734
Wrocław	104	40	409	289
Kraków	159	91	418	414
Gdańsk	71	57	238	272
Łódź	1	0	5	1
Total	600	313	2029	1710

-48%

-16%

and table showing the number of residential/business premises to which title was transferred by way of notarial deed:

Transfers

City	Q4'2017	Q4'2018	January-December 2017	January-December 2018
Warsaw	157	184	577	1017
Wrocław	116	2	318	396
Kraków	13	127	801	256
Gdańsk	0	70	100	365
Łódź	0	0	5	2
Total	286	383	1801	2036

+34%

+13%

In addition, as at 31 December 2018, the number of residential and business premises on offer amounted to 1123:

Offer

City	31.12.2018	available for use in 2019	available for use after 2019
Warsaw	393	661	62
Wrocław	292	503	203
Kraków	111	674	2011
Gdańsk	323	517	617
Łódź	4	0	0
Katowice	0	90	592
Total	1123	2445	3485

The subsequent stages are introduced adequately to the rate of sales of the specific project in order to ensure the optimum offering.

A description of the Group's projects: completed, pending and under preparation, follows.

3.4. Completed building development projects

Commercial projects

Project name	City	District	Segment	Construction end date	Area (m ²)
Wola Center	Warsaw	Wola	Office and service	Q3 2013	33,283
Arkady Wrocławskie	Wrocław	Krzyki	Office, shopping and service	Q2 2007	38,649
Sky Tower	Wrocław	Krzyki	Office, shopping and service	Q1 2013	52,659
Retro Office House	Wrocław	Stare Miasto	Office and service	Q1 2018	21,937
Silesia Star (Building A)	Katowice	Bogucice Zawodzie	Office and service	Q4 2014	14,910
Silesia Star (Budynek B)	Katowice	Bogucice Zawodzie	Office and service	Q3 2016	14,199

The table below presents NOI for commercial real property of the Company in 2017 and in 2018 as well as WALT

NOI for commercial real property (mEUR)	2017	2018	WALT
Arkady Wrocławskie	6.71	4.56	Office space – 3.9 Shopping space - 4.6
Sky Tower	6.59	6.55	Office space – 3.6 Shopping space - 4.7
Wola Center	7.06	7.27	Office space – 2.4 Shopping space - 4.4
Silesia Star (Building A)	2.14	2.26	Office space – 3.5 Shopping space - 6.6
Silesia Star (Building B)	1.14	1.80	Office space – 4.2 Shopping space - 7.7
Retro Office House		0.81	Office space – 5.0 Shopping space - 8.0

Significant rental agreements concluded after 31.12.2018 - not included in NOI

The table below presents the fair value of commercial buildings as at 31 December 2018 corresponding to values from expert appraisals or, accordingly, to preliminary contracts of sale of real property (Silesia Star and Retro Office House):

Real property		31.12.2018	
		Yield	Value in EUR
Wola Center	offices	5.90%	102.300.000
Arkady Wrocławskie	services	7.80%	69.340.000
	offices	7.80%	
Sky Tower	services	6.50%	121.400.000
	offices B1 & B3	6.5%	
	offices B2	6.5%	
Silesia Star	offices	8.36%	54.375.000
Retro Office House	offices	6.60	58.800.000
Wola Retro under construction	offices	6.00%	42.500.000

Housing projects

Project name	City	District	Segment	Construction end date	Number of residential and business premises	Area (m ²)
Przy Promenadzie (stages I-III)	Warsaw	Praga-Południe	Apartments, services	Q4 2010	730	48,160
Przy Promenadzie (stage IV)	Warsaw	Praga-Południe	Apartments, services	Q3 2016	202	9,773
Rezydencja Kaliska	Warsaw	Śródmieście-Ochota	Apartments, services	Q1 2011	101	7,430
Powstańców 33 (stages I-IV)	Żąbki near Warsaw		Apartments, services	Q4 2012	114	6,918
				Q3 2014	229	13,141
				Q3 2016	230	13,635
				Q3 2018	165	10,045
Na Woli (stages I-IV)	Warsaw	Wola	Apartments, services	Q4 2014	192	10,008
				Q4 2015	112	5,628
				Q1 2018	157	7,982
				Q4 2018	150	7,586
Poborzańska	Warsaw	Targówek	Apartments, services	Q2 2016	91	4,189
Mała Praga (stages I-III)	Warsaw	Praga Południe	Apartments, services	Q2 2016	140	7,409
				Q3 2017	217	11,359

				Q1 2018	158	8,124
Korona Pragi (stages I-III)	Warsaw	Praga Południe	Apartments, services	Q4 2017	170	8,988
				Q3 2018	171	8,992
				Q4 2018	173	9,086
Krzemowe (stages I-III)	Warsaw	Mokotów	Apartments	Q2 2017	159	8,604
				Q4 2017	244	11,917
				Q4 2018	130	6,622
Maestro (stages I-III)	Wrocław	Krzyki-Jagodno	Apartments	Q3 2012	176	9,352
				Q3 2013	160	8,829
				Q3 2017	125	7,126
Potokowa (stages I-III)	Wrocław	Maślice	Apartments and houses	Q2 2013	72	2,819
				Q3 2013	42	4,486
				Q2 2014	73	3,621
Graniczna (stages I-VI)	Wrocław	Fabryczna	Apartments	Q3 2013	173	9,200
				Q3 2014	179	8,716
				Q4 2015	187	9,688
				Q2 2016	125	6,449
				Q4 2016	168	9,103
				Q3 2017	168	9,119
Nowalia	Wrocław	Klecina	Terraced houses	Q1 2014	44	4,634
Brzeska 5	Wrocław	Krzyki	Apartments, services	Q4 2014	167	7,889
Stabłowicka 77 (stages I-II)	Wrocław	Fabryczna	Apartments	Q3 2014	73	4,259
				Q1 2015	60	3,159
Dolina Piastów	Wrocław	Fabryczna	Apartments	Q2 2016	176	9,278
Nowa Tęczowa	Wrocław	Stare Miasto	Apartments, services	Q1 2018	212	10,025
Sołtysowicka	Wrocław	Sołtysowice	Apartments	Q1 2018	165	9,486
Słoneczne Miasteczko (stages I-VI)	Kraków	Bieżanów- Prokocim	Apartments	Q4 2011	120	6,624
				Q4 2012	164	8,960
				Q3 2014	42	2,162
				Q4 2015	120	6,498
				Q2 2017	108	5,894
				Q4 2018	108	5,903
Okulickiego 59	Kraków	Mistrzejowice	Apartments, services	Q4 2012	146	6,701
Grzegórzecka (stages I-IV)	Kraków	Śródmieście	Apartments, services	Q2 2015	164	8,011
				Q4 2015	149	7,042
				Q1 2016	85	4,562
				Q1 2017	242	11,928
Centralna Park	Kraków	Czyżyny	Apartments	Q2 2017	150	7,055

(stages I-III)				Q1 2018	130	6,190
				Q4 2018	264	12,941
5 Dzielnica (stages I-II)	Kraków	Krowodrza	Apartments, services	Q1 2017	190	10,018
				Q3 2017	113	5,681
				Q4 2012	72	3,795
Przy Srebrnej (stages I-IV)	Gdańsk	Łostowice	Apartments, services	Q3 2014	28	1,734
				Q4 2014	46	2,104
				Q3 2016	32	1,687
Świętokrzyska Park (stages I-II)	Gdańsk	Łostowice	Apartments	Q1 2018	65	2,819
				Q4 2018	65	2,949
Przy Alejach (stages I-II)	Gdańsk	Zaspa	Apartments	Q2 2016	110	5,521
				Q2 2017	97	5,087
Bastion Wałowa (stages I-II)	Gdańsk	Śródmieście	Apartments	Q4 2017	230	12,336
				Q4 2018	230	12,339
Dębowa Ostoja (stage I)	Łódź	Bałuty	Terraced houses	Q3 2011	22	4,548
Pustynna 43 (stage I)	Łódź	Górna	Apartments	Q4 2012	38	2,884

3.5. Pending investment projects

Commercial projects

Project name	City	District	Segment	Construction start date	Planned construction end date	Area (m²)
Wola Retro	Warsaw	Wola	Office and service	Q2 2017	Q3 2019	25,655

Housing projects

Project name	City	District	Segment	Planned construction end date	Number of residential and business premises	Area (m²)
Powstańców 33 (stage V)	Ząbki near Warsaw		Apartments, services	Q2 2019	123	6,958
				Q1 2019	147	7,565
Na Woli (stages V-VIII)	Warsaw	Wola	Apartments, services	Q2 2019	147	7,567
				Q1 2020	301	15,610
				Q4 2020	177	9,575
Mała Praga (stage IV)	Warsaw	Praga Południe	Apartments, services	Q1 2019	235	12,058
Między Parkami (stage I)	Wrocław	Klecina	Apartments	Q1 2019	164	8,607

Kamienna (stages I-II)	Wrocław	Huby	Apartments, services	Q1 2021	253	13,082
				Q2 2021	186	9,765
Małe Wojszyce	Wrocław	Wojszyce	Apartments	Q2 2020	63	3,681
Słoneczne Miasteczko (stages VII-VIII)	Kraków	Bieżanów- Prokocim	Apartments	Q1 2019	108	5,878
				Q3 2020	108	5,811
Centralna Park (stages IV-V)	Kraków	Czyżyny	Apartments	Q4 2019	151	7,459
				Q1 2020	103	5,170
Świętokrzyska Park (stages III-V)	Gdańsk	Łostowice	Apartments	Q1 2019	65	2,950
				Q3 2019	65	2,969
				Q3 2020	108	5,258
Wałowa (stages III-IV)	Gdańsk	Śródmieście	Apartments	Q1 2021	139	7,182
				Q1 2021	115	4,065

3.6. Building development projects under preparation (to be launched in 2019)

Housing projects

Project name	City	District	Segment	Planned construction start date	Planned construction end date	Number of residential and business premises	Area (m ²)
Na Woli (stage IX)	Warsaw	Wola	Apartments	Q2 2019	Q1 2021	305	15,803
Mały Grochów (stages I-II)	Warsaw	Praga- Południe	Apartments, services	Q1 2019	Q4 2020	105	5,338
				Q3 2019	Q1 2021	137	7,015
Trzcínowa (stage I)	Warsaw	Itały	Apartments	Q4 2019	Q3 2021	114	5,864
Między Parkami (stages II-III)	Wrocław	Klecina	Apartments	Q1 2019	Q2 2020	116	7,188
				Q4 2019	Q1 2021	86	5,792
Nowa Raławicka	Wrocław	Krzyki	Apartments	Q1 2019	Q4 2020	231	14,149
Słoneczne Miasteczko (stage IX)	Kraków	Bieżanów- Prokocim	Apartments	Q1 2019	Q1 2021	102	5,849
Grzegórzecka (stage V)	Kraków	Śródmieście	Apartments, services	Q4 2019	Q3 2021	104	5,463
Centralna Park 2 (stage I)	Kraków	Czyżyny	Apartments, services	Q1 2019	Q2 2021	266	14,425
Mogilska (stages I-II)	Kraków	Grzegórzki	Apartments	Q3 2019	Q1 2021	65	3,031
				Q4 2019	Q1 2022	137	6,311
Świętokrzyska Park (stage VI)	Gdańsk	Łostowice	Apartments	Q2 2019	Q4 2020	54	2,630
Dąbrowszczaków	Gdańsk	Przymorze	Apartments, services	Q2 2019	Q3 2021	239	15,153

Gdańska	Gdańsk	Brzeźno	Apartments, services	Q4 2019	Q4 2021	87	5,156
Letnicka (stage I)	Gdańsk	Letnica	Apartments, services	Q2 2019	Q3 2021	137	7,682
Ceglana Brama (stage I)	Katowice		Apartments, services	Q2 2019	Q1 2021	90	5,303

In addition, further project stages will be launched depending on the rate of sales of the premises of the specific project.

3.7. Dependence of the Group on service providers and buyers

- Buyers of services

In 2018 the group's Companies, to the extent of sale of residential and business premises, were not dependent on any buyer of services with regard to the fact that the Group's clients are mainly individuals from a broadly interpreted consumer group.

- Service providers

In 2018 the Group's companies were not dependent on any special service providers – construction services are offered by many companies competing in the well-developed construction market in Poland, and the Group's companies use the services offered by different construction companies in order to eliminate the risk of dependence on one entity. The Group contracts construction works selecting contractors by tender and choosing the best bid. The Group's investments are completed in a general contracting system.

3.8. Significant contracts, insurance contracts

Neither the Company nor the companies from the Group concluded any significant contracts with the value accounting for at least 10% of of the Issuer's equity. In the remaining scope significant for the Group's companies such contracts (in particular those concerning real property financing and purchasing) are described in this report.

4. ACTIVITIES OF THE GROUP IN THE FINANCIAL PERIOD

4.1. Information about loans contracted/repaid by the Issuer and the Group's companies

Annex to the agreement of a loan contracted by LC Corp S.A. with Getin Noble Bank S.A. based on the loan agreement of 29 April 2014

On 22 June 2018 an annex to loan agreement of 29 April 2014 between LC Corp S.A. and Getin Noble Bank SA was concluded with regard to partial release of mortgage on real property being the collateral. Loan agreement collaterals also changed – sureties from subsidiaries that established collaterals in the form of mortgage on their real property were introduced along with a declaration of submission to enforcement pursuant to Art. 777 of the Code of Civil Procedure to be made by the borrower and by the entities establishing the collaterals. In addition, the loan-term end date was changed to 15 December 2018 and the value of LTV ratio also changed.

Annexes to the agreement of a loan contracted by LC Corp S.A. with Getin Noble Bank S.A. based on the loan agreement of 18 June 2014

On 15 February 2018 an annex to loan agreement of 18 June 2014 between LC Corp S.A. and Getin Noble Bank SA was concluded with regard to partial release of mortgage on real property being the collateral – issuing a promise of establishing separate ownership of respective premises without encumbrance for the benefit of the buyers under another stage of the project "Wola housing estate in Warsaw".

On 28 May 2018 another annex to the above-mentioned loan agreement was concluded with regard to partial release of mortgage on real property being the collateral. It introduced a need for declaration of submission to enforcement pursuant to Art. 777 of the Code of Civil Procedure to be made by the borrower and by entities establishing the collaterals.

On 21 December 2018 an annex was signed to extend the loan repayment term until 20 December 2019.

Annex to loan agreement concluded by Warszawa Przyokopowa Sp. z o.o. with Raiffeisen Bank Polska S.A. and release of a new tranche of the loan

On 20 September 2018 the company concluded an annex to the Loan agreement in which the amount of the investment loan was increased and the term of the loan was extended. The amount of investment loan granted that was agreed in that annex did not exceed EUR 54,335,241.03, of which not more than EUR 7,000,000 and not more than EUR 6,000,000 under new available tranches provided for in connection with the annex. Pursuant to the annex of 20 September 2018 the company released PLN 28,860 thousand from the loan amount.

