

Supervisory Board Report

Fundamental aspects

The Management Board informed the Supervisory Board of Warimpex Finanz- und Beteiligungs Aktiengesellschaft verbally and in writing of all significant business activities, the development of business, and the Company's economic situation at regular meetings during the 2017 financial year and fulfilled all of the duties and control functions required of it by law, the articles of association of the Company, and the terms of reference of the Supervisory Board. In particular, we supervised the Management Board in the direction of the Company and convinced ourselves that the operations of the Company were managed properly. The Chairman of the Supervisory Board also maintained regular contact with the Chairman of the Management Board and his deputy, in particular to discuss strategy issues, the development of business, and risk management. One of the key topics at the Supervisory Board meetings was comprehensive, timely reports on the economic and structural changes in Russia and Central and Eastern Europe and the associated opportunities and risks. The development of sales and earnings, liquidity forecasts, and the Company's financial position were also regularly discussed at these meetings.

The Company is committed to compliance with the Austrian Code of Corporate Governance as well as the Polish Best Practice for GPW Listed Companies 2016. The Supervisory Board faithfully fulfilled the duties and responsibilities laid down in these codes and also monitored the Company's compliance with these rules. The articles of association and the terms of reference of the Management Board and Supervisory Board are amended as needed to account for changes. Deviations from individual corporate governance rules relate to the Company's structure and/or to Polish rules that are not complied with due to the Company's primary orientation towards the relevant Austrian regulations. In line with the provisions of the 2007 Issuer Compliance Ordinance as amended, the Compliance Officer's annual report for the 2016 financial year was submitted to the Supervisory Board and discussed in 2017. Due to the repeal of the Issuer Compliance Ordinance as of the end of 2017, the obligation to prepare a corresponding annual report and submit it to the Supervisory Board was eliminated. Despite this, the Compliance Officer continues to report on compliance-relevant matters, albeit not in the form of an annual report.

Five Supervisory Board meetings were held in financial year 2017. All members of the Supervisory Board fulfilled the minimum attendance requirements. In addition, two motions were adopted by way of circular resolution relating to the sale of eight hotels in February 2017 and to the issue of bonds in May 2017. A meeting of the Project Committee was also held in relation to the sale of eight hotels in February 2017. The

circular resolutions that were adopted were again discussed in detail at subsequent Supervisory Board meetings.

Committees

The Supervisory Board has set up three permanent committees: the Audit Committee, the Project Committee, and the Personnel Committee. A separate strategy committee has not been formed because all such issues are handled by the Supervisory Board as a whole. The members of the committees are appointed for the duration of their tenure on the Supervisory Board. Each committee elects a chairman and a deputy chairman from among its members.

Audit Committee

In accordance with the law and the rules of procedure of the Supervisory Board, the Supervisory Board has set up a permanent committee for reviewing and accepting the annual financial statements, the proposal for the appropriation of profits, and the management report for the Company and the Group (Audit Committee). In addition to performing the other duties it is responsible for pursuant to the Austrian Stock Corporation Act (Aktiengesetz), the Audit Committee reviewed the consolidated financial statements and issued a proposal on the selection of the financial auditor, and reported to the Supervisory Board on this. The Chairman of the Supervisory Board, Günter Korp, is a member of the Audit Committee and applies his special knowledge and practical experience in finance and accounting and in financial reporting (financial expert). Two other members of the Supervisory Board who are independent according to the rules of procedure of the Supervisory Board also sit on the Audit Committee.

Two Audit Committee meetings were held in financial year 2017.

Project Committee

The Supervisory Board has set up a permanent committee to monitor and approve transactions that are subject to approval according to law and the rules of procedure of the Management Board, provided that the total transaction costs do not exceed EUR 50,000,000 (Project Committee). When the total costs of the intended transaction exceed this limit, the transaction must be reviewed and approved by the Supervisory Board as a whole. The Project Committee is chaired by Supervisory Board member Harald Wengust. Two other members of the Supervisory Board who are independent according to the rules of procedure of the Supervisory Board also sit on the Project Committee.

Two resolutions relating to the purchase of the non-controlling interests in the multi-use building at AIRPORTCITY St. Petersburg were adopted in the financial year.

Personnel Committee

The Supervisory Board has formed a permanent committee that is responsible for personnel matters between the Company and the Management Board (remuneration, issue of proposals for the filling of vacant posts on the Management Board, and succession planning). The Personnel Committee is chaired by Supervisory Board Chairman Günter Korp. Two other members of the Supervisory Board who are independent according to the rules of procedure of the Supervisory Board also sit on the Personnel Committee.

Resignation of Management Board member Georg Folian and appointment of Daniel Folian as Management Board member

The Deputy Chairman of the Management Board, Georg Folian, resigned from the Company's Management Board of his own volition effective 31 December 2017. The Personnel Committee of the Supervisory Board accepted his resignation and informed the full Supervisory Board. In addition, the Personnel Committee nominated Daniel Folian as a member of the Management Board and the new CFO of Warimpex effective 1 January 2018. The full Supervisory Board unanimously approved the proposal.

The Management Board is now made up of Franz Jurkowitsch (Chairman of the Management Board), Daniel Folian, Florian Petrowsky, and Alexander Jurkowitsch. Florian Petrowsky took over the Human Resources division from Georg Folian. Franz Jurkowitsch handed over the Investor Relations activities to Daniel Folian.

Sale of eight hotels

Warimpex announced the sale of part of its hotel portfolio to the Thai investor U City Public Company Limited (U City) on 23 February 2017. The sale closed on 31 May 2017. The transaction covered eight hotel holdings, which account for around 50 per cent of the total real estate assets of Warimpex and represent a property value of roughly EUR 180 million (excluding the holdings of UBM in this portfolio). The Supervisory Board extensively discussed this transaction as proposed by the Management Board and adopted the corresponding approval resolution.

Strategy following the partial sale of the hotel portfolio

A strategy meeting was held during the Supervisory Board meeting in September 2017. The topics of the meeting were the core statements about the business model and the geographic focuses, with the overall goal of achieving a balance between stable revenues from a property portfolio and value increases due to development projects as well as project sales. One particular point of emphasis is to maintain a balance sheet structure with an equity ratio that is suited to the future requirements.

Annual financial statements for 2017

The annual financial statements, the management report, the consolidated financial statements, and the group management report for the year ended 31 December 2017 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. The final result of this audit revealed no grounds for objection and the legal provisions were fully complied with, so that unqualified auditor's reports were issued.

The annual financial statements, the management report, the proposal for the appropriation of profits, the consolidated financial statements including the group management report, the corporate governance report, and the consolidated non-financial report were reviewed by the Audit Committee at its meeting on 23 April 2018 in the presence of and after an oral report by the auditor, and their acceptance was proposed to the Supervisory Board. The Supervisory Board reviewed the annual financial statements including the management report, the proposal for the appropriation of profits, the consolidated financial statements including the group management report, the corporate governance report, and the non-financial report prepared by the Management Board and approved the annual financial statements. The Audit Committee also proposed to the Supervisory Board that Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. be appointed as the financial auditor for the Company and the Group for the financial year ending on 31 December 2018.

The Supervisory Board thanks the Management Board, the Company's managers, and all employees of Warimpex Group for their commitment during the financial year and wishes the Company continued success in the future. The Supervisory Board would like to express its sincere thanks to Mr Georg Folian for his many years of commitment and is pleased that he will remain on board as a core shareholder of the Company from 2018 onward.

Vienna, April 2018

Günter Korp
Chairman of the Supervisory Board