

Ronson Development SE

Management Board Report
on the Activity of the Company and the Group
for the financial year 2019

General Information

Management Board

Boaz Haim, *President of the Management Board*

Yaron Shama, *Vice-President of the Management Board, Chief Financial Officer*

Andrzej Gutowski, *Vice-President of the Management Board, Sales and Marketing Director*

Alon Haver, *Member of the Management Board*

Supervisory Board

Amos Luzon, *Chairman of the Supervisory Board*

Ofer Kadouri

Alon Kadouri

Przemysław Kowalczyk

Piotr Palenik

Shmuel Rofe

Registered office

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Ernst & Young Audyt Polska sp. z o.o. sp. k.

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Letter from the President of the Management Board

To our shareholders

The year 2019 was a significant year for Ronson Development SE ('Ronson' or 'the Company'), mostly due to the commencement of over 1,100 units (four new projects in three different cities and seven stages of ongoing projects).

Thanks to significant land purchases over the last couple of years, the current land bank of the Company is over 4.2 thousand units (from them more than over 3 thousands units are in future stages of ongoing projects) which will serve the financial needs for the next coming years, allowing us a growth of our business without the need to further purchases. Nevertheless, we are consistently searching and negotiating new plots for purchase and develop, mainly (but not only) in Warsaw and in Poznan.

The year 2019 brought lots of challenges to the management of Ronson, part of them are still being handled on an on-going basis. One of the most significant challenges was dealing with longer procedures of obtaining permits for several projects in Warsaw, but due to the strength of the Company we managed to overcome these challenges and achieve our main goals.

In spite of a year with so many challenges, the Company managed to achieve its sales goals resulting from its strong position maintained in all four cities in which it is operating. Warsaw remained the most significant city for the Company but Wrocław, Poznan and Szczecin were developed as well. The Company is actively pursuing to increase its land bank in these cities as well.

Overlooking the year 2020, the Company will retain its focus on the same cities in which it is active, with a natural increase in the volume of products introduce to the Warsaw market with new stages of Ursus Centralny and Miasto Moje, in Wrocław a new stage of Viva Jagodno and in Szczecin new stages of Panoramika and Nowe Warzymice.

Highlights for the Company results during 2019 include:

- Commencement of new projects/stages - first year in the Company's history that we are meeting the initial plan of commencement of over 1,100 units (in 11 projects from which 4 of them are new projects);
- Completion - during the year 2019 we completed 7 projects with over 1,100 completed units which is a record score;
- Sales - we planned to sell 800 units, but finally we sold 761, which is slightly below our plans,
- Delivery – we planned to deliver approximately 770 units, while the actual number of units delivered to clients was 658. The main reason for the shortfall related to our project Miasto Marina were the final permit for use is subject to additional minor fit-out works appropriate to the apart-hotel functionality. During the year ended 31 December 2019, the Company physically delivered 119 units to clients in Miasto Marina project, while only 21 units were formally qualified as delivered for our financial results.

The Company is maintaining its policy for a low Net debt to equity ratio. At the end of 2019, this percentage was only 24.4%. The Company will continue focusing on its liquidity and improvement of its financial position.

Letter from the President of the Management Board

To our shareholders

We continue to believe that in the next couple of years, the residential Polish market holds great promise as for the demand for residential units. Studies continue to suggest that the living standards of the Poles are far below the European average. The increase of the average salaries, the income of small businesses and service providers in a beneficial tax system, allows growing sector of private savings, which will contribute to fill the gaps in the next few years.

We believe that the Company at its current market position can benefit from excellent market conditions and enjoys the following advantages:

- a strong capital structure allowing the Company to start and finance new projects;
- the ability to secure transactions not only in the ordinary course of business but also taking advantage of opportunities the market offers;
- a pipeline of projects at attractive locations;
- the ability to increase and decrease the size and timing of specific projects based on perceived market demand;
- a highly professional staff;
- a well-known brand in Warsaw and an emerging brand in other Polish cities.

As we mentioned before, one of the main goals of the Company is to return back to the TOP10 Developer list. We believe that the advantages mentioned above should give the Company the opportunity to expand the scale of its operations and sales, and ultimately to rank amongst the largest residential development companies in Poland.

We would like to use this opportunity to thank each and every one on Ronson's team, with their hard work dedication and loyalty, help the Company to achieve its goals.

In addition, we want to thank all of our stakeholders, bondholders and banks for their continued support and confidence in the Company's ability to carry out its corporate vision.

Sincerely,

Boaz Haim

President of the Management Board

Table of Contents

	Page
<u>Letter from the President of the Management Board</u>	
<u>Management Board Report on the Activity of the Company and the Group for the financial year 2019</u>	
Introduction	1
Overview of the Activity of the Company and the Group	1
Business highlights during the year ended 31 December 2019	4
A. Projects completed.....	4
B. Results breakdown by project.....	4
C. Units sold during the period.....	7
D. Commencements of new projects.....	9
E. Agreements significant for the business activity of the Group.....	9
Overview of results	11
Selected financial data	14
Overview of selected details from the Consolidated Statement of Financial Position	15
Overview of cash flow results	17
Overview of the results during the three months ended 31 December 2019	19
Outlook for 2020	20
A. Completed projects.....	20
B. Current projects under construction and/or on sale.....	20
C. Projects for which construction work is planned to commence during 2020.....	23
D. Value of the preliminary sales agreements signed with clients for which revenue has not been recognized in the Consolidated Statement of Comprehensive Income.....	24
Main risks and other factors important for the development of the Company and the Group	25
Remuneration Policy Report	27
A. Introduction.....	27
B. Remuneration Policy.....	27
C. Governance.....	27
D. Remuneration of the Management Board.....	27
E. Remuneration of the Supervisory Board.....	30
Assessment of the Group's finance management	31
Information on loans, bonds, sureties and guarantees	33
Additional information to the report	35
Additional data for the Company	38
Corporate governance statement	39
Statement of the Management Board regarding financial statements and the Management Board Report	56

Introduction

Ronson Development SE ('the Company'), formerly named Ronson Europe N.V., is an European Company with its statutory seat in Warsaw, Poland. The registered office is located at al. Komisji Edukacji Narodowej 57. The Company was incorporated in the Netherlands on 18 June 2007 as Ronson Europe N.V. with statutory seat in Rotterdam. During 2018, the Company changed its name and was transformed into an European Company (SE) and, effectively as of 31 October 2018, transferred its registered office of the Company from the Netherlands to Poland.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. According to publicly available information, as at 31 December 2019, 66.06% of the outstanding shares are controlled indirectly by Amos Luzon Development and Energy Group Ltd. ('A. Luzon Group') and 0.41% of the shares are held by the Company. The remaining 33.53% of the outstanding shares are held by other investors including Nationale Nederlanden Otworthy Fundusz Emerytalny and Metlife Otworthy Fundusz Emerytalny. The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company. It shall be noted that as at 31 December 2019, the Company held 674,900 own shares (0.41%) and, in accordance with art. 364 § 2 of the Code of Commercial Companies, it does not exercise voting rights from own shares. For an overview of shares outstanding and major shareholders of the Company reference is made to page 42.

On 9 March 2020, the market price was PLN 0.80 per share giving the Company a market capitalization of PLN 131.2 million.

Overview of the Activity of the Company and the Group

The Company (together with its subsidiaries, 'the Group') is active in the development and sale of residential units, primarily apartments, in residential real-estate projects to individual customers in Poland. The Company has been operating through its subsidiaries on the following markets in Poland: Warsaw, Wrocław, Poznań and Szczecin.

As at 31 December 2019, the Group has 909 units available for sale in 13 locations, of which 813 units are available for sale in ongoing projects and the remaining 96 units are in completed projects. The ongoing projects comprise a total of 1,394 units, with an aggregate floor space of 84,400 m². The construction of 701 units with a total area of 43,400 m² is expected to be completed during 2020.

During the year ended 31 December 2019, the Group realized sales of 761 units with the total value of PLN 331.2 million, which compares to sales of 773 units with the total value PLN 329.4 million during the year ended 31 December 2018.

The Group has a pipeline of 12 projects in different stages of preparation, representing approximately 4,200 units with an aggregate floor space of approximately 269,500 m² for future development in Warsaw, Poznań, Wrocław and Szczecin. During 2020, the Group is considering commencement of 7 stages of the currently running projects comprising 940 units with a total area of 51,000 m².

On 5 April 2019 and on 7 October 2019, the Company (via its subsidiary) exercised the first and second call options, based on call option agreements concluded on 10 April 2018 with Global City Holdings B.V. (hereinafter "Call Option Agreements"), as a result of those transactions the Company acquired shares in companies holding seven substages of the Nova Królikarnia project comprising 128 units with a total area of 18,200 m². After the execution of the mentioned two call options, the Company has the right to execute the last call option for the last substage of Nova Królikarnia project with an aggregate floor space of 3,300 m² for a total value of PLN 9.9 million. The option can be executed the latest in April 2020.

During year ended 31 December 2019, the Company and the Group did not discontinue any of its activities. The Group does not depend on any of its customers because the sales are dispersed amongst a large, varied and changing group of buyers of residential and commercial units. The majority of the Group's customers are natural persons mainly Polish residents. For information about the preliminary sales agreements that were signed during the year 2019 and 2018 with a breakdown per city, see Business highlights during the year ended 31 December 2019 – C. Units sold during the period.

Management Board Report

Overview of the Activity of the Company and the Group (cont'd)

Dividend

On 13 May 2019, the Management Board adopted a resolution on the proposal to distribute to its shareholders a dividend from the Company's net profit for year 2018 in the amount of PLN 0.06 per share (in total not more than PLN 9,840 thousand, depending on number of own shares held by the Company on the dividend day). On 11 June 2019, the General Meeting of the Company resolved to distribute the dividend in accordance with the abovementioned proposal of the Management Board. The dividend in the total amount of PLN 9,820 thousand was paid on 25 June 2019.

The Company's group structure and information on the Company's organizational structure

The table below presents the structure of the Company's group and the Company's interest in the share capital:

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 December 2019	31 December 2018
a. held directly by the Company:			
1 Ronson Development Management Sp. z o.o.	1999	100%	100%
2 Ronson Development 2000 Sp. z o.o.	2000	100%	100%
3 Ronson Development Warsaw Sp. z o.o.	2000	100%	100%
4 Ronson Development Investment Sp. z o.o.	2002	100%	100%
5 Ronson Development Metropol Sp. z o.o.	2002	100%	100%
6 Ronson Development Properties Sp. z o.o.	2002	100%	100%
7 Apartments Projekt Sp. z o.o.	2003	100%	100%
8 Ronson Development Enterprise Sp. z o.o.	2004	100%	100%
9 Ronson Development Company Sp. z o.o.	2005	100%	100%
10 Ronson Development Creations Sp. z o.o.	2005	100%	100%
11 Ronson Development Buildings Sp. z o.o.	2005	100%	100%
12 Ronson Development Structure Sp. z o.o.	2005	100%	100%
13 Ronson Development Poznań Sp. z o.o.	2005	100%	100%
14 E.E.E. Development Sp. z o.o.	2005	100%	100%
15 Ronson Development Innovation Sp. z o.o.	2006	100%	100%
16 Ronson Development Wrocław Sp. z o.o.	2006	100%	100%
17 Ronson Development Capital Sp. z o.o.	2006	100%	100%
18 Ronson Development Sp. z o.o.	2006	100%	100%
19 Ronson Development Construction Sp. z o.o.	2006	100%	100%
20 City 2015 Sp. z o.o.	2006	100%	100%
21 Ronson Development Village Sp. z o.o. ⁽¹⁾	2007	100%	100%
22 Ronson Development Conception Sp. z o.o.	2007	100%	100%
23 Ronson Development Architecture Sp. z o.o.	2007	100%	100%
24 Ronson Development Skyline Sp. z o.o.	2007	100%	100%
25 Continental Development Sp. z o.o.	2007	100%	100%
26 Ronson Development Universal Sp. z o.o. ⁽¹⁾	2007	100%	100%
27 Ronson Development Retreat Sp. z o.o.	2007	100%	100%
28 Ronson Development South Sp. z o.o.	2007	100%	100%
29 Ronson Development Partner 5 Sp. z o.o.	2007	100%	100%
30 Ronson Development Partner 4 Sp. z o.o.	2007	100%	100%
31 Ronson Development North Sp. z o.o.	2007	100%	100%
32 Ronson Development Providence Sp. z o.o.	2007	100%	100%
33 Ronson Development Finco Sp. z o.o.	2009	100%	100%
34 Ronson Development Partner 2 Sp. z o.o.	2010	100%	100%
35 Ronson Development Skyline 2010 Sp. z o.o. w likwidacji	2010	100%	100%
36 Ronson Development Partner 3 Sp. z o.o.	2012	100%	100%
37 Nova Królikarnia B.V. (Company with the registered office in the Netherlands)	2016	100%	100%
b. held indirectly by the Company:			
38 AGRT Sp. z o.o.	2007	100%	100%
39 Ronson Development Partner 4 Sp. z o.o. – Panoramika Sp.k.	2007	100%	100%
40 Ronson Development Sp z o.o. - Estate Sp.k.	2007	100%	100%
41 Ronson Development Sp. z o.o. - Home Sp.k.	2007	100%	100%
42 Ronson Development Sp z o.o. - Horizon Sp.k.	2007	100%	100%
43 Ronson Development Partner 3 Sp. z o.o. - Sakura Sp.k.	2007	100%	100%
44 Destiny Sp. z o.o.	2007	100%	100%
45 Ronson Development Millenium Sp. z o.o.	2007	100%	100%
46 Ronson Development Sp. z o.o. - EEE 2011 Sp.k.	2009	100%	100%
47 Ronson Development Sp. z o.o. - Apartments 2011 Sp.k.	2009	100%	100%
48 Ronson Development Sp. z o.o. - Idea Sp.k.	2009	100%	100%
49 Ronson Development Partner 2 Sp. z o.o. – Destiny 2011 Sp.k.	2009	100%	100%
50 Ronson Development Partner 2 Sp. z o.o. - Enterprise 2011 Sp.k.	2009	100%	100%
51 Ronson Development Partner 2 Sp. z o.o. - Retreat 2011 Sp.k.	2009	100%	100%
52 Ronson Development Partner 5 Sp. z o.o - Vitalia Sp.k.	2009	100%	100%

(1) The Company has the power to govern the financial and operating policies of this entity and to obtain benefits from its activities, whereas Kancelaria Radcy Prawnego Jarosław Zubrzycki holds the legal title to the shares of this entity.