Annexes to loan agreements concluded by LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. with Powszechną Kasą Oszczędności Bank Polski S.A.

On 20 December 2018 the company concluded an annex to Loan agreement of 14 May 2014 pursuant to which rental agreements were amended and the Borrower's blank promissory notes with endorsement being transaction collaterals were replaced with the Borrower's blank promissory notes with promissory note agreement and the Borrower's declaration of submission to enforcement pursuant to Art. 777 of the Code of Civil Procedure by virtue of promissory notes.

On 20 December 2018 the company concluded an annex to Loan agreement of 26 February 2016 pursuant to which rental agreements were amended, consent was given to conclude other rental agreements and the date by which the loan could be utilised was changed.

Annexes to loan agreement concluded by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. with a consortium of banks: mBank Hipoteczny S.A. and mBank S.A.

On 8 February 2018 the company concluded an annex to loan agreement of 20 December 2017 pursuant to which the provisions regarding collaterals were amended.

On 16 October 2018 the company concluded an annex to loan agreement of 20 December 2017 pursuant to which the date by which loan tranches should be utilised was changed and other provisions of the agreement were amended.

Full repayment of the bank loan of LC Corp S.A. with Getin Noble Bank S.A.

On 17 December 2018 the loan contracted in PLN under agreement concluded on 29 April 2014 with Getin Noble Bank S.A. was repaid in full.

Partial repayment of the bank loan of LC Corp S.A. with Getin Noble Bank S.A.

On 19 October 2018 the loan contracted in PLN under agreement concluded on 18 June 2014 with Getin Noble Bank S.A. was repaid in part. The amount repaid was PLN 4,800,000.

Closing the account of the revolving facility of LC Corp S.A. with Getin Noble Bank S.A.

On 20 June 2018, LC Corp S.A. submitted an instruction to close the account agreement regarding the revolving facility up to PLN 25 million contracted under the agreement concluded on 21 December 2016 between LC Corp S.A. and Getin Noble Bank S.A. with the original term of repayment by 31 December 2018.

Repayment of instalments of the bank loan by Arkady Wrocławskie S.A.

In 2018 the company Arkady Wrocławskie S.A. repaid the instalments of the loan contracted in EUR to Santander Bank Polska S.A. in the amount of PLN 8,975 thousand as scheduled. As at 31 December 2018 the total value of the debt in Polish zlotys was 96,264 thousand.

Repayment of instalments of the loan incurred by Sky Tower S.A. with a consortium of banks

In 2018 the company Sky Tower S.A. repaid, according to the schedule of repayment, the loan incurred in EUR with a consortium of banks: Getin Noble Bank S.A. and Alior Bank S.A. amounting to PLN 11,349 thousand. As at 31 December 2018 the total value of the debt in Polish zlotys was 201,605 thousand.

Repayment of loan instalments by Warszawa Przyokopowa Sp. z o.o.

In 2018 the company AWarszawa Przyokopowa Sp. z o.o. repaid the instalments of the loan contracted in EUR to Raiffeisen Bank Polska S.A. in the amount of PLN 12,658 thousand according to the repayment schedule. As at 31 December 2018 the total value of the debt in Polish zlotys was PLN 203,241 thousand.

Repayment of loan instalments by LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k.

In 2018 the company LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k., according to the loan agreement concerning the financing of the construction of the Silesia Star office complex stage I, repaid that loan in the

amount of PLN 3,862 thousand. As at 31 December 2018 the total value of debt by virtue of that loan in Polish zlotys was PLN 42,052 thousand.

In 2018 the company LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k, according to the loan agreement concerning the financing of the construction of the Silesia Star office complex stage II, repaid that loan in the amount of PLN 3,217 thousand. As at 31 December 2018 the total value of the debt in Polish zlotys was 53,543 thousand PLN

Repayment of loan instalments by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k

In 2018 the company LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k, according to the loan agreement concluded on 30 November 2016 with mBank Hipoteczny S.A., released the loan in the amount of PLN 48,326 thousand. As at 31 December 2018 the total value of debt by virtue of that loan in Polish zlotys was PLN 86,801 thousand.

In 2018 the company LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k., according to the revolving facility agreement concluded with mBank S.A. for the purposes of financing and refinancing VAT payments due to costs related to the Retro Office House project, repaid net instalments of the loan (amounts disbursed less amounts repaid) in PLN in the total amount of PLN 1,018 thousand. As at 31 December 2018 the total value of debt by virtue of that loan was PLN 168 thousand.

Repayment of loan instalments by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp.

In 2018 the company LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 22 Sp. k., according to the loan agreement concluded with mBank Hipoteczny S.A. and mBank S.A. for the purposes of partial financing of the Wola Retro project in Warsaw, released the EUR loan in the total amount of PLN 35,731. As at 31 December 2018 the total value of debt by virtue of that loan in Polish zlotys was PLN 35,649 thousand.

In 2018 the company LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k., according to the revolving facility agreement concluded with mBank S.A. for the purposes of financing and refinancing VAT payments due to costs related to the Wola Retro project, repaid net instalments of the loan (amounts disbursed less amounts repaid) in PLN in the total amount of PLN 138 thousand. As at 31 December 2018 the total value of debt by virtue of that loan was PLN 138 thousand.

Forward and IRS transactions concluded by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k

In 2018 the company LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k., according to the framework agreement of 30 November 2016 with subsequent amendments, concluded forward currency transactions with regard to forward and derivative transactions connected with the performance of the loan agreement of 30 November 2016 totalling PLN 49,196.8 thousand.

COLLAR transactions concluded by Arkady Wrocławskie S.A.

On 18 January 2018 the company Arkady Wrocławskie S.A., according to the Framework agreement regarding the mode of concluding and accounting for transactions signed on 29 December 2017 with Bank Zachodni WBK S.A., concluded a Collar transaction limiting the interest rate risk with regard to forward and derivative transactions connected with the performance of the provisions of the Annex of 29 December 2017 to the Loan Agreement of 28 February 2008 amounting to EUR 25 million. The transaction was concluded for the period from 18 January 2018 to 30 December 2022.

IRS transactions concluded by Warszawa Przyokopowa S.A.

The company concluded an IRS transaction with regard to forward and derivative transactions connected with the performance of the loan agreement amounting to EUR 2,628 million. The transaction was concluded for the period from 28 September 2018 to 30 June 2026.

Forward transactions concluded by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k.

The company LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k., according to the framework agreement of 8 February 2018, concluded a forward currency transaction with regard to forward and derivative transactions connected with the performance of the loan agreement of 20 December 2017 totalling PLN 30,723 thousand, with the maturity date by 30 September 2019.

4.2. Issuance, redemption of securities by LC Corp S.A.

1. On 28 February 2018, the issue of 45,000 uncollateralized 4-year coupon bonds with the value of PLN 1 thousand each, totalling PLN 45,000, took place according to the Bond Issue Scheme Agreement signed

with the banks Pekao S.A. in Warsaw and mBank S.A. (previously: BRE Bank S.A.) in Warsaw, to be redeemed on 28 February 2022.

2. On 19 April 2018 the company LC Corp S.A. redeemed, ahead of the maturity date, one investment note issued on 20 January 2011 taken up by Arkady Wrocławskie S.A.
3. On 24 April 2018 the company LC Corp S.A. redeemed, ahead of the maturity date, one investment note issued on 9 March 2012 taken up by Arkady Wrocławskie S.A.
4. On 1 October 2018, the Issuer established a new bond issue scheme up to PLN 400,000,000 (here: "Bond Issue Scheme"). In connection with the Bond Issue Scheme the Company concluded the Bond Issue Scheme Agreement with mBank S.A. in Warsaw on 2 October 2018. Under the Scheme the Company will be able to launch multiple issues of uncollateralized and dematerialized bearer bonds. The bonds issued under the Scheme will be offered for purchase according to Art. 33 par. 2 of the Act on Bonds of 15 January 2015. Decisions regarding subsequent issues to be launched under the Scheme and their values will be made based on the ongoing financing needs of the Company. Detailed bond issue parameters will be agreed prior to issuance of the specific class of bonds.
5. On 19 October 2018, LC Corp S.A. issued two- and four-year uncollateralized coupon bonds with variable rate of interest under the Bond Issue Scheme Agreement signed with mBank S.A. in Warsaw with the total nominal value of PLN 100,000,000 (i.e. nominal value of PLN 66,000,000 for four-year bonds redeemable on 19 October 2022 and nominal value of PLN 34,000,000 PLN for two-year bonds redeemable on 19 October 2020). The bonds were issued in Polish zlotys as uncollateralized, dematerialized coupon bearer bonds.
6. On 26 October 2018 the Issuer and Bank Polska Kasa Opieki S.A. and mBank S.A. signed an arrangement terminating the bond issue scheme agreement concluded on 27 July 2007 between the Issuer and the banks. According to this arrangement, the banks will serve the bonds issued under the Scheme that have not been redeemed at the date of the arrangement, until the day on which they are redeemed.
7. On 30 October 2018, the issue of 500 uncollateralized 5-year coupon bonds with the value of PLN 100 thousand each and total nominal value of PLN 50,000 thousand took place.

4.3. Payment of dividend by LC Corp S.A.

On 27 June 2018 the Ordinary General Meeting of LC Corp S.A. resolved to pay the dividend as follows:

- a) Amount of dividend: PLN 107.413.994,64
- b) Dividend value per share: PLN 0.24
- c) Number of shares covered by the dividend: 447,558,311 shares
- d) Dividend day: 23 July 2018
- e) Dividend payment date: 31 July 2018

According to the above-mentioned resolution, on 31 July 2018 LC Corp S.A. paid the dividend.

4.4. Payment of dividends by subsidiaries

- 1) On 28 March 2018, pursuant to the Resolution of the Ordinary General Meeting of LC Corp Invest VII Sp. z o.o. of 27 March 2018, dividend amounting to PLN 10,182 thousand was paid to LC Corp S.A.
- 2) On 10 May 2018, pursuant to the Resolution of the Ordinary General Meeting of Kraków Zielony Złocień Sp. z o.o. of 7 May 2018, dividend amounting to PLN 28,827 thousand was paid to LC Corp S.A.
- 3) On 25 May 2018, pursuant to the Resolution of the Shareholders of LC Corp Invest XV Sp. Projekt 14 Sp.k. of 22 May 2018, profit totalling PLN 1,025 thousand was paid to LC Corp S.A.
- 4) On 25 June 2018, pursuant to the Resolution of the Shareholders of LC Corp Invest XV Sp. Projekt 14 Sp.k. of 19 June 2018, advance on profit share for 2018 totalling PLN 400 thousand was paid to LC Corp S.A.
- 5) On 29 March 2018, pursuant to the Resolution of the Ordinary General Meeting of LC Corp Invest X Sp. z o.o. of 27 March 2018, dividend amounting to PLN 5,573 thousand was paid to LC Corp S.A.
- 6) On 29 March 2018, pursuant to the Resolution of the Ordinary General Meeting of LC Corp Invest XII Sp. z o.o. of 27 March 2018, dividend amounting to PLN 5,573 thousand was paid to LC Corp S.A.
- 7) On 29 March 2018, pursuant to the Resolution of the Ordinary General Meeting of LC Corp Invest III Sp. z o.o. of 29 March 2018, dividend amounting to PLN 2,781 thousand was paid to LC Corp S.A.
- 8) On 5 July 2018, pursuant to the Resolution of the Ordinary General Meeting of LC Corp Invest XV Sp. z o.o. of 18 June 2018, dividend amounting to PLN 644 thousand was paid to LC Corp S.A.

- 9) On 27 and 29 September 2018, pursuant to the Resolution of the Ordinary Meeting of Shareholders of the company Warszawa Przyokopowa Sp. z o. o. of 20 August 2018, dividend amounting to PLN 63,176 thousand was paid to LC Corp S.A.

4.5. Information about transactions concluded by the Issuer or the Group's companies with associates other than arm's length transactions

The Company or the Group's companies did not conclude transactions other than arm's length transactions.

4.6. Loan agreements concluded by the Group's companies with associates in 2018

Lender	Borrower	Date of contract	Rate of interest*	Contractual loan amount in kPLN	Maturity
LC Corp S.A	LC Corp Invest III Sp. z o.o	16.04.2018	5.49%	8,500	Unspecified
LC Corp S.A	LC Corp Invest III Sp. z o.o	10.05.2018	5.48%	2,660	Unspecified
LC Corp S.A	LC Corp Invest XX Sp. z o.o	14.05.2018	5.49%	6,500	Unspecified
LC Corp S.A	LC Corp Invest XXII Sp. z o.o	14.05.2018	5.49%	93	Unspecified
LC Corp S.A	LC Corp Invest XX Sp. z o.o	27.06.2018	5.48%	260	Unspecified
LC Corp S.A	LC Corp Invest XXII Sp. z o.o	29.06.2018	5.48%	120	Unspecified
LC Corp S.A	LC Corp Invest XX Sp. z o.o	12.07.2018	5.48%	300	Unspecified
LC Corp S.A	LC Corp Invest VIII Sp. z o.o	01.08.2018	5.48%	7,000	Unspecified
LC Corp S.A	LC Corp Invest XX Sp. z o.o	01.08.2018	5.48%	9,000	Unspecified
LC Corp S.A	LC Corp Invest XXII Sp. z o.o	07.09.2018	5.49%	100	Unspecified
LC Corp S.A	Kraków Zielony Złocień Sp. z o.o.	25.09.2018	5.18%	28,000	Unspecified
LC Corp S.A	Kraków Zielony Złocień Sp. z o.o.	30.10.2018	5.19%	5,000	Unspecified
LC Corp S.A	LC Corp Invest XXIV Sp. z o.o	14.11.2018	5.49%	14,000	Unspecified
LC Corp S.A	LC Corp Invest XX Sp. z o.o	21.11.2018	5.49%	2,000	Unspecified
LC Corp S.A	LC Corp Invest XX Sp. z o.o	20.12.2018	5.49%	2,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp.k.	24.04.2018	5.48%	20,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVII Sp. z o.o. Projekt 8 Sp.k.	17.09.2018	5.19%	500	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVII Sp. z o.o. Projekt 7 Sp.k.	17.09.2018	5.19%	500	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVII Sp. z o.o. Projekt 3 Sp.k.	17.09.2018	5.19%	500	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp.k.	01.10.2018	5.48%	1,000	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp.k.	31.10.2018	5.48%	2,500	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XVII Sp. z o.o. Projekt 12 Sp.k.	14.11.2018	5.49%	10	Unspecified
LC Corp Invest I Sp. z o.o.	LC Corp Invest XV Sp. z o.o. Finance S.K.A.	21.12.2018	5.49%	20	Unspecified
LC Corp Invest XI Sp. z o.o	LC Corp Invest I Sp. z o.o.	25.09.2018	4.14%	16,000	Unspecified
LCC Invest XV Sp. Z o.o. Investments S.K.A.	LC Corp Invest I Sp. z o.o.	25.09.2018	4.14%	16,000	Unspecified

* average value for 2018

4.7. Information on sureties and guarantees granted and received by the Company and the Group's companies in the respective financial year

In 2018 the Group's companies granted the following sureties and guarantees:

1. On 8 February 2018, a support agreement was concluded between LC Corp S.A. as the guarantor, the bank mBank Hipoteczny S.A. as the beneficiary and LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. as the borrower, regarding the agreement of the loan for the purposes of Wola Retro project in Warsaw, pursuant to which LC Corp S.A. in its capacity as guarantor will be, among other things, required to provide financial support to the borrower under circumstances determined in those agreements to the extent of construction costs coverage including the declaration of submission to enforcement pursuant to Art. 777 par. 5 of the Code of Civil Procedure up to EUR 3,576,261.90.
2. On 8 February 2018, a support agreement was concluded between LC Corp S.A. as the guarantor, the bank mBank Hipoteczny S.A. as the beneficiary and LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. as the borrower, regarding the agreement of the loan for the purposes of Wola Retro project in Warsaw, pursuant to which LC Corp S.A. in its capacity as guarantor will be, among other things, required to provide financial support to the borrower under circumstances determined in those agreements to the extent of debt service reserve coverage including the declaration of submission to enforcement pursuant to Art. 777 par. 5 of the Code of Civil Procedure up to EUR 558,660.50.
3. On 8 February 2018, a surety agreement was concluded between LC Corp S.A. as the guarantor, the banks mBank Hipoteczny S.A. and mBank S.A. and LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. as the borrower, regarding the agreement of the loan for the purposes of a stage of Wola Retro project in Warsaw, pursuant to which LC Corp S.A. in its capacity as guarantor will be, among other things, required to pay the secured claim up to the amount of partial payables of the borrower dependent on the fulfilment of DSCR level including the declaration of submission to enforcement pursuant to Art. 777 par. 5 of the Code of Civil Procedure.

