

INDEPENDENT AUDITOR'S REPORT

To the General Meeting and Supervisory Board of LC Corp S.A.

Report on the Audit of the Annual Consolidated Financial Statements

Opinion

We have audited the annual consolidated financial statements of the group (the "Group") with LC Corp S.A. as the parent (the "Parent"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (the "consolidated financial statements").

In our opinion, the consolidated financial statements:

- give a true and fair view of the economic and financial position of the Group as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards, as endorsed by the European Union, and the adopted accounting policies;
- comply, as regards their form and content, with the applicable laws and the articles of association of the Parent.

Our opinion is consistent with the Additional Report to the Audit Committee, which we issued on April 24, 2019.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") in a version adopted by the National Council of Statutory Auditors as the Polish Standards on Auditing ("PSAs") and in compliance with the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 (the "Act on Statutory Auditors", Journal of Laws of 2017, item 1089, as amended) as well as Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("EU Regulation", Official Journal of the European Union L158). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants ("IFAC Code"), adopted by resolution of the National Council of Statutory Auditors, together with the ethical requirements that are relevant to the audit of the financial statements in Poland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC Code. Throughout the audit, both the key statutory auditor and the audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Statutory Auditors and in the EU Regulation.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The Group’s consolidated financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unqualified opinion on those statements on March 20, 2018.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They encompass the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We summarized our response to those risks and, where appropriate, we presented the key findings related to those risks. We do not provide a separate opinion on these matters.

Key audit matter	How we addressed the matter
<p>Impairment of inventories</p> <p>The inventories presented in the consolidated financial statements prepared as at December 31, 2018 included developer’s inventories, such as land, residential property under construction, developer’s finished products and other inventories totaling PLN 979,083 thousand (Note 20), the share of which in the consolidated assets of the Group was material. Inventories are measured at the lower of cost and net realizable value.</p> <p>The net realizable value is determined on the basis of numerous estimates, such as expectations as to the selling price of each residential and commercial unit, garage and storage room as well as the forecast date of sale and expectations as to the total project costs, based on projections about the life of the investment project. The Management Board performs case-by-case analyses for each property development project, in addition to assessing the necessity to recognize impairment losses on inventories.</p>	<p>In particular, our audit procedures included:</p> <ul style="list-style-type: none"> • gaining an understanding and performing an assessment of the design and implementation of the key controls relevant to the measurement of inventories, specifically an analysis versus the net realizable value; • an assessment of the Group’s analysis, taking into account the competence and objectivity of the Group’s Management Board. We have analyzed the key assumptions made for determining the net realizable value of inventories. We have analyzed the key assumptions made in the investment budgets, in particular: <ul style="list-style-type: none"> – the budgeted selling prices by their comparison with market prices for similar investment projects; – the budgeted costs by analyzing the assumptions about the costs remaining to be incurred, including by benchmarking the budgeted costs against market costs incurred for similar investment projects; • an assessment of the correctness and completeness of disclosures in the financial statements of the Group.

Fair value measurement of investment property

In its consolidated financial statements prepared as at December 31, 2018 the Group presents investment property of PLN 1,929,475 thousand (Note 19).

As at the balance sheet date, the Management Board commissioned an independent measurement of all material items of investment property presented within this line item. Such a measurement is affected by the adoption of specific assumptions based on the professional judgment of the Management Board. Among other matters, these assumptions are associated with the selection of the measurement model or comparable data.

As the measurement of investment property is based on estimates and this item is material for the financial statements, we considered investment property to be the key audit risk.

In particular, our audit procedures included:

- verification of investment property measurement, which was performed together with Deloitte property valuation experts and comprised a critical assessment of the assumptions and estimates made in the valuation reports about fair value measurement, including:
 - an assessment of the correctness of input data used in the fair value measurement models;
 - an assessment of the correctness of the adopted measurement methodologies and verification of whether the results of the measurement were on arm's length;
 - an analysis of the reasonableness of the market value of rentals used for purposes of measurement;
 - an analysis of the reasonableness of the market price of a square meter of the plot for selected comparable transactions;
 - verification of whether the capitalization rates used in the calculation were on arm's length;
- an assessment of the correctness and completeness of disclosures in the financial statements of the Group.

Auditing the consolidated financial statements for the first time

The Group's financial statements for the financial year ended December 31, 2018 are the first consolidated financial statements audited by our firm. Considering the size and scope of the Group's operations, it was crucial to obtain an understanding of its organizational structure together with its effect on the Group's processes.

Throughout the audit, we performed a number of additional procedures to obtain an understanding and the necessary knowledge of:

- the Group's business profile and the related processes;
- specific risks inherent in its business;

In particular, our audit procedures included:

- organization of an opening meeting with the key personnel responsible for the Group's financial reporting process;
 - obtaining an understanding of the controls in place at the Group and testing selected controls relevant to specific processes;
 - obtaining an understanding of the Group's accounting policies as well as material values in the consolidated financial statements that are based on professional judgment and estimates;
 - communication with the key statutory auditor acting on behalf of the prior auditor, including a discussion about the key issues related to his audit of the Group;
 - an assessment of the key audit issues related to the prior reporting period and their effect on the Group's financial statements
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- controls implemented and policies adopted by the Group which affect its financial reporting process.