Management Board Report

Overview of the Activity of the Company and the Group (cont'd)

The Company's group structure and information on the Company's organizational structure (cont'd)

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 December 2019	31 December 2018
b. held indirectly by the Company (cont'd):			
53 Ronson Development Sp. z o.o. - 2011 Sp.k.	2009	100%	100%
54 Ronson Development Sp. z o.o. - Gemini 2 Sp.k.	2009	100%	100%
55 Ronson Development Sp. z o.o. - Verdis Sp.k.	2009	100%	100%
56 Ronson Espresso Sp. z o.o.	2006	100%	100%
57 Ronson Development Apartments 2010 Sp. z o.o.	2010	100%	100%
58 RD 2010 Sp. z o.o.	2010	100%	100%
59 Retreat Sp. z o.o.	2010	100%	100%
60 Enterprise 2010 Sp. z o.o.	2010	100%	100%
61 Wrocław 2010 Sp. z o.o.	2010	100%	100%
62 E.E.E. Development 2010 Sp. z o.o.	2010	100%	100%
63 Ronson Development Nautica 2010 Sp. z o.o.	2010	100%	100%
64 Gemini 2010 Sp. z o.o.	2010	100%	100%
65 Ronson Development Sp. z o.o. - Naturalis Sp.k.	2011	100%	100%
66 Ronson Development Sp. z o.o. - Impressio Sp.k.	2011	100%	100%
67 Ronson Development Sp. z o.o. - Continental 2011 Sp.k.	2011	100%	100%
68 Ronson Development Sp. z o.o. - Providence 2011 Sp.k.	2011	100%	100%
69 Ronson Development Partner 2 Sp. z o.o. - Capital 2011 Sp. k.	2011	100%	100%
70 Ronson Development Partner 5 Sp. z o.o. - Miasto Marina Sp.k.	2011	100%	100%
71 Ronson Development Partner 5 Sp. z o.o. - City 1 Sp.k.	2012	100%	100%
72 Ronson Development Partner 2 Sp. z o.o. - Miasto Moje Sp. k.	2012	100%	100%
73 Ronson Development Sp. z o.o. - City 3 Sp.k.	2012	100%	100%
74 Ronson Development Sp. z o.o. - City 4 Sp.k.	2016	100%	100%
75 Ronson Development Partner 2 Sp. z o.o. – Grunwald Sp.k.	2016	100%	100%
76 Ronson Development Sp. z o.o. - Projekt 2 Sp.k.	2017	100%	100%
77 Ronson Development Sp. z o.o. - Projekt 3 Sp.k.	2017	100%	100%
78 Ronson Development Sp. z o.o. - Projekt 4 Sp.k.	2017	100%	100%
79 Ronson Development Sp. z o.o. - Projekt 5 Sp.k.	2017	100%	100%
80 Ronson Development Sp. z o.o. - Projekt 6 Sp.k.	2017	100%	100%
81 Ronson Development Sp. z o.o. - Projekt 7 Sp.k.	2017	100%	100%
82 Ronson Development Sp. z o.o. - Projekt 8 Sp.k.	2017	100%	100%
83 Ursus 2017 Sp. z o.o.	2017	100%	100%
84 Projekt City Sp. z o.o.	2017	100%	100%
85 Bolzanus Limited (<i>Company with the registered office in Cyprus</i>)	2013	100%	100%
86 Park Development Properties Sp. z o.o. - Town Sp.k.	2007	100%	100%
87 Tras Sp. z o.o.	2015	100%	100%
88 Pod Skocznią Projekt Sp. z o.o.	2015	100%	100%
89 District 20 Sp. z o.o.	2015	100%	100%
90 Arkadia Development Sp. z o.o.	2015	100%	100%
91 Królikarnia 2015 Sp. z o.o.	2015	100%	100%
92 Tras 2016 Sp. z o.o.	2016	100%	100%
93 Pod Skocznia Projekt 2016 Sp. z o.o.	2016	100%	100%
94 District 20 – 2016 Sp. z o.o.	2016	100%	100%
95 Arkadia Development 2016 Sp. z o.o.	2016	100%	100%
96 Królikarnia 2016 Sp. z o.o.	2016	100%	100%
97 Kroli Development Sp. z o.o.	2016	100%	100%
98 Park Development Properties Sp. z o.o.	2016	100%	100%
99 Jasminova 2016 Sp. z o.o.	2016	100%	100%
100 Town 2016 Sp. z o.o.	2016	100%	100%
101 E.E.E. Development 2016 Sp. z o.o.	2016	100%	100%
102 Enterprise 2016 Sp. z o.o.	2016	100%	100%
103 Wrocław 2016 Sp. z o.o.	2016	100%	100%
104 Darwen Sp. z o.o. ⁽²⁾	2017	100%	n.a.
105 Truro Sp. z o.o. ⁽²⁾	2017	100%	n.a.
106 Tregaron Sp. z o.o. ⁽²⁾	2017	100%	n.a.
107 Totton Sp. z o.o. ⁽²⁾	2017	100%	n.a.
108 Tring Sp. z o.o. ⁽³⁾	2017	100%	n.a.
109 Thame Sp. z o.o. ⁽³⁾	2017	100%	n.a.
110 Troon Sp. z o.o. ⁽³⁾	2017	100%	n.a.

(2) Acquired during execution of first call option agreement on 5 April 2019. For additional information see page 9.

(3) Acquired during execution of second call option agreement on 7 October 2019. For additional information see page 9.

The Investment in joint ventures comprise the Company's 50% interest in the joint ventures companies Ronson IS sp. z o.o., Ronson IS Sp. z o.o. Sp.k., Coralchief Sp. z o.o. and Coralchief Sp. z o.o. – Projekt 1 Sp.k.. Those joint ventures are involved in the development and sale of residential units in Warsaw.

Management Board Report

Business highlights during the year ended 31 December 2019

A. Projects completed

The table below presents information on the projects that were completed (i.e. completing all construction works and receiving occupancy permit) during the year ended 31 December 2019:

Project name	Location	Number of units	Area of units (m ²)
Miasto Moje II	Warsaw	148	8,100
Nova Królikarnia 2a & 2b	Warsaw	73	5,500
City Link II ⁽¹⁾	Warsaw	189	8,800
City Link III	Warsaw	368	18,700
Vitalia II	Wrocław	83	4,800
Miasto Marina ⁽²⁾	Wrocław	151	6,200
Panoramika IV	Szczecin	111	5,800
Total		1,123	57,900

(1) The project presented in the Consolidated Financial Statements under investment in joint ventures; the Company's share is 50%.

(2) The final permit for use is subject to additional minor fit-out works appropriate to the apart-hotel functionality. During the year ended 31 December 2019 such fit out works were completed for 21 units.

For additional information see section 'B. Results breakdown by project' below.

B. Results breakdown by project

Revenue from the sale of residential units is recognized when the performance obligations are satisfied and when the customer obtains control of the good, i.e. upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit and total payment obtained. Revenue from sales and services of residential projects recognized during the year ended 31 December 2019 amounted to PLN 226.1 million, whereas cost of sales before write-down adjustment amounted to PLN 182.6 million, which resulted in a gross profit before write-down adjustment amounting to PLN 43.5 million with a gross margin of 19.3%. Total economical revenue, whereby results from joint ventures are presented on a fully consolidated basis, amounted to PLN 313.3 million, with cost of sales amounting to PLN 247.3 million, which resulted in a gross profit amounted to PLN 66.0 million and a gross margin of 21.1%. The following table specifies revenue, cost of sales, gross profit and gross margin during the year ended 31 December 2019 on a project by project basis:

Project name	Information on the delivered units		Revenue ⁽¹⁾		Cost of sales ⁽²⁾		Gross profit	Gross margin
	Number of units	Area of units (m ²)	PLN thousands		PLN thousands		PLN thousands	%
				%		%		%
Miasto Moje I & II	153	8,669	51,979	23.0%	40,632	22.3%	11,347	21.8%
Vitalia I & II	85	4,981	29,763	13.2%	24,644	13.5%	5,119	17.2%
City Link III	66	3,122	30,950	13.7%	18,955	10.4%	11,995	38.8%
Nova Królikarnia 1a - 1e	21	2,724	28,162	12.5%	24,124	13.2%	4,038	14.3%
Nova Królikarnia 2a & 2b	67	4,917	50,998	22.6%	45,909	25.1%	5,089	10.0%
Chilli IV	23	1,585	6,103	2.7%	5,878	3.2%	225	3.7%
Miasto Marina ⁽⁵⁾	21	602	4,356	1.9%	4,356	2.4%	-	n.a.
Panoramika IV	9	407	2,241	1.0%	2,241	1.2%	-	n.a.
Moko	8	933	8,847	3.9%	6,545	3.6%	2,302	26.0%
Młody Grunwald	5	637	3,775	1.7%	3,775	2.1%	-	n.a.
Other (old) projects	9	676	8,944	4.0%	5,519	3.0%	3,425	n.a.
Total / Average	467	29,253	226,118	100%	182,578	100%	43,540	19.3%
Write-down adjustment	n.a.	n.a.	n.a.		(594)		594	n.a.
Results after write-down adjustment	467	29,253	226,118		181,984		44,134	19.5%
City Link I & II ⁽³⁾	191	9,020	87,190		65,300		21,890	25.1%
Economic results⁽⁴⁾	658	38,273	313,308		247,284		66,024	21.1%

(1) Revenue is recognized when the performance obligations are satisfied and when the customer obtains control of the good, i.e. upon signing of the protocol of technical acceptance and the transfer of the key of the residential unit to the buyer and total payment obtained.

(2) Cost of sales allocated to the delivered units proportionally to the expected total value of the project.

(3) The project presented in the Consolidated Financial Statements under Investment in joint ventures; the Company's share is 50%.

(4) Under the assumption that the results from joint ventures are presented on a fully consolidated basis (100%).

(5) The final permit for use is subject to additional minor fit-out works appropriate to the apart-hotel functionality. During the year ended 31 December 2019 the Company delivered 119 units to clients, while such fit out works were completed for 21 units only.

Business highlights during the year ended 31 December 2019 (cont'd)

B. Results breakdown by project (cont'd)

Miasto Moje I & II

The construction of the first and second stage of the Miasto Moje project was completed in May 2018 and February 2019, respectively. The projects were developed on a land strip located in the Białołęka district in Warsaw at Marywilska Street. The Miasto Moje I project comprises 191 apartments and 14 commercial units with an aggregate floor space of 10,900 m². The Miasto Moje II project comprises 145 apartments and 3 commercial units with an aggregate floor space of 8,100 m². During the year ended 31 December 2019, the company delivered 153 units (2018: 193 units) and recognized sale revenue of PLN 52.0 million (2018: PLN 56.5 million).

Vitalia I & II

The construction of the first and second stages of the Vitalia project was completed in September 2017 and May 2019, respectively. The first and second stages of this project were developed on a land strip located in Krzyki district in Wrocław at Jutrzenki Street. The first stage of this project comprises 139 apartments with an aggregate floor space of 7,200 m². The second stage of this project comprises 83 apartments with an aggregate floor space of 4,800 m². During the year ended 31 December 2019, the company delivered 85 units (2018: 25 units) and recognized sale revenue of PLN 29.8 million (2018: PLN 9.7 million).

City Link III

The construction of the third (and last) stage of the City Link III project (the Company's share in the project is 100%) was completed in November 2019. The project was developed on a land strip located in the Wola district in Warsaw at Skierniewicka Street. City Link III project comprises 364 apartments and 4 commercial units with an aggregate floor space of 18,700 m². During the year ended 31 December 2019, the company delivered 66 units (2018: nil) and recognized sale revenue of PLN 31.0 million (2018: nil).

Nova Królikarnia 1a - 1e

The construction of the Nova Królikarnia 1a - 1e projects were completed in 2018. The projects were developed on a land strip located in the Mokotów district in Warsaw near to Jaśminowa Street. The Nova Królikarnia 1a – 1e projects comprise 98 apartments and 8 commercial units and an aggregate floor space of 10,600 m². During the year ended 31 December 2019, the company delivered 21 units (2018: 74 units) and recognized sale revenue of PLN 28.2 million (2018: PLN 69 million).

Nova Królikarnia 2a & 2b

The construction of the Nova Królikarnia 2a and 2b was completed in March 2019 and May 2019, respectively. The projects were developed on a land strip located in the Mokotów district in Warsaw near to Jaśminowa Street. The Nova Królikarnia 2a project comprises 45 apartments and an aggregate floor space of 3,200 m². The Nova Królikarnia 2b project comprises 28 apartments and an aggregate floor space of 2,300 m². During the year ended 31 December 2019, the company delivered 67 units (2018: nil) and recognized sale revenue of PLN 51.0 million (2018: nil).

Chilli IV

The construction of the fourth stage of the Chilli project was completed in December 2017. The fourth stage of the Chilli project was developed on a part of land strip located in Tulce near Poznań, and is a continuation of the Chilli I -III projects. The fourth stage of this project comprises 45 apartments with an aggregate floor space of 2,900 m². During the year ended 31 December 2019, the company delivered 23 apartments (2018: 17 apartments) and recognized sale revenue of PLN 6.1 million (2018: PLN 4.2 million).

Miasto Marina

The construction of the Miasto Marina project was completed in June 2019. The Miasto Marina project was developed on a land strip located in Wrocław at Na Grobli Street, and comprises 151 units with an aggregate floor space of 6,200 m². The Company received a permit for use of the buildings, while the final permit for use of the units, due to the purpose of the project, will be received after having carried minor fit-out works appropriate to the apart-hotel functionality. During the year ended 31 December 2019 the Company delivered 119 units to clients, while such fit out works were completed for 21 units only. During the year ended 31 December 2019, the company delivered 21 units (2018: nil) and recognized sale revenue of PLN 4.4 million (2018: nil).

Business highlights during the year ended 31 December 2019 (cont'd)

B. Results breakdown by project (cont'd)

Panoramika IV

The construction of the fourth stage of the Panoramika project was completed in December 2019. The fourth stage of the Panoramika project was developed on a part of land strip located in Szczecin at Duńska Street and is a continuation of the Panoramika I - III projects. The Panoramika IV project comprises 111 apartments and an aggregate floor space of 5,800 m². During the year ended 31 December 2019, the company delivered 9 units (2018: nil) and recognized sale revenue of PLN 2.2 million (2018: nil).

Moko

The construction of the last stage of the Moko project was completed in October 2016. The project was developed on a land strip located in Mokotów district in Warsaw at Magazynowa Street. The project comprises 326 apartments and 19 commercial units and an aggregate floor space of 23,700 m². During the year ended 31 December 2019, the company delivered 8 units (2018: 28 units) and recognized sale revenue of PLN 8.8 million (2018: PLN 25.6 million).

Młody Grunwald

The construction of the last stage of the Młody Grunwald project was completed in October 2017. The project was developed on a land strip located in Grunwald district in Poznań at Jeleniogórska Street. The project comprises 372 apartments and 21 commercial units and an aggregate floor space of 23,800 m². During the year ended 31 December 2019, the company delivered 5 units (2018: 74 units) and recognized sale revenue of PLN 3.8 million (2018: PLN 29.4 million).

Other (old) projects

Other revenues are mainly associated with fee income for management services provided to joint ventures projects and with rental revenues, as well as with the delivery of 9 units, parking places and storages in other projects that were completed in previous years.

