Warsaw, 09.05.2018

Cezary Bernatek, Analyst, Haitong Bank

Haitong Bank in a report from 8th May initiates coverage of Atal with NEUTRAL (FV at PLN 46.55ps), maintains BUY on Dom Development (FV up 7% to PLN 98.70ps), raises LC Corp from Neutral to BUY (FV up 9% to PLN 3.23ps) and upgrades Ronson to NEUTRAL (FV down 2% to PLN 1.40ps).

Valuation Methodology

Haitong Bank analysts use a scenario analysis to arrive at what they consider to be a conservative pipeline value. Their approach favors RE companies with a higher proportion of standing properties, but also rewards developers for near-term pipeline projects with secured financing and construction in progress, as both asset groups are factored into their equity valuation calculation at an estimated market value with a 100% weighting. Analysts attach a lower value to projects in extended pipelines, which are more likely to be postponed (or abandoned entirely in extreme cases).

Their fair value takes into account a developer's ability to generate value via new projects. To account for varying levels of risk, analysts have adopted a scenario approach using: 1) a truncated pipeline; and 2) an extended pipeline. As all the companies from Haitong Bank's residential coverage universe offer relatively solid balance sheets and proven access to external funding, analysts believe they are unlikely to face any difficulties financing their development pipeline and servicing debt requirements in the quarters ahead. Combined with relatively favorable macro prospects going forward, they apply a significantly higher weight to their extended pipeline scenario (75%) versus the truncated pipeline scenario (25%) across the board.

The truncated pipeline scenario takes into consideration only projects that are currently standing or under construction, meaning that the financing has been secured and the company is actively working on the site.

The extended pipeline scenario takes into consideration all projects that the company has in its pipeline that are expected to be finalized in the next three years (to add comparability) and also includes a terminal value.

In both scenarios, analysts also add the estimated value of the secured land bank, as well as capital expenditures on particular projects to date.

The estimated fair value for Atal (initiated with a NEUTRAL rating) stands at PLN 46.55 per share, implying 6.5% upside.

The estimated fair value for Dom Development (BUY rating maintained) stands at PLN 98.70 per share (raised by 6.8%), implying 13.7% upside.

The estimated fair value for LC Corp (rating upgraded to BUY) stands at PLN 3.23 per share (raised by 9.5%), implying 19.2% upside.

The estimated fair value for Ronson (rating upgraded to NEUTRAL) stands at PLN 1.40 per share (lowered by 2.1%), implying 9.4% upside.

Risks to Fair Value

Atal

- weaker/stronger than expected pick-up in dwellings prices across the country's main agglomerations going forward
- stronger/weaker than anticipated pick-up in construction costs, hitting the firm's gross margins going forward
- abnormal delays in project realizations, linked to the growing shortage of a construction workforce across the country
- mounting problems/delays in obtaining legal permits for the schemes in the pipeline
- earlier/later than-originally-anticipated base interest rate hike in Poland, hitting housing pre-sales volumes
- tightening/easing of mortgage lending availability / material increase/decrease in the margins on mortgage loans in the country
- difficulties in the purchase of attractively located land plots at reasonable prices

- stronger/weaker than expected increase in land prices in the years ahead, affecting the company's gross margins
- potential share capital increase within the statutory capital (such option available) putting downward pressure on the stock price
- limited funding availability for the company / potential difficulties in debt rollover
- stronger/weaker than originally anticipated downward pressure on residential rental rates in the main PL cities, linked to potential acceleration of the government cheap flats for rent Mieszkanie+ program in the mid-term
- material downturn in domestic economy / falling consumer confidence
- potential costs related to pending tax control (trademark related)
- potential ABB from the main shareholder
- limited free-float

Dom Development

- weaker than expected pick-up to apartment prices across the country's main agglomerations going forward
- stronger than anticipated pick-up in construction costs, hitting the firm's gross margins going forward
- abnormal delays in the projects realization, linked to a growing shortage of construction workforce across the country
- mounting problems/delays in obtaining legal permits for the schemes in the pipeline
- earlier than originally anticipated base interest rate hike in Poland, hitting housing pre-sales volumes
- tightening of mortgage lending availability or a material increase in the margins on mortgage loans in the country
- abnormally high volume of new housing projects hitting the market or fast-growing competition
- difficulties in the purchase of attractively located land plots at reasonable prices
- stronger than expected increase in land prices in the years ahead, affecting the company's gross margins
- limited funding availability for the company or potential difficulties in debt rollover
- stronger than originally anticipated downward pressure on residential rental rates in the main PL cities, linked to potential acceleration of the government cheap flats for rent Mieszkanie+ program in the midterm
- material downturn in domestic economy or falling consumer confidence