The following table presents performance bonds and guarantees of remedying defects and faults received in 2018 by the Group's companies:

Subsidiary which received the guarantee	Entity obliged to provide guarantee	Type of guarantee	Amount of guarantee	Date of guarantee
LC Corp Invest X sp. z o.o.	EURO-STAHLSERVICE sp. z o.o.	Guarantee of remedying defects of faults no. 280000122534 of 28.12.2017	PLN 670,000.00	28.12.2017
LC Corp Invest XII sp. z o.o.	Przedsiębiorstwo Budowlane ARKOP sp. z o.o. sp.k.	DUPLICATE OF 02.02.2017 TO Annex No. 1 of 16 January 2018 to Performance bond and guarantee of remedying defects and faults no. PO/00673365/2015 of 14 December 2015. — introducing uniform text	PLN 1,943,916.75	16.01.2018
LC Corp Invest XV sp. z o.o. Projekt 11 sp.k.	TK-BUD sp. z o.o. sp.k.	Bank guarantee no. BOFH17010570GP/K	PLN 555,755.45	10.01.2018
Kraków Zielony Złocień sp. z o.o.	TK-BUD sp. z o.o. sp.k.	Bank guarantee no. BOFH17010568GP/K	PLN 328,733.80	23.01.2018
LC Corp Invest XV sp. z o.o. Projekt 10 sp.k.	Tomasz Tronina Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe TOMEX	Contract performance bond during warranty and guarantee term no. KLG49701IN18	PLN 60,068.29	12.03.2018
LC Corp Invest XV sp. z o.o. Projekt 4 sp.k.	NDI S.A.	Annex No. 1 to the Insurance guarantee of remedying defects and faults no. 12M/UL2015/13 issued in Warsaw on 15.04.2016	PLN 2,114,500.00	16.03.2018
LC Corp Invest XV sp. z o.o. Projekt 9 sp.k.	Instalbud Rzeszów sp. z o.o.	Amendment no. 1 to Bank guarantee no. 20108KMB17	From 05.04.2018: PLN 800,491.62	21.03.2018
LC Corp Invest XV sp. z o.o. Projekt 6 sp.k.	Instalbud Rzeszów sp. z o.o.	Amendment no. 4 to Bank guarantee no. 20054KPB17	To 12.06.2018: PLN 2,473,616.40 From 13.06.2018: PLN 694,513.55	22.03.2018
LC Corp Invest XV sp. z o.o. Projekt 2 sp.k.	Kalter sp. z o.o.	Bank guarantee no. 29102013320000119603471885	PLN 2,665,000.00	23.03.2018
LC Corp Invest X sp. z o.o.	Przedsiębiorstwo	Annex No. 1 of 26.03.2018 to	PLN 659,334.33	26.03.2018

	Budowlane ARKOP sp. z o.o. sp. k.	Performance bond and guarantee of remedying defects and faults no. PO/00615187/2014 of 30.09.2014		
LC Corp Invest XV sp. z o.o. Projekt 1 sp.k.	Przedsiębiorstwo Budowlane ARKOP sp. z o.o. sp. k.	Annex No. 1 of 26.03.2018 to Performance bond and guarantee of remedying defects and faults no. PO/00622399/2014 of 22.12.2014	PLN 460,150.22	26.03.2018
LC Corp Invest XV sp. z o.o. Projekt 1 sp.k.	Przedsiębiorstwo Budowlane ARKOP sp. z o.o. sp. k.	Annex No. 1 of 26.03.2018 to Performance bond and guarantee of remedying defects and faults no. PO/00657422/2015 of 20.07.2015	PLN 649,267.30	26.03.2018
LC Corp Invest XII sp. z o.o.	Przedsiębiorstwo Budowlane ARKOP sp. z o.o. sp. k.	Annex no. 1 to Insurance PERFORMANCE BOND and GUARANTEE of REMEDYING DEFECTS AND FAULTS no. 1PM/UL2017/14 of 01.03.2017.	PLN 2,044,815.15	10.04.2018
LC Corp Invest XII sp. z o.o.	Przedsiębiorstwo Budowlane ARKOP sp. z o.o. sp. k.	Annex no. 1 to Guarantee no. 424/CWU/138/7/2016	PLN 1,352,930.38	21.05.2018
LC Corp Invest XII sp. z o.o.	Przedsiębiorstwo Budowlane ARKOP sp. z o.o. sp. k.	Annex no. 1 to Guarantee no. 425/UWU/81/7/2016	PLN 676,465.19	21.05.2018
LC Corp Invest XVII sp. z o.o. Projekt 21 sp.k.	Budimex S.A.	Guarantee of remedying defects and faults no. DDF/21701/2018	PLN 2,949,250.00	19.07.2018
LC Corp Invest XX sp. z o.o.	Przedsiębiorstwo Budowlane Arkop sp. z o.o. sp. k.	Insurance performance bond and guarantee of defects and faults no. 2PM/UL2017/14	PLN 2,538,536.50	22.06.2018
LC Corp Invest XV sp. z o.o. Projekt 9 sp.k.	Budimex S.A.	Annex no. 1 to Bank guarantee no. 550011149	PLN 3,665,237.30	30.07.2018
LC Corp Invest XV sp. z o.o. Projekt 6 sp.k.	Instalbud Rzeszów sp. z o.o.	Amendment no. 6 to Bank guarantee no. 20054KPB17	To 12.12.2018: PLN 2,473,616.40 From 13.12.2018 to 11.08.2019: PLN 694,513.55	16.10.2018
LC Corp Invest XV sp. z o.o. Projekt 9 sp.k.	Budimex S.A.	Annex no. 2 to Bank guarantee no. 550011149	PLN 3,665,237.30	17.10.2018
LC Corp Invest XV sp. z o.o. Projekt 9 sp.k.	Budimex S.A.	Annex no. 1 to Bank guarantee no. 550011189	PLN 2,504,348.40	28.11.2018
LC Corp Invest XV sp. z o.o. Projekt 9 sp.k.	Budimex S.A.	Annex no. 3 to Bank guarantee no. 550011149	PLN 3,665,237.30	28.11.2018
LC Corp Invest XV sp. z o.o. Projekt 6 sp. k.	Instalbud Rzeszów sp. z o.o.	Amendment no. 8 to Bank guarantee no. 20054KPB17	To 31.03.2019: PLN 2,473,616.40 From 01.04.2019 to 11.08.2019: PLN 737,385.40	10.12.2018
LC Corp Invest XV sp. z o.o. Projekt 2 sp.k.	Fundamental Group S.A.	Guarantee of performance of contractual obligations of remedying defects and faults no. MT43093KMB18	PLN 1,330,574.03	7.12.2018

Apart from the above-mentioned guarantees, companies from LC Corp group, i.e. Arkady Wrocławskie S.A, Sky Tower S.A., Warszawa Przyokopowa Sp. z o.o., LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k., LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. oraz LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k., have bank guarantees securing the payment of rent and other payment for rental of premises rented by tenants in commercial facilities Arkady Wrocławskie, Sky Tower, Retro Office House in Wrocław, Wola Center and Wola Retro in Warsaw and Silesia Star in Katowice.

5. ECONOMIC, FINANCIAL AND INCOME POSITION OF THE COMPANY

	As at	As at
Basic economic and financial figures	31 December 2018	31 December 2017
	k PLN	k PLN
Fixed assets	1 098 861	1 085 681
Current assets	404 665	384 835

Equity capital (fund)	893 683	882 436
Liabilities and provisions for liabilities	609 644	588 080
Total assets	1 503 327	1 470 516
Revenue from sales of services, goods and commodities	89 601	21 700
Revenue from interest and discounts	18 556	16 415
Revenue from dividends	136 899	117 931
Other financial revenues	2 634	26 989
Other operating revenues	746	779
Total operating expenses	(128 570)	(77 080)
Profit/(loss) after tax	118 661	100 909

In 2018 LC Corp S.A. generated revenues from sales of services and goods amounting to PLN 89,601 thousand, revenue from interest and discounts amounting to PLN 18,556 and revenues amounting to PLN 136,899 thousand .

The Company disclosed net profit of PLN 118,661 thousand.

Apart from standard revenues and expenses generated by the activity, other factors and events that significantly affected the financial performance of LC Corp S.A. in 2018 were mainly dividends received and verification of impairment losses on interest in subsidiaries.

5.1. Explanation of differences between financial results disclosed in the annual report and the previously published forecast for the respective year

LC Corp did not publish financial performance forecasts in 2018.

5.2. Description of material off-balance sheet items according to the subjective, objective and value-related approach

Detailed information concerning off-balance items is contained in notes 29.2 and 29.4 of the Accounting principles (policy) and Additional explanatory notes to the financial statements of LC Corp S.A. for 2018.

5.3. Description of the structure of assets and liabilities in the separate balance sheet

	31 December 2018		31 December 2017	
Assets				
A. Fixed assets	1 098 861	73%	1 085 681	74%
1. Intangible assets	304	0%	384	0%
2. Tangible fixed assets	740	0%	730	0%
2.1. Fixed assets	703	0%	712	0%
2.2. Fixed assets under construction	37	0%	18	0%
3. Long-term loans and receivables	148 381	10%	170 612	12%
4. Long-term investments	944 562	63%	909 110	62%
5. Long-term prepayments	0	0%	0	0%
6. Deferred tax assets	4 874	0%	4 845	0%
B. Current assets	404 665	27%	384 835	26%
1. Inventories	172 511	11%	126 805	9%
2. Trade and other receivables	21 247	1%	4 950	0%

3. Income tax receivable	240	0%	0	0%
4. Current financial assets	90 724	6%	127 348	9%
5. Cash and cash equivalents	119 030	8%	125 271	9%
6. Short-term prepayments	714	0%	461	0%
C. Fixed assets classified as assets held for sale	0	0%	0	0%
Total assets	1 503 327	100%	1 470 516	100%

Liabilities				
A. Shareholder's equity	893,683	60%	882,436	60%
1. Initial capital	447 558	30%	447 558	30%
2. Called-up share capital not paid	0	0%	0	0%
3. Supplementary capital	324 396	22%	330 901	23%
4. Other reserve capitals	0	0%	0	0%
5. Other capitals	3 068	0%	3 068	0%
6. Retained profits/ (Uncovered losses)	118 661	8%	100 909	7%
B. Non-current payables	398 114	26%	391 136	27%
1. Non-current financial liabilities	398 095	26%	353 476	24%
2. Non-current payables due to the acquisition of a subsidiary	0	0%	37,641	3%
3. Reserves and provisions	19	0%	19	0%
4. Deferred income tax reserve	0	0%	0	0%
C. Current payables	211 530	14%	196 944	13%
1. Current financial liabilities	136 574	9%	142 386	10%
2. Current payables due to the acquisition of a subsidiary	38 996	3%	38 996	3%
3. Trade and other payables	26 291	2%	4 221	0%
4. Income tax payable	0	0%	0	0%
5. Reserves and provisions	0	0%	370	0%
6. Accrued costs and deferred income	9 669	1%	10 971	1%
Total liabilities	1 503 327	100%	1 470 516	100%

The most significant factors contributing to changes in the value of balance sheet items in the year ended on 31 December 2018:

- the change in non-current investments is linked with contributions to the capital of subsidiaries and revaluation of the impairment loss on interest in subsidiaries,
- the decrease in the value of long-term loans and non-current receivables is due to the partial repayment of receivables and moving them to current receivables,
- the increase in non-current financial payables is due to partial reclassification of loans and obligations,
- the decrease in payables due to acquisition of a subsidiary is linked to payment of the subsequent instalment in the course of the year.

5.4. Finance management assessment

Selected financial ratios:

Profitability ratios		2018	2017
1	Return on assets (ROA) (Net profit/ total assets)	7.9%	6.9%
2	Return on equity (ROE) (Net profit / equity)	13.3%	11.4%
Liquidity ratios			

1	Current ratio working assets/ (current payables)	2.0	2.1
2	Quick ratio working assets – inventories) / (current payables)	1.1	1.4
Debt ratios			
1	Debt to equity (total payables/ equity)	67.1%	65.4%
2	Debt to equity - net (total net payables/ equity)	41.3%	36.2%
3	Total debt (total payables/ total assets)	39.9%	39.2%

Financial ratios for 2018 confirm good financial condition of the Company. The increase in profitability and maintenance of liquidity at an unchanged level are particularly notable.

Financial risk management, financial instruments and capital management is described in the separate financial statements in notes 33, 34 and 35.

6. ECONOMIC, FINANCIAL AND INCOME POSITION OF THE GROUP

Basic economic and financial figures	As at 31 December 2018 kPLN	As at 31 December 2017 kPLN
Fixed assets	2 046 472	1 920 718
Current assets	1 528 196	1 378 931
Equity capital (fund)	1 497 799	1 448 376
Liabilities and provisions for liabilities	2 076 869	1 851 273
Total assets	3 574 668	3 299 649
Revenue from sales	796 734	706 187
Profit from sales before tax	300 576	260 827
Profit from operating activities	254 347	89 268
Net profit from economic activities	160 380	80 240
Profit after tax	160 380	80 240

In 2018 the Group generated net revenue from sales totalling PLN 796,734 thousand. Gross profit from sales amounted to PLN 300,576 thousand. Operating profit, including changes in valuation of commercial real property and other costs/revenues from activity, amounted to PLN 254,347 thousand, whereas the Group's net profit was PLN 160,380 thousand.