Write-down adjustment

During the year ended 31 December 2019, as a result of Net Realizable Value (NRV) analyses and reviews, a write-down adjustment for some of the Group's inventory was reversed in the amount of PLN 3.4 million, while for some other Group's inventory and residential landbank the impairment was made in the amount of PLN 2.8 million. The net impact of write-down adjustment on the gross profit amounted to PLN 0.6 million (positive).

City Link I & II

The construction of the first and second stage of the City Link project was completed in September 2017 and March 2019, respectively. The project was developed on part of a land strip located in the Wola district in Warsaw at Skierniewicka Street. The first stage of this project comprises 301 apartments and 21 commercial units with an aggregate floor space of 14,700 m². The second stage of this project comprises 184 apartments and 5 commercial units with an aggregate floor space of 8,800 m². The project is presented in the Consolidated Financial Statements under investment in joint ventures. The Company's share in the project is 50%. During the year ended 31 December 2019, the company delivered 191 units (2018: 69 units) and recognized sale revenue of PLN 87.2 million (2018: PLN 28.9 million).

Management Board Report

Business highlights during the year ended 31 December 2019 (cont'd)

C. Units sold during the period

The table below presents information on the total number of units sold (i.e. total number of units for which the Group signed the preliminary sale agreements with the clients), during the year ended 31 December 2019:

Project name	Location	Units sold until 31 December 2018	Units sold during the 12 months ended 31 December 2019	Units for sale as at 31 December 2019	Total
Miasto Moje I & II ⁽¹⁾	Warsaw	321	25	7	353
Miasto Moje III ⁽²⁾	Warsaw	-	123	73	196
Miasto Moje IV ⁽²⁾	Warsaw	-	33	143	176
Młody Grunwald ⁽¹⁾	Poznań	377	4	12	393
City Link III ⁽¹⁾	Warsaw	286	64	18	368
Miasto Marina ⁽¹⁾	Wrocław	76	50	25	151
Vitalia I & II ⁽¹⁾	Wrocław	205	16	1	222
Vitalia III ⁽²⁾	Wrocław	-	32	49	81
Grunwald2 ⁽²⁾	Poznań	71	124	73	268
Chilli IV ⁽¹⁾	Poznań	24	21	-	45
Panoramika IV ⁽¹⁾	Szczecin	57	37	17	111
Panoramika V ⁽²⁾	Szczecin	-	53	62	115
Moko ⁽¹⁾	Warsaw	342	2	1	345
Nova Królikarnia 1a -1e ⁽¹⁾	Warsaw	94	10	2	106
Nova Królikarnia 2a & 2b ⁽¹⁾	Warsaw	59	13	1	73
Nova Królikarnia 2c ⁽²⁾	Warsaw	-	5	13	18
Nova Królikarnia 3b ⁽²⁾	Warsaw	-	14	9	23
Nova Królikarnia 3a ⁽²⁾	Warsaw	-	-	31	31
Nova Królikarnia 3c ⁽²⁾	Warsaw	-	-	23	23
Ursus Centralny 1a ⁽²⁾	Warsaw	-	98	40	138
Viva Jagodno I ⁽²⁾	Wrocław	-	8	113	121
Nowe Warzymice I ⁽²⁾	Szczecin	-	-	54	54
Other (old) projects		6	8	12	26
Total excluding JV		1,918	740	779	3,437
City Link I & II ⁽¹⁾⁽³⁾	Warsaw	510	1	-	511
Wilanów Tulip ⁽²⁾⁽³⁾	Warsaw	-	20	130	150
Total including JV		2,428	761	909	4,098

(1) For information on the completed projects see "Business highlights during the year ended 31 December 2019 – B. Results breakdown by project".

(2) For information on current projects under construction, see "Outlook for the year 2020 – B. Current projects under construction and/or on sale".

(3) The project presented in the Consolidated Financial Statements under investment in joint ventures; the Company's share is 50%.

Management Board Report

Business highlights during the year ended 31 December 2019 (cont'd)

C. Units sold during the period (cont'd)

The table below presents further information on the units sold (i.e. total number of units for which the Group signed the preliminary sale agreements with the clients), including net saleable area (in m²) of the units sold and net value (excluding VAT) of the preliminary sales agreements (including also parking places and storages) executed by the Group, during the year ended 31 December 2019:

Project name	Location	Sold during the year ended 31 December 2019		
		Number of units	Net saleable area (m ²)	Value of the preliminary sales agreements (in PLN thousands)
Miasto Moje I & II ⁽¹⁾	Warsaw	25	1,926	11,324
Miasto Moje III ⁽²⁾	Warsaw	123	5,553	37,760
Miasto Moje IV ⁽²⁾	Warsaw	33	1,214	9,016
Młody Grunwald ⁽¹⁾	Poznań	4	534	3,042
City Link III ⁽¹⁾	Warsaw	64	4,124	42,384
Miasto Marina ⁽¹⁾	Wrocław	50	2,114	18,282
Vitalia I & II ⁽¹⁾	Wrocław	16	1,082	6,784
Vitalia III ⁽²⁾	Wrocław	32	2,485	16,839
Grunwald2 ⁽²⁾	Poznań	124	6,231	42,453
Chilli IV ⁽¹⁾	Poznań	21	1,444	5,504
Panoramika IV ⁽¹⁾	Szczecin	37	2,060	11,638
Panoramika V ⁽²⁾	Szczecin	53	2,230	13,396
Moko ⁽¹⁾	Warsaw	2	277	2,628
Nova Królikarnia 1a -1e ⁽¹⁾	Warsaw	10	1,284	13,336
Nova Królikarnia 2a & 2b ⁽¹⁾	Warsaw	13	1,265	13,645
Nova Królikarnia 2c ⁽²⁾	Warsaw	5	983	12,621
Nova Królikarnia 3b ⁽²⁾	Warsaw	14	1,243	14,207
Ursus Centralny Ia ⁽²⁾	Warsaw	98	4,959	37,625
Viva Jagodno I ⁽²⁾	Wrocław	8	222	1,667
Other (old) projects		8	660	4,847
Total excluding JV		740	41,890	318,998
City Link I & II ⁽¹⁾⁽³⁾	Warsaw	1	117	2,104
Wilanów Tulip ⁽²⁾⁽³⁾	Warsaw	20	1,158	10,068
Total including JV		761	43,165	331,170

(1) For information on the completed projects see "Business highlights during the year ended 31 December 2019 – B. Results breakdown by project".

(2) For information on current projects under construction, see "Outlook for the year 2020 – B. Current projects under construction and/or on sale".

(3) The project presented in the Consolidated Financial Statements under investment in joint ventures; the Company's share is 50%.

The table below presents further information on the value of the preliminary sales agreements (with a breakdown per city, exclusive of VAT) executed by the Group:

Location	Sold during the year ended		Increase/(decrease)	
	31 December 2019	31 December 2018	PLN thousands	%
<i>In thousands of Polish Zlotys (PLN)</i>				
Warsaw	206,718	223,395	(16,677)	-7%
Wrocław	43,572	44,664	(1,092)	-2%
Szczecin	25,034	21,377	3,657	17%
Poznań	50,999	36,853	14,146	38%
Other (old) projects	4,847	3,094	1,753	n.a.
Total	331,170	329,383	1,787	1%

Management Board Report**Business highlights during the year ended 31 December 2019 (cont'd)****D. Commencements of new projects**

The table below presents information on the projects for which the construction and/or sales process commenced during the year ended 31 December 2019:

Project name	Location	Number of units	Area of units (m²)
Miasto Moje III	Warsaw	196	10,200
Miasto Moje IV	Warsaw	176	8,900
Wilanów Tulip ⁽¹⁾	Warsaw	150	9,600
Ursus Centralny Ia	Warsaw	138	7,600
Panoramika V	Szczecin	115	6,000
Vitalia III	Wrocław	81	6,800
Viva Jagodno I	Wrocław	121	6,200
Nowe Warzymice I	Szczecin	54	3,200
Nova Królikarnia 3a	Warsaw	31	3,200
Nova Królikarnia 3b	Warsaw	23	2,300
Nova Królikarnia 3c	Warsaw	23	2,300
Total		1,108	66,300

(1) The project is presented in the Consolidated Financial Statements under investment in joint ventures; the Company's share is 50%.

For additional information see section "Outlook for the year 2020 – B. Current projects under construction and/or on sale".

E. Agreements significant for the business activity of the Group**Wilanów Tulip**

In March 2019, the Group, via a joint venture entity in which the Group holds a 50% interest (hereinafter "JV Company"), signed a final agreement for purchasing the right of perpetual usufruct of property located in Warsaw, Wilanów district, at Syta street. The purchase price of this project has been set at PLN 15 million plus the applicable VAT (the Group share PLN 7.5 million). The JV Company purchased the project together with the valid building permit where part of the construction works already commenced prior to the acquisition. The project comprises 150 units with an aggregate floor space of 9,600 m².

Exercise of the first and second call option agreement – Nova Królikarnia

On 5 April 2019, the Company exercised the first call option under the Call Option Agreements for the total price of PLN 33.9 million as a result of which the Company (via its subsidiary) acquired shares in companies holding four substages of Nova Królikarnia project comprising 84 units with an aggregate floor space of around 9,200 m². Moreover the Company signed the annex changing the schedule of payment of the first call option in which the price is determined to be paid in three installments: PLN 7.0 million was paid in April 2019, PLN 16.9 million was paid in October 2019 and PLN 10.0 million is to be paid in October 2020.

On 7 October 2019, the Company exercised the second call option under the Call Option Agreements for the total price of PLN 35.1 million as a result of which the Company (via its subsidiary) acquired shares in companies holding three substages of Nova Królikarnia project comprising 44 units with an aggregate floor space of around 9,000 m². Moreover the Company signed the annex changing the schedule of payment of second call option in which the price is determined to be paid in three installments: PLN 8.1 million was paid in October 2019, PLN 5.0 million was paid in February 2020 and PLN 22.0 million is to be paid in April 2020.

Sale of land – Matisse II

In December 2018, a subsidiary of the Company signed a preliminary sale agreement for selling the property located in Wrocław, at Buforowa Street. The selling price was set at PLN 6.5 million increased by VAT. On 25 February 2019, the final agreement for the sale of the property was signed.

Business highlights during the year ended 31 December 2019 (cont'd)***E. Agreements significant for the business activity of the Group (cont'd)****Ursus - final purchase agreement*

In September 2019, a subsidiary of the Company executed a final agreement, based on which it purchased the perpetual usufruct right to a land located in Warsaw, Ursus district. The above agreement relates to the last plot purchased in the implementation of preliminary and conditional purchase agreement concluded during the year 2018. In March 2018, the Company received from the seller an irrevocable power of attorney to execute all necessary actions for the development of the project on this last plot of land, including transferring its perpetual usufruct, obtaining all necessary permits and performing part of the construction work. The full price for this plot was paid to sellers at earlier stages of the transaction during previous year.

Management Board Report

Overview of results

The net profit attributable to the equity holders of the parent company for the year ended 31 December 2019 was PLN 17,414 thousand and can be summarized as follows:

	For year ended	
	31 December	
	2019	2018
	PLN	
	(thousands, except per share data)	
Revenue from sales and services of residential projects	226,118	294,087
Revenue from sales of land	6,500	-
Revenue	232,618	294,087
Cost of sales of residential units	(181,984)	(248,397)
Cost of sales of land	(6,312)	-
Cost of sales	(188,296)	(248,397)
Gross profit	44,322	45,690
Changes in the value of investment property	802	-
Selling and marketing expenses	(5,803)	(5,102)
Administrative expenses	(20,181)	(17,683)
Share of profit/(loss) from joint ventures	9,082	2,818
Other expenses, net	(2,029)	(2,358)
Result from operating activities	26,193	23,365
Finance income	750	738
Finance expense	(4,862)	(5,440)
Net finance income/(expense)	(4,112)	(4,702)
Profit/(loss) before taxation	22,081	18,663
Income tax benefit/(expense)	(4,667)	(3,592)
Net profit/(loss) for the year before non-controlling interests	17,414	15,071
Non-controlling interests	-	(1,573)
Net profit/(loss) for the year attributable to the equity holders of the parent	17,414	13,498
Net earnings per share attributable to the equity holders of the parent (basic and diluted)	0.106	0.082

Revenue from sales and services of residential projects

Revenue decreased by PLN 68.0 million (23.1%) from PLN 294.1 million during the year ended 31 December 2018 to PLN 226.1 million during the year ended 31 December 2019, which is primarily explained by a decrease in apartments delivered to the customers in terms of area size (in m²). The decrease was offset in part by the increase in average selling price per m².

Overview of results (cont'd)

Cost of sales of residential units

Cost of sales of residential units decreased by PLN 66.4 million (26.7%) from PLN 248.4 million during the year ended 31 December 2018 to PLN 182.0 million during the year ended 31 December 2019, which is primarily explained by a decrease of 228 apartments delivered to the customers in fully owned projects from 695 units during year ended 31 December 2018 to 467 units delivered during the year ended 31 December 2019.

During the year ended 31 December 2019, as a result of Net Realizable Value (NRV) analyses and reviews, a write-down adjustment for some of the Group's inventory was reversed in the amount of 3.4 million, while for some other the Group's inventory and residential landbank the impairment was made in the amount of PLN 2.8 million. The net impact of write-down adjustment on the gross profit amounted to PLN 0.6 million (positive), which compares to a write-down adjustment of PLN 2.9 million (negative) during the year ended 31 December 2018.

Gross margin

The gross margin from sales of residential units during the year ended 31 December 2019 was 19.5% which compares to a gross margin from sales of residential units during the year ended 31 December 2018 of 15.5%. The change in gross margin relates to a different mix of projects delivered to the customers characterized by a different profitability during 2019 compared to the mix of projects delivered to customers in 2018. The most profitable project, which significantly impacted revenues and profitability of the Group was project City Link III in Warsaw (gross profit margin of 38.8%).

Selling and marketing expenses

Selling and marketing expenses increased by PLN 0.7 million (13.7%) from PLN 5.1 million during the year ended 31 December 2018 to PLN 5.8 million during the year ended 31 December 2019, which is primarily explained by the commencement of additional 3 new locations (excluding Wilanów Tulip) during the year ended 31 December 2019 compared to additional 1 new location during the year ended 31 December 2018.

Administrative expenses

Administrative expenses increased by PLN 2.5 million (14.1%) from PLN 17.7 million during the year ended 31 December 2018 to PLN 20.2 million during the year ended 31 December 2019. The increase is primarily explained by an increase in the Management Board remuneration (related to changes in the Management Board) and a general increase in personnel expenses.

Share of profit/(loss) from joint ventures

Share of profit/(loss) from joint ventures comprises the Company's shares in four entities where the Group is holding 50% interest and voting rights in each of those entities: Ronson IS Sp. z o.o. and Ronson IS Sp. z o.o. Sp.k which are running the first two stages of the City Link project, as well as Coralchief Sp. z o.o. and Coralchief Sp. z o.o. – Projekt 1 Sp.k. which are running the Wilanów Tulip project.