LC Corp

- loss of anchor tenants in commercial properties / deterioration of key rental agreements' terms following lead s/holder Leszek Czarnecki exit from the firm (companies controlled by Mr. Czarnecki comprise key tenants in most of LCC's standing office projects at present)
- difficulties in renting out of under-construction office schemes given a lack of demand from former lead s/holder related entities
- earlier than-originally-anticipated base interest rate hike in Poland, hitting housing pre-sales volumes
- tightening of mortgage lending availability / material increase in the margins on mortgage loans in the country
- abnormally high volume of new housing projects hitting the market / fast-growing competition
- abnormally high supply of new office space in Polish main agglomerations, putting downward pressure on rental rates
- fall in demand for commercial properties in the country, pushing up real estate yield levels
- unfavorable FX movements (PLN as accounting currency, portfolio of yielding assets values in EUR; PLN strengthening hitting the firm's revaluation result)
- difficulties in the purchase of attractively located land plots at reasonable prices
- delays in obtaining legal permits for the schemes in the pipeline / delays in the projects realization
- limited funding availability for the company / potential difficulties in debt rollover
- potential material pressure on residential rental rates in the main PL cities, linked to the planned kick-off of the government cheap flats for rent Mieszkanie+ program in the mid-term

Ronson

- weaker than expected pick-up to apartment prices across the country's main agglomerations going forward
- stronger than anticipated pick-up in construction costs, hitting the firm's gross margins going forward
- earlier than originally anticipated hike in Polish base interest rates, hitting housing pre-sales volumes
- tightening of mortgage lending availability or material increase in the margins on mortgage loans in the country
- difficulties in the purchase of attractively located land plots at reasonable prices
- delays in obtaining legal permits for the schemes in the pipeline
- limited funding availability for the company or potential difficulties in debt rollover
- stronger than anticipated downward pressure on residential rental rates in the main PL cities, linked to potential acceleration of the government cheap flats for rent Mieszkanie+ program in the mid-term
- material downturn in domestic economy or falling consumer confidence

Upside risks:

- stronger-than-assumed increase in dwellings prices in the primary market
- weaker than anticipated pick-up in construction costs in the years ahead
- later than originally anticipated increase to PL base interest rates
- visible fall in the supply of new residential projects in the domestic market
- purchase of attractively located land plot at a low price, allowing for realization of a solid developer margin, without causing liquidity issues
- speed up in the process of projects realization
- material acceleration in the domestic economy and visibly growing consumer confidence

IMPORTANT DISCLOSURES

04/05/2018

This report was prepared by Haitong Research, a global brand name for the macro, fixed income, technical and equity research teams of Haitong Bank, S.A., with headquarters in Lisbon, Portugal, of its Branches in Spain and Poland, all authorized to engage in securities activities according to each domestic legislation. All of these entities are included within the perimeter of the financial group controlled by Haitong Bank, S.A., a Portuguese bank authorised and regulated by Banco de Portugal (Portuguese Banking Regulator) and Comissão do Mercado de Valores Mobiliários (the Portuguese Securities Market Authority). Haitong Bank, S.A. is indirectly controlled by Haitong Securities Co., Ltd. incorporated in the People's Republic of China.

Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; the issuers were not previously informed about the content of the recommendation included in this research report and the assumptions were not validated by the issuers; (2) no part of his or her compensation was, is or will be directly or indirectly related to: (a) the specific recommendations or views expressed by that research analyst in the research report; and/or (b) any services provided or to be provided by Haitong Bank, S.A. and/or by any of its affiliates to the issuer of the securities under recommendation. Moreover, each of the analysts hereby certifies that he or she has no economic or financial interest whatsoever in the companies subject to his or her opinion and does not own or trade any securities issued by the latter.

