



**REPORT OF THE SUPERVISORY BOARD
OF RONSON DEVELOPMENT SE
FOR FINANCIAL YEAR 2019**

AND

**STATEMENT OF THE SUPERVISORY BOARD
CONCERNING THE OPERATION OF THE AUDIT COMMITTEE**

Warsaw, 10 March, 2020

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1. INTRODUCTION

1.1 Legal basis

This report of the Supervisory Board (the "**Supervisory Board**") of Ronson Development SE with its registered seat in Warsaw (the "**Company**") was executed in accordance with Art. 382 §3 of the Polish Commercial Companies Code (Journal of Laws of 2019, item 505, as amended), § 70 sec. 1 item 14 and § 71 sec. 1 item 12 of the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (the "**Regulation**") and sec. II.Z.10. included in Chapter 2 of the "Best Practice for WSE Listed Companies 2016" (the "**Best Practices**"), that were adopted in the resolution no. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange in Warsaw S.A. (the "**WSE**").

Best Practices constitute set of rules on corporate governance referred to in § 29 sec. 1 of the WSE Regulations. As an issuer of securities admitted to trading on the main market operated by the WSE, the Company applies selected corporate governance principles.

2. SUPERVISORY BOARD OF RONSON DEVELOPMENT SE

2.1 Supervisory Board within the corporate governance of the Company

The Supervisory Board is a permanent collegial body supervising the operations of the Company in all areas of its operation. The Supervisory Board adopts its regulations specifying, in particular, the organization, the manner of performing activities and making decisions by the Supervisory Board.

2.2 Composition of the Supervisory Board

Pursuant to the art. 12.2. of the Company's articles of association adopted by the resolution of the Company's General Shareholder's Meeting on 14 September, 2018, the Supervisory Board consists of at least 5 and not more than 9 persons, whereas at least two of them fulfils the criteria on independence within the meaning of art 129 sec. 3 of the Act on Auditors, Audit Firms and Public Supervisions (unified text: Journal of Laws of 2019, item 1421, as amended), and at least one member should have knowledge and skills in accounting or auditing. The members of the Supervisory Board are appointed for a joint 5-year term by the Shareholder's Meeting.

The Supervisor Board operates pursuant to the binding provisions of law, Company's articles of association and the Supervisory Board Regulations adopted as of 10 December, 2018.

In the financial year ended December 31, 2019, the Supervisory Board was composed of the following persons:

1. Amos Luzon;
2. Alon Kadouri;
3. Przemysław Kowalczyk;
4. Ofer Kadouri;
5. Piotr Palenik;

6. Shmuel Rofe.

In the financial year 2019, there were no actual changes in the composition of the Supervisory Board, however, on June 11, 2019, the Ordinary Shareholder's Meeting decided to end the current term of office of the Company's Supervisory Board Members, set the number of members of the Supervisory Board for the new term to 6 (six) members, and appointed the current Members of the Company's Supervisory Board (Amos Luzon, Alon Kadouri, Ofer Kadouri, Przemysław Kowalczyk, Shmuel Rofe and Piotr Palenik) for another joint five-year term.

2.3 Independence criteria

The following members of the Supervisory Board fulfil the criteria on independence:

1. Przemysław Kowalczyk;
2. Piotr Palenik;
3. Shmuel Rofe.

2.4 Committees of the Supervisory Board

Pursuant to the provisions of the Articles of Association, the Supervisory Board is obliged to create two committees: the Audit Committee of the Supervisory Board and the Remuneration Committee of the Supervisory Board. In addition, the Supervisory Board may appoint other standing or ad hoc committees from among its members, whose task will be in particular to prepare specific matters for consideration at a meeting of the Supervisory Board.

In 2019, the Company had two unchanged Supervisory Board committees - the Audit Committee (composed of: Shmuel Rofe as Chairman of the Audit Committee, Ofer Kadouri and Przemysław Kowalczyk) and the Remuneration Committee (composed of: Alon Kadouri as Chairman of the Remuneration Committee, Piotr Palenik and Shmuel Rofe).