During the year ended 31 December 2019, the profit from joint ventures allocated to the Company, amounted to PLN 9.1 million which compares to a profit amounting to PLN 2.8 million during the year ended 31 December 2018. The increase is mainly explained by the delivery of 191 units in City Link project during the year ended 31 December 2019, compared to 69 units during the year ended 31 December 2018.

Other expenses, net

Other expenses net of other income decreased by PLN 0.3 million (14.0%) from PLN 2.3 million during the year ended 31 December 2018 to PLN 2.0 million during the year ended 31 December 2019, which is primarily explained by a decrease in maintenance expenses for unsold units.

Management Board Report

Overview of results (cont'd)

Net finance income/(expense)

Finance income/(expense) are accrued and capitalized as part of the cost price of inventory to the extent this is directly attributable to the construction of residential units. Unallocated finance income/(expense) not capitalized is recognized in the statement of comprehensive income.

The table below shows the finance income and expenses before capitalization into inventory and the total finance income and expenses capitalized into inventory:

For the year ended 31 December 2019				
PLN (thousands)				
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Amount capitalized (under IFRS 16)</u>	<u>Recognized as profit or loss</u>
Finance income	750	-	-	750
Finance expense	(13,885)	9,059	-	(4,826)
Net finance income/(expense) before impact of IFRS 16	(13,135)	9,059	-	(4,076)
Finance expense - on lease liabilities	(2,141)	-	2,105	(36)
Net finance income/(expense) after impact of IFRS 16	(15,276)	9,059	2,105	(4,112)
For the year ended 31 December 2018				
PLN (thousands)				
	<u>Total amount</u>	<u>Amount capitalized</u>		<u>Recognized as profit or loss</u>
Finance income	738	-		738
Finance expense	(14,191)	8,751		(5,440)
Net finance income/(expense)	(13,453)	8,751		(4,702)

Net finance expenses before capitalization and before the impact of IFRS 16 decreased by PLN 0.4 million (2.4%) from PLN 13.5 million during the year ended 31 December 2018 to PLN 13.1 million during the year ended 31 December 2019. The decrease is primarily a result of decrease in the average net debt position during the period from PLN 134.8 million during the year ended 31 December 2018 to PLN 118.8 million during the year ended 31 December 2019.

Income tax benefit/(expense)

During the year ended 31 December 2019, the income tax expense amounted to PLN 4.7 million (21.1%), in comparison to a tax expense amounted to PLN 3.6 million for the year ended 31 December 2018 (19.3%). The high effective tax rate mainly explained by the reversal of the surplus between the purchase price and the net assets value of Nova Królikarnia Group as the transaction date (April 2018), which was allocated to the inventory, that for it deferred income tax was not recognized.

Management Board Report

Selected financial data

PLN/EUR	Exchange rate of Polish Zloty versus the Euro			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Year end exchange rate
2019 (12 months)	4.299	4.241	4.389	4.259
2018 (12 months)	4.262	4.142	4.398	4.300

Source: National Bank of Poland ('NBP')

Selected financial data	EUR*		PLN	
	(thousands, except per share data and number of shares)			
	For year ended 31 December			
	2019	2018	2019	2018
Revenue	54,110	69,002	232,618	294,087
Gross profit	10,310	10,720	44,322	45,690
Profit/(loss) before taxation	5,136	4,379	22,081	18,663
Net profit/(loss) for the year attributable to the equity holders of the parent	4,051	3,167	17,414	13,498
Cash flows from/(used in) operating activities	12,260	3,307	52,705	14,095
Cash flows from/(used in) investing activities	(311)	401	(1,338)	1,708
Cash flows from/(used in) financing activities	(13,167)	4,731	(56,604)	20,165
Increase/(decrease) in cash and cash equivalents	(1,218)	8,439	(5,237)	35,968
Average number of equivalent shares (basic)	163,689,616	164,010,813	163,689,616	164,010,813
Net earnings/(loss) per share (basic and diluted)	0.025	0.019	0.106	0.082

Selected financial data	EUR*		PLN	
	(thousands)			
	As at 31 December			
	2019	2018	2019	2018
Inventory and Residential land bank	179,005	149,571	762,381	643,154
Total assets	221,456	187,237	943,183	805,121
Advances received	59,866	35,454	254,970	152,452
Long term liabilities	37,861	44,440	161,248	191,092
Short term liabilities (including advances received)	101,301	62,918	431,441	270,549
Equity attributable to the equity holders of the parent	82,295	79,879	350,494	343,480

* Information is presented in EUR solely for presentation purposes. Due to the significant fluctuation of the Polish Zloty against the Euro over the past years, the Statement of Financial Position data do not accurately reflect the actual comparative financial position of the Company. The reader should consider changes in the PLN EUR exchange rate in 2019 comparing to 2018, when reviewing this data.

Selected financial data were translated from PLN into EUR in the following way:

- (i) Statement of financial position data were translated using the period end exchange rate published by the National Bank of Poland for the last day of the period.
- (ii) Statement of comprehensive income and cash flows data were translated using the arithmetical average of average exchange rates published by the National Bank of Poland.

Management Board Report**Overview of selected details from the Consolidated Statement of Financial Position**

The following table presents selected details from the Consolidated Statement of Financial Position in which material changes had occurred.

	As at 31 December 2019	As at 31 December 2018
	PLN (thousands)	
Inventory and Residential Landbank	<u>762,381</u>	<u>643,154</u>
Advances received	<u>254,970</u>	<u>152,452</u>
Loans and borrowings	<u>200,844</u>	<u>243,234</u>
Trade and other payables and accrued expenses	<u>97,715</u>	<u>54,587</u>

Inventory and Residential land bank

The balance of Inventory and Residential land bank is PLN 762.4 million as at 31 December 2019 compared to PLN 643.2 million as at 31 December 2018. The increase is primarily explained by the Group's investments associated with direct construction costs for a total amount of PLN 180.5 million, by the purchase of land for a total amount of PLN 70.1 million (new stages of Nova Królikarnia project as a result of first and second call options exercise) and by the impact of IFRS 16 (recognition of perpetual usufruct rights of real estate properties as assets) for the amount of PLN 23.1 million. The increase was partly offset by cost of sales recognized for a total amount of PLN 181.4 million during the year ended 31 December 2019.

The table below presents Group's major contractors in 2019, in terms of the value of services purchased during the year:

General Contractor	Services purchased
	<i>In thousands of Polish Zlotys (PLN)</i>
Hochtief Polska S.A.	57,702
Strabag Sp. z o.o.	42,718
Mostostal Warszawa S.A.	22,149
Karmar S.A.	17,291
Totalbud S.A.	12,787
Danya Cebus Poland Sp. z o.o.	8,611
Erbud S.A.	7,614
Glif Sp. z o. o.	4,127
Total	172,999

The entire turnover shown above concern services purchased by the Company and accounts for approximately 92% of the sum spent by the Group on construction, planning and permits costs in 2019.

Advances received

The balance of advances received is PLN 255.0 million as at 31 December 2019 compared to PLN 152.5 million as at 31 December 2018. The increase is primarily explained by advances received from clients regarding sales of units during the year ended 31 December 2019 for a total amount of PLN 326.0 million. The increase is offset in part by revenues recognized from the sale of residential units for a total amount of PLN 223.5 million.

Overview of selected details from the Consolidated Statement of Financial Position (cont'd)

Loans, bonds and borrowings

The total of short-term and long-term loans and borrowings is PLN 200.8 million as at 31 December 2019 compared to PLN 243.2 million as at 31 December 2018. The decrease in loans and borrowings is primarily explained by the effect of repayment of bank loans for a total amount of PLN 96.8 million and repayment of bond loans for a total amount of PLN 50.0 million. The decrease is offset in part by the effect of proceeds from bank loans net of bank charges for a total amount of PLN 71.2 million and proceeds from a new bond loan net of issue costs for a total amount of PLN 31.6 million. Of the mentioned PLN 200.8 million, an amount of PLN 49.8 million comprises facilities maturing no later than 31 December 2020.

The balance of loans, bonds and borrowings may be split into two categories: 1) Bond loans and 2) Bank loans related to residential projects which are completed or under construction.

Bond loans as at 31 December 2019 amounted to PLN 188.0 million (as at 31 December 2018: PLN 205.5 million) comprising a bond loan principal amount of PLN 187.3 million plus accrued interest of PLN 2.0 million minus one-time costs directly attributed to the bond issuances which are amortized based on the effective interest method (PLN 1.3 million).

The bank loans supporting completed projects or projects under construction are tailored to the pace of construction works and sales. As at 31 December 2019, loans in this category amounted to PLN 12.9 million (as at 31 December 2018: PLN 37.7 million).

For additional information about Loans, bonds and borrowings see Note 27 of the Consolidated Financial Statements.

Trade and other payables and accrued expenses

The balance of Trade and other payables and accrued expenses is PLN 97.7 million as at 31 December 2019 compared to PLN 54.6 million as at 31 December 2018. The increase is primarily explained by an increase in payables for the Nova Królikarnia project due to the exercise of two call options, by the total amount of PLN 24.0 million, as well as by an increase of PLN 15.5 million due to the increase in the number of ongoing projects.

Management Board Report**Overview of cash flow results**

The Company funds its day-to-day operations principally from cash flows provided by its sales activities as well as from borrowings under several bonds and loans facilities. The net cash inflow from operating activities has enabled the Company to proceed with the development of its residential projects and purchasing new plots of lands whilst at the same time maintaining sufficient liquidity for its day-to-day operations.

The following table sets forth the cash flow on a consolidated basis:

	For the year ended 31 December	
	2019	2018
	PLN (thousands)	
Cash flow from/(used in) operating activities	<u>52,705</u>	<u>14,095*</u>
Cash flow from/(used in) investing activities	<u>(1,338)</u>	<u>1,708*</u>
Cash flow from/(used in) financing activities	<u>(56,604)</u>	<u>20,165</u>

* The Company reclassified the acquisition of Nova Królikarnia project (PLN 68.1 million) during the year ended 31 December 2018 from Cash flow from/(used in) investing activities to Cash flow from/(used in) operating activities.

Cash flow from/(used in) operating activities

The Company's net cash inflow from operating activities during the year ended 31 December 2019 amounted to PLN 52.7 million which compares to a net cash inflow from operating activities during the year ended 31 December 2018 amounted to PLN 14.1 million. The increase in cash inflow is principally explained by:

- a net cash inflow from advances received from clients regarding sales of residential units amounting to PLN 326.0 million during the year ended 31 December 2019, comparing to a net cash inflow amounting to PLN 279.8 million during the year ended 31 December 2018;
- a net cash outflow used in connection with acquisition of the Nova Królikarnia project amounted to PLN 46.1 million during the year ended 31 December 2019, comparing to a net cash outflow amounting to PLN 68.1 million during the year ended 31 December 2018.

The above mentioned effects were offset in part by:

- a net cash outflow used in the Group's investments related to direct construction costs for development of ongoing projects amounted to PLN 180.5 million during the year ended 31 December 2019 as compared to PLN 145.6 million during the year ended 31 December 2018.

Overview of cash flow results (cont'd)

Cash flow from/(used in) investing activities

The Company's net cash outflow used in investing activities amounted to PLN 1.3 million during the year ended 31 December 2019 compared to a net cash inflow from investing activities amounted to PLN 1.7 million during the year ended 31 December 2018. The decrease is primarily explained by:

- a net cash inflow from investment in joint ventures amounting to PLN 0.1 million during the year ended 31 December 2019 compared to a cash inflow from investment in joint ventures amounting to PLN 5.8 million during the year ended 31 December 2018;

The above mentioned effect was offset in part by:

- a net cash outflow used in Acquisition of Non-controlling interests amounting to nil during the year ended 31 December 2019 compared to net cash outflow used in Acquisition of Non-controlling interests amounting to PLN 3.8 million during the year ended 31 December 2018.

Cash flow from/(used in) financing activities

The Company's net cash outflow used in financing activities amounted to PLN 56.6 million during the year ended 31 December 2019 compared to a net cash inflow from financing activities amounted to PLN 20.2 million during the year ended 31 December 2018. The decrease is primarily explained by:

- a net repayment of secured bank loans amounting to PLN 25.6 million during the year ended 31 December 2019 compared to net proceeds from bank loans amounting to PLN 22.8 million during the year ended 31 December 2018;
- a net repayment of bond loans amounting to PLN 18.4 million during the year ended 31 December 2019 compared to net proceeds from bond loans amounting to PLN 7.2 million during the year ended 31 December 2018.

Management Board Report**Overview of the results during the three months ended 31 December 2019**

The net profit for the three months ended 31 December 2019 was PLN 4,224 thousand and can be summarized as follows :

For the three months ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>	(Unaudited)	(Unaudited)
Revenue	53,667	40,833
Cost of sales	(39,933)	(37,209)
Gross profit	13,734	3,624
Changes in the value of investment property	802	-
Selling and marketing expenses	(1,800)	(1,339)
Administrative expenses	(6,173)	(4,830)
Share of profit/(loss) from joint ventures	120	173
Other income/(expense)	(541)	(769)
Result from operating activities	6,142	(3,141)
Finance income	167	239
Finance expense	(1,090)	(1,175)
Net finance income/(expense)	(923)	(936)
Profit/(loss) before taxation	5,219	(4,077)
Income tax benefit/(expenses)	(995)	291
Net profit/(loss) for the period attributable to the equity holders of the parent	4,224	(3,786)

Management Board Report

Outlook for 2020

A. Completed projects

The table below presents information on the total residential units in the completed projects/stages that the Group expects to sell and deliver during 2020:

Project name	Location	Number of units delivered ⁽¹⁾			Number of units expected to be delivered ⁽¹⁾			Total number of units
		Until 31 December 2018	During the year ended 31 December 2019	Total units delivered	Sold until 31 December 2019	For sale as at 31 December 2019	Total expected to be delivered	
Miasto Moje I & II	Warsaw	193	153	346	-	7	7	353
Vitalia I & II	Wrocław	136	85	221	-	1	1	222
City Link III	Warsaw	-	66	66	284	18	302	368
Nova Królikarnia 1a - 1e	Warsaw	80	21	101	3	2	5	106
Nova Królikarnia 2a & 2b	Warsaw	-	67	67	5	1	6	73
Chilli IV	Poznań	22	23	45	-	-	-	45
Miasto Marina ⁽²⁾	Wrocław	-	21	21	105	25	130	151
Moko	Warsaw	336	8	344	-	1	1	345
Młody Grunwald	Poznań	376	5	381	-	12	12	393
Panoramika IV	Szczecin	-	9	9	85	17	102	111
Other (old) projects		12	9	21	5	12	17	38
Total excluding JV		1,155	467	1,622	487	96	583	2,205
City Link I & II ⁽³⁾	Warsaw	318	191	509	2	-	2	511
Total including JV		1,473	658	2,131	489	96	585	2,716

(1) For the purpose of disclosing information related to the particular projects, the word "sell" ("sold") is used, that relates to signing the preliminary sale agreement with the client for the sale of the apartment; whereas the word "deliver" ("delivered") relates to the transferring of significant risks and rewards of the ownership of the residential unit to the client.