Factors and events that had significant influence on the financial performance of LC Corp Group in 2018 were, in particular:

1. sale of residential and service premises in developer's investments,
2. change in the exchange rate of Euro resulting in an increase in the fair value of investment property measured in Euro and converted into PLN amounting to PLN 54,213 thousand and an increase in the value of payables due to loans denominated in Euro, contracted in connection with the construction of investment property, amounting to PLN 17,846 thousand.
3. revaluation, as at the end of 2018, of commercial real property of the companies: Arkady Wrocławskie S.A., Warszawa Przyokopowa Sp. z o.o., Sky Tower S.A., LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k., LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k and LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k., and in particular decrease in the value of Arkady Wrocławskie in connection with the change of situation on the local market of commercial real property in Wrocław and first valuation of the Wola Retro building under construction in connection with significant advancement of construction works and commercialisation of the building.

6.1. Explanation of differences between financial results disclosed in the annual report and the previously published forecast for the respective year

LC Corp Capital Group did not publish financial performance forecasts in 2018.

6.2. Description of material off-balance sheet items according to the subjective, objective and value-related approach

Detailed information concerning off-balance items is contained in notes 28.3 and 28.5 of the Accounting principles (policy) and Additional explanatory notes to the consolidated financial statements of the Group for 2018.

6.3. Description of the structure of assets and liabilities in the consolidated balance sheet, including from the point of view of liquidity of the Capital Group

	31 December 2018		31 December 2017	
Assets				
A. Fixed assets	2 046 472	57%	1,920,718	58%
1. Intangible assets	382	0%	452	0%
2. Tangible fixed assets	5 632	0%	5 749	0%
3. Non-current receivables	12 749	0%	11 684	0%
4. Land classified as fixed assets	86 400	2%	86 254	3%
5. Investment property	1 929 475	54%	1 804 524	55%
6. Long-term prepayments	659	0%	2 459	0%
7. Deferred tax assets	11 175	0%	9 596	0%
B. Current assets	1 528 196	43%	1 378 931	42%
1. Inventories	979 083	27%	977 865	30%
2. Trade and other receivables	52 767	1%	31 972	1%
3. Income tax receivable	3 030	0%	1 191	0%
4. Current financial assets	20 290	1%	16 915	1%
5. Cash and cash equivalents	467 698	13%	344 248	10%
6. Short-term prepayments	5 328	0%	6 740	0%
C. Fixed assets classified as assets held for sale	-	0%	-	0%
Total assets	3 574 668	100%	3 299 649	100%
Liabilities				
A. Shareholder's equity	1 497 799	42%	1 448 376	44%
I. Equity capital allocated to shareholders of the parent entity	1 497 799	42%	1 448 376	44%
1. Initial capital	447,558	13%	447 558	14%
2. Other capitals	889,861	25%	920 578	28%
3. Profit/ (Loss) after tax	160,380	5%	80 240	2%
II. Non-controlling shares	-	0%	-	0%
B. Non-current payables	1 207 757	34%	1 047 931	32%
1. Non-current loans and bonds payable	1 092 854	31%	902 108	27%
2. Non-current payables due to the acquisition of a subsidiary	-	0%	37 641	1%
3. Reserves and provisions	22	0%	22	0%
4. Deferred income tax reserve	114 881	3%	108 160	3%
C. Current payables	869 112	24%	803 342	24%
1. Current loans and bonds payable	121 611	3%	179 601	5%
2. Current payables due to the acquisition of a subsidiary	38 996	1%	38 996	1%
3. Current trade and other pavables	142 049	4%	118 423	4%

4. Income tax payable	13 022	0%	9 257	0%
5. Reserves and provisions	3 060	0%	1 799	0%
6. Accrued costs and deferred income	550 374	15%	455 266	14%
Total liabilities	3 574 668	100%	3 299 649	100%

The most significant factors contributing to changes in the value of balance sheet items in the year ended on 31 December 2018:

- the increase in Investment property is in the first place linked to a decrease in the exchange rate of Euro from 4.1709 to 4.3000 and with new expenditure on such investments incurred in 2018 and their valuation at the end of 2018 (Note 19 to the consolidated financial statements),
- the decrease in payables due to acquisition of a subsidiary is linked to payment of the subsequent instalment amounting to PLN 40,400 thousand in the course of the year.
- the increase in Accrued costs and deferred income is linked to the increase in realised developer's sales (refers to payments from clients).

In the opinion of the Management Board the liquidity of the Group is very good – cash and current financial assets ensure timely repayment of current financial payables. Non-current payables mainly comprise loans refinancing investment property: Arkady Wrocławskie, Sky Tower, Wola Center, Silesia Star Stage 1 and 2, Retro House Office and Wola Retro under construction. The repayment of those loans is secured by proceeds from investment property (due to rental agreements). The realised proceeds from sales of apartments in the investments in Warsaw, Wrocław, Kraków, Gdańsk, are a source of repayment both for corporate obligations and loans financing the Group's housing segment.

6.4. Finance management assessment

Selected financial ratios:

Profitability ratios		2018	2017
1	EBITDA (<i>kPLN</i>) (profit/loss from operating activities + depreciation)	255 504	90 302
2	EBITDA (<i>kPLN</i>) (no revaluations, write-offs, reversal of reserves)	244 320	209 592
3	Operating profit margin (EBITDA / net revenues from sales)	32.1%	12.8%
4	Operating profit margin (no revaluations, write-offs, reversal of reserves)	30.7%	29.7%
5	Net operating profit margin (Profit after tax/ net revenues from sales)	20.1%	11.4%
6	Return on assets (ROA) (Net profit/ total assets)	4.5%	2.4%
7	Return on equity (ROE) (Net profit / equity)	10.7%	5.5%
Liquidity ratios			
1	Current ratio working assets/ (current payables)	5.0	4.1
2	Quick ratio working assets – inventories) / (current payables)	1.8	1.2
Debt ratios			
1	Debt to equity (total payables/ equity)	93.2%	88.2%
2	Debt to equity - net (total net payables/ equity)	56.2%	60.2%
3	Net debt to equity ND/E (net interest bearing debt / equity)	52.5%	56.2%

4	Total debt (total payables/ total assets)	39.0%	38.7%
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Financial ratios for 2018 indicate that financial and economic condition of the Group is good. The aforementioned is confirmed by changes in profitability ratios and decreased level of debt with the level of liquidity being simultaneously maintained.

Financial risk management, financial instruments and capital management is described in the consolidated financial statements in notes 34, 35 and 36.

7. INFORMATION ABOUT PROCEEDINGS PENDING BEFORE COURTS, ARBITRATION COURTS OR PUBLIC ADMINISTRATION AUTHORITIES

Currently no court litigation, arbitration or administrative proceedings are pending with regard to liabilities or claims of LC Corp S.A. or its subsidiaries the value of which would be significant from the point of view of the financial position of the Group's companies. The subsidiaries of LC Corp S.A. are a party to court and administrative proceedings the value of which has no material impact on their business or financial condition. Other litigation mostly refers to claims of the subsidiaries of LC Corp S.A. sought from their debtors.

8. OTHER EVENTS SIGNIFICANTLY AFFECTING THE GROUP'S ACTIVITIES FOLLOWING THE END OF THE FINANCIAL PERIOD UNTIL DATE OF APPROVAL OF THE FINANCIAL STATEMENTS OF LC CORP S.A. AND CONSOLIDATED FINANCIAL STATEMENTS OF LC CORP S.A. CAPITAL GROUP

8.1. Partial repayment of a bank loan by Arkady Wrocławskie S.A.

On 21 March 2019 the Company Arkady Wrocławskie S.A. partially repaid the bank loan amounting to EUR 5 million to Santander Bank Polska S.A. granted under the syndicated loan agreement concluded on 28.02.2008 including subsequent annexes thereto.

8.2. Changes in the Group's companies

- 1) On 11 March 2019, by way of resolution of the Extraordinary Meeting of Shareholders, the share capital of LC Corp Invest XIX sp. z o.o. was increased by PLN 10,000, that is, to PLN 60,000, and LC Corp S.A. took up all the new shares. The change in the amount of share capital was registered by the Court on 28 March 2019.
- 2) On 11 March 2019, by way of resolution of the Extraordinary Meeting of Shareholders, the share capital of LC Corp Invest XXI sp. z o.o. was increased by PLN 5,000, that is, to PLN 10,000, and LC Corp S.A. took up all the new shares. The change in the amount of share capital was registered by the Court on 22 March 2019.
- 3) On 11 March 2019, by way of resolution of the Extraordinary Meeting of Shareholders, the share capital of LC Corp Invest XXII sp. z o.o. was increased by PLN 10,000, that is, to PLN 60,000, and LC Corp S.A. took up all the new shares. The change in the amount of share capital was registered by the Court on 09 April 2019.
- 4) On 11 March 2019, by way of resolution of the Extraordinary Meeting of Shareholders, the share capital of LC Corp Invest XXIII sp. z o.o. was increased by PLN 10,000, that is, to PLN 60,000, and LC Corp S.A. took up all the new shares. The change in the amount of share capital was registered by the Court on 10 April 2019.
- 5) The Company LC Corp Invest XVIII Sp. z o.o. in liquidation completed the process of company liquidation on 7 February 2019. The Company has not been deleted from the National Court Register yet.
- 6) On 18 April 2019, LC Corp S.A. as the sole shareholder set up a new limited liability company with its share capital amounting to PLN 5 thousand. The Company has not been entered into the National Court Register yet.

8.3. Buying and selling real property by the Group's companies

- 1) On 8 February 2019 the Issuer as the Buyer acquired the ownership title to real property in Wrocław at Mglista Street, covering an area of 0.3437 ha, from an unaffiliated entity. The Company intends to complete

an investment project with the estimated number of 44 residential premises in the said real property. Sales under this investment project are planned to commence in Q4 2019.

- 2) On 5 March 2019 the Issuer as the Buyer acquired the ownership title to real property in Wrocław at Cynamonowa Street, covering an area of 0.6928 ha, from an unaffiliated entity. The Company intends to complete an investment project with the estimated number of 126 residential premises in the said real property. Sales under this investment project are planned to commence in Q1 2022.
- 3) On 14 March 2019 the Issuer as the Buyer acquired the ownership title to real property in Wrocław at Reja Street, covering an area of 0.1413 ha, from an unaffiliated entity. The Company intends to complete an investment project with the estimated number of 57 residential premises and 4 business premises in the said real property. Sales under this investment project are planned to commence in Q1 2020.
- 4) On 18 March 2019 the Issuer as the Buyer acquired the ownership title to real property in Warsaw at Rokokowa Street, covering an area of 0.8564 ha, from an unaffiliated entity. The Company intends to complete an investment project with the estimated number of 29 residential premises in the said real property. Sales under this investment project are planned to commence in Q3 2019.
- 5) On 22 March 2019, the Issuer's subsidiary - LC Corp Invest XV sp. z o.o. Projekt 4 Sp. k. sold the right of perpetual usufruct to plot 161/3 with an office building situated in Gdańsk at Wałowa Street to an unaffiliated entity.

8.4. Borrowing agreements concluded by companies from the Group

- 1) On 27 February 2019, the company Warszawa Przyokopowa sp. z o.o. and the company LC Corp S.A. concluded an agreement to borrow EUR 5 million on an arm's length basis for an unspecified period of time.
- 2) On 27 February 2019, the company LC Corp S.A. and the company Arkady Wrocławskie S.A. concluded an agreement to borrow EUR 5 million on an arm's length basis for an unspecified period of time for the purposes of partial repayment of the bank loan.
- 3) On 3 April 2019, the company LC Corp S.A. and the company LC Corp Invest XX Sp. z o.o. concluded an agreement to borrow PLN 6.5 million on an arm's length basis for an unspecified period of time.

8.5. Mergers of the Issuer's subsidiaries

On 9 April 2019 the District Court for Wrocław- Fabryczna in Wrocław, 6th Commercial Division of the National Court Register registered the merger of LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k., LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k., LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k., LC Corp Invest XV Sp. z o.o. Projekt 12 Sp. k., LC Corp Invest XV Sp. z o.o. Projekt 14 Sp. k. and LC Corp Invest XV Sp. z o.o. Finance S.K.A. The above-mentioned companies were combined pursuant to Art. 492 par. 1 sub-paragraph 2) of the Code of Commercial Companies and Partnerships, by incorporating a new joint stock company LC Corp Service S.A. in Wrocław with the share capital amounting to PLN 630,000.00. The newly formed joint stock company acquired the assets of all the combined companies in exchange for the shares of the newly formed joint stock company.

8.6. Signing a letter of intent and preliminary contracts of sale of the real property Retro Office House in Wrocław and Silesia Star in Katowice

- 1) On 6 February 2019 the Issuer and an international investor in commercial real property signed a letter of intent regarding the sale of real property in Poland incorporating two office buildings: (i) Retro Office House office building situated in Wrocław at the intersection of Piłsudskiego and Komandorska Streets; and (ii) a complex of two office buildings Silesia Star located in Katowice at Al. Roździeńskiego and Uniwersytecka Street. Having signed the letter of intent, the Issuer and the buyer started negotiating the terms and conditions of sale. In the letter of intent the Issuer and the buyer agreed on a total selling price of EUR 113 million, on a debt-free and cash-free basis, to be adjusted, i.a. based on the findings of due diligence audit. Other provisions of the letter of intent, including those referring to the terms and conditions of business, did not deviate from standard provisions for such documents.
- 2) On 11 April 2019 the Issuer's subsidiaries: LC Corp Invest XVII sp. z o.o. Projekt 20 Sp. k. ("P20") and LC Corp Invest XVII sp. z o.o. Projekt 21 Sp. k. ("P21"), acting as the seller (collectively "Sellers"), and, accordingly, Ingadi sp. z o.o. ("Ingadi") and Artigo sp. z o.o. ("Artigo"), acting as the buyer (collectively

"Buyers"), concluded pre-sale contracts under one portfolio transaction concluded between groups of companies regarding the sale of:

- a) the right of perpetual usufruct of plots of land situated in Katowice at Al. Roździeńskiego and Uniwersytecka Street including the ownership title to two office buildings situated within those plots and to structures known as "Silesia Star" buildings as well as tangible and intangible assets linked to this real property, owned by P20 and covered by a pre-sale contract with Artigo, the price of which was agreed as EUR 54,375,000 (plus applicable VAT and costs of transaction),
- b) the ownership title to plots of land situated in Wrocław at Piłsudskiego Street and Komandorska Street, including an office building located within those plots known as "Retro Office House", as well as tangible and intangible assets linked to this real property, now owned by and covered by a pre-sale contract with Ingadi, the price of which was agreed as EUR 58,800,000 (plus applicable VAT and costs of transaction).