In connection with the termination of the term of office of the members of the Supervisory Board by the Ordinary Shareholder's Meeting and the beginning of a new joint five-year term of office of the members of the Supervisory Board, by the resolution of July 1, 2019, the Supervisory Board appointed their existing members to the Audit Committee and the Remuneration Committee while maintaining their current functions, and therefore the composition of the committees did not change.

Summarizing the above, the following committees operated within the Supervisory Board as at December 31, 2019: Audit Committee and Remuneration Committee.

(a) Audit Committee

The Audit Committee is operating pursuant to the Audit Committee Regulations adopted by the Supervisory Board by a resolution dated on 10 December, 2018.

The Audit Committee consists of 3 persons, including Chairman of the Audit Committee, that are elected by the Supervisory Board from its members. The term of office and mandate of the Member of the Audit Committee shall expire on the expiry date of his/her term of office and mandate as a member of the Supervisory Board of the Company.

The Audit Committee, within the reporting period, comprised of:

1. Ofer Kadouri;

1. Shmuel Rofe;
2. Przemysław Kowalczyk.

Members of the Audit Committee who have the required knowledge and skills in accountancy or auditing of financial statements are Mr. Shmuel Rofe, Mr. Ofer Kadouri and Mr. Przemysław Kowalczyk.

Members of the Audit Committee who have knowledge and skills in the field in which the Company operates are Mr. Shmuel Rofe and Mr. Przemysław Kowalczyk.

The Audit Committee's competences are indicated in the Audit Committee's Regulations, and pertain, in particular, to:

1. recommending the appointment, re-appointment and removal of an external auditor or an audit company by the Supervisory Board of the Company and to assess the remuneration and terms of engagement of the external auditor or an audit company conducting financial statements reviewing together with an assessment of its independence;
2. preparation and implementing policy and a procedure on selection of an audit company conducting Company's financial statements audit adopted in a form of a resolution of a Audit Committee;
3. developing the policy regarding the performance of allowed services that do not fall within the scope of auditing of financial statements of the Company by the audit firm conducting the audit of the financial statements of the Company, affiliates of such audit firm or the member of the network of such audit firm adopted in a form of a resolution of a Audit Committee;
4. initial evaluation of the annual accounts, monitoring of a financial reporting processes of the Company;
5. supervising, monitoring and advising the Management Board on the internal risk management and control systems, including the supervision of the enforcement of the relevant legislation and regulations, and supervising the effect of codes of conduct;
6. monitoring, in discussion with the Company's auditors or audit companies, performance of the Company's financial auditing procedure and activities, the reliability of the financial statements of the Company, and any formal announcements relating to the Company's financial results and reviewing significant financial reporting judgments contained in them and issuing to the Company's bodies recommendations in this matter together with informing the Supervisory Board about audit results and Audit Committee influence with information about reliability;
7. supervising the submission of financial information by the Company (choice of accounting policies, application and assessment of the effects of new legislation in this area, information about the handling of estimated items in the annual accounts, work of internal and external auditors or audit companies, etc.);
8. supervising the compliance of recommendations and observations of the Company's internal and external auditors or audit companies;
9. monitoring and supervising the role and functioning of the internal audit; in particular co-determining the plan of action for the internal audit department and taking note of the findings and considerations of the internal audit;

10. supervising the financing of the Company;
11. supervising the application of information and communication technology (ICT);
12. maintaining frequent contact, and supervising the relationship, with the Company's external auditor or an audit company, including in particular (i) assessing the external auditor's or an audit company's independence and objectivity and any non-auditing work for the Company (taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm), (ii) determining the involvement of the external auditor or an audit company in respect of the contents and publication of financial reporting by the Company other than the annual accounts, and (iii) taking note of and acting as the principal contact for the external auditor or an audit company if any irregularities in respect of the content of the financial reports are discovered and also (iv) assessment of any findings and conclusions of the Audit Supervision Commission resulting from controls conducted in the relevant audit company providing its' services for the Company.