(2) The final permit for use is subject to additional minor fit-out works appropriate to the apart-hotel functionality. During the period ended 31 December 2019, the Company delivered 119 units to clients, while such fit-out works were completed for 21 units only.

(3) The project is presented in the Consolidated Financial Statements under Investment in joint ventures; the Company's share in the project is 50%.

For information on the completed projects see "Business highlights during the year ended 31 December 2019 - B. Results breakdown by project".

B. Current projects under construction and/or on sale

The table below presents information on projects for which completion is scheduled in 2020 and in 2021. The Company has obtained construction permits for all projects/stages and has commenced construction.

Project name	Location	Units sold until 31 December 2019	Units for sale as at 31 December 2019	Total units	Net saleable area (m ²)	Expected completion of construction
Panoramika V	Szczecin	53	62	115	6,000	2020
Miasto Moje III	Warsaw	123	73	196	10,200	2020
Grunwald2	Poznań	195	73	268	14,500	2020
Vitalia III	Wrocław	32	49	81	6,800	2020
Nova Królikarnia 2c	Warsaw	5	13	18	3,600	2020
Nova Królikarnia 3b	Warsaw	14	9	23	2,300	2020
Nova Królikarnia 3a	Warsaw	-	31	31	3,200	2021
Nova Królikarnia 3c	Warsaw	-	23	23	2,300	2021
Miasto Moje IV	Warsaw	33	143	176	8,900	2021
Ursus Centralny Ia	Warsaw	98	40	138	7,600	2021
Viva Jagodno I	Wrocław	8	113	121	6,200	2021
Nowe Warzymice I	Szczecin	-	54	54	3,200	2021
Total excluding JV		561	683	1,244	74,800	
Wilanów Tulip ⁽¹⁾	Warsaw	20	130	150	9,600	2021
Total including JV		581	813	1,394	84,400	

(1) The project is presented in the Consolidated Financial Statements under Investment in joint venture; the Company's share in the project is 50%.

For information on the completed projects see "Business highlights during the year ended 31 December 2019 - B. Results breakdown by project".

Outlook for 2020 (cont'd)

B. Current projects under construction and/or on sale (cont'd)

Panoramika V

Description of project

The Panoramika V project is being developed on a land strip located in Szczecin at Duńska Street, and is a continuation of the Panoramika I-IV projects. The fifth stage of this project will comprise 115 apartments with an aggregate floor space of 6,000 m².

Stage of development

The construction of the Panoramika V project commenced in March 2019, while completion is expected in the third quarter of 2020.

Miasto Moje III

Description of project

The Miasto Moje III project is being developed on a land strip located in the Białołęka district in Warsaw at Marywilska Street, and is a continuation of the Miasto Moje I and II projects. The project will comprise 196 units with an aggregate floor space of 10,200 m².

Stage of development

The construction of the Miasto Moje III commenced in March 2019, while completion is expected in the fourth quarter of 2020.

Grunwald²

Description of project

The Grunwald² project is being developed on a land strip located in Poznań at Świerzawska Street. The project will comprise 267 apartments and 1 commercial unit with an aggregate floor space of 14,500 m².

Stage of development

The Company commenced the construction works in June 2018, while completion is expected in the second quarter of 2020.

Vitalia III

Description of project

The third (and last) stage of the Vitalia project is being developed on a land strip located in Krzyki district in Wrocław at Jutrzenki Street, and is a continuation of the Vitalia I and II projects. The third stage of this project will comprise 81 apartments with an aggregate floor space of 6,800 m².

Stage of development

The construction of the Vitalia III project commenced in May 2019, while completion is expected in the fourth quarter of 2020.

Nova Królikarnia 2c

Description of project

The Nova Królikarnia 2c project is being developed on a land strip located in the Mokotów district in Warsaw near Jaśminowa Street and will comprise 18 houses with an aggregate floor space of 3,600 m².

Stage of development

The construction of the Nova Królikarnia 2c project commenced in December 2018, while completion is expected in the third quarter of 2020.

Outlook for 2020 (cont'd)

B. Current projects under construction and/or on sale (cont'd)

Nova Królikarnia 3a, b & c

Description of project

The Nova Królikarnia 3a, b and c projects are being developed on a land strip located in the Mokotów district in Warsaw near Jaśminowa Street and will comprise 77 apartments with an aggregate floor space of 7,800 m².

Stage of development

The construction of the Nova Królikarnia 3b project commenced in July 2019, while completion is expected in the fourth quarter of 2020. The construction of the Nova Królikarnia 3a project commenced in November 2019, while completion is expected in the first quarter of 2021. The construction of the Nova Królikarnia 3c project commenced in December 2019, while completion is expected in the second quarter of 2021.

Miasto Moje IV

Description of project

The Miasto Moje IV project is being developed on a land strip located in the Białołęka district in Warsaw at Marywilska Street, and is a continuation of the Miasto Moje I, II and III projects. The project will comprise 176 apartments with an aggregate floor space of 8,900 m².

Stage of development

The pre-sale of this project commenced in December 2019 and the construction works in January 2020, while completion is expected in the third quarter of 2021.

Ursus Centralny Ia

Description of project

The Ursus Centralny Ia project is being developed on a land strip located in Warsaw, Ursus district, at Gierdziejewskiego street. The project will comprise 129 apartments and 9 commercial units with an aggregate floor space of 7,600 m².

Stage of development

The construction of the Ursus Centralny Ia project commenced in June 2019, while completion is expected in the first quarter of 2021.

Viva Jagodno I (previously named Matisse)

The Viva Jagodno I project is being developed on a land strip located in the Jagodno district in Wrocław at Buforowa Street. The project will comprise 121 apartments with an aggregate floor space of 6,200 m².

Stage of development

The construction of the Viva Jagodno I project commenced in September 2019, while completion is expected in the second quarter of 2021.

Nowe Warzymice I (previously named Chopin)

The Nowe Warzymice I project is being developed on a land strip located in Szczecin at Do Rajkowa Street. The project will comprise 54 apartments with an aggregate floor space of 3,200 m².

Stage of development

The construction of the project Nowe Warzymice I project commenced in December 2019, while completion is expected in the second quarter of 2021.

Outlook for 2020 (cont'd)

B. Current projects under construction and/or on sale (cont'd)

Wilanów Tulip

Description of project

The Wilanów Tulip project (the Company's share in the project is 50%) is being developed on a land strip located in Warsaw, Wilanów district, at Syta street. The project comprise 150 apartments with an aggregate floor space of 9,600 m².

Stage of development

The construction of the Wilanów Tulip project commenced in March 2019, while completion is expected in the first quarter of 2021.

C. Projects for which construction work is planned to be commence during 2020

As the Company is aware of the increasing competition in the market, the Company has been careful to manage the number of new projects and the makeup of such projects in order to satisfy the consumers' demand. During 2020, the Company is considering the commencement of the 7 stages of ongoing projects (comprising in total 940 units with a total area of 51,000 m²), which management believes are well-suited to current customer requirements, including smaller apartments at more economical prices. Furthermore, in order to minimize market risk, the Company's management breaks down the part of the new projects into relatively smaller stages. In the event of any market deterioration or difficulties with securing financing by the banks for the considered projects, management may further delay some of those plans.

New stages of ongoing projects

The table below presents information on projects for which the commencement of construction works is scheduled in 2020.

Project name	Location	Total units	Total area of units (m²)
Miasto Moje V	Warsaw	170	8,500
Viva Jagodno II	Wrocław	76	4,200
Nowe Warzymice II	Szczecin	64	4,000
Panoramika VI	Szczecin	76	3,600
Ursus Centralny Ib	Warsaw	97	5,600
Ursus Centralny IIa	Warsaw	251	13,500
Ursus Centralny IIb	Warsaw	206	11,600
Total		940	51,000

Management Board Report

Outlook for 2020 (cont'd)

D. Value of the preliminary sales agreements signed with clients for which revenue has not been recognized in the Consolidated Statement of Comprehensive Income

The current volume and value of the preliminary sales agreements signed with the clients do not impact the Consolidated Statement of Comprehensive Income immediately but only after final settlement of the contracts with the customers (for more details see under “A – Completed projects”). The table below presents the value of the preliminary sales agreements (excluding VAT) executed with the Company’s clients in particular for units that have not been recognized in the Consolidated Statement of Comprehensive Income:

Project name	Location	Value of the preliminary sales agreements signed with clients (in thousands of PLN)	Completed / expected completion of construction
City Link III	Warsaw	143,026	Completed
Miasto Marina	Wrocław	37,566	Completed
Panoramika IV	Szczecin	22,478	Completed
Nova Królikarnia 1a - 1e	Warsaw	3,332	Completed
Nova Królikarnia 2a & 2b	Warsaw	6,655	Completed
Other (old) projects		3,305	Completed
Subtotal completed projects ⁽¹⁾		216,362	
Panoramika V	Szczecin	13,396	2020
Grunwald2	Poznań	62,986	2020
Miasto Moje III	Warsaw	37,760	2020
Nova Królikarnia 2c	Warsaw	12,621	2020
Vitalia III	Wrocław	16,839	2020
Nova Królikarnia 3b	Warsaw	14,207	2020
Ursus Centralny Ia	Warsaw	37,625	2021
Viva Jagodno I	Wrocław	1,667	2021
Miasto Moje IV	Warsaw	9,016	2021
Subtotal ongoing projects ⁽²⁾		206,117	
City Link I & II ⁽¹⁾⁽³⁾	Warsaw	2,010	Completed
Wilanów Tulip ⁽²⁾⁽³⁾	Warsaw	10,068	2021
Subtotal projects held by joint venture		12,078	
Total		434,557	

(1) For information on the completed projects see “Business highlights during the year ended 31 December 2019 – B. Results breakdown by project”.

(2) For information on current projects under construction and/or on sale, see under “B”.

(3) This project is presented in the Consolidated Financial Statements under Investment in joint ventures; the Company’s share in this project is 50%.

Main risks and other factors important for the development of the Company and the Group

The Company's and the Group's business activities are significantly affected by global developments, and in particular by their impact on the Polish economy. The most important macroeconomic factors are the level of development of the Polish economy, the level of interest rates in Poland, the performance of banks and their ability to provide financing to developers and their customers as well as the ability of other financial institutions to invest in corporate bonds.

In terms of risks specific for the sector, in which the Group operates, a potential increase in construction costs and the challenge of securing lands for reasonable prices and the significant impact of increased costs and land prices on the margins of new phases and projects, a prolongation of administrative procedures and an increasing competition in the market are considered to be the most significant uncertainties for the financial year ending 31 December 2020.

Construction cost risk

Construction costs increased significantly over the last 2 years and might continue to increase also during 2020. The increase is mainly related to the growth in costs of hiring qualified workforce, as well as to an increase in costs of building materials. The Company and the Group do not operate a construction business, but, instead, for each project an agreement is concluded with a third party general contractor, who is responsible for running the construction and for finalizing the project including obtaining all permits necessary for safe use of the apartments. In order to mitigate the risk of the increase in construction costs, the Group are signing a lump-sum contract with the general contractor, which will allow the Group to complete the project based on the estimated budget.

Risk of non-performance by General Contractors

In each project or stage of the project, the Group has concluded and will conclude contracts for the construction and implementation of development projects with one general contractor. There is a risk that non-performance of the agreement by the general contractor may cause delays in the project or significantly impact the business, financial condition or results of the Group. The Group sees a potential risk for non-performance of obligations by the general contractor in the availability of qualified workforce, in the increase of salaries and cost of construction materials. Non-performance may result in claims against general contractor with the risk that general contractor may also fail to fully satisfy possible claims of the Company and the Group. The Company and the Group implement selection criteria when hiring a general contractor, which include, experience, professionalism, financial strength of the general contractor (with the obligation to provide bank or insurance guarantee) as well as the quality of the insurance policy covering all risks associated with the construction process.

Financing risk

The real estate development business, in which the Company and the Group operates, requires significant initial expenditures to purchase land and to cover construction, infrastructure, and design costs. As such, the Company and the Group, in order to continue and develop its business, require significant amounts of cash through external financing banks and issuance of bonds. The Company's and Group's ability to obtain such financing depend on many factors, in particular, on market conditions which are beyond the Company's and the Group's control. In the event of difficulties to obtain the required financing, there is a risk that the scale of the Company's and Group's development and pace of achieving its strategic objectives may differ from what was originally planned. In such situation as described above, there is no certainty whether the Company and the Group will be able to obtain the required financing, nor whether financial resources will be obtained under conditions that are favorable to the Company and the Group.

Administration

The nature of real estate development projects requires a number of licenses, approvals and arrangements to be obtained by the Company and the Group at every stage of the development process. Despite significant caution applied in the project execution schedules, there is always a risk of delay in their obtainment. In addition there is always the risk of protests made against permits decisions which have already been issued (also due to appeals with no consequences for the appellants) or in the worse scenario failing to obtain the relevant permits. Additional risk might rise with respect to properties under perpetual usufruct. All the above factors may affect the ability of the Company and the Group to conduct and complete its executed and planned projects.

Main risks and other factors important for the development of the Company and the Group (cont'd)

Changes in legislation

Potential future changes in the legislation (contemplated deletion of open escrow accounts as well as the possible introduction of compulsory contributions to the developer guarantee fund) also constitute a risk that could directly or indirectly affect the Company's and the Group's activities and results. The Management Board assesses, however, that the possible introduction of such changes might have a negative impact on the Group's activities to a lesser extent than on other market operators, primarily due to the Company's and the Group's comfortable financial situation and also because of the trust and good reputation, which the Company and the Group enjoy among financial institutions.

Availability of mortgages

The demand for residential real estate largely depends on the availability of credits and loans for financing the purchase of apartments and houses by individuals. Possible increase in interest rates, deterioration of the economic situation in Poland or administrative restrictions on lending activities of the banks may cause a drop in demand for apartments and houses, and therefore a decrease in interest from potential buyers in the Group's development projects, which in turn may have a significant adverse impact on activities, financial standing or performance of the Company and the Group. In 2019, access to mortgages was relatively high and interest rates on a mortgage were stable, at levels around their historic minimum. Growth in salaries and low inflation had a positive impact on the disposable income of households, thus increasing creditworthiness.

Regulatory risk, risk of interpretation and application of regulations

Frequent amendments, incoherence and lack of unified interpretation of legislation entail risks related to the legal and environment in which the Company and the Group operate. In particular the regulations and interpretations of tax legislations are subject to frequent changes. The practice of tax authorities, issued tax interpretations as well as judicial decisions in this area are not unified. In cases that Tax Authorities will adopt different interpretation of tax regulations from that of the Company, negative consequences can be expected with negative impact on the Company's business, its performance, its financial standing and its development prospects.

Interest rate risk

A vast majority of loans and borrowings obtained by the Group is against variable interest rates that are based on WIBOR rates plus a margin. Therefore, changes in the WIBOR rates will have impact on the cash flow and the profitability of the Group.

