

**REPORT OF THE SUPERVISORY BOARD
OF DEVELIA SPÓŁKA AKCYJNA WITH ITS REGISTERED OFFICE
IN WROCLAW
ON EXERCISING SUPERVISION OVER THE COMPANY'S ACTIVITIES
IN THE PERIOD FROM 01/01/2019 TO 31/12/2019**

I. Composition and activities of the Supervisory Board in 2019.

1. Composition of the Supervisory Board

As of 1 January 2019, the Supervisory Board was composed of:

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

On 28 November, 2019, due to the resignation submitted by the President of the Management Board at that time, Mr. Dariusz Niedośpiał, Chairman of the Supervisory Board, Mr. Michał Hulbój, was delegated by a resolution of the Supervisory Board to temporarily perform the function of the President of the Management Board from 28 November, 2019, to 28 February, 2020.

On 26 February, 2020, the Supervisory Board extended the period of Mr. Michał Hulbój's delegation from 29 February to 29 May, 2020. On 29 May, 2020, the above-mentioned delegation expired and Mr. Michał Hulbój returned to the duties of the Chairman of the Supervisory Board.

Composition of the Supervisory Board of Develia S.A. as of 31 December, 2019, did not change.

On 8 January, 2020, the Extraordinary General Meeting of the Company established the composition of the Issuer's Supervisory Board to be 7 members and then appointed Mr. Artur Osuchowski to the Supervisory Board on 8 January, 2020.

Moreover, two committees operated within the Supervisory Board: the Audit Committee and the Appointment and Remuneration Committee described in point II below

2. Resolutions adopted

The Supervisory Board of Develia S.A., while performing its obligations in the financial year 2019, held 8 meetings and adopted 43 resolutions, including:

- 22 resolutions adopted during the meetings
- 21 circular resolutions adopted pursuant to Art. 19 Sec. 6 of the Articles of Association.

Minutes of the Supervisory Board's meetings were taken and they are archived in the Company's headquarters along with other documents.

3. Activities of the Supervisory Board

The Supervisory Board exercised constant supervision over the Company's activities in all areas of its operations, in accordance with the powers and duties provided for in the Code of Commercial Companies and Partnerships and the Company's Articles of Association, and it supervised the proper performance of the Company's tasks provided for in the Articles of Association.

The supervision and inspection included, in particular:

- analysing and assessing the Company's current financial results,
- analysing interim financial statements,
- reviewing periodical information from the Management Board concerning current and planned operations of the Company,
- analysing materials submitted by the Management Board,
- approving and accepting liabilities assumed by the Company,

- granting consent for the establishment of guarantees and sureties for the Group's companies,
- granting consent for the acquisition of real property.

The activities of the Supervisory Board comprised:

- expressing opinions on draft resolutions prior to their presentation to the General Meeting,
- assessing the Management Board's report on the Company's activities and the financial statements for the financial year 2018,
- preparing and approving the report on the Supervisory Board's activities for the financial year 2018,
- preparing and performing the assessment of the Company,
- approving the reports on the Audit Committee and Appointment and Remuneration Committee's activities,
- approving the Company's budget for the year 2020,
- granting consent to the Company's Management Board for the Company to establish collaterals and sureties for its subsidiaries in connection with bank loans contracted by such subsidiaries,
- granting consent to the Company's Management Board for the Company to acquire real property and to acquire and take up shares in other entities (including the companies from the Group),
- implementing changes to the composition of the Appointment and Remuneration Committee,
- approving amendments to the Regulations of the Audit Committee,
- implementing changes to the composition of the Management Board of the Company, and determining the principles of remuneration for members of the Management Board.
- delegating the Chairman of the Supervisory Board to temporarily perform the duties of the President of the Management Board,
- adopting the consolidated text of the Articles of Association,
- adopting the internal audit charter and internal audit plan.

The Supervisory Board also oversaw the standing of the Company and expressed its opinion on current and planned activities of the Company. While performing its duties, the Supervisory Board obtained information, necessary for their performance, from documents, presentations and explanations presented by the Management Board.

The Supervisory Board confirms that the cooperation with the Company's Management Board in the reporting period was correct and that the Management Board provided reliable and comprehensive information with regard to all aspects related to the activities of the Company and of the companies forming Develia S.A. Capital Group as well as that the Management Board informed the Supervisory Board, on an ongoing basis, on matters falling within its competence.