Within its competences, the Audit Committee undertook in the financial year 2019 in particular the following activities:

1. granting a recommendation to PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. and KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k. as the entities eligible to perform the audit or review of annual or interim consolidated and separate of the financial statements for the years ending on 31 December 2020 and 31 December 2021;
2. granting a recommendation to PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. as the entity preferred to perform the activities indicated in point above;
3. analysis of the cooperation with contractors;
4. analysis of the management and budgetary control;
5. supervision of the Company, including, in particular, the initial evaluation of the 1st and 3rd quarter reports and the financial statements for the first half of 2019;
6. discussion regarding sales;
7. discussion regarding the information systems (software) used in the Company as tools assisting the management of sales and marketing;
8. analysis of the summary of the Company's achievements and financial ratios, balance sheet data, data on bonds and the position of debt, cash flows, and distribution of inventories in the first and third quarter of 2019 and in the first half of 2019, including information provided by representatives of Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. to discuss the impact of selected events on the Company's financial issues;
9. analysis of information of the transactions operated by the Company;
10. meetings with representatives of Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. to discuss issues related to events important to the Company and their impact on the Company's financial issues in respective period of financial year.

The Audit Committee held the meetings as follows:

1. 11 March 2019 - meeting;
2. 13 May 2019 - teleconference;
3. 12 August 2019 - teleconference;
4. 6 November 2019 - teleconference.

The Audit Committee held four meetings in a form indicated above within the reporting period.

The Audit Committee adopted eight resolutions as described below.

On 11 March 2019, the Audit Committee recommended to the Company's Supervisory Board expressing an positive opinion on: (i) the Management Board's Report on the Company's and Group's Activities in 2018, (ii) the Company's project of financial statement for the financial year ended 31 December 2018 and (iii) the project of consolidated financial statement for financial year ended 31 December 2018.

On 13 May 2019 the Audit Committee issued a positive opinion on the engagement of Danya Cebus Poland Sp. z o.o. with its seat in Warsaw, Poland (a subsidiary entity of of Danya Cebus Ltd. with its seat at Or Yehuda, Israel) as a contractor by the Company. The opinion was sought in connection with the fact that: (i) Danya Cebus was not yet at that time present at Polish market, and (ii) A. Luzon Assets and Investment Ltd. (the company held directly by Mr. Amos Luzon) and Danya Cebus Ltd. are parties to the joint venture in real estate projects in Israel.

On 16 July 2019, the Audit Committee issued a recommendation regarding the internal audit of the Company and its subsidiaries in 2019 and all cases of embezzlement and fraud, as well as the appointment of Lion Orlitzky & Co - Moore Stephens Israel - a member company of Moore Stephens International Limited to conducting such an audit.

On 6 November 2019, the Audit Committee adopted a resolution containing the recommendation of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. and KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k. as entities eligible for conducting audit of the consolidated and separate financial statements of the Company for the financial years ending on 31 December 2020 and 31 December 2021, whereas PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. was the preferred entity due to justified reasons stated by the Audit Committee in the resolution.

In addition, during meetings held on 13 May 2019, 12 August 2019 and 6 November 2019, the Audit Committee adopted three resolutions regarding the initial evaluation of the 1st quarter, half year and 3rd quarter reports and the financial statements of the Company for 2019.

Persons other than members of the Audit Committee were participating during meetings held by this corporate body, in particular: members of the Management Board, person from the Fahn Kanne Grant Thornton, person from the Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k.

The composition of the Audit Committee and its competences are consistent with the provisions of binding law.

(b) Remuneration Committee

The Remuneration Committee is operating pursuant to the Remuneration Committee Regulations adopted by the Supervisory Board by a resolution dated on 10 December, 2018. The term of office and mandate of the member of the Remuneration Committee shall expire on the expiry date of his/her term of office and mandate as a member of the Supervisory Board of the Company.