Remuneration Policy Report

A. Introduction

The Extraordinary General Meeting of Shareholders held on 1 October 2007, upon recommendation of the Supervisory Board, approved the Company's remuneration policy which sets forth the terms of remuneration of the members of the Management Board. The remuneration for the Supervisory Board was also adopted at the same General Shareholders' Meeting and is still applicable.

The Company initiated works on updating the Remuneration Policy. The adoption of the updated version of the remuneration policy is planned for the next General Meeting of the Company.

B. Remuneration Policy

The objective of the Company's remuneration policy is to provide a compensation program that allows the Company to attract, retain and motivate members of the Supervisory and Management Boards and those who have the character traits, skills and background to successfully lead, manage and supervise the Company. The remuneration policy is designed to reward members of the Management Boards and other key personnel for their contribution to the success of the Company. Each of the Supervisory Boards member receives fixed annual remuneration and remuneration per attended meeting.

The Management Board of the Company is of the opinion that the Remuneration Policy in place that is linked with economic performance, while meeting business objectives, is the strong foundation for maintaining the viability of the company and the long-term increase in value for shareholders.

C. Governance

The General Meeting of Shareholders approves all aspects of the remuneration policy for the Supervisory Board. The Supervisory Board determines the remuneration of the Management Board. Compensation of both the Supervisory Board and Management Board is reviewed regularly. The Supervisory Board has a dedicated Remuneration Committee.

D. Remuneration of the Management Board

Boaz Haim (from 1 December 2019)

Mr Boaz Haim, as a member of the Management Board of Ronson Development SE, is entitled to a monthly remuneration of the PLN equivalent to EUR 20,000, an American school in Warsaw for two children, accommodation cost up to 15,000 PLN per month and the costs of four round flights outside the Poland during each calendar year for Mr. Boaz and his family. In addition Mr. Boaz is entitled to one time signing bonus of two monthly remuneration as well as yearly bonus up to the amount of EUR 162,000.

Moreover Mr Boaz Haim, as a President of the Management Board, is entitled to the remuneration of the PLN equivalent to EUR 5,000 from other entities of the Group. In addition Mr. Boaz is entitled to one time signing bonus of two monthly remuneration from the entities mentioned above.

In addition Mr. Boaz Haim, entered into an employment contract with a subsidiary of the Company (Ronson Development Management Sp. z o.o.). The conditions of the employment contract include a monthly salary of the PLN equivalent to EUR 2,000, reimbursement of the medical insurance costs and a company car. In addition Mr. Boaz is entitled to one time signing bonus of two monthly salaries.

Nir Netzer (until 30 November 2019)

Mr Nir Netzer, as a member of the Management Board of Ronson Development SE, entered into an employment contract with a subsidiary of the Company (Ronson Development Management Sp. z o.o.). The conditions of the employment contract included a monthly salary of the PLN equivalent to EUR 2,000, reimbursement of the medical insurance costs and a company car. In addition, Mr Netzer was providing through his consulting company, services to Ronson Development SE. For these services, Mr Netzer's company charged Ronson Development SE a monthly fee of EUR 18,000. Moreover, the Company was covering Mr Netzer's out-of-pocket expenses related to services provided to the Company, mainly travel and accommodation expenses.

Remuneration Policy Report (cont'd)

D. Remuneration of the Management Board (cont'd)

Rami Geris (until 31 January 2020)

Mr Rami Geris, as a member of the Management Board of Ronson Development SE, has entered into an employment contract with a subsidiary of the Company (Ronson Development Management Sp. z o.o.). The conditions of the employment contract include a monthly salary of PLN 5,000, an annual bonus between 2 to 4 monthly fees, reimbursement of the medical insurance costs, a company car and the costs of two round flights to Israel during each calendar year for Mr. Geris and his family.

In addition Mr. Geris provided, through his consulting company, services to Ronson Development SE. During year 2018, the remuneration for these services amounted to a monthly fee of EUR 4,700 and PLN 14,500. For the year 2018 Mr. Geris was also entitled to an annual bonus between 2 to 4 monthly fees. Starting from 1 January 2019 the bonus consisted of a fixed amount of PLN 55,000 paid in 12 monthly installments during the year for which the bonus was due and a variable part up to PLN 55,000.

Following the resignation of Mr Geris and the termination of the consulting contact, a termination fee equal to 3 monthly fee was due.

Andrzej Gutowski

Mr Andrzej Gutowski, as a member of the Management Board of Ronson Development SE, has entered into an employment contract with a subsidiary of the Company (Ronson Development Management Sp. z o.o.). The conditions of the employment contract include a monthly salary of PLN 30,000. In addition Mr Gutowski is entitled to the reimbursement of the medical insurance costs and a company car. Based on the adopted incentive plan (by Ronson Development SE), Mr Gutowski is also entitled to an aggregate payment which is the equivalent of 0.1% of the net value of the Group's current sales results.

Alon Haver

As Mr Alon Haver is also a Management Board member of the indirect major shareholder of the Company (A. Luzon Group), he is not receiving any remuneration from Ronson Development SE nor from any of the Company's subsidiaries. The Company is covering expenses related to his activity as a Company's Management Board member, such as travel and accommodation expenses.

Management Board Report

Remuneration Policy Report (cont'd)

D. Remuneration of the Management Board (cont'd)

Total compensation of the Members of the Management Board, including bonuses and incentives linked to Company's financial performance, a company car, flights and accommodation amounted to PLN 3,851 thousand.

The table below presents the breakdown of total compensation received by each member of the Management Board:

As at 31 December 2019	From the Company	In other companies	Total
<i>In thousands of Polish Zlotys (PLN)</i>			
Salary and other short time benefit	851	149	1,000
Termination fee	155	-	155
Other ⁽¹⁾	209	63	272
<i>Subtotal - Mr Nir Netzer</i>	1,215	212	1,427
Salary and other short time benefit	414	98	512
Management bonus	55	20	75
Termination fee	104	-	104
Other ⁽¹⁾	-	35	35
<i>Subtotal - Mr Rami Geris</i>	573	153	726
Salary and other short time benefit	-	420	420
Incentive plan linked to financial results	331	-	331
Other ⁽¹⁾	-	35	35
<i>Subtotal - Mr Andrzej Gutowski</i>	331	455	786
Salary and other short time benefit	85	32	117
Management bonus	57	-	57
Signing bonus	173	64	237
Other ⁽¹⁾	491	10	501
<i>Subtotal - Mr Boaz Haim</i>	806	106	912
Total	2,925	926	3,851

(1) Mainly related to car expenses, flights and accommodation and an American school.

Remuneration Policy Report (cont'd)

E. Remuneration of the Supervisory Board

The Supervisory Board members are entitled to an annual fee of EUR 8,900 plus an amount of EUR 1,500 per board meeting (EUR 750 if attendance is by telephone). The total amount due in respect of Supervisory Board fees (excluding ZUS of employer) during 2019 and 2018 amounted to PLN 357 thousand (EUR 83 thousand) and PLN 341 thousand (EUR 80 thousand), respectively

Mr Amos Luzon did not receive any direct remuneration from the Company nor from any of the Company's subsidiaries.

Remuneration received by each Supervisory Board member for year 2019 is as follows:

- Alon Kadouri, Member of the Supervisory Board – PLN 64 thousands;
- Ofer Kadouri, Member of the Supervisory Board – PLN 69 thousands;
- Przemysław Kowalczyk, Member of the Supervisory Board – PLN 73 thousands;
- Piotr Palenik, Member of the Supervisory Board – PLN 69 thousands;
- Shmuel Rofe, Member of the Supervisory Board – PLN 82 thousands.

Management Board Report**Assessment of the Group's finance management**

In 2019, the management of the financial resources of the Group was mainly focused on obtaining sources of financing for both projects being conducted as well as on maintaining safe financial ratios at all levels of its business activity. The Group not only obtained new bank credit facilities for the realisation of future projects or the launching of new stages of projects already being conducted, but it also obtained funds from the issue of series U bonds designated for bonds refinancing and for financing the Group's operating activities.

The Group's leverage ratios have remained at a safe level as at 31 December 2019. The net debt (including cash paid by Company's clients blocked temporarily on the escrow accounts servicing ongoing projects that are under construction) to equity ratio as at 31 December 2019 was 24.4%.

Having considered the specifics of the real estate development industry with its long production cycle and tighter funding requirements for companies operating in this sector, the Group has been in a comfortable financial position. The liquidity ratios are driven by decisions around financing of current investments (including decisions when to commence the construction of new project/stage) and the strategy of acquiring new land. The Management Board considers the Group's liquidity to be at a safe level.

Leverage ratios	As at	As at
<i>In thousands of Polish Zlotys (PLN)</i>	31 December 2019	31 December 2018
Loan and borrowings	200,844	243,234
Interest bearing deferred trade payables	2,338	-
Cash and cash equivalents	(95,591)	(100,828)
Other current financial assets	(22,157)	(14,319)
Net debt	85,434	128,087
Total equity	350,494	343,480
Total capital employed	435,928	471,567
Total assets	943,183	805,121
Debt to equity ratio		
<i>loan and borrowings / equity</i>	58.0%	70.8%
Net debt to equity ratio		
<i>net debt / equity</i>	24.4%	37.3%
Equity ratio		
<i>equity / assets</i>	37.2%	42.7%
Leverage ratio		
<i>net debt / capital employed</i>	19.6%	27.2%

Management Board Report

Assessment of the Group's finance management (cont'd)

Liquidity Ratios	As at	As at
<i>In thousands of Polish Zlotys (PLN)</i>	31 December 2019	31 December 2018
Current assets	862,660	733,195
Inventory	718,060	596,927
Short term liabilities less advances received	176,471	118,097
Cash and cash equivalents	95,591	100,828
<i>Current ratio</i>		
<i>current assets / short-term liabilities less advances received</i>	4.89	6.21
<i>Quick ratio</i>		
<i>current assets less inventory and advance for land / short-term liabilities less advances received</i>	0.82	1.15
<i>Cash ratio</i>		
<i>cash and cash equivalents / short-term liabilities less advances received</i>	0.54	0.85

Information on loans, bonds, sureties and guarantees

Bonds loans contracted or redeemed

On 31 January 2019, the Company issued 32,317 series U bonds with a total nominal value of PLN 32,317 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series U bonds shall be redeemed on 31 January 2023. In addition, the series U bonds will be subject to mandatory depreciation at the end of the 4th and the 6th interest period (on 31 January 2021 and 31 January 2022, respectively) by reducing the nominal value of each bond each time in the amount of PLN 150 for each bond. The series U bonds bear interest at a variable rate based on the WIBOR rate for six-month deposits increased by a margin of 3.5%. The series U bonds should be secured with a joint mortgage of up to PLN 48,476 thousand, while as at 31 December 2019 joint mortgage was established to the amount of PLN 53,019 thousand.

In January 2019, the Company repaid all outstanding 100,000 series I bonds with total nominal value of PLN 10,000 thousand. After this repayment, the total number of outstanding bonds series I amounted to nil.

In April 2019, the Company repaid all outstanding 15,500 series J bonds with total nominal value of PLN 15,500 thousand. After this repayment, the total number of outstanding bonds series J amounted to nil.

In April 2019, the Company repaid all outstanding 10,000 series O bonds with total nominal value of PLN 10,000 thousand. After this repayment, the total number of outstanding bonds series O amounted to nil.

In June 2019, the Company repaid all outstanding 45,000 series K bonds with total nominal value of PLN 4,500 thousand. After this repayment, the total number of outstanding bonds series K amounted to nil.

In September 2019, the Company repaid all outstanding 10,000 series N bonds with total nominal value of PLN 10,000 thousand. After this repayment, the total number of outstanding bonds series N amounted to nil.

Bank loans contracted or repaid

In February 2019, the Company executed a loan agreement with Santander Bank Polska S.A. related to the Grunwald2 project in Poznań. Under this loan agreement Santander Bank Polska S.A. is to provide financing and re-financing to cover the costs of construction up to a total amount of PLN 57.7 million. Under the loan agreement, the final repayment date is November 2021.

In September 2019, the Company executed a loan agreement with PKO Bank Polski S.A. relating to the fifth stage of the Panoramika project in Szczecin. Under this loan agreement PKO Bank Polski S.A. is to provide financing to cover the costs of construction up to a total amount of PLN 26.5 million. Under the loan agreement, the final repayment date of the loan facility is December 2021.

Management Board Report**Information on loans, bonds, sureties and guarantees (cont'd)***Guarantees received by the Group*

The construction guarantees and post construction guarantees received by the Company and the Group from General Contractors during the year 2019 are presented in the table below:

Entity name	Amount of guarantee <i>In thousands of Polish Zlotys (PLN)</i>
Hochtief Polska S.A.	5,974
Erbud S.A.	4,177
Mostostal S.A.	2,722
Danya Cebus Poland Sp. z o.o.	1,710
EBUD - Przemysłówka Sp. z o.o.	2,325
Glif Sp. z o. o.	1,101
Kalter Sp. z o.o.	1,718
Strabag Sp. z o.o.	76
Karmar S.A.	12,113
Total	31,916

From the above mentioned guarantees, PLN 5,079 thousand had been expired during the year 2019.

Sureties provided by the Company

The table below present sureties that were provided by the Company during the year ended 31 December 2019 with respect to the construction loan contacts signed by the Company's subsidiaries:

Entity name	Sureties up to the amount of <i>In thousands of Polish Zlotys (PLN)</i>
Santander Bank Polska S.A.	29,857
Powszechna Kasa Oszczędności Bank Polski S.A.	1,965
Total	31,822

Additional information to the report

Dividend policy

On 11 July 2018, the Management Board of Ronson Development SE resolved to update the dividend policy of the Company. The Management Board recommends in upcoming years a dividend payment of 50% of the consolidated net profit attributable to shareholders but not less than PLN 9,840,649 in total (representing PLN 0.06 per share at the current number of issued shares). The final recommendations regarding the payment of dividends will be made by the Management Board after the examination of the current and expected balance sheet of the Company, expected operating, financial and cash-flow position of the Company and taking into consideration: (i) the close observance of all balance-sheet linked debt covenants, (ii) ability of future repayment of debts, (iii) financial needs of the Company aiming to be ranked amongst leading residential developers and (iv) changing market environment.

Dividend

On 13 May 2019, the Management Board adopted a resolution on the proposal to distribute the net profit of the Company for year 2018 in the amount of PLN 13,497 thousands in a following way:

- to allocate for the dividend payment to the shareholders of the Company the amount of PLN 0.06 (six groszy) per share, with the total amount depending on the number of own shares (where there is no right to dividend) held by the Company on the dividend record date and such total amount not exceeding, in any case, PLN 9,840 thousands,
- to allocate the remaining portion of the net profit of the Company for year 2018 to retained earnings of the Company.

On 11 June 2019, the General Meeting of the Company resolved to distribute the net profit of the Company for year 2018 in accordance with the abovementioned proposal of the Management Board. The dividend in the total amount of PLN 9,820 thousand, was paid on 25 June 2019.