The list of detailed activities undertaken by the Supervisory Board is included in the minutes of the Supervisory Board's meetings which, together with the resolutions adopted by the Supervisory Board in 2019, are archived at the Company's headquarters.

II. Committees of the Supervisory Board

The Supervisory Board performed its tasks both during its meetings and during the works of the committees of the Supervisory Board. In accordance with the Articles of Association and the Regulations of the Supervisory Board, the Supervisory Board may, by means of a resolution, set up permanent and ad hoc committees. In such a case, the Supervisory Board shall determine the regulations of such a committee, its composition and objectives. The Committees performed their functions in accordance with the Regulations of the Supervisory Board and the Regulations of respective Committees. In 2019, the following committees of the Supervisory Board operated: the Audit Committee and the Appointment and Remuneration Committee.

1. The Audit Committee

As of 1 January, 2019, the composition of the Supervisory Board's Audit Committee was as follows:

- Michał Wnorowski – Chairman
- Grzegorz Grabowicz
- Piotr Kaczmarek

The composition of the Audit Committee did not change in 2019 nor as of the date of this report.

The Audit Committee operated in accordance with the Act of 11 May, 2017 on Statutory Auditors, Their Self-Government, Entities Authorized to Audit Financial Statements and on Public Supervision.

All members of the Supervisory Board, including all members of the Supervisory Board's Audit Committee sitting on that committee in 2019 have satisfied the independence criterion. All members of the Audit Committee who has been sitting on that committee since 2019 are knowledgeable in accounting and financial statements' audit.

In addition, among all members of the Audit Committee, Mr. Michał Wnorowski, and Mr. Piotr Kaczmarek have the knowledge and skills related to the industry in which the Company operates.

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

- results of the interim review of the financial statements for the first six months of 2019,
- results of the audit of the financial statements for 2019, and
- issues and risks identified in the course of the audit of the interim and annual financial statements.

In addition, during the sessions of the Audit Committee, issues related to the organization of internal control functions: that is, internal control and internal audit, were discussed. While performing its duties in the financial year 2019, the Audit Committee held 7 (seven) meetings at which it adopted 7 (seven) resolutions and 3 (three) meetings in 2020 at which it adopted 3 (three) resolutions.

The Audit Committee constantly monitored works related to the process of preparing and reviewing the Company's financial statements, thus, the Committee cooperated with the auditor in this area on an ongoing basis. Representatives of Deloitte Audyt Sp. z o.o. Sp. k. auditing the statements for 2019 were present at 5 (five) meetings of the Audit Committee in 2019 (9 January, 12 March, 24 April, 5 September and 17 December) and at 1 (one) meeting in 2020 (3 March). Members of the Committee were also in contact by telephone with the auditor.

The Audit Committee at the meeting on 9 January, 2019, developed a work plan for January - December 2019. The Audit Committee recommended to the Supervisory Board to select an external advisor in order to support audit tasks under the Internal Audit Plan for 2019.

The Audit Committee monitored the financial reporting process on an ongoing basis, and the financial statements in all aspects were prepared in accordance with the accounting principles and on the basis of properly maintained accounting books, and in the opinion of the Audit Committee they reliably reflected the results of business activities and the financial and property standing of the Company. The Audit Committee also reviewed the Management Board's report on the Company's activities, finding that the presented figures and facts gave a true and fair reflection of the state of affairs.

2. The Appointment and Remuneration Committee

As of 1 January, 2019, the composition of the Supervisory Board's Appointment and Remuneration Committee was as follows:

- Michał Hulbój – Chairman
- Jacek Osowski
- Paweł Małyska

Due to the delegation of Mr. Michał Hulbój to temporarily perform the function of the President of the Management Board, the Supervisory Board, by resolution of 3 December, 2019, appointed Mr. Piotr Kaczmarek to replace Mr. Michał Hulbój on the Appointment and Remuneration Committee. In addition, the Supervisory Board, by resolution of 3 December, 2019, decided to entrust Mr. Jacek Osowski with the function of the Chairman of the Appointment and Remuneration Committee.