The Parties agreed the total price of both transactions as EUR 113,175,000 (plus applicable VAT and costs of transaction). The promised agreements should be concluded by 15 August 2019 and it is dependent on the fulfilment of the following condition precedent:

- (i) tax interpretations confirming the position of the Parties must be issued and
- (ii) the Parties must obtain all necessary consents
- (iii) the crediting banks must issue letters regarding the repayment of loans contracted for building construction purposes by P20 and P21, and;
- (iv) the Company must grant surety to Buyers.

In the concluded pre-sale contracts the Sellers submitted standard representations and warranties to the Buyers and indemnified the Buyers and held them harmless from customary liability for such transactions.

In addition, according to arrangements between the Parties, the Sellers undertook to provide the Buyers with 5-year rent guarantees (covering, for instance, surfaces that are not rented), secured by sureties granted by the Company (as the guarantor for P20 and P21 as Sellers and debtors). Based on the following sureties the Company will guarantee:

- (i) that P20 and P21 will fulfil the obligations and liabilities of P20 and P21 under the Promised Agreements, and
- (ii) that P20 and P21 will fulfil the obligations and liabilities of P20 and P21 related to the finish works of tenants indicated in the Promised Agreements, and
- (iii) that P20 and P21 will fulfil the obligations and liabilities of P20 and P21 under rent guarantee agreements referred to in Pre-Sale Contracts, and
- (iv) that the Company will accede to the debts of P20 and P21 following from the obligations and liabilities of P20 and P21 under the Promised Agreements and rent guarantee agreements, in case of discontinuation of activities, liquidation or dissolution of the Sellers' business as described in the sureties.

Apart from the above-mentioned events no other significant events occurred after 31 December 2018 that could significantly affect the financial performance of LC Corp Capital Group.

9. DESCRIPTION OF FACTORS SIGNIFICANT TO THE DEVELOPMENT OF THE COMPANY AND THE GROUP AND PROSPECTS FOR THE COMPANY'S AND THE GROUP'S DEVELOPMENT

9.1. Risk factors

The risk factors described below, according to the Issuer's current best knowledge, are exhaustive in the Issuer's opinion. However, the Issuer reserves that as a result of activities of the Group's companies, the presented list of risks, may change. In the future random risks beyond the Group's control that are difficult to foresee at present may occur. Presenting the risk factors in the following sequence, the Issuer was not guided by the likelihood of their occurrence or the evaluation of their relevance.

Risk connected with the situation in financial and real property markets

Factors that might negatively affect the Group's activity include the policy of the banking sector in relation to developer's companies, since the scale of crediting for developer's companies will have a significant impact on

the scale of launching new projects. Also, the policy of the banking sector in relation to individuals regarding mortgage loans is a significant risk factor. Stringent criteria used by banks to assess credit worthiness of clients resulted in a credit worthiness barrier for many new potential buyers. The lack of new crediting solutions and low availability of loans may be a factor reducing the demand for new apartments and houses. It is also difficult to forecast the situation on bonds markets used by the Group's companies for financing purposes.

The situation on the housing market (demand/supply fluctuations) also has a significant impact on the Group's activities. The situation on the commercial real property market also has a significant influence since it determines the levels of rent and the values of commercial real property (through realised market yield). The housing market still expects an increase in prices of apartments, which may be affected by the fact that the prices of real property for building purposes have been systematically going up along with the costs of construction. In addition, the amount of such real property was limited by regulations on trading in agricultural land. Furthermore, the number of premises bought for investment purposes can also increase as purchasing real property is deemed a better capital investment than bank deposits unless the rates of interest rise and the trend will stop.

Currency risk

In companies managing commercial real property revenues from rental and liabilities under financing agreements are denominated in Euro (EUR). As a consequence, the Group is exposed to currency risk related to fluctuations in PLN/EUR exchange rate.

Currency risk following from currency loan service is reduced by receiving rent indexed to the currency of the loan financing the project. The risk due to time gap between invoicing and repayment of the loan is reduced, depending on the market situation, by purchasing the right amount of foreign currency at rent invoicing dates.

Currency risk is also inclusive of balance sheet valuation of commercial real property and valuation of loans (financing such investments) that as at the balance sheet date are converted from EUR into PLN at the average rate of NBP applicable on that day.

A decrease in EUR exchange rate results in a decrease in the fair value of investment property measured in EUR and converted into PLN, which is reflected in the "consolidated comprehensive income statement" under "Revaluation of non-financial fixed assets" and a decrease in the value of payables due to loans in EUR contracted in connection with the construction of investment property, which is included in the "consolidated comprehensive income statement" under "Financial income". As a result, a decrease in EUR exchange rate will decrease the consolidated profit before tax.

Analogously, an increase in EUR exchange rate causes an increase in fair value of investment property measured in EUR and converted into PLN, which is reflected in the "consolidated comprehensive income statement" under "Revaluation of non-financial fixed assets" and an increase in the value of payables due to loans in EUR contracted in connection with the construction of investment property, which is included in the "consolidated comprehensive income statement" under "Financial income". As a result, an increase in EUR exchange rate will increase the consolidated profit before tax.

The fair value measurement of assets in EUR (investment property), presented in the financial statements at an average rate of the National Bank of Poland (NBP) and measurement of loans denominated in EUR, presented in the statements at the same rate, can result in significant unrealised exchange adjustments. The table below illustrates the sensitivity of net profit/loss on possible fluctuations in the exchange rate of Euro assuming that other factors remain unchanged. With regard to high instability of the exchange rate of Euro in recent years the sensitivity of the financial result (profit/loss) for the year is presented with a change by PLN 0.20.

	Increase/decrease in the exchange rate in PLN	Impact on net profit/loss in k PLN	Impact on equity in k PLN
31 December 2018	+ 0.20	41,160	41,160
(audited)	- 0.20	(41 160)	(41 160)
31 December 2017	+ 0.20	42,312	42,312
(audited)	- 0.20	(42 312)	(42 312)

The change in EUR exchange rate is of non-monetary nature and it has no effect on the current situation and operating activities of the Group's companies.

Interest rate risk

Interest rate risk mainly refers to non-current financial payables based on a variable rate of interest. The risk is partly offset by rent revenue indexing in the Group's companies managing commercial facilities. In some companies financed by long-term investment loans, according to provisions of such loan agreements, interest rate hedges are concluded and hedge accounting is in place. However, the risk of increasing rates of interest can be also reflected in decreased availability of loans for the purposes of financing the purchase of residential premises by the group's clients and decreasing the attractiveness of investment purchase of residential premises for rent as an alternative to bank deposits. In addition, with regard to the fact that the Company additionally finances its activity by issued bonds and loans mostly based on a variable rate of interest, changes in the rate of interest will also be directly reflected in its financial performance.

Credit risk

The Group attempts to enter into transactions with renowned entities having good credit rating. In addition, thanks to continuous monitoring of accounts receivable, the exposure of the Group to the risk of bad debts is insignificant.

With reference to the Group's other financial assets such as cash and cash equivalents, the Group's credit risk is minimum since the Group deposits its funds with banks having good and stable financial standing. No significant credit risk concentrations occur in the Group.

Liquidity risk

The Group aims to maintain balance between the continuity and flexibility of financing by making use of various sources of financing such as bank loans and bond. The Group has its own funds to secure its ongoing activities and investments but in order to expand its activity it must obtain further financing by concluding bank loans or issuing bonds. The Company aims at aligning the dates of repayment of subsequent instalments with proceeds from the sale of respective projects. With regard to the current situation on the market of corporate bonds, access to this source of financing may be difficult. Therefore, there is a risk that debt financing parameters such as amounts, terms and costs may become deteriorated.

Risk connected with implementation of building development projects

Implementation of building development projects is accompanied by many significant risks with regard to the legal and technical complexity of such projects. The risks include, in particular, failure to obtain authorisation to use land according to the Group's plans, delays in completion of construction works, costs exceeding costs assumed in the budget due to adverse weather, insolvency of contractors or subcontractors, increase in costs of general contracting, increase in the cost of construction materials, labour disputes at contractors' or subcontractors', deficiency of construction materials or equipment, unfortunate incidents or unforeseen technical difficulties, impossibility to obtain building commissioning permits or other required authorisations, or changes in regulations governing the use of land. Occurrence of any of these risks may result in delaying the building development project, increase of costs or loss of income, freezing of funds invested in purchasing real property for building development projects, and in some cases inability to complete the project, which may have a significant negative impact on the activities, financial standing or performance of the Group.

Risk connected with increased costs of construction

In addition to increasing prices of real property a significant risk is also posed by continually increasing project performance costs due to higher prices of construction materials and the deficit and rising pay of construction workers as well as a high number of completed projects. An increase in the prices of construction and materials will significantly affect the profitability of projects in the absence of a proportional increase in the prices of apartments and, respectively, rent for commercial projects. Trends in the nearest future are difficult to foresee.

Administrative and building risk

Due to imperfections of the system of Polish legal regulations building administration authorities may issue administrative decisions (e.g. building permit) violating the law, which in turn can lead to such decisions being challenged by opportunistic third parties. In turn, challenging (both justified and unjustified) such decisions may in turn lead to suspension of the investment process, which is directly reflected in the deteriorated profitability of the projects and thus the investor's financial performance. In addition, significant risk is posed by more and more

often frequent demands of municipalities making the issue of a building permit dependent on fulfilment of other additional conditions that do not follow from legal provisions. In addition, the investment process is also prolonged due to inefficiency of administrative authorities and courts resulting in even more prolonged preparation of projects before their launch.

Risk related to legislative changes

An additional risk for the group's companies dealing with housing projects is the announced amendment of the building development act to introduce an obligation of replacing open escrow accounts with closed escrow accounts, introduced additional contributions to the development guarantee fund as well as changes in the widely understood building law. The introduction of mandatory closed escrow accounts may significantly revise the previous method of project financing through the necessity of crediting or financing the construction using own funds but at the same time market competition may shrink due to elimination of minor developers. Another risk relate to legislative changes affecting project completion is the announced limitation of the possibility to issue or complete liquidation of decisions on the conditions of site and building development (planning permissions), which will lead to limited options for investment. On the other hand, mandatory contributions to the development guarantee fund will increase the developers' financial burden and reduce the profitability of building development projects, which will affect the entire building development sector.

Risk related to liability after sale of apartments and houses

The Group's activities will focus particularly on sales of apartments and houses. Therefore, the Group may be exposed to disputes and litigation in connection with completed projects and, as a result, the Group's companies may be required to provide specific performance (e.g. under construction works performance bonds granted to clients). This may have a significant negative effect on the activities, financial standing or performance of the Group.

Risk related to competition

The Group's companies in their capacity as owners of office, commercial and service buildings are exposed to significant competition from owners of other similar buildings present on the same market or preparing for launching. Owners of commercial and service buildings in Wrocław are particularly exposed to such risk in connection with a new building Wroclavia erected in the close neighbourhood of these buildings. In practice, based on preliminary data on the turnover of the Arkady Wrocławskie mall, this risk must be evaluated as high. Also the development of office and commercial real property market may lead, among other things, to excessive supply of office as well as commercial and service premises. Potentially, each of these risks considered separately and collectively can have a negative effect on the ongoing activity and the financial standing, including financial performance, of the Group.

Risk related to prices of real property and rents

The profitability of the Group's companies depends, among other things, on housing prices and rates of rent for service and office space in Poland. A drop in those prices can affect the activities, financial standing or performance of the Group. Another significant risk is an increase in prices of investment real property as well as absence of well-prepared projects with approved spatial development plans or decisions on the conditions of site and building development facilitating fast project completion. At present developers must accept higher risk when purchasing real property and the necessity to obtain administrative decisions on building development, which entails the risk of considerably postponed commencement of such projects.

An additional risk for companies managing shopping malls is the statutory ban on Sunday sales. Initially the ban referred to two Sundays a month. In 2019 these are three Sundays and from 2020 all Sundays will be covered. This will lead to a risk in decreased rate of visitation of malls, pressure of tenants to decrease rent and decreasing rent in new rental agreements, and as a consequence – a decrease in revenues.

Risk management at LC Corp S.A. is carried out through a formal process of periodic identification, analysis and assessment of risk factors. While identifying risks, relevant procedures and processes are determined in order to eliminate or mitigate the risks for the Company and for the Group.

9.2. Strategy

The Group has continued a strategy according to the following objectives described below:

- Product and geographical diversification

One of the main elements of the Group's strategy is completing housing development projects in big cities and their vicinity in Poland. The key cities for the Group are: Warsaw, Wrocław, Kraków and Gdańsk. In each of the cities a few projects of different standard are planned at different locations so that products could be offered to different target groups. The Group will activate land that so far has been in the land bank. In connection with the observed improvement of the economic conditions in Katowice, the launch of the project at Ceglana Street is planned (the potential of this plot is ca. 1 thousand apartments). Here, the Group enters a new market in this segment.

- Optimisation of commercial spaces in operating facilities, including also through changing the purpose of the commercial space into office space

The Group, in response to changing market situation, intends to continue measures optimising space in the operating commercial facilities, in particular in Wrocław, by changing commercial and service space into office space (in the first place this refers to Sky Tower).

- Maintaining an adequate level of project profitability

The Company has been regularly monitoring and accordingly launching building development projects from its portfolio, and it has been monitoring the real property market searching for projects that could ensure adequate profitability in the specific location, and in the specific market situation.

- Building a land bank

Monitoring the land market, especially in large agglomerations, the Group has systematically expanded the land bank. Creating the land bank, the Group purchases and intends to purchase plots in attractive locations for the purposes of the Group's building development projects to continue for at least 5 years. Currently, the Group owns plots of land in Warsaw, Wrocław and its vicinity, Kraków, Gdańsk, Łódź and Katowice; whereas, according to its decision, the Group plans to discontinue its operations on Łódź market.

Strategy for 2019

Commercial segment:

In 2019 the Group assumes to sell 2-3 commercial office buildings (Retro Office House – Wrocław and Silesia Star I and II – Katowice), and commence the sale of office buildings in Warsaw, especially of Wola Retro. The Issuer assumes to buy at least one plot for the needs of commercial (office) building and commence the process of design and proceeding with relevant authorisations in 2019.

Housing segment:

With reference to the housing segment in 2019 the Group assumes maintaining sales (building development agreements) at the level of ca. 2,000 apartments and the level of apartments handed over to users should be close to that in 2018.

Dividend policy:

The dividend policy adopted by the Supervisory Board of LC Corp S.A. assumes payment of dividend corresponding to 25-75% of adjusted net profit of the Group. The Management Board assumes that dividend will be paid during the strategy implementation period at the upper end of the assumed range.

According to the dividend policy, in determining the value of the recommended dividend, the Management Board will mainly take into account the ND/E level, that is, net interest-bearing debt to equity ratio.

In addition, the recommendation will depend on whether the separate results of LC Corp S.A. allow such a profit-based payment, whether the company is able to obtain funds and accomplish its financial plans and whether the profit-based payment does not breach the conditions of bonds issue by the company or the terms and conditions of loans contracted by the company.