The Remuneration Committee, within the reporting period, comprised of:

1. Alon Kadouri as the Chairman
2. Shmuel Nasim Rofe; and
3. Piotr Palenik.

The members of the Remuneration Committee who meet the criteria of independence are: Mr. Piotr Palenik and Mr. Shmuel Rofe.

The Remuneration Committee's competences are indicated in the Remuneration Committee's Regulations, and pertain, in particular, to:

1. preparing a proposal concerning the remuneration policies with respect to the members of the Management Board;
2. preparing proposals with respect to the individual remuneration of members of the Management Board, to be adopted by the Supervisory Board, which proposals shall in any event include (i) the remuneration structure and (ii) the amount of the fixed remuneration, the shares and/or options and/or other variable remuneration components, pension rights, severance pay and other forms of compensation to be awarded, as well as performance criteria and the application thereof;
3. recommending and monitoring the level and structure of remuneration provided to senior management;
4. ensuring that contractual terms on termination, and any payments made in connection therewith, are fair both to the relevant individual and to the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognized;
5. being aware of, and advising on, any major changes in employee benefit structures throughout the Company or the Company's group;

The Remuneration Committee held two meetings in the fiscal year 2019 on the following dates: on January 21, 2019 (in the form of a teleconference) and on October 28, 2019. In both meetings, the committee members participated in the full composition.

Within its powers, the Remuneration Committee, during the reporting period, dealt with recommendations to the Supervisory Board regarding the remuneration or change in remuneration of individual members of the Company's Management Board, as well as remuneration for the candidate for the President of the Company's Management Board.

In exercising the abovementioned competences, the Remuneration Committee at its meeting on January 21, 2019 adopted Resolution No. 1 on the recommendation on remuneration of Mr. Andrzej Gutowski - Vice President for Sales and Marketing, and Resolution No. 2 on the recommendation on the remuneration of Mr. Rami Geris - Finance Vice President.

During the next meeting on October 28, 2020, the Remuneration Committee adopted Resolution No. 3 on the recommendation on the remuneration of Mr. Boaz Haim - then a candidate for the President of the Management Board of the Company and Resolution No. 4 on the recommendation on the remuneration of Mr. Nir Netzer - the President of the Management Board.

3. ACTIVITY OF THE SUPERVISORY BOARD

3.1 Matters resolved by the Supervisory Board within the financial year of 2019

The Supervisory held the meetings as follows:

1. March 11, 2019 - meeting,
2. May 13, 2019 - teleconference,
3. July 18, 2019 - teleconference,
4. October 28, 2019 - meeting.

The following matters were, in particular, subject to the Supervisory Board's resolutions and other controlling or supervisory actions:

1. approval of the conditions for the acquisition of own shares presented by the Company's Management Board;
2. change in remuneration for Rami Geris and Andrzej Gutowski - members of the Company's Management Board;
3. termination of the current term of office of the members of the Company's Management Board and appointment of members of the Management Board for the next joint five-year term of office;
4. appointment of Mr. Boaz Haim as a Member of the Company's Management Board;
5. assessment of the Company's financial statements for the financial year 2018 and the Management Board's reports on the activities of the Company and the Group for 2018;
6. adoption of the report of the Company's Supervisory Board for the financial year 2018;
7. assessment of the Management Board's proposal regarding the distribution of the Company's net profit for 2018;
8. appointment of members of the Supervisory Board committees;
9. appointing the Chairman of the Supervisory Board for a joint five-year term of office;
10. acceptance of the resignation of Mr. Nir Netzer from the function of the President of the Company's Management Board;
11. appointment of Mr. Boaz Haim as President of the Company's Management Board and determination of his remuneration;
12. approval of the remuneration of Mr. Nir Netzer - the outgoing President of the Company's Management Board;
13. election of a statutory auditor for 2020 and 2021.