As of 31 December, 2019, and as of the date of this report, the composition of the Appointment and Remuneration Committee is as follows:

- Jacek Osowski – Chairman
- Piotr Kaczmarek
- Paweł Małyska

In the financial year 2019, the Appointment and Remuneration Committee held 4 meetings at which 2 resolutions were adopted. In addition, 5 circular resolutions were adopted. Minutes of the meetings of the Supervisory Board's Appointment and Remuneration Committee were taken and are stored in the Company's headquarters along with other documents.

In 2019, the scope of works of the Appointment and Remuneration Committee included:

- Adopting a recommendation regarding the selection of the headhunting company's offer in order to recruit a candidate for the position of a Member of the Management Board of the Company responsible for the Finance Area;
- Recruiting the candidate for the position of a Member of the Management Board of the Company responsible for the Finance Area and adopting a recommendation for the Supervisory Board regarding the selected candidate and concluding an employment agreement and non-competition agreement with him;
- Approving the report on the Appointment and Remuneration Committee's activities for 2018;
- Accepting a recommendation regarding the delegation of a member of the Supervisory Board to temporarily perform the duties of the President of the Management Board;
- Accepting a recommendation regarding the selection of the headhunting company's offer in order to recruit a candidate for the position of the President of the Management Board and starting the recruitment process.

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

III. Assessment of the standing of the Company

The year 2019 brought further development to the Company operating in the real property development market. The Company achieved its targets and generated a very satisfactory financial result. The success was achieved through consistent implementation of the adopted growth strategy which assumed strengthening the position and becoming more and more influential in the real property market, both in the housing as well as commercial segment.

In the opinion of the Supervisory Board of Develia S.A., activities undertaken by the Company in 2019 contributed both to the increase in the financial results of the Capital Group in 2019 as well as they created solid grounds for the continued growth of the Group and for strengthening its market position.

The Supervisory Board positively assesses the business strategy and objectives of the Company established by the Management Board: expanding its activity in key Polish cities (Warsaw, Wrocław, Kraków, Gdańsk) through an appropriate launch of investments from the existing portfolio as well as through new real property acquisitions, with the diversification of the product offer in terms of location and standard.

The Supervisory Board positively assesses the Company's activities in 2019 and the performance of the Company's Management Board executing the adopted plans. The Supervisory Board is of the opinion that the Company is managed correctly and effectively.

IV. Assessment of internal control and risk management systems, compliance and internal audit function

Risk management at Develia S.A. is carried out through a formal process of periodic identification, analysis and assessment of risk factors in various areas of the Company and Group's activities. While identifying risks, relevant procedures and processes are determined in order to eliminate or mitigate the risks for the Company and for the Group. The Company has a separate internal audit unit with an internal auditor who performs the duties of internal audit and who audits individual organizational units and processes in the Company, in accordance with the audit plan adopted by the Supervisory Board.

The Audit Committee, in cooperation with the internal auditor, created an internal audit charter and an internal audit work plan for 2019, recommending their adoption by the Company's Supervisory Board. The main objectives of internal audit are to audit and assess adequacy, effectiveness and efficiency of the business risk management system and the internal control system, in particular:

- review and assessment of existing internal control mechanisms as well as reliability and integrity of management, operational and financial information,
- review and assessment of compliance with laws, policies, plans and procedures, identification of gaps and weaknesses of existing control mechanisms in order to proactively solve problems and minimize the impact on the operating activities of the Company and the Group,
- assessment of asset protection measures of the Company and the Group,
- assessment of compliance of activities with previously presented audit or control recommendations.

The Supervisory Board supervised the Management Board's activities in the area of risk management in the Company. In the opinion of the Supervisory Board, the key risk management systems developed by the Company, i.e. systems for managing operational, legal and financial risks, functioned properly.

In the opinion of the Supervisory Board, the Management Board of the Company properly identified risks significant for the Company and managed them effectively in a dynamically changing external environment.