Level of debt

With reference to commercial real property the Company evaluates the level of debt as very safe. In favourable market conditions the Company can see a possibility of increased debt in this segment; however, LTV will not exceed 50%.

In the segment of housing, the Company expects the present level of debt to be maintained or slightly increase to PLN 500 million. It is assumed that a safe structure of bond maturity will be maintained with regard to closing the market of corporate debt for the repayment of obligations from the housing segment, without the need for rolling them or using other external sources of financing.

10. STRUCTURE OF EMPLOYMENT IN LC CORP AND THE CAPITAL GROUP

10.1. Structure of employment in LC Corp S.A.

In the year ended on 31 December 2018 the average employment in the Company was as follows:

	Year ended on 31 December 2018	Year ended on 31 December 2017
Management Board	4.60	5.25
White-collar/ administrative workers	134.63	127.10
Blue-collar workers	0	0
Total	139.23	132.35

10.2. Structure of employment in the Group

In the year ended on 31 December 2018 the average employment in the Group was as follows:

	Year ended on 31 December 2018	Year ended on 31 December 2017
Management Board of the parent company	4.60	5.25
Management boards of companies from the Group (*)	0.50	0.50
Administration	113.19	105.92
Sales Department	42.08	45
Others	0.00	1
Total	160.37	157.67

(*)- members of the Management Board of the parent company are also members of management boards of the Group's companies

10.3. Employee share scheme control system

In 2018 the Company did not implement the employee share scheme.

11. INFORMATION ON MEMBERS OF THE ISSUER'S MANAGEMENT AND SUPERVISORY AUTHORITIES

11.1. Value of remuneration, awards, benefits including following from incentive or bonus schemes based on company capital paid or payable to members of the management board and the supervisory board and information about the values of remuneration for members of the management board and the supervisory board of LC Corp S.A. by virtue of their functions in the authorities of subsidiaries.

Benefits for members of the Management Board of LC Corp SA in 01.01.2018-31.12.2018:

Dariusz Niedośpał – remuneration including bonuses amounted to PLN 2,944 thousand; no share-based payments

Jakub Malski¹⁾ – remuneration including bonuses amounted to PLN 2,334 thousand; no share-based payments

Mirosław Kujawski – remuneration including bonuses amounted to PLN 4,610 thousand; no share-based payments

Tomasz Wróbel – remuneration including bonuses amounted to PLN 1,628 thousand; no share-based payments

Małgorzata Danek⁽²⁾ – remuneration including bonuses amounted to PLN 2,521 thousand; no share-based payments

Radosław Stefurak – remuneration amounted to PLN 720 thousand; no bonus for 2017, no share-based payments

⁽¹⁾ As of 9 February 2018 Jakub Malski was dismissed from the Management Board of LC Corp S.A.

⁽²⁾ 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 Management Board and in connection with the fact that Mrs Małgorzata Danek was not appointed to the Issuer's Management Board for a new term of office, the mandate of Mrs Małgorzata Danek as Member of the Issuer's Management Board expired.

Benefits for members of the Supervisory Board of LC Corp SA in 01.01.2018-31.12.2018:

Michał Hulbój – remuneration amounted to PLN 132 thousand; no share-based payments

Paweł Małycka – remuneration amounted to PLN 90 thousand; no share-based payments

Michał Kowalczewski¹ – remuneration amounted to PLN 89 thousand; no share-based payments

John Bańka² – remuneration amounted to PLN 35 thousand; no share-based payments

Jacek Osowski³ – remuneration amounted to PLN 92 thousand; no share-based payments

Grzegorz Grabowicz – remuneration amounted to PLN 95 thousand; no share-based payments

Krzysztof Kaczmarczyk⁴ – remuneration amounted to PLN 71 thousand; no share-based payments

Michał Wnorowski⁵ – remuneration amounted to PLN 49 thousand; no share-based payments

Piotr Kaczmarek⁶ – remuneration amounted to PLN 17 thousand; no share-based payments

⁽¹⁾ Member of the Supervisory Board and Vice-Chairperson of the Supervisory Board until 12 October 2018

⁽²⁾ Member of the Supervisory Board until 27 June 2018

⁽³⁾ Until 30 October 2018 Member of the Supervisory Board – from 30 October 2018 Vice-Chairperson of the Supervisory Board

⁽⁴⁾ Member of the Supervisory Board until 15 October 2018

⁽⁵⁾ Member of the Supervisory Board until 27 June 2018

⁽⁶⁾ Member of the Supervisory Board until 15 October 2018

11.2. The issuer's shares or title to such shares held by the issuer's managers and supervisors as at the date of these statements

Members of supervisory bodies holding the Issuer's shares

		Issuer's shares held as at 31.12.2017			Issuer's shares held as at 31.12.2018
Name and surname:	Function in the body		Decrease	Increase	
Members of supervisory bodies					
Michał Hulbój	Member of the Supervisory Board	-	-	-	-
Michał Kowalczewski ¹	Vice-Chairperson of the Supervisory Board	-	-	-	not applicable
Paweł Małycka	Member of the Supervisory Board	-	-	-	-
John Bańka ²	Member of the Supervisory Board	-	-	-	not applicable
Jacek Osowski ³	Vice-Chairperson of the Supervisory Board	-	-	-	-
Grzegorz Grabowicz	Member of the Supervisory Board	-	-	-	-
Krzysztof Kaczmarczyk ⁴	Member of the Supervisory Board	-	-	-	not applicable

Michał Wnorowski ⁵	Member of the Supervisory Board	not applicable	-	-	-
Piotr Kaczmarek ⁶	Member of the Supervisory Board	not applicable	-	-	-

- (1) Member of the Supervisory Board and Vice-Chairperson of the Supervisory Board until 12 October 2018
- (2) Member of the Supervisory Board until 27 June 2018
- (3) Until 30 October 2018 Member of the Supervisory Board – from 30 October 2018 Vice-Chairperson of the Supervisory Board
- (4) Member of the Supervisory Board until 15 October 2018
- (5) Member of the Supervisory Board until 27 June 2018
- (6) Member of the Supervisory Board until 15 October 2018

Members of managerial bodies					
Dariusz Niedośpiał	President of the Management Board	158.791	-	-	158.791
Radosław Stefurak	Member of the Management Board	11.280	-	750.000	761.280
Małgorzata Danek ¹	Member of the Management Board	15.000	-	-	not applicable
Tomasz Wróbel	Member of the Management Board	-	-	-	-
Mirosław Kujawski	Member of the Management Board	-	-	-	-

(1) Member of the Supervisory Board until 27 June 2018

11.3. Contracts concluded between the Issuer and managers, providing for compensation in the event of resignation or dismissal from the position held without a valid reason or when they are recalled or dismissed due to the merger of the Issuer's business through acquisition

Certain contracts concluded by the Issuer with members of the Management Board provide for indemnification to be paid to the member of the Management Board in case the contract is terminated by the Company within 24 months from its conclusion. The amount of such indemnification depends on when the contract is terminated during such a period.

12. CORPORATE GOVERNANCE DECLARATION

The Management Board of LC Corp S.A. ("Issuer" or "Company") in performing the obligation described in Art. 91 par. 5 sub-paragraph 4 of the Regulation of the Minister of Finance 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, communicates information regarding corporate governance principles applied by the Company to the public.

12.1. Indication of a set of corporate governance rules

This information has been prepared according to WSE Supervisory Board's Resolution No. 26/11413/2015 of 13.10.2015 – "Code of Best Practices for WSE Listed Companies 2016" effective from 1 January 2016. The text of the rules of corporate governance "Code of Best Practices for WSE Listed Companies 2016" is available on WSE website - <http://corp-gov.gpw.pl/publications.asp>.

12.2. Indication of reasons for withdrawal from the provisions of the set of corporate governance rules

Information policy and communication with investors

I.Z.1.16. information about planned broadcast of the general meeting – not later than within 7 days in advance of the date of the general meeting.

The Company does not apply the above-mentioned rule. This rule is not applied because Rule IV.Z.2 is not applicable.

I.Z.1.20. audio or video registration of the general meeting

The Company does not apply this rule. This rule is not applied because Rule IV.Z.2 is not applicable.

Management Board and Supervisory Board

III.Z.3. With reference to the manager of internal audit function and other individuals responsible for completing its tasks the rules of independence set out in the commonly recognized international professional internal auditing standards shall apply.

Currently, the Company is applying the above-mentioned rule and it plans to apply it in the future. Until the end of October 2018 the Company had no employee in charge of managing the internal audit function, and the Company implemented relevant internal systems adequate to the type and scale of its operations. In November 2018 the Company employed an internal auditor functionally reporting to the Supervisory Board, meeting the independence criterion as set out in the commonly recognized international professional internal auditing standards.

III.Z.4. At least once a year the individual in charge of internal audit (if such a function exists in the company) and the management board present their assessment of effectiveness of systems and functions referred to under rule III.Z.1, including the respective report, to the supervisory board.

Currently, the Company is applying the above-mentioned rule and it plans to apply it in the future. Until the end of October 2018 the Company had no employee in charge of managing the internal audit function, and this rule was not applied to the internal auditor because rule III.Z.3 was not applied.

General meeting and relations with shareholders

IV.Z.2. If reasonable with regard to the shareholding structure of the company, the company will ensure commonly accessible broadcast of the proceedings at the general meeting in real time.

The Company does not apply the above-mentioned rule. This rule is not applied because its application is not justified by the shareholding structure. Immediately after the general meeting the company will publish the adopted resolutions in a current report, so that all shareholders can know the proceedings of the general meeting.

Conflict of interests and transactions with associates

V.Z.6. The Company's internal regulations indicate the criteria and circumstances in which a conflict of interests may occur in the company as well as set out the rules for proceeding in case of actual or potential conflict of interests. The Company's internal regulations take into account, among other things, methods of preventing, identifying and solving the conflict of interests, as well as the rules of excluding members of the management board or the supervisory board from participation in considering cases subject to actual or potential conflict of interests.

The Company does not apply the above-mentioned rule. This rule is not applied with reference to determining specific criteria and circumstances in which a conflict of interests may occur in the company. The Company is of an opinion that the applicable provisions regarding a possible conflict of interests set forth in the Regulations of the Management Board of the Company and in the Regulations of the Supervisory Board of the Company are sufficient.

Remuneration

VI.Z.1. Incentive schemes should be designed so as to make the remuneration of members of the company's management board and its key managers dependent on actual, long-term financial

situation of the company and long-term increase in value for shareholders and stability of the company's operations.

Because the company has no incentives in place, the rules regarding incentives are not applicable.

VI.Z.2. In order to make a connection between remuneration of members of the management board and key managers and long-term business and financial objectives of the company, the period from granting options or other instruments related to the company's shares under an incentive scheme to their availability for realisation should be at least 2 years.

Because the company has no incentives in place, the rules regarding incentives are not applicable.

VI.Z.4. In its report on activities, the Company presents a report concerning its remuneration policy, at least consisting of:

- 1) general information about the system of remuneration adopted in the company,**
- 2) information about terms and conditions and amounts of remuneration for each member of the management board, disaggregated into fixed and variable remuneration components, indicating key parameters for establishing variable remuneration components and rules of severance payments and other payments by virtue of termination of employment, contract of mandate or another legal relationship of similar nature – separately for the company and for each entity forming part of the capital group,**
- 3) information about non-financial remuneration components to which respective members of the management board and key managers are entitled,**
- 4) indication of significant changes in the remuneration policy in the past financial year or information about the lack of such changes,**
- 5) assessment of the effectiveness of remuneration policy in terms of accomplishment of its objectives, and in particular long-term increase in value for the shareholders and stability of the company's operations.**

The Company does not apply the above-mentioned rule but it will consider its application in the future. The above-mentioned rule is not applied since the Company has not adopted the rules regarding remuneration policy. The remuneration for Members of the Management Board is established by the Supervisory Board of the Company and Members of the Supervisory Board receive flat rate monthly pay as agreed in the resolution of the General Meeting of the Company.

12.3. Description of internal control and risk management systems applied in the Issuer's enterprise in relation to the process of preparing financial statements and consolidated financial statements.

The Company keeps its accounts in compliance with the accounting principles and policy adopted by Polish companies as required by the Accounting Act of 29 September 1994, as amended.

The Company keeps its books of accounts using Navision IT system. Access to information resources in the IT system is limited by relevant rights of authorised employees only to the extent of performing their obligations.

The main element of risk management in relation to the process of preparation of financial statements is a correctly and efficiently working internal control system. Developing an effective internal control system facilitating preparation of reliable financial statements, ensuring effective and efficient operation of the Company and compliance with applicable provisions of law, is a responsibility of the Management Board of the Company, whereas the Supervisory Board of the Company supervises the operation of this system through assessment of its adequacy and effectiveness.

The system of internal control in preparing financial statements aims to ensure reliable, complete and correct treatment of all business transactions in the specific period.

In preparing the financial statements of the Company one of the key elements of control is verification of the financial statements by an independent auditor. The auditor is selected by the Supervisory Board. Prior to publication the financial statements are available only to parties involved in the preparation, verification and approval of the statements.

In addition, under control mechanisms, the company reviews the accounting principles applied by its subsidiaries as well as changes thereto regarding recognition and charging of revenues and costs and, if necessary, submits its comments and recommendations.

Functional control is exercised by every employee and his/her direct manager. It is based on an adequate responsibility matrix minimizing the risk of a single person having influence on the presented data.

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.

However, with regard to the complex organisational structure of the Company and a very significant scope of its activity and multiplicity of projects completed in the Company's capital group, the Audit Committee recommended that the Management Board should set up a separate internal audit function. As a result, at the beginning of November 2018 the Company employed an internal auditor who assumed responsibility for internal audit. The Audit Committee, in cooperation with the internal auditor, developed an internal audit chart and internal audit work plan for 2019, recommending their acceptance by the Company's Supervisory Board. The main objectives of internal audit were auditing and assessment of adequacy, efficiency and effectiveness of the business risk management system and internal control system, and in particular:

- review and evaluation of existing internal control mechanisms as well as credibility and reliability of managerial, operational and financial information,
- review and evaluation of compliance with legal regulations, policies, plans and procedures, identification of deficiencies and weak points of existing controls for the purposes of proactive problem solving and minimizing the impact on the operations of the Companies,
- assessment of the means of protection of the Companies' assets,
- assessment of alignment of the measures with previously presented audit or control recommendations.

12.4. Share capital and shareholders of LC Corp S.A. as at 31 December 2018

As at 31 December 2018 the share capital of LC Corp amounted to PLN 447,558,311 and was divided into 447,558,311 ordinary bearer shares each going with one vote at the General Meeting, with the par value of PLN 1 each.