Agreements between shareholders

The Company is not aware of any existing agreements between the shareholders.

Cooperation agreements

On 29 November 2018, the Company entered into a joint venture agreement with Konsili Limited providing for the joint investment and development of the Wilanów Tulip project. For details about the Wilanów Tulip project the reference is made to sections: (i) Business highlights during the year ended 31 December 2019 – E. Agreements significant for the business activity of the Group. Apart from the agreement mentioned above, the Company and the Group did not conclude any significant cooperation agreements with third parties during 2019.

Transactions with related entities

All transactions made by the Company or its subsidiaries with related entities are based on the arm's length principle. Transactions with the related entities are presented in Note 36 to the Consolidated Financial Statements for the year ended 31 December 2019.

Agreements with shareholders

The subsidiary entity of the Company (Ronson Development Management Sp. z o.o.) is a party to the consulting agreement with A. Luzon Group. Based on this agreement (that was signed during 2017) the Company pays to A. Luzon Group an amount of PLN 70 thousand monthly and covering travels and out of pocket expenses incurred in connection with rendering services.

Proceedings before the courts, arbitration or public administration authority

As of 31 December 2019 there was no individual proceeding before any court, authority competent for arbitration or public administration body, concerning the liabilities or receivables of the Company or the Group, the value of which would be at least 10% of the Company's shareholders' equity.

As at 31 December 2019 the total value of proceedings in progress any court, authority competent for arbitration or public administration body, concerning the liabilities or receivables of the Company and the Group amounted to about PLN 4.5 million. With regard to the claims that the Company and the Group determined to be justified, provisions were established in the total amount of about PLN 2.0 million.

Additional information to the report (cont'd)

Employees

The average number of personnel employed by the Company and its subsidiaries – on a fulltime equivalent basis – during 2019 was 73 compared to 73 during 2018.

Research and development

The Company and its subsidiaries are not involved in any research and development activities.

Environmental protection

The Company, in conducting its business activities, undertakes to comply with all laws and regulations regarding use of land and protection of the natural environment. The Company is not a party to any pending proceedings regarding potential environmental protection violations.

Forecasts

The Company did not publish financial forecasts for 2019.

Assessment of the possibility to implement investment projects

In the opinion of the Management Board, the Company and the Group have resources necessary for the implementation of ongoing and planned projects as well as acquisition of new projects. The Company and the Group is financing its activity using own resources, advances from customers, as well as external financing - bank loans and bond issues.

Quarterly reporting by the Company

As a result of requirements pertaining to A. Luzon Group with the registered office in Raanana Israel, the Company's controlling shareholder, whose ultimate parent company is listed on the Tel Aviv Stock Exchange, the first quarter reports, semi-annual reports and third quarter reports are subject to a full scope review by the Company's auditors. For the Company itself that listed on the Warsaw Stock Exchange, only the semi-annual report is subject to a mandatory review. The Company has agreed with A. Luzon Group that the costs for the first and third quarter review will be shared between the Company and its shareholder. The Company considers having its first and third quarter report provided with a review report a benefit to all of its shareholders.

The Company prepared this Annual Report for the year ended 31 December 2019 in both English and Polish languages, while the Polish version is binding.

Disclosure obligations of controlling shareholder

Please note that A. Luzon Group, the Company's controlling shareholder, is a company listed on the Tel Aviv Stock Exchange is subject to certain disclosure obligations. Some of the documents published by A. Luzon Group in performance of such obligations, available here: <http://maya.tase.co.il> (some of which are only available in Hebrew), may contain certain information relating to the Company.

Market capitalization of the Company

As at 31 December 2019 and as at 9 March 2020, the market price was PLN 0.82 and PLN 0.80 per share giving the Company a market capitalization of PLN 134.5 million and PLN 131.2 million, respectively. The Groups' market capitalization is below the value of net assets. Although, the Company strongly believes that this is a temporary situation due to many different factors, including low liquidity of the Company's shares listed on WSE, Management took appropriate steps to review the Company's accounts to determine if there is any additional write-down required and found no basis for it. Management verified that the forecast margin potential in respect of the inventory is positive. Therefore, no indicators for potential additional impairment have been identified.

Additional information to the report (cont'd)*Commitments and contingencies*

For information about investment commitments of the Group in respect of construction services to be rendered by the general contractors and contingent liabilities related to the purchase of new plots, see note 35 of the Consolidated Financial Statements for the year ended 31 December 2019.

Changes in the basic principles of business management of the Company and its Group

None.

Management Board Report

Additional data for the Company

The Company is mainly a holding company and management services provider with respect to the development of residential projects for its subsidiaries. The majority of the Company incomes are from the following sources: (i) interests from loans granted to subsidiaries for the development of projects, (ii) management fee received from subsidiaries for the provision of management services, and (iii) dividend received from subsidiaries. All above revenues are being eliminated on a consolidated level.

Below section presents main data on the Company activity that were not covered in other sections of this Management Board Report. For additional information see the only Company Financial Statements for the year ended 31 December 2019. The table below presented selected financial data for the Company.

PLN/EUR	Exchange rate of Polish Zloty versus the Euro			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Year end exchange rate
2019 (12 months)	4.299	4.241	4.389	4.259
2018 (12 months)	4.262	4.142	4.398	4.300
<i>Source: National Bank of Poland ('NBP')</i>				
Selected financial data	EUR		PLN	
	(thousands)			
	As at 31 December			
	2019	2018	2019	2018
Investment in subsidiaries	98,576	94,723	419,835	407,309
Loan granted to subsidiaries	26,727	36,241	113,829	155,836
Total assets	127,542	131,767	543,203	566,599
Long term liabilities	35,473	35,740	151,078	153,683
Short term liabilities	9,775	16,148	41,631	69,436
Equity	82,295	79,879	350,494	343,480
	EUR		PLN	
	(thousands, except per share data and number of shares)			
	For the year ended 31 December			
	2019	2018	2019	2018
Revenues from management services granted to subsidiaries	1,502	2,178	6,456	9,281
Financial income (vast majority from loans granted to subsidiaries)	1,710	1,984	7,352	8,457
Financial expenses (vast majority from Interest on bonds)	(2,623)	(2,794)	(11,278)	(11,908)
Profit for the year (including results from subsidiaries)	4,051	3,167	17,414	13,498
Cash flows from/(used in) operating activities	(3,231)	2,701	(13,890)	11,512
Cash flows from/(used in) investing activities	11,109	(1,612)	47,756	(6,871)
Cash flows from/(used in) financing activities	(6,709)	(644)	(28,840)	(2,746)
Increase/(decrease) in cash and cash equivalents	1,169	445	5,026	1,895
Average number of equivalent shares (basic)	163,689,616	164,010,813	163,689,616	164,010,813
Net earnings/(loss) per share (basic and diluted)	0.025	0.019	0.106	0.082

Corporate governance statement

A. *The application of the corporate governance principles*

The set of the corporate governance principles which the Company adheres to and the place where the text of the set of the corporate governance principles is available to the general public

During 2019 the Company applied only the corporate governance principles of "Best Practices for the Warsaw Stock Exchange Listed Companies 2016" ("Warsaw Stock Exchange Best Practices"), adopted by the Management Board of the Warsaw Stock Exchange on 13 October 2015.

The Warsaw Stock Exchange Best Practices are available for review at the website of the Warsaw Stock Exchange at: <https://www.gpw.pl/dobre-praktyki>.

The Management Board and the Supervisory Board take appropriate steps towards further implementation of the corporate governance principles and better functioning of the corporate governance at the Company.

The extent to which the Company departs from the provisions of the corporate governance principles, with the list of such provisions and the reasons for doing so

In the period between 1 January 2019 through 31 December 2019 and as of the date of this Report, the Company did not apply the following recommendations and detailed principles of the Warsaw Stock Exchange Best Practices:

Principle I.Z.1.3.

There is no formal division of tasks and responsibilities among members of the Company's Management Board which could be evidenced in the form of a document publishable on the Company's corporate website. However, the division of duties between members of the management board performing operational functions is reflected in their respective titles (i.e. the President of the Management Board, the Finance Vice President of the Management Board and Chief Financial Officer and Vice President of the Management Board for Sales and Marketing). Relevant information is available on the Company's corporate website.

Principle I.Z.1.15.

There is no formal policy on diversity of the Company's governing bodies and its key managers. The Company's Supervisory and Management Board members are elected on the basis of a wide range of factors, such as experience, background, skills, knowledge and insight. The Company recognizes the benefits of diversity, including gender equality, and it strives to achieve a greater level of diversity on the Supervisory Board and the Management Board.

Principle I.Z.1.20.

The Company believes that the existing information policy in effect at the Company guarantees that investors have access to complete and thorough information about decisions adopted at the General Meeting of the Company. The Company therefore believes there is no need to publish an audio or video recording of the proceedings of the General Meeting on the Company's corporate website. What is more, the provisions of the Company's Articles of Association do not allow for participation in the General Meeting by means of electronic communications (which in particular includes real-time broadcasting of the General Meeting).

Recommendation II.R.3.

One of the Company's Management Board members, Alon Haver, acts as the CFO in the parent company of the Company, and also holds a managerial role in other companies belonging to the Company's parent company group. Additional activities of other members of the Management Board do not require such time commitment or effort to negatively affect the proper performance of the function in the Company.

Principle II.Z.2.

The Management Board Rules, which have been in effect since 17 December 2018, repeating in that regard the provisions of the Commercial Companies Code, provide that a member of the Management Board cannot, without the consent of the Company, participate in any competitive company as a member of the governing body of a capital company and cannot participate in any other competitive legal person as a member of such person's governing authority. Such consent is granted on behalf of the Company by the Supervisory Board.

According to the Company's best knowledge, the Management Board members do not participate in any competitive company or any other competitive legal person as members of their governing authorities.

In 2019 Andrzej Gutowski and Rami Geris did not sit on management or supervisory boards of any companies outside of the Company's group. Nir Netzer, while performing his function in the Company, was the Director in the company fully owned by him and Alon Haver held a managerial role in companies outside of the Company's group.

Corporate governance statement

A. *The application of the corporate governance principles (cont'd)*

Principle III.Z.4.

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, which complies with Recommendation III.R.1. The Company outsources its internal audit functions to an external entity which carries out an internal audit when requested by the Management Board and reports directly to the Company's Supervisory Board.

Given the limited audit scope, in 2019 the annual assessment of the efficiency of the functioning of the internal audit, risk management and compliance systems and functions was not presented to the Supervisory Board.

Principle IV.Z.2.

In the Company's opinion, ensuring real-time broadcasts of the General Meeting is unjustified in the light of the Company's shareholding structure. Moreover, providing the relevant technical infrastructure necessary for the efficient conduct of the General Meeting by means of electronic communication would involve financial expenditure and organisational effort incommensurate with the result achieved. Moreover, the Company's shareholders have not communicated any expectations to the Company regarding real-time broadcasts of the General Meeting. For this reason, the provisions of the Company's Articles of Association do not allow for participation in the General Meeting by means of electronic communication (which in particular includes real-time broadcasting of the General Meeting).

Principle IV.Z.5.

In the Company's assessment, there is no need to adopt Rules of the General Meeting. In the Company's assessment, the Company's Articles of Association coupled with the provisions of the Commercial Companies Code and the Council Regulation (EC) No. 2157/2001 of 8 October 2001 on the Articles of Association for a European company (SE) (OJEU.L No. 294), describe exhaustively the manner of convocation and conduct of the General Meeting, and of the adoption of resolutions.

Principle IV.Z.11.

In 2019, the Company held two General Meetings. In both cases, at least one member of the Company's Management Board attended the Meeting. The Company's Management Board is of the opinion that the decision of the Supervisory Board members to participate in the general meeting is in each case an individual decision of the given member of the Supervisory Board. In addition, the Company's Management Board is the only body authorized and obliged to respond to the shareholder during the general meeting (Article 428 of the Commercial Companies Code).

Principle V.Z.5.

In 2019, the Company did not have any regulations in this regard. The procedure for assessing transactions with related entities, providing for the consent of the Supervisory Board for transactions with related parties, was adopted by the Company's Supervisory Board on February 4, 2020. The procedure provides for the approval of material transactions (above 5% of assets of the Company) with related parties of the Company as defined by IAS 24.

Principle VI.Z.2.

The Company does not currently have an incentive program for options or other instruments related to the Company's shares. Pursuant to the provisions of the Articles of Association, the Supervisory Board may develop incentive plans for members of the Management Board based on shares or rights to shares.

Corporate governance statement

B. Description of the general features of the internal audit and risk management systems applied by the Company with respect to the process of preparation of financial statements and consolidated financial statements

The Management Board of the Company is responsible for the internal control system in the Group and its effectiveness in the preparing of financial statements and periodic reports prepared and published in accordance with the Regulation by the Minister of Finance dated 29 March 2018 on the current and periodic submissions by securities issuers Regulation of the Minister of Finance of 29 March 2018 on current and periodic disclosures by issuers of securities and conditions for recognizing as equivalent information required by the law of a non-member state (Journal of Laws of 2018, item 757).

The Company's Management Board analyses current financial results, of the Group and its subsidiaries by comparing them with adopted budgets, on the basis of at least quarterly reports. At least once per quarter Management Board verifies projection of Company cash flows and analyzes adopted strategy of the Group.

Completeness, responsibility and verification in the preparation of financial information

The Group's financial department prepares financial statements, interim and monthly management reports of the Group and the Company under the supervision of the CFO of the Group. The Group's reports are drafted by highly qualified team of employees of the financial, accounting and legal departments. The preparation process is supervised by the financial department's mid-level management. The financial statements are verified by financial controller and CFO of the Group. Pursuant to the applicable legal regulations, the Group's financial statements are reviewed or audited, respectively, by an independent statutory auditor. This is always a prime and highly qualified statutory auditor.

Consistent accounting policies are applied by the Group for presenting its financial details in the financial statements, periodic financial reports and management reports.

C. The Company's Articles of Association – the rules governing the amendments of the Articles of Association

During 2019, the Company's Articles of Association were not subject to any changes.

According to the provisions of the Articles of Association and of the Commercial Companies Code, any amendment of the Company's Articles of Association require a resolution of the General Meeting and entry in the register. A resolution regarding amendments of the Company's Articles of Association may be adopted by the General Meeting only by the majority of three-fourths of the votes cast.