V. Assessment of the Company's compliance with the disclosure requirements concerning the application of corporate governance principles set forth in the Warsaw Stock Exchange Rules and the regulations concerning current and interim reports submitted by issuers of securities

Disclosure requirements concerning the application of corporate governance principles are specified in the Warsaw Stock Exchange Rules and in the Regulation of the Minister of Finance of 29 March, 2019, concerning current and interim reporting by issuers of securities and the terms and conditions of harmonization of the information required under regulations applicable in non-member states. The rules governing submission of current reports on the application of detailed corporate governance principles are set out in Resolution No. 1309/2015 of 17 December, 2015, adopted by the Management Board of WSE.

According to the Warsaw Stock Exchange Rules, if a specific corporate governance principle is not applied on a permanent basis or it is incidentally breached by the issuer; the issuer is obliged to publish a relevant report. The report should be published on the issuer's official website and in a manner identical with that used for the submission of current reports. Pursuant to Resolution No. 1309/2015 of the Management Board of the WSE, reports on the application of detailed corporate governance principles referred to in Article 29 Sec. 3 of the Warsaw Stock Exchange Rules shall be submitted via the Electronic Information Base (EBI). The Regulation of the Minister of Finance of 19 February, 2009, specifies information to be included in the statement on the application of corporate governance constituting a separate element of the report on the issuer's activity in the annual report of the Company.

In 2019, the Company applied corporate governance principles except for the following recommendations and principles I.Z.1.16, I.Z.1.20, IV.Z.2, V.Z.6, VI.Z.4.

The Supervisory Board is of the opinion that the Company correctly fulfils its disclosure obligations related to the application of corporate governance principles, as set forth in the legal regulations mentioned above. The Supervisory Board has familiarized itself with the statement on the application of corporate governance contained in the Annual Report of Develia S.A. and in the Annual Report of Develia S.A. Capital Group for 2019. This statement describes corporate governance issues in detail and contains disclosures required according to the Regulation of the Minister of Finance of 29 March, 2019, concerning current and interim reporting by issuers of securities and the terms and conditions of harmonization of the information required under regulations applicable in non-member states.

VI. Assessment of the rationality of the Company's policy referred to in recommendation I.R.2 of the 2016 Code of Best Practice for WSE Listed Companies, or information on the absence of such policy

In the financial year 2019, the Company did not conduct any sponsorship, charitable activity or other activities of similar nature on a large scale, therefore, it does not have a detailed policy in this respect. However, the Company undertook various activities as part of corporate social responsibility, getting engaged in charity activities, supporting several events in this respect.

VII. Assessment of statements for 2019

Pursuant to Article 382 Sec. 3 of the Code of Commercial Companies and Partnerships, the Supervisory Board assessed the following documents with respect to their compliance with the books and documents and with the actual state of affairs:

1. the financial statements of Develia S.A. for 2019, including:
 - a) the statement of financial position as of 31 December, 2019, with total assets and liabilities amounting to PLN 1,728,538 thousand (in words: one billion seven hundred and twenty-eight million five hundred and thirty-eight thousand zlotys).
 - b) the statement of comprehensive income for the financial year from 1 January, 2019, to 31 December, 2019, showing profit after tax amounting to PLN 176,268 thousand (in words: one hundred and seventy-six million two hundred and sixty-eight thousand zlotys) and comprehensive income amounting to PLN 176,268 thousand (in words: one hundred and seventy-six million, two hundred and sixty-eight thousand zlotys)
 - c) the statement of changes in equity for the financial year from 1 January, 2019, to 31 December, 2019, showing an increase in equity capital by PLN 55,391 thousand (in words: fifty-five million three hundred and ninety-one thousand zlotys),
 - d) the cash flow statement for the period from 1 January, 2019, to 31 December, 2019, showing a decrease in net cash balance by PLN 91,298 thousand (in words: ninety-one million two hundred and ninety-eight thousand zlotys).
 - e) notes to the financial statements – Accounting principles (policies) and explanatory notes.
2. the financial statements of Develia S.A. Capital Group for 2019, including:
 - a) the consolidated statement of financial position as of 31 December, 2019, with total assets and liabilities amounting to PLN 3,243,925 thousand (in words: three billion two hundred and forty-three million nine hundred and twenty-five thousand zlotys),
 - b) the consolidated statement of comprehensive income for the financial year from 1 January, 2019, to 31 December, 2019, showing profit after tax amounting to PLN 117,382 thousand (in words: one hundred and seventeen million three hundred and eighty-two thousand zlotys) and comprehensive income amounting to PLN 115,153 thousand (in words: one hundred and fifteen million one hundred and fifty-three thousand zlotys),
 - c) the consolidated statement of changes in equity for the financial year from 1 January, 2019, to 31 December, 2019, showing a decrease in equity capitals by PLN 5,688 thousand (in words: five million six hundred and eighty-eight thousand zlotys),
 - d) the consolidated cash flow statement for the period from 1 January, 2019, to 31 December 2019, showing a decrease in net cash balance by PLN 126,808 thousand (in words: one hundred and twenty-six million eight hundred and eight thousand zlotys),