Ratings Distribution

Haitong Research hereby provides the distribution of the equity research ratings in relation to the total issuers covered and to the investment banking clients as of end of March2018.

For further information on Rating System please see "Definitions and distribution of ratings" on: http://www.haitongib.com/en/what-we-do/research

Share Prices

Share prices are as at the close of business on the day preceding publication, unless otherwise specified.

Coverage Policy

Haitong Research reserves the right to choose the securities it expresses opinions on. The main criteria to choose such securities are: 1) markets in which they trade 2) market capitalisation 3) liquidity, 4) sector suitability. Haitong Research has no specific policy regarding the frequency in which opinions and investment recommendations are released.

Representation to Investors

Haitong Research has issued this report for information purposes only. This material constitutes "investment research" for the purposes of the Markets in Financial Instruments Directive and as such contains an objective or independent explanation of the matters contained in the material.

Any recommendations contained in this document must not be relied upon as investment advice based on the recipient's personal circumstances. This report is not, and should not be construed as an offer or a solicitation to buy or sell any securities or related financial instruments. The investment discussed or recommended in this report may be unsuitable for investors depending on their specific investment objectives and financial position. The material in this research report is general information intended for recipients who understand the risks associated with investment. It does not take account of whether an investment, course of action, or associated risks are suitable for the recipient. This research report does not purport to be comprehensive or to contain all the information on which a prospective investor may need in order to make an investment decision and the recipient of this report must make its own independent assessment and decisions regarding any securities or financial instruments mentioned herein. In the event that further clarification is required on the words or phrases used in this material, the recipient is strongly recommended to seek independent legal or financial advice. Where an investment is denominated in a currency other than the investor's currency, changes in rates of exchange may have an adverse effect on the value, price of, or income derived from the investment. Past performance is not necessarily a guide to future performance. Income from investments may fluctuate. The price or value of the investments to which this report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation and opinion contained in this report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein. The securities mentioned in this publication may not be eligible for sale in some states or countries.

All the information contained herein is based upon information available to the public and has been obtained from sources believed to be reliable. However, Haitong Research does not guarantee the accuracy or completeness of the information contained in this report. The opinions expressed herein are Haitong Research present opinions only, and are subject to change without prior notice. Haitong Research is not under any obligation to update or keep current the information and the opinions expressed herein nor to provide the recipient with access to any additional information.

Haitong Research has not entered into any agreement with the issuer relating to production of this report. Haitong Research does not accept any form of liability for losses or damages which may arise from the use of this report or its contents.

Prevention and Avoidance of Conflicts of Interest

In addition to any applicable legal requirements on conflicts of interest, Haitong Research is subject to internal guidelines, designed to set a minimum standard to which Haitong Research reports should adhere to.

Decisions to initiate, resume, suspend or terminate research coverage of any issuer or securities are the exclusive responsibility of research management in conjunction with the research analysts involved.

No information that may be available to Haitong Bank Group as a result of providing investment banking services relating to issuers under Haitong Research's coverage universe can be used in the production of research reports.

All Haitong Research reports must be approved by a supervisory analyst and, where necessary, reviewed by research management prior to its distribution. In addition for other tasks, the supervisory analyst is responsible for confirming that the appropriate disclosures are included in a research report.

All decisions on the timing for release and content of research reports may not be made, or inappropriately influenced, by persons not included within the scope of the research team involved in the preparation of these reports, and all new research content, and other material statements of Haitong Research, may not be disclosed selectively before being made available fully through the approved distribution channels used for Haitong Research reports. Haitong Research shall make its research materials available simultaneously to clients and other parts of Haitong Bank Group.

During the production of research reports, Haitong Research analysts must operate in an environment that is without undue influence and is independent and autonomous from all other Haitong Bank Group divisions (compliance excluded, on compliance matters). Haitong Research analysts are not permitted to be involved in activities within the Haitong Bank Group that may prejudice, or appear to prejudice, the independence of their research. Haitong Research analysts should be supervised exclusively by research management, which should also operate independently from all other areas of Haitong Bank Group. Analysts' compensation may not be directly linked to specific investment banking transactions or investment banking groups. Analysts are prohibited from soliciting or accepting any kind of remuneration, benefits or inducements (including the selective disclosure by an issuer of material information not generally available) from any issuer or any other party in relation to the publication of research. No analysts, or members of their households, may deal or have a financial interest in securities issued by entities included in the sector covered by them. No research management personnel, or members of their households, may deal or have a financial interest in securities issued by entities included in the sector covered by analysts under their supervision. No supervisory analysts, or members of their households, may deal or have a financial interest in securities issued by entities covered in reports subject to their revision. The prior approval by the local compliance department is mandatory on every personal dealing transaction in relation to securities issued by covered entities.