Shareholders directly or indirectly holding at least 5% of all votes at the general meeting of shareholders as at the date of publication of the statements according to the issuer's information

Shareholder	Number of shares held	No. of votes	% share in share capital	% of votes at the general meeting
Nationale-Nederlanden Powszechne Towarzystwo Emerytalne through Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny	81 530 228	81 530 228	18.22 %	18.22 %
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	77 195 648	77 195 648	17.25 %	17.25 %
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	52 121 000	52 121 000	11.65%	11.65%
MetLife Otwarty Fundusz Emerytalny ¹⁾	34 528 295	34 528 295	7.71%	7.71%
Aegon Otwarty Fundusz Emerytalny	28 546 601	28 546 601	6.38 %	6.38 %

¹⁾ On 7 March 2019 MetLife Otwarty Fundusz Emerytalny informed that on 27 February 2019 a change in the number of the Issuer's shares was made exceeding 5% all votes at the Issuer's General Meeting. Prior to the change MetLife Otwarty Fundusz Emerytalny held 19,528,295 shares, which accounted for 4.36% of votes at the Issuer's General Meeting and 4.36% of the share in the Issuer's share capital and having acquired the shares as at 27 February 2019 it held 34,528,295 shares, which corresponds to 7.71% of votes at the Issuer's General Meeting and 7.71% of the Issuer's share capital.

Shareholders directly or indirectly holding at least 5% of all votes at the general meeting of shareholders as at 31 December 2017 according to the issuer's information

Shareholder	Number of shares held	No. of votes	% share in share capital	% of votes at the general meeting
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	67 908 000	67 908 000	15.17 %	15.17 %
Nationale-Nederlanden Powszechne Towarzystwo Emerytalne through Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny	63 226 784	63 226 784	14.13 %	14.13 %
ALTUS Towarzystwo Funduszy Inwestycyjnych S.A.	59 829 016	59 829 016	13.37%	13.37%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	43 700 000	43 700 000	9.76%	9.76%
Aegon Otwarty Fundusz Emerytalny	26 543 080	26 543 080	5.93 %	5.93 %

12.5. Identification of changes in the structure of ownership of significant shareholding packages of the issuer in 2018

- On 24 January 2018, AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK informed that on 22 January 2018 exposure was increased above 10%. Before the change AVIVA held 43,700,000 of the Company's shares, which corresponded to 9.76% of the share capital. As a result of selling the shares as at 22 January 2018 it held 45,750,000 shares of the Company, which accounted for 10.22% of the Company's share capital.
- On 5 July 2018, ALTUS Towarzystwo Funduszy Inwestycyjnych S.A. informed that funds managed by ALTUS TFI S.A. reduced their share in the total number of votes in the Company to less than 10%. Following the change, investment funds managed by Altus TFI S.A. in total hold 41,591,696 shares of the Company, which corresponds to 9.29% of the Company's share capital, authorising to 41,591,696 votes, which accounts for 9.29% of the total number of votes in the Company.
- On 6 July 2018, Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. informed about an increase in the number of the Issuer's shares held by funds managed by this entity: Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny more than 15% of votes. After the change in share, funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A hold 72,530,228 of the Issuer's shares, which accounts for 16.21% of the Company's share capital. The shares go with 72,530,228 votes at the General Meeting of the Company, which accounts for 16.21% of the total number of votes.
- On 29 August 2018, Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. increased the number of Issuer's shares held by funds managed by this entity: Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny more than 15% of votes. After the change in share, insurance funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A hold 81,530,228 of the Issuer's shares, which accounts for 18.22% of the Company's share

capital. The shares go with 81,530,228 votes at the General Meeting of the Company, which accounts for 18.22% of the total number of votes.

- 5) On 11 September 2018, ALTUS Towarzystwo Funduszy Inwestycyjnych S.A. informed that funds managed by ALTUS TFI S.A. reduced their share in the total number of votes in the Company to less than 5%. Following the change, investment funds managed by Altus TFI S.A. in total held 21,107,252 shares of the Company, which corresponds to 4.72% of the Company's share capital, authorising to 21,107,252 votes, which accounts for 4.72% of the total number of votes in the Company.
- 6) On 16 October 2018, Powszechnie Towarzystwo Emerytalnego PZU S.A., acting on behalf of Otwarty Fundusz Emerytalny PZU "Złota Jesień", informed that in connection with the closing of the liquidation proceedings of Pekao Otwarty Fundusz Emerytalny on 12 October 2018, as a result of which on that date all the assets of Pekao OFE were transferred to OFE PZU, the share of Otwarty Fundusz Emerytalny PZU "Złota Jesień" in LC Corp S.A. exceeding 10% of all votes as at that date increased by at least 2% of all votes. After the liquidation of Pekao OFE, Otwarty Fundusz Emerytalny PZU "Złota Jesień" holds 77,195,648 shares of the Issuer, which accounts for 17.25% of the Issuer's share capital and authorises to 77,195,648 of votes at the General Meeting of the Issuer's Shareholders, which accounts for 17.25% of all votes at the General Meeting.
- 7) On 7 March 2019 MetLife Otwarty Fundusz Emerytalny informed that on 27 February 2019 the number of the Issuer's shares held changed and now it exceeds 5% of all votes at the Issuer's General Meeting. Prior to the change MetLife Otwarty Fundusz Emerytalny held 19,528,295 shares, which accounted for 4.36% of votes at the Issuer's General Meeting and 4.36% of the share in the Issuer's share capital and having acquired the shares as at 27 February 2019 it held 34,528,295 shares, which corresponds to 7.71% of votes at the Issuer's General Meeting and 7.71% of the Issuer's share capital.

12.6. Identification of holders of all securities with special rights of control in relation to the issuer, including a description of such rights

The Company has no information about any holders of securities with special rights of control in relation to the Company.

12.7. Identification of any and all limitations to transferring the title to securities of the company, and any and all limitations to voting rights associated with the shares of the company

The Company's shares are not subject to any limitations on share transfers or exercising voting rights.

12.8. The Supervisor Board of LC Corp S.A.

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

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

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 Małyśka – 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 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 Kaczmarek 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 Małyśka – 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 art. 12.11 below.

Description of activities of the Supervisory Board

The Supervisory Board consists of 5 to 7 members appointed by the General Meeting for a period of three-year joint term of office. The resolution on the appointment of a member of the Supervisory Board can describe his/her function with the Board.

The Supervisory Board appoints the Chairperson and Deputy Chairperson (Vice-Chairperson) of the Supervisory Board from among its members. The Supervisory Board operates in compliance with the Regulations approved by the General Meeting.

The meetings of the Supervisory Board are held at the Company's headquarters or in any other location in the Republic of Poland as indicated in the invitation to the meeting. Meetings of the Supervisory Board, except matters directly referring to the Management Board or its Members, and in particular to: dismissal, liability and remuneration, should be available and open to Members of the Management Board. The Supervisory Board is capable of adopting resolutions if at least half of its members are present at the meeting and all members have been invited to the meeting. Members of the Supervisory Board may take part in passing resolutions by casting written votes through another member of the Supervisory Board. Votes cannot be cast in writing with reference to issues on the agenda of the meeting of the Supervisory Board. The Supervisory Board is allowed to pass resolutions in writing or using direct means of remote communications. The resolution is valid if all members of the Board have been notified on the contents of the draft resolution. Resolutions must not be adopted through another Member of the Supervisory Board or in writing or using direct means of remote communications if such resolutions concern appointment, dismissal and suspension of a Member of the Management Board.

In case of a conflict of interests, a Member of the Supervisory Board should notify other Members of the Supervisory Board and abstain from taking the floor in the discussion and voting on the Resolution concerning the case in which the conflict of interests occurred.

Resolutions of the Supervisory Board are adopted by the majority of votes. In case of the equality of "for" and "against" votes, the Chairperson of the Supervisory Board has the final vote. The voting at the meetings of the Board is open. Voting in personal matters takes place by secret ballot. The Chairperson can also order a secret ballot at the request of at least one Member of the Supervisory Board.

Meetings of the Supervisory Board are convened by the Chairperson of the Supervisory Board, and in case of his/her absence, by the Vice-Chairperson of the Supervisory Board. Meetings of the Supervisory Board are convened as necessary, at least once in a quarter. Meetings of the Supervisory Board can also be convened at the request of the Management Board or of the request of a Member of the Supervisory Board; such a request must be accompanied by a proposed agenda. Resolutions and meetings of the Supervisory Board are recorded

by a recording clerk who is not a member of the Supervisory Board or who is a member of the Supervisory Board appointed by the Chairperson. Minutes should specify the agenda, give full names of attending Members of the Supervisory Board, indicate number of votes cast for respective resolutions and votes to the contrary, as well as the mode of adopting resolutions. Minutes are signed by all Members of the Board present at the meeting.

The Supervisory Board performs its duties collectively, but it can delegate its Members to perform specific supervisory functions independently. The Supervisory Board is represented by the Chairperson of the Supervisory Board, and in case of his/her absence, by the Vice-Chairperson of the Supervisory Board.

The works of the Supervisory Board are coordinated by the Chairperson of the Supervisory Board, and in case of his/her absence, by the Vice-Chairperson of the Supervisory Board. A member of the Supervisory Board delegated by the Supervisory Board or the group to exercise permanent supervision should submit detailed written reports related to the performance of such a function to the Supervisory Board. Administrative service of the Supervisory Board is provided by the Company.

Pursuant to Art. 86 par. 3 of the Act on statutory auditors, in public interest entities whose supervisory boards have maximum 5 members, the supervisory board can be entrusted with the tasks of the audit committee. After this Act had been put into effect, the Issuer adapted its corporate documents to ensure that the Supervisory Board performed the tasks of the audit committee. If the Supervisory Board fails to set up the Audit Committee, and the number of its members does not exceed 5, the Supervisory Board carries out the tasks of the Audit Committee. The amendment of the above-mentioned Act and the enactment of the Act of 11 May 2017 on on statutory auditors, audit firms and public supervision in public companies led to an obligatory necessity to set up an audit committee on 17 July 2017.

12.9. The Management Board of LC Corp S.A.

As at 1 January 2018 the composition of the Management Board of LC Corp S.A. was as follows:

Dariusz Niedośpiał - President of the Management Board
Jakub Malski - First Vice-President of the Management Board
Miroslaw Kujawski - Member of the Management Board
Tomasz Wróbel - Member of the Management Board
Małgorzata Danek - Member of the Management Board
Radosław Stefurak - Member of the Management Board

As of 9 February 2018 Mr Jakub Malski was dismissed from the Management Board of LC Corp S.A.

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 Management Board and in connection with the fact that Mrs Małgorzata Danek was not appointed to the Issuer's Management Board for a new term of office, the mandate of Mrs Małgorzata Danek as Member of the Issuer's Management Board expired.

As at 31 December 2018 and as at the date of publication of this report the composition of the Management Board of LC Corp S.A. was as follows:

Dariusz Niedośpiał - President of the Management Board
Miroslaw Kujawski - Member of the Management Board
Tomasz Wróbel - Member of the Management Board
Radosław Stefurak - Member of the Management Board

Description of activities of the Company's Management Board

The Management Board consists of 1 to 7 members. Members of the Management Board, including the President, are appointed and dismissed by the Supervisory Board. Members of the Management Board are appointed for a three-year term of office. One person can be reappointed member of the Management Board for terms of office not exceeding three years each.

Meetings of the Management Board are convened and chaired by the President of the Management Board or a member of the Management Board authorised by the President of the Management Board. The Management Board is capable of adopting resolutions if all members of the Management Board have been correctly notified on the meeting of the Management Board. Resolutions of the Management Board are adopted by an absolute majority of votes. Members of the Management Board can adopt a resolution if respective members of the Management Board sign it one by one (circular mode). Meetings and resolutions of the Management Board are

recorded if the meeting refers to significant matters of the Company, and the Management Board finds it reasonable. With the approval of all members of the Management Board the preparation of minutes of the meeting of the Management Board may be abandoned; however, resolutions adopted in such a meeting must be recorded separately.

Every member of the Management Board must obtain approval of the Supervisory Board to conduct any activity competitive to the Company.

12.10. Description of rules concerning appointment and dismissal of members of managerial authorities and their powers

Pursuant to Art. 16 par. 2 of the Memorandum and Articles of Association, members of the Management Board are appointed and dismissed by the Supervisory Board.

12.11. Committees

The Company's Supervisory Board consists of the Audit Committee and the Appointment and Remuneration Committee.

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 the 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 this report.

Michał Wnorowski – Chairperson
Grzegorz Grabowicz
Piotr Kaczmarek

The Audit Committee acted in compliance with the Act of 11 May 2017 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 (Grzegorz Grabowicz graduated from the Faculty of Management and Marketing at the University of Łódź, majoring in Accounting, he is a certified auditor experienced in financial statements auditing for an audit firm Deloitte. In addition, for many years he was a member of the Management Board and a CFO with Magellan S.A. – WSE listed company. He was President of the Management Board of MedFinance S.A. and a member of supervisory boards of companies in the Czech Republic and Slovakia. He is an MBA graduate. Currently, he is a member of the Management Board of Mabion S.A. and sits on the supervisory boards of Medicalgorithmics S.A. and X-Trade Brokers Dom Maklerski S.A.; Michał Wnorowski has more than ten years of experience working as a member of supervisory boards, including of audit committees of

WSE listed companies (Elektrobudowa S.A., EMC Instytut Medyczny S.A., TravelPlanet S.A., Armatura Kraków S.A., Robyg S.A., Voxel S.A., Braster S.A., Medicalgorithmics S.A., Enter Air S.A. Alumetal S.A., Arteria S.A.), more than twenty years of experience working as a financial analyst and investment project manager, including experience in managing the portfolios of funds investing in the shares of listed and unlisted companies. He graduated from the SGH Warsaw School of Economics and completed a post-graduate programme at the University of Economics in Kraków; Piotr Kaczmarek has worked for several years as a member of audit companies of WSE listed companies (Robyg S.A., Grupa Kęty S.A., Ferro S.A., Harper Hygienics S.A, Erbud S.A.) and a financial analyst. He also holds CFA title and securities broker's licence; Jacek Osowski is a certified auditor experienced in auditing financial statements. He also holds CFA licence. He has worked for more than ten years as a financial analyst. In the past and now he has been a member of supervisory boards, including in: ATM SA, Farmur SA, Getback SA, Herkules SA, TC Dębica SA, Polcolorit SA, Browary Polskie Brok Strzelec SA, Zamet Industry SA, ZBM SA, Farmak SA, PGO SA, Pemug SA, Fazos SA, Synektik SA; Krzysztof Kaczmarczyk graduated from the SGH Warsaw School of Economics majoring in finance and accounting. He has had more than 10 years of experience in sitting on supervisory boards of WSE listed companies such as: ActionSA, Altra SA, Arteria, Braster, Best, BSC Drukarnia, Celon Pharma, Duon, GPW SA, Graal SA, Integer SA, Inpost SA, KGHM SA, Magellan, Polimex-Mostostal SA, Polish Energy Partners, Robyg SA, SARE SA, TIM SA, Work Service SA, 4fun MediaSA).