- e) notes to the consolidated financial statements – Accounting principles (policies) and explanatory notes.
- 3. the Management Board's report on the Company and Capital Group's activities for the period from 1 January, 2019, to 31 December, 2019, with respect to their consistency with the books and documents and with the actual state of affairs, and
- 4. the Management Board's motion regarding the distribution of profit for 2019.

Having reviewed the documents and having read the auditor's opinion of 12 March, 2020, the Supervisory Board is of the opinion that the financial statements of Develia S.A. and the Management Board's report on the Company and Capital Group's activities for the period from 1 January, 2019, to 31 December, 2019, have been prepared in a reliable and correct manner and in accordance with the books and documents as well as with the facts and state of affairs known to the Supervisory Board. The Supervisory Board positively assesses the application of corporate governance principles by the Company.

The Supervisory Board positively assesses the Management Board's motion regarding the distribution of profit for 2019 and supports the Management Board's proposal to distribute the profit earned by the Company in 2019 in the amount of PLN 176,268 thousand (in words: one hundred and seventy-six million two hundred and sixty-eight thousand zlotys), in the full amount in zlotys and groszys of PLN 176,268,480.04 (in words: one hundred and seventy-six million two hundred and sixty-eight thousand four hundred and eighty zlotys four groszys) in the following manner:

- a) the amount of PLN 144,960,750.00 (in words: one hundred and forty-four million nine hundred and sixty thousand, seven hundred and fifty zlotys) to be allocated to reserve capital for the payment of dividends and advances towards dividends in the future,
- b) the amount of PLN 31,307,730.04 (in words: thirty-one million three hundred and seven thousand seven hundred and thirty zlotys four groszys) to be allocated to supplementary capital.

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

In 2019, the works of the Supervisory Board focused on current problems related to the Company's operations and on the further growth strategy of Company and of the Group. Based on the materials presented by the Management Board concerning current activities of the Company, and in particular regarding its financial performance, the Supervisory Board assessed the results achieved and the performance of the Management Board on an ongoing basis. The Supervisory Board's work was organized correctly.

All members of the Supervisory Board meet the independence criterion.

The Supervisory Board positively assesses its own work and the work of its committees in 2019.

IX. Recommendations

The Supervisory Board positively assesses the Company's activities in 2019 as well as the reports and statements presented thereto for assessment. Therefore, it recommends to the General Meeting of Develia S.A.:

- 1. to approve the report on the Supervisory Board's activities for the financial year 2019, including: the assessment of the financial statements of Develia S.A. for the year ended on 31 December, 2019, the Management Board's report on Develia S.A. and Develia S.A. Capital Group's activities in 2019 as well as the financial statements of Develia S.A. Capital Group for the year ended on 31 December, 2019, and the assessment of the Management Board's motion regarding the distribution of profit,
- 2. to approve the Supervisory Board's assessment of the standing of the Company, including the assessment of internal control systems, risk management, compliance and the internal audit function,
- 3. to examine and approve the financial statements of Develia S.A. for the financial year 2019,

4. to examine and approve the Management Board's report on Develia S.A. and Develia S.A. Capital Group's activity in 2019,
5. to examine and approve the financial statements of Develia S.A. Capital Group for the financial year 2019,
6. to grant the acknowledgement of fulfilment of their duties to Members of the Management Board in the financial year 2019,
7. to grant the acknowledgement of fulfilment of their duties to Members of the Supervisory Board in the financial year 2019,
8. to adopt a resolution on the distribution of profit for the financial year 2019.

Warsaw, on 23 July, 2020

Michał Hulbój
Chairman of the Supervisory Board