There is a Chinese Information Barriers policy aimed at controlling and managing any potential conflicts of interest and possible breaches of internal and external provisions relating to the flow of information. To implement the Chinese Walls policy, effective information barriers are in place between Haitong Research occupied facilities, and all other Haitong Bank Group business and support areas, with the following basic requirements: there must be organizational, physical and personnel separation up to the highest possible level between Haitong Research and Haitong Bank Group; Haitong Research employees report hierarchically to their managers inside Haitong Research only; and Haitong Research employees shall make exclusive use of information from Haitong Research data storage systems and software that are not accessible to other divisions of the Haitong Bank Group or to third parties.

Interaction between Haitong Research analysts and any persons outside research are subject to strict procedures and limitations in order to avoid the occurrence of situations that might result in actual or perceived inappropriate influences on analyst views. Issuers subject to coverage by Haitong Research may not be previously informed about the content of recommendations included in research reports and neither may the assumptions included in these reports be subject to validation by these issuers.

Ownership and Material Conflicts of Interest
Haitong Bank, S.A. and/or its subsidiaries (including all entities within Haitong Research) and/or their directors, officers and employees, may have, or have had, interests or qualified holdings on issuers mentioned in this report. Haitong Bank, S.A. and/or its subsidiaries may have, or have had, business relationships with the companies mentioned in this report. However, the research analysts may not purchase or sell securities or have any interest whatsoever in companies subject to their opinion.

Haitong Bank, S.A. and/or its subsidiaries do not have any qualified shareholding (1.0% or more) in any issuer covered in this report.

Pursuant to Polish Ministry of Finance regulations, we inform that neither does Haitong Bank, S.A. nor its subsidiaries have any qualified shareholding in the Polish Securities Issuers mentioned in this report in excess of 5% of its total share capital.

Haitong Bank, S.A. and/or its subsidiaries have a net long position exceeding the threshold of 0.5 % of the total issued share capital of PBG covered in this report.

Haitong Bank, S.A. and/or its subsidiaries do not have any net short position exceeding the threshold of 0.5 % of the total issued share capital of any issuer covered in this report.

Haitong Bank, S.A and/or its subsidiaries are liquidity providers or market makers for Altri.

Haitong Bank, S.A. and/or its subsidiaries participate, or have participated, in the last 12 months as a syndicate member in bond issues of EDP and REN.

Haitong Bank, S.A. and/or its subsidiaries participate or have participated in the last 12 months as a syndicate member in share offerings of Gas Natural, Iberdrola, Polski Bank Komórek Macierzystych and R22 SA.

Haitong Bank, S.A. and/or its subsidiaries provided in the last 12 months investment banking services to the following companies: Altri, EDP, Mota-Engil, NOS, REN, Corticeira Amorim, Polski Bank Komórek Macierzystych and R22 SA.

Haitong Bank, S.A. and/or its subsidiaries do, and seek to, provide investment banking or other services to the companies referred to in this research report. As a result, investors should be aware that a conflict of interest may exist.

Confidentiality
This report cannot be reproduced, in whole or in part, in any form or by any means, without Haitong Research's specific written authorization. This report is confidential and is intended solely for the designated addressee. Therefore any disclosure, replication, distribution or any action taken in reliance on it, is prohibited and unlawful. Receipt and/or review of this research report constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this report (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of Haitong Bank, S.A.

Regulatory Authorities
Portugal: Haitong Bank, S.A. is regulated by the Comissão do Mercado de Valores Mobiliários (the Portuguese Securities Market Authority); Spain: the branch in Madrid is regulated by the Comisión Nacional del Mercado de Valores (the Spanish Securities Market Authority); Poland: the branch in Warsaw is regulated by the Komisja Nadzoru Finansowego (the Polish Financial Supervision Authority).