Among the members of the Audit Committee, Michał Wnorowski and Piotr Kaczmarek (and previously also Krzysztof Kaczmarczyk sitting on the Audit Committee until 15 October 2018) have the required knowledge and skills in the area in which the Company operates (Michał Wnorowski acquired the above-mentioned knowledge in 2015-2018 as Deputy Chairperson of the Supervisory Board and Chairperson of the Appointment and Remuneration Committee and Member of the Audit Committee of a WSE listed building development company Robyg S.A. Piotr Kaczmarek acquired the above-mentioned knowledge in 2016-2018 as Member of the Supervisory Board and Chairperson of the Audit Committee of a WSE listed building development company Robyg S.A. and Krzysztof Kaczmarczyk – in 2015-2016 as Member of the Supervisory Board and Chairperson of the Audit Committee of a WSE listed building development company Robyg S.A.).

The audit firm auditing the Issuer's financial statements did not provide any services other than audit services to the Issuer. The Supervisory Board, through the Audit Committee in 2018, choosing the audit firm in order to audit the financial statements for 2018-2020, performed the assessment of independence of the audit firm. No approval was granted with regard to provision of services other than audit services.

The audit firm to audit or review the financial statements of the Company LC Corp or LC Corp Capital Group is selected by tender supported by an option of additional negotiations. The selection is made by the Company's Supervisory Board upon recommendation from the Audit Committee of the Company's Supervisory Board. In developing its recommendation regarding the choice of the audit firm for the purposes of auditing the Company's financial statements, the Audit Committee and the Supervisory Board is guided by criteria set out in the adopted policy, taking into account the auditing firm's experience in auditing financial statements of public interest entities and in auditing financial statements of entities whose business activities are similar to those of the Company. The choice is made based on the impartiality and independence of the audit firm and the analysis of works it performs for the Company or for LC Corp Capital Group exceeding the scope of auditing of the financial statements of the Company or LC Corp Capital Group, in order to prevent a conflict of interests (maintaining impartiality and independence). The Audit Committee and the Supervisory Board apply the principle of auditing firm rotation according to the regulations in force. Choosing the audit firm the Audit Committee takes the following criteria into account: business approach of the audit firm, approach to auditing and communications strategy, reputation, system of audit quality assurance (control) in place in the audit firm, possibility of meeting the chartered auditor who would be in charge of the audit of the Company, qualifications, training, experience, availability of human resources to perform the audit, availability of key members of the audit team and resources of the audit firm, professional knowledge and qualifications of the personnel, approach to risk and audit methodology: both aspects can have a significant impact on price for both parties (e.g. increased efficiency, involvement of experts, visits at the company's site etc.). Financial statements auditing tasks may be entrusted only to the audit firm in which financial revision activities are carried out by chartered auditors and which is entered in the list maintained by the National Board of Statutory Auditors. At least two candidates should participate in direct negotiations.

The adopted policy of providing additional services by the audit firm requires that neither the audit firm nor any member of the chain should provide directly or indirectly to the Company, its parent company or controlled entities

any prohibited services other than financial statements auditing from the start of the audited period until the publication of the audit report. In addition, they should not provide legal services (including general legal advice, negotiations on behalf of the audited company and acting as a spokesperson in dispute settlement) also in the immediately preceding financial year. Prior to entrusting the audit firm with services other than statutory audit, the Audit Committee performs an assessment of risks and security of independence. Services other than statutory audit can be provided only to the extent not related to the fiscal policy of the Company.

The Committee's recommendation of the audit firm was made according to the policy and procedure of selecting the audit firm for the purposes of auditing and reviewing the annual and interim separate and consolidated financial statements of LC Corp S.A. and it was not influenced by third parties. The recommendation was prepared as a result of selection procedure organised by the issuer meeting the applicable criteria. Requests for proposals were sent to 5 audit firms. All the invited audit firms submitted their proposals concerning the audit prior to the meeting of the Audit Committee. The meeting of the Audit Committee was held on 16 May 2018 in order to evaluate the proposals having heard the duly authorised representatives of audit firms who replied to the Company's request for proposal. The bids were evaluated by means of an audit firm evaluation questionnaire attached to the applicable procedure. Audit firms that replied to the RFP assured that they were independent, objective and ethical. The procedure adopted an approach anticipating that all audit firms taking part in the selection process received identical information observing the rules of ethics and confidentiality. The Audit Committee verified the previous financial revision services and other service provided by the candidates. It also analysed the business relations between the candidate and the Company and/or its management board.

In performing its duties in the financial year 2018, the Audit Committee held 7 (seven) meetings in 2018 and 2 (two) meetings in 2019. 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 2017 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 1 (one) meeting of the Audit Committee in 2018 (29 August) and 2 (two) meetings in 2019 (10 January and 12 March).

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 Małyska

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 Małyska

12.12. Mode of operation of the general meeting and its principal powers and description of the rights of shareholders and the method of exercising such rights

The General Meeting is held according to the law and the Rules of the General Meeting. The General Meeting is held at the Company's headquarters, in Warsaw or in Katowice, at the date announced on the Company's website and in the current report submitted according to the regulations concerning public offerings, the terms and conditions of introducing the financial instruments into an organised system of turnover, and public companies.

The General Meeting is convened by the Management Board. The General Meeting convened at the request of the shareholders should be held at the requested date and if any significant obstacles or the regulations on the convention of General Meetings prevent holding it on such a date - on the soonest possible date on which the Meeting will be able to consider matters on the agenda.

The General Meeting whose agenda includes specific issues brought forward by authorised entities or the General Meeting that was convened at the request of authorised entities may be cancelled only upon approval of the requesting entities. In other circumstances, the General Meeting may be cancelled if extraordinary impediments to holding of such a meeting exist or if holding such a meeting is obviously irrelevant. The General Meeting shall be cancelled in the same mode in which it was convened, at the same time ensuring the minimum adverse effect on the company and the shareholders, in any case not later than three weeks before the originally planned date of the meeting. The date of the General Meeting shall be postponed in the same mode in which the Meeting was cancelled, even if the proposed agenda is not changed.

The right to attend a general meeting of a public company shall be vested in persons who sixteen days before the date of the General Meeting were the shareholders of the Company (date of registration for attendance at the General Meeting) and who requested the entity keeping the securities account to issue a certificate of the person's right to attend the general meeting. The Company will determine the list of persons authorised to attend the General Meeting based on the bearer shares according to the list prepared by the entity in charge of securities deposit in compliance with the regulations on trading in financial instruments.

The list of shareholders entitled to attend the General Meeting, signed by the Management Board and containing names and surnames or business names of authorised attending parties, their residence (registered business) addresses, the amount, type of shares and the amount of votes they are entitled to cast, will be available at the office of the Management Board of the Company for at least three weekdays in advance of the date on which the General Meeting will be held.

If a shareholder sends his/her representative to the General Meeting, the right of such a representative to act on behalf of the shareholder must be duly documented. Representatives of the media are allowed to attend the General Meeting unless their presence is harmful to the Company with regard to specific matters on the agenda. The request for media attendance is put to vote by the Chairperson immediately after signing the list on attendance according to Art. 8 of the Rules of the General Meeting.

The General Meeting is opened by the Chairperson of the Supervisory Board, and if absent, by another member of the Supervisory Board. The Chairperson is elected by secret ballot. The Chairperson will be the person who received the highest number of votes. The Chairperson conducts the meeting in accordance with the agreed agenda. The Chairperson must ensure efficient course of the proceedings with respect for the rights and interests of all the shareholders. The Chairperson should prevent the attendants of the meeting, in particular, from abusing their powers and ensure respect for the rights of minority shareholders. The Chairperson must not resign for unimportant reasons and must not unreasonably delay the signing of the minutes of the General Meeting.

Immediately after his/her appointment, the Chairperson checks if the shareholders signed the list of attendance and submitted the required powers of attorney or documents authorising them to represent shareholders at the General Meeting. Having signed the list of attendance, the Chairperson in consultation with the notary drawing up the minutes of the meeting, confirms that the General Meeting has been convened correctly and that it is capable of adopting resolutions. Next, he/she announces the aforementioned to the attendants and presents the agenda. The General Meeting is attended by Members of the Supervisory Board and Members of the Management Board. An auditor should attend the General if financial issues have been brought forward on the agenda. The members of the Supervisory Board and the Management Board and the auditor shall, to the extent of their powers and responsibilities and to the extent required to settle the issues discussed during the General Meeting, provide the attendants of the Meeting with explanation and information regarding the Company. Each item on the agenda is discussed by the Chairperson or his/her appointee.

A resolution to abandon the consideration of an issue on the agenda and to remove it from the agenda may be adopted only for significant and tangible reasons. The motion to abandon the consideration of an issue must be accompanied by a detailed statement of reasons. Removing an issue from the agenda of the General Meeting or withdrawing an issue on the agenda of the meeting from the consideration by the General Meeting at the request of a shareholder must be approved by the resolution of the General Meeting with the previous consent of all the

requesting shareholders. Such a resolution of the General Meeting may be adopted by the majority of 75% of votes represented at the General Meeting.

The resolution put to vote should be formulated so that each authorised attendant who finds the substance of the decision on the matter in the resolution unacceptable was able to raise an objection.

The General Meeting selects Supervisory Board Members from among individuals of high moral integrity who have the required education, professional and personal experience, and are able to devote the amount of time required to adequately perform their duties as Supervisory Board Members.

At the request of a shareholder or shareholders representing at least one fifth of the share capital, the Supervisory Board should be appointed by the nearest General Meeting by way of voting in separate groups even if the Articles of Association provide for a different method of appointing the Supervisory Board. Individuals representing the portion of shares from the division of the overall number of shares represented by the number of members of the Board at the General Meeting can form a separate group in order to elect one member of the Board but they will not elect the remaining members. The vacant seats on the Supervisory Board that are not filled by a respective group of shareholders shall be filled by voting in which all shareholders, who did not cast their votes during the elections of members of the Supervisory Board by separate group voting, will take part. If at the General Meeting referred to in par. 1 does not form at least one group capable of electing a member of the Supervisory Board, the election does not take place unless the agenda of the General Meeting, apart from group voting, included personal changes in the Supervisory Board. When at least one member of the Supervisory Board is elected by group voting, the mandates of all the previous members of the Supervisory Board will expire, except for persons referred to in internal regulations of the Company.

As a rule, the voting is open. The Chairperson orders voting by secret ballot in particular in personal matters, matters of liability of members of the Company's authorities and in any other matters as requested by at least one shareholder attending or represented at the General Meeting.

Resolutions are passed with an absolute majority of votes unless the Articles of Association or the Code of Commercial Companies and Partnerships provide otherwise. The resolution is adopted if the number of votes "for" the resolution is higher than the number of votes "against" and "abstaining" votes.

Electronic votes meters can be used at the General Meeting. The decision shall be made by the Chairperson.

A person voting against a resolution is entitled to demand that the objection is recorded and to present a brief statement of reasons. At the request of a party attending the General Meeting, record is taken of his/her written declaration.

12.13. Description of the rules for amending the Issuer's Articles of Association

Amendments to the Issuer's Articles of Association are governed by Art. 430 of the Code of Commercial Companies and Partnerships. Only the Company's General Meeting is capable of amending the Articles of Association. The General Meeting can authorise the Supervisory Board to prepare the consolidated text of the Articles of Association or make other editorial changes as described in the resolution of the meeting. The Supervisory Board can also issue opinions on the proposed amendments to the Articles of Association.

In order to amend the Articles of Association, the notice convening the General Meeting must refer to the previous provisions and include the projected amendments. If justified by the significant scope of amendments, the notice can contain the draft of the new text consolidated Articles of Association including an enumeration of new or amended articles.

Amendments to the Articles of Association must be made by way of a resolution adopted with the majority of 3/4 of votes. An amendment to the Articles of Association must be entered in the National Court Register.

13. ADDITIONAL INFORMATION

13.1. Major achievements in research and development

In 2018 the Company or any other company from the Group had no major achievements in research and development.

13.2. Information about own shares (stocks) acquired by the Group's companies

In 2018 the Company or any other company from the Group did not acquire own shares.

13.3. Branches of the Group's entities

The Company or the Group's companies have no branches.

14. SUMMARY

In 2018 the Groups' companies completed investment projects and searched for real property for the purposes of new investments and managed commercial buildings. In addition, measures were undertaken to sell a part of the commercial buildings in connection with the change in the Group's strategy. The Group, maintaining financial security, continued the commenced projects and, through adequate acquisitions, considerably extended its offer. The strategy of the Group assumes that in the following years the scale of activities in the housing segment will be at least maintained at the level recorded in 2018 (both in terms of the sales volume and margins). As regards the second segment, i.e. commercial real property, the new strategy assumes that the existing buildings, and in particular office buildings, will be sold and new ones will be built for sale after they are constructed and commercialised.

The Management Board is of an opinion that profit from operating activities in 2018 and the margins are satisfactory.

15. CONTRACT BETWEEN THE COMPANY AND AN ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS

2018

On 22 July 2018 a contract of financial revision services and other certification services was concluded with Deloitte Audyt Sp. z o.o. Sp.k in Warsaw. The contract included the audit of the financial statements and the consolidated financial statements of LC Corp S.A. for 2018-2020 as well as the review of interim financial statements for a period of 6 months ended on 30 June 2018, 2019 and 2020. The amount of remuneration under the above-mentioned contract in 2018 is PLN 103 thousand for audit of the financial statements and the consolidated financial statements of LC Corp S.A. and PLN 60 thousand for review of financial statements for the period of 6 months ended on 30 June 2018.

In addition, in 2018 twenty two contracts were signed in connection with the audit of financial statements of the subsidiaries of LC Corp S.A. Capital Group. The total remuneration under those contracts in 2018 amounted to PLN 337 thousand.

2017

The contract with Ernst & Young Audyt Polska Sp. z o.o. Sp.k in Warsaw concerning the audit of the financial statements and consolidated financial statements of LC Corp S.A. for 2017 was concluded on 12 June 2017. The net remuneration under the above-mentioned contract amounts to PLN 100 thousand. The contract concerning the review of the financial statements and consolidated financial statements of LC Corp S.A. for six months of 2017 was concluded on 12 June 2017. The net remuneration under that contract amounts to PLN 55 thousand.

In addition, in 2017 Ernst & Young Audyt Polska Sp. z o.o. Sp.k. concluded contracts concerning the audit of the separate financial statements for 2017 prepared by the companies Arkady Wrocławskie S.A., Warszawa Przyokopowa Sp. z o.o., Sky Tower S.A., LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp.k., LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp.k., LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp.k., Kraków Zielony Złocień Sp. z o.o. and LC Corp Invest XI Sp. z o.o.. Total remuneration under those contracts amounted to PLN 190 thousand.

16. DECLARATION OF THE MANAGEMENT BOARD

The Management Board of LC Corp Spółka Akcyjna hereby declares that there is no threat to continuation of activities by the Company and the Group.

Prepared: Wrocław, 24 April 2019

Dariusz Niedośpiel - President of the Management Board

Mirosław Kujawski – Member of the Management Board

Tomasz Wróbel – Member of the Management Board

Radosław Stefurak – Member of the Management Board