3.2 Self-assessment of the Supervisory Board

Pursuant to rule II.Z.10.2 of the Best Practices and bearing in mind all matters and information presented in this report, the Supervisory Board positively evaluates and assesses its operation, activity and performance of its duties.

4. ASSESSMENT OF THE COMPANY'S SITUATION IN THE FINANCIAL YEAR 2019

4.1 Supervisory's Board evaluation on the Company's standing

The Company's Supervisory Board positively assesses the general condition and situation of the Company. Net consolidated profit amounted to 17,414 thousand PLN for the Ronson Development SE Group (an annual increase of 15%). In the opinion of the Supervisory Board, this and other financial ratios of the Company constitute a solid basis for a positive assessment of the Company's situation.

4.2 Assessment of the internal control and audit and the risk management system

No separate units responsible for the internal audit have been established at the Company, as there is no justification for this given the size and type of the Company's activity. The Company has commissioned an internal audit of the company in the field of risk control testing and all embezzlement and fraud cases to Lion Orlitzky & Co - Moore Stephens Israel - a member company of Moore Stephens International Limited. The report from the audit was prepared and delivered to the Management Board and Supervisory Board of the Company.

The Supervisory Board believes that the internal control and audit systems as well as risk management systems are adapted to the size and type of the Company's operations. The Supervisory Board positively assesses the involvement of the Company's Management Board in 2019 in issues related to internal control and audit systems as well as risk management in the Company and the Group.

5. ASSESSMENT OF THE INFORMATION POLICY AND CORPORATE GOVERNANCE OF RONSON DEVELOPMENT SE

5.1 Information policy - legal basis

Ronson Development SE is a company which stock is admitted to trade on the regulated market of WSE. As a publicly listed company, Ronson Development SE must abide the applicable provisions of law in respect of disclosure of require information specified in particular the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (the "MAR") and applicable Polish law and the rules resulting from the Best Practices.

The Supervisory Board assesses that the Company duly performed its reporting obligations in the scope of disclosure of information, in accordance with the relevant legal regulations. The Company ensures that the restrictions on the purchase and sale of Ronson Development SE financial instruments are properly observed by persons discharging managerial functions and persons closely associated with them. In addition, the Company also carries out disclosure obligations, subject to applicable regulations, also in the form of conferences with investors on the date of publication of the Company's periodic results.

The Supervisory Board positively assesses the implementation of the obligations related to the disclosure of information by the Company in accordance with applicable law in the financial year 2019, in particular it states that the Company correctly discloses information and data to shareholders and other participants of the capital market.

5.2 Corporate governance rules - description and assessment

The Company publishes statements on the Company's application of specific corporate governance principles on the corporate website in the annual management report on the Company's activities.

The Supervisory Board determined that the Company duly fulfills the disclosure obligations in relation to the corporate governance principles it applies.

6. ASSESSMENT OF THE MANAGEMENT BOARD REPORT ON THE ACTIVITY OF THE COMPANY AND THE GROUP FOR THE FINANCIAL YEAR 2019

Pursuant to the sec. 14.2 (a) of the Company's articles of association and in connection with art. 382 §3 of the Polish Code of Commercial Companies as well as § 70 sec. 1 item 14 and § 71 sec. 1 item 12 of the Regulation, the Supervisory Board of the Company positively assessed the Management Board Report on the Activity of the Company and the Group for the financial year 2019.

The Supervisory Board states that the Management Board Report on the Activity of the Company and the Group on the operations of the Company and Group of Ronson Development SE in 2019 has been prepared in accordance with provisions of law, including article 49 of the Accounting Act as well as § 70 and § 71 of the Regulation, and is consistent with the information included in the financial statements for the financial year 2019.

In the opinion of the Supervisory Board, the content of the report of the Company's management board on the Company's operations for the financial year 2019, is consistent with the books and documents, as well as with the actual state, which justifies the above positive assessment.