ADDITIONAL IMPORTANT DISCLOSURES FOR U.S. PERSONS

Third Party Research
This is third party research. It was prepared by Haitong Research, a global brand name for the fixed income, macro and equity research teams of Haitong Bank, S.A., with headquarters in Lisbon, Portugal, of its Branches in Spain and Poland, all authorized to engage in securities activities according to each domestic legislation. All of these entities are included within the perimeter of the financial group controlled by Haitong Bank, S.A., a Portuguese bank. Haitong Bank, S.A. is indirectly controlled by Haitong Securities Co., Ltd. incorporated in the People's Republic of China. This research is NOT a product of Haitong Securities Co., Ltd. Nor is this research a product of Haitong Securities USA LLC, a U.S. registered broker-dealer. Haitong Research has sole control over the contents of this research report. Neither Haitong Securities Co., Ltd. nor Haitong Securities USA LLC exercises any control over the contents of, or the views expressed in, research reports prepared by Haitong Research.

Neither Haitong Bank, S.A., nor any of these Branches or affiliates which prepare Haitong Research are registered as a broker-dealer in the United States and, therefore, they are not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 (a) (2) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Haitong Securities USA LLC, located at 340 Madison Avenue, New York, NY 10173, 212-351-6000. Under no circumstances should any U.S. recipient of this research report effect any transaction to buy or sell securities or related financial instruments through any of the non-U.S. entities which prepare Haitong Research.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of Haitong Securities USA LLC and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Ownership and Material Conflicts of Interest

Haitong Securities USA LLC is an affiliate of Haitong Bank, S.A. and indirectly controlled by Haitong Securities Co., Ltd. Notwithstanding the foregoing, disclosures regarding ownership and material conflicts of interest are limited to Haitong Bank, S.A. and its subsidiaries. Haitong Securities Co., Ltd. is not included in these disclosures unless a research analyst or an associated person of Haitong Bank, S.A. or its subsidiaries with the ability to influence the content of the research report knows or has reason to know of a material conflict of interest involving Haitong Securities Co., Ltd. at the time of the report's publication or distribution.

Haitong Bank, S.A or its subsidiaries managed or co-managed a public offering of securities for R22 SA, in the past 12 months.

Haitong Bank, S.A or its subsidiaries or its affiliates received compensation for investment banking services from, Altri, EDP, Mota-Engil, NOS, REN, Corticeira Amorim, Polski Bank Komórek Macierzystych and R22 SA, in the past 12 months.

Haitong Bank, S.A or its subsidiaries or its affiliates expect to receive or intend to seek compensation for investment banking services from Altri, Corticeira Amorim, Mota-Engil, NOS and Navigator in the next 3 months.

Haitong Bank, S.A or its subsidiaries or its affiliates have received compensation for products or services other than investment banking services from, Altri, , Sonae SGPS, Corticeira Amorim, Semapa. NOS SGPS and Mota-Engil in the previous 12 months.

During the 12-month period preceding the date of publication or distribution of this research report no issuer covered in this report has been a client of Haitong Bank, S.A for purposes of providing non-investment banking securities-related services or non-securities services.

Haitong Bank, S.A or its subsidiaries do not beneficially own 1% or more of the common equity securities of any issuer covered in this report.

Haitong Bank , S.A. or its subsidiaries do not make a market in the securities of any issuer covered in this report.

Fixed Income Disclosures

This document is intended for institutional investors and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors.

The views expressed in this report may differ from the views offered in Haitong Bank's debt research reports prepared for retail investors.

This report may not be independent of Haitong Banks's proprietary interests. Haitong Bank, S.A. or its subsidiaries may trades the securities covered in this report for its own account and on a discretionary basis on behalf of certain clients. Such trading interests may be contrary to the recommendation(s) offered in this report.

NOTE TO "PERMITTED CLIENTS" IN ONTARIO & QUEBEC CANADA

Haitong Securities USA LLC is not registered as a "dealer" under securities legislation in Canada. Consequently, this research report is only for use in connection with trades which Haitong Securities USA LLC is permitted to execute in compliance with available exemptions in the provinces of Ontario and Quebec.