These procedures allowed us to assess the audit risk, identify the risk of material misstatement, including the inherent audit and control risks, determine the materiality levels as well as the scope of the audit procedures.

Additionally, considering that this was our first audit of the Group's consolidated financial statements, our additional procedures focused on determining whether the opening balances were free from material misstatements which could affect the consolidated financial statements for the current period and whether the accounting policies related to the opening balances were applied consistently in the preparation of the consolidated financial statements for the current period or whether the changes made were accounted for as appropriate and presented in accordance with the applicable financial reporting framework.

for the current period and on the opening balances;

- an assessment of the adequacy of disclosures in accordance with International Accounting Standard 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, in the Group's financial statements.

The results of our procedures were communicated to the Group's Management Board and to the Audit Committee.

Responsibilities of the Management Board and the Supervisory Board of the Parent for the Consolidated Financial Statements

The Parent's Management Board is responsible for the preparation of consolidated financial statements which give a true and fair view of the economic and financial position of the Group and of its financial performance in accordance with the applicable International Financial Reporting Standards, as endorsed by the European Union, the adopted accounting policies as well as the applicable laws and articles of association of the Parent, and for such internal control as the Parent's Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Parent's Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Management Board and members of the Supervisory Board of the Parent are obliged to ensure that the consolidated financial statements meet the requirements of the Accounting Act of 29 September 1994 (the "Accounting Act", Journal of Laws of 2019, item 351). Members of the Parent's Supervisory Board are responsible for overseeing the financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

The scope of an audit does not include an assurance about the future profitability of the Group or the effectiveness or efficiency of the Parent's Management Board in managing the Group's affairs at present or in the future.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Management Board;
- conclude on the appropriateness of the Parent's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and that we will communicate

with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent's Supervisory Board, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information, Including the Report on the Activities

Other information includes a report on the Group's activities in the financial year ended December 31, 2018 (the "Report on the Activities"), together with a statement of compliance with corporate governance principles and a non-financial information statement, as referred to in Article 49b.1 of the Accounting Act, which constitute separate parts of the report (together: the "Other Information").

Responsibilities of the Management Board and the Supervisory Board

The Parent's Management Board is responsible for the preparation of the Other Information in accordance with the applicable laws.

The Management Board and members of the Supervisory Board of the Parent are obliged to ensure that the Report on the Activities, along with the separate parts, meet the requirements of the Accounting Act.

Auditor's Responsibilities

Our opinion on the consolidated financial statements does not cover the Other Information. In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact in our auditor's report. Additionally, under the Act on Statutory Auditors we are obliged to express an opinion on whether the Report on the Activities has been prepared in accordance with the applicable laws and whether it is consistent with the information contained in the consolidated financial statements. Furthermore, we are obliged to state whether a non-financial information statement has been prepared by the Group and to express an opinion on whether the Group has included the necessary information in the statement of compliance with corporate governance principles.

Opinion on the Report on the Activities

Based on our work performed during the audit, we are of the opinion that the Report on the Activities:

- has been prepared in accordance with Article 49 of the Accounting Act and par. 71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (the "Current Information Regulation", Journal of Laws of 2018, item 757);
- is consistent with the information contained in the consolidated financial statements.

Furthermore, in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements of the Report on the Activities.

Opinion on the Statement of Compliance with Corporate Governance Principles

In our opinion, the statement of compliance with corporate governance principles contains the information referred to in par. 70.6.5 of the Current Information Regulation. We are also of the opinion that the information referred to in par. 70.6.5(c)-(f), (h) and (i) of the Regulation, as contained in the statement of compliance with corporate governance principles, is in accordance with the applicable laws and consistent with the information included in the consolidated financial statements.

Information on Non-Financial Information

In accordance with the requirements of the Act on Statutory Auditors, we confirm that the Group has prepared a non-financial information statement, as referred to in Article 49b.1 of the Accounting Act, as a separate part of the Report on the Activities.

We have not performed any assurance services relating to the non-financial information statement and we do not express any form of assurance conclusion thereon.

Report on Other Legal and Regulatory Requirements

Statement Concerning Provision of Non-Audit Services

To the best of our knowledge and belief, we represent that non-audit services which we have provided to the Parent and to its subsidiaries are in accordance with the laws and regulations applicable in Poland and that we have not provided any non-audit services which are prohibited under Article 5.1 of the EU Regulation and Article 136 of the Act on Statutory Auditors. The non-audit services which we provided to the Parent and to its subsidiaries in the audited period have been listed in the Report on the Activities.

Appointment of the Auditor

We were appointed as the auditor of the Group's consolidated financial statements by resolution No. 8/2018 of the Parent's Supervisory Board of May 31, 2018. This is our first year as auditor of the Group.

The key statutory auditor on the audit resulting in this independent auditor's report is Maciej Krasoń.

Acting on behalf of Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered seat in Warsaw, entered under number 73 on the list of audit firms, in the name of which the consolidated financial statements have been audited by the key statutory auditor:

Maciej Krasoń
Registered under number 10149

Warsaw, April 24, 2019

The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.