7. ASSESSMENT OF THE COMPANY'S FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2019

Pursuant to the sec. 14.2 (a) of the Company's articles of association and in connection with art. 382 §3 of the Polish Code of Commercial Companies as well as § 70 sec. 1 item 14 and § 71 sec. 1 item 12 of the Regulation, the Supervisory Board of the Company positively assessed the Company's Financial Statements and consolidated financial statement of the Group for the financial year ended on 31 December 2019, comprising of:

1. the Company's financial statements for the period of the financial year from January 1, 2019 to December 31, 2019, consisting of:
 - a) standalone statement of financial position prepared as at 31 December 2019, showing both the assets and liabilities side of the amount PLN 543,203 thousands;
 - b) standalone profit and loss account for the period from January 1, 2019 to December 31, 2019, including the results of subsidiaries, showing a net profit of PLN 17,414 thousands;
 - c) stand-alone cash flow statement for the period from January 1, 2019 to December 31, 2019, showing an increase in net cash by the amount of PLN 5,026 thousands;
 - d) additional information and explanations;
2. the consolidated financial statements of the Ronson Development Group prepared for the period from January 1, 2019 to December 31, 2019, consisting of:

- a) consolidated statement of financial position prepared as at 31 December 2019, showing both the assets and liabilities side of the amount PLN 943,183 thousands;
- b) the consolidated profit and loss account for the period from January 1, 2019 to December 31, 2019, showing a net profit of PLN 17,414 thousands;
- c) the consolidated statement of cash flows for the period from January 1, 2019 to December 31, 2019, showing an decrease in net cash by an amount of PLN 5,237 thousands;
- d) additional information and explanations;

and it states that the financial statements are in compliance with the books and documents as well as with the actual state.

In the opinion of the Supervisory Board, the above financial statements give a true and fair view of the assets and financial position of the Company and the Group, as well as its financial result and cash flow for the period from 1 January 2019 to 31 December 2019 and are consistent with the laws and regulations regulating the preparation of financial statements.

8. EVALUATION OF THE RATIONALE OF THE POLICY IN RESPECT OF CHARITY, SPONSORING OR OTHER ACTIVITIES WITH ANALOGICAL CHARACTER

The Company does not conduct charitable, sponsoring and other activities of a similar nature.

9. STATEMENT OF THE SUPERVISORY BOARD CONCERNING THE OPERATION OF THE AUDIT COMMITTEE

The Supervisory Board hereby declares that:

- a) the following persons are members of the Audit Committee:
 - i. Shmuel Rofe as the Chairman of the Audit Committee;
 - ii. Ofer Kadouri
 - iii. Przemysław Kowalczyk.
- b) from the members of the Audit Committee the following persons meet the criteria on independence:
 - i. Shmuel Rofe;
 - ii. Przemysław Kowalczyk.
- c) from the members of the Audit Committee the following persons have the knowledge and skills in respect of accountancy or the audit of financial statements:
 - i. Ofer Kadouri;
 - ii. Shmuel Rofe;
 - iii. Przemysław Kowalczyk.
- d) from the members of the Audit Committee the following persons have the knowledge and skills in scope of the in the industry in which the Company operates:

- i. Shmuel Rofe;
- ii. Przemysław Kowalczyk.

The Supervisory Board declares that:

- a) the Company complies with the provisions regarding the appointment, composition and operations of the audit committee, including the fulfillment of independence criteria by its members and the requirements regarding knowledge and skills in the industry in which the issuer operates, and in accounting or audit financial statements;
- b) the Audit Committee performs the tasks provided for the audit committee in the applicable provisions of binding law.

The Supervisory Board the Company informs that this statement constitutes fulfilment of the obligations resulting from § 70 sec. 1 point 8 and § 71 sec. 1 point 8 of the Regulation of the Minister of Finance dated as of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018 r, item no. 757).

[signature]

Amos Luzon

[signature]

Alon Kadouri

[signature]

Ofer Kadouri

[signature]

Przemysław Kowalczyk

[signature]

Piotr Palenik

[signature]

Shmuel Rofe