Management Board Report

Corporate governance statement

D. Share capital and Major Shareholders

Major Shareholders

To the best of the Company's knowledge, as at the 9 March 2020, the following shareholders are entitled to exercise over 5% of the voting rights at the General Meeting of Shareholders in the Company:

Shares

	As at 9 March 2020 Number of shares / % of shares	Change in number of shares	As at 31 December 2019 Number of shares / % of shares	Change in number of shares	As at 31 December 2018 Number of shares / % of shares
Shares issued:	164,010,813	-	164,010,813	-	164,010,813
I.T.R. Dori B.V. ⁽¹⁾	108,349,187 66.06%	-	108,349,187 66.06%	20,900,000 12.74 p.p.	87,449,187 53.32%
RN Residential B.V. ⁽¹⁾⁽²⁾	-	-	-	(20,900,000)	20,900,000
	n.a.	-	n.a.	-12.74 p.p.	12.74%
Nationale Nederlanden Otwarty Fundusz Emerytalny	23,884,091 14.56%	-	23,884,091 14.56%	-	23,884,091 14.56%
Metlife Otworthy Fundusz Emerytalny	n.a.	-	n.a.	-	n.a.
	Between 5%-10%	-	Between 5%-10%	-	Between 5% - 10%

Votes

	As at 9 March 2020 Number of votes / % of votes	Change in votes ⁽³⁾	As at 31 December 2019 Number of votes / % of votes	Change in votes ⁽³⁾	As at 31 December 2018 Number of votes / % of votes
No. of votes ⁽³⁾:	163,276,291	(59,622)	163,335,913	(674,900)	164,010,813
I.T.R. Dori B.V. ⁽¹⁾	108,349,187 66.36%	-	108,349,187 66.34%	20,900,000 13.02 p.p.	87,449,187 53.32%
RN Residential B.V. ⁽¹⁾⁽²⁾	-	-	-	(20,900,000)	20,900,000
	n.a.	-	n.a.	-12.74 p.p.	12.74%
Nationale Nederlanden Otwarty Fundusz Emerytalny	23,884,091 14.63%	-	23,884,091 14.62%	-	23,884,091 14.56%
	n.a.	-	n.a.	0.06 p.p.	0.06 p.p.
Metlife Otworthy Fundusz Emerytalny	n.a.	-	n.a.	-	n.a.
	Between 5%-10%	-	Between 5%-10%	-	Between 5% - 10%

(1) The subsidiaries of A. Luzon Group.

(2) In June 2019 as a result of reorganization process of A. Luzon Group, RN Residential B.V. was merged into I.T.R. Dori B.V.

(3) The overall number of votes decreased by the amount of votes resulting from own shares held by the Company, as in accordance with art. 364 § 2 of the Code of Commercial Companies, it does not exercise voting rights from own shares.

On 24 January 2019, the Extraordinary General Meeting of the Company adopted the resolution regarding the adoption of the own share purchase plan and the creation of a reserve fund for the purposes of such plan. Based on that resolution, the Extraordinary General Meeting of the Company granted its consent to the own share purchase plan and authorized the Company's Management Board to purchase fully-paid ordinary bearer shares of the Company with the total nominal value not greater than 1.53% of the Company's share capital, i.e. not greater than 2,500 thousand shares, on the conditions indicated in this resolution. The total number of own shares held by the Company as at 31 December 2019 was equal to 674,900 shares, which constitute 0.41% of the share capital of the Company and votes at the General Meeting. As at 9 March 2020, the Company held 734,522 own shares representing 0.45% of total shares issued by the Company.

Corporate governance statement

D. Share capital and Major Shareholders

Rights to control

All the Company's shares are common shares and none of them carries any special privileges.

Restrictions on the rights attached to the shares in respect of the exercise of the voting rights and the transfer of the ownership of the Company's securities

The Articles of Association of Ronson Development SE do not provide for any restrictions on the exercise of the voting rights, such as the restriction on the exercise of the voting rights by holders of a certain portion or number of the votes, the time restrictions on the exercise of the voting rights or the provisions stipulating that equity rights attached to securities are separated from the ownership of securities.

There are no restrictions on the transferability of the ownership of the shares in Ronson Development SE.

E. General Meeting

The manner of operation of the General Meeting and its basic powers, the description of the shareholders' rights and the manner of their exercise, in particular the rules arising from the Rules of the General Meeting, provided such Rules have been adopted, and provided such information does not arise directly from the law

The General Meeting of the Company has been held as either ordinary or extraordinary, and being one of the Company's governing authorities, it has operated pursuant to the legal regulations and the provisions of the Company's Articles of Association.

The General Meeting of the Company has not adopted its Rules, hence the manner of operation of that governing authority is set down by the legal regulations, including the Commercial Companies Code and the Council Regulation (EC) No. 2157/2001 of 8 October 2001 on the Articles of Association for a European company (SE) (OJEU.L No. 294), and also the Company's Articles of Association.

The General Meeting of the Company is held at the Company's registered office or in the city which is home of the registered office of the company which operates a regulated market on which the Company shares are traded. The General Meeting may also be held at another location within the territory of the Republic of Poland, however, in such case important resolutions can only be adopted if the entire issued capital of the Company is represented in the General Meeting. The Company's Articles of Association do not allow for participation in the General Meeting by means of electronic communication.

General Meeting is convened by the Management Board or the Supervisory Board pursuant to the rules and procedures set down in the Company's Articles of Association or the legal regulations. The General Meeting is convened by an announcement to be made not later than twenty-six days prior to the date of the General Meeting, in compliance with the formal requirements envisaged in the Commercial Companies Code. The General Meeting is opened by the President of the Management Board or the Vice-President and Finance Vice-President.

Resolutions of the General Meeting are adopted by the majority of the validly cast votes, without the requirement of a quorum, unless the Company's Articles of Association or the legal regulations specify otherwise. Votes attached to the shares whose holders do not participate in the vote, abstain from voting or cast a blank or damaged ballot paper, are not counted as votes cast.

In addition to other matters enumerated in the legal regulations and the Company's Articles of Association, a resolution of the General Meeting is required for the Company or its subsidiaries to acquire or dispose of assets whose value is equal to or greater than one third of the value of the assets disclosed in the consolidated balance sheet and the explanatory notes from the most recent approved annual financial statements of the Company. Subject to the foregoing, the acquisition and disposal of real property, perpetual usufruct right or a share in real property, does not require a resolution of the General Meeting.

In 2019, there was one Ordinary General Meeting of the Company's shareholders and one Extraordinary General Meeting.

Corporate governance statement

E. General Meeting (cont'd)

The manner of operation of the General Meeting and its basic powers, the description of the shareholders' rights and the manner of their exercise, in particular the rules arising from the Rules of the General Meeting, provided such Rules have been adopted, and provided such information does not arise directly from the law (cont'd)

The Ordinary General Meeting of the Company's shareholders was held on 11 June 2019 in Warsaw. The agenda of the General Meeting included in particular the approval of the financial statements for the financial year 2018 and the acknowledgement of the fulfilment of duties by the Management and Supervisory Board members, and also distribution of net profit for 2018, ending of the current term of the Supervisory Board, determination of the number of members of the new term of the Supervisory Board and appointment of members for the new term of the Supervisory Board. The proceedings of the Ordinary General Meeting of the Company's shareholders complied with the provisions of the law and the provisions of the Company's Articles of Association.

Extraordinary General Meeting was held on 24 January 2019 in Warsaw. The subject of the Extraordinary General Meeting was adoption of the own share purchase plan and the creation of a reserve fund for the purposes of such plan. Based on that resolution, the Extraordinary General Meeting of the Company granted its consent to and authorised the Company's Management Board to purchase fully-paid ordinary bearer shares of the Company with the total nominal value not greater than 1.53% of the Company's share capital, i.e. not greater than 2,500,000 (two million five hundred thousand) shares, on the conditions indicated in the resolution. The authorization granted to the Management Board for the purchase of own shares shall cover a period lasting until 24 January 2020, however not longer than expiration of the amount allocated for the purchase of own shares.

F. The Management Board

The composition of the Management Board and its changes

On 11 March 2019, the Supervisory Board decided to terminate the current joint five-year term of office of the Management Board as of 31 March 2019. At the same time, the Supervisory Board appointed the current members of the management board (Nir Netzer, Rami Geris, Andrzej Gutowski and Alon Haver) for a subsequent joint term of office of five years, commencing on 1 April 2019. The members of the Management Board referred to above were appointed to the positions they have held to date. Moreover on 11 March 2019 the Supervisory Board of the Company appointed Boaz Haim to the position of member of the Management Board of the Company as of 1 April 2019 for a five-year joint term of office of the Management Board.

Corporate governance statement

F. The Management Board (cont'd)

Change on the position of the President of the Management Board

On 2 September 2019, Nir Netzer resigned from the function of the President and member of the Company's Management Board with effect from 30 November 2019.

On 28 October 2019, the Supervisory Board of the Company, appointed Boaz Haim to the position of President of the Management Board of the Company as of 1 December 2019. Boaz Haim was previously appointed as a Member of the Management Board for a five-year joint term of office of the Management Board, which commenced on 1 April 2019.

Change on the position of the Vice President of the Management Board and Chief Financial Officer

On 20 December 2019, Rami Geris resigned from the function of the Finance Vice-President of the Management Board for Finance and a member of the Company's Management Board with effect from 31 January 2020. The resignation also concerned the function of a member of the management board held in the Group companies. On 16 January 2020, the Company's Supervisory Board appointed, as of 1 February 2020, Yaron Shama as the Finance Vice-President of the Management Board of the Company for a joint five-year term of office of the Management Board of the Company, which began on 1 April 2019.

Summarizing the above changes during 2019 and until the date of this report, the composition of the Company's Management Board and the functions of its members were as follows:

- in the period from 1 January 2019 to 31 March 2019:
 - Nir Netzer – President of the Management Board,
 - Rami Geris – Vice President of the Management Board and Chief Financial Officer,
 - Andrzej Gutowski – Vice President of the Management Board for Sales and Marketing,
 - Alon Haver – Member of the Management Board;
- in the period from 1 April 2019 to 30 November 2019:
 - Nir Netzer – President of the Management Board,
 - Rami Geris – Vice President of the Management Board and Chief Financial Officer,
 - Andrzej Gutowski – Vice President of the Management Board for Sales and Marketing,
 - Boaz Haim – Member of the Management Board,
 - Alon Haver – Member of the Management Board;
- in the period from 1 December 2019 to 31 January 2020:
 - Boaz Haim – President of the Management Board,
 - Rami Geris – Vice President of the Management Board and Chief Financial Officer,
 - Andrzej Gutowski – Vice President of the Management Board for Sales and Marketing,
 - Alon Haver – Member of the Management Board;
- in the period from 1 February 2020:
 - Boaz Haim – President of the Management Board,
 - Yaron Shama – Vice President of the Management Board and Chief Financial Officer,
 - Andrzej Gutowski – Vice President of the Management Board for Sales and Marketing,
 - Alon Haver – Member of the Management Board;

The rules of appointment and removal of the Management Board members

According to the provisions of the Articles of Association the Company's Management Board has at least three members to be appointed and removed by the Supervisory Board. Irrespective of the competences of the Supervisory Board in this respect, a member of the Management Board may be dismissed also by the general meeting.

The Supervisory Board appoints one member of the Management Board as the President of the Management Board and at least one member of the Management Board as Vice President of the Management Board and Chief Financial Officer. Notwithstanding the foregoing, the Management Board, by a resolution, may divide duties among its members.

The Management Board members are appointed for a joint, five-year tenure, which means that the mandate of the Management Board member appointed prior to the expiry of the given tenure will expire at the same time as the mandates of the other Management Board members.

Management Board Report

Corporate governance statement

F. The Management Board (cont'd)

The rules of appointment and removal of the Management Board members (cont'd)

The term of office of members of the Management Board was unified by a resolution of the Supervisory Board of 11 March 2019. In this resolution the Supervisory Board decided to end the current term of office of the Company's Management Board Members as of 31 March 2019, and at the same time appointed the current Management Board Members (Nir Netzer, Rami Geris, Andrzej Gutowski and Alon Haver) for another joint five-year term of office beginning on 1 April 2019.

Each Management Board member may be elected for subsequent tenures, and also may be removed at any time prior to the expiry of his or her tenure. The foregoing is without prejudice to any claims he or she may have under the employment relationship or other legal relationship connected with his or her Management Board membership.

Each Management Board member may at any time tender his or her resignation. The resignation should be tendered in writing to at least one of the other Management Board members, with a copy to the other Management and Supervisory Board members.

The rules of operation of the Management Board and the rights of the Management Board members, in particular the right to adopt a decision regarding an issue or buyback of shares

The Company's Management Board operates pursuant to the Company's Articles of Association, the Management Board Rules (both these documents are available for review on the Company's corporate website) and the legal regulations, including to the Commercial Companies Code.

The Management Board manages the affairs of the Company and represents it before the courts of law, the administrative authorities and also in dealings with third parties. The powers of the Management Board cover all the matters of the Company which are not reserved by legal regulations, the Articles of Association or a resolution of the General Meeting as falling within the powers of the other governing authorities of the Company.

Two members of the Company's Management Board acting jointly have been required to represent the Company, and in particular to make representations on behalf of the Company, and of those jointly acting members of the Management Board one has to be either the President of the Management Board or the Vice President of the Management Board and Finance Vice President.

The Management Board operates pursuant to the Rules it adopted, in the wording approved by the Supervisory Board on 17 December 2018.

The President of the Management Board directs the work of the Management Board, and in particular coordinates, supervises and organises the work of the Management Board members and arranges Management Board meetings.

The Management Board may divide its duties among its members.

The Management Board must immediately inform the Supervisory Board about any matters likely to have a significant impact on the Company's functioning, and at least once every three months about the management of the Company's affairs and the expected development of the Company's activity and the parameters applied with respect to such expectations, should they change. When requested by any member of the Supervisory Board, the Management Board must provide such information in writing or on other durable media.

The Management Board is required to provide to the Supervisory Board members, whenever requested by them, minutes from the Management Board meetings held.

The Management Board adopts resolutions during meetings which may be held either with its members being present in person or by means of remote communication devices (teleconferences), and also by means of circular resolutions.

Each Management Board member has the right to cast one vote during the Management Board meeting. All resolutions of the Management Board require an absolute majority of votes. Resolutions regarding the acquisition of real property, perpetual usufruct right or share in real property are adopted by the Management Board by an absolute majority of the votes cast, including the approving vote of the President of the Management Board or the Vice President of the Management Board and Finance Vice President, with account being taken of the provisions of the Articles of Association.

Corporate governance statement

F. The Management Board (cont'd)

According to Article 4.8 of the Articles of Association, the Management Board has the right to increase the Company's share capital by the amount which in total will not be greater than eight hundred and twenty thousand euros (€ 820,000), by way of one or several consecutive share capital increases, all within the above limit (the authorised share capital), by issue of new shares with the nominal value of two eurocents (€) 0.02 each, and in the total number not greater than 41,000,000 shares, in exchange for cash or non-cash contributions. The Management Board's right to increase the Company's share capital and to issue new shares within the authorised capital will expire upon the lapse of three years from the date of the Articles of Association's registration in the National Court Register (the date of the registration is 31 October 2018). The Management Board also has the right to issue subscription warrants. The General Meeting may strip shareholders, in whole or in part, of the right to subscribe for shares on the terms and conditions and in accordance with the provisions of the Commercial Companies Code.

On 24 January 2019, the Extraordinary General Meeting of the Company adopted the resolution no 3 regarding the adoption of the own share purchase plan and the creation of a reserve fund for the purposes of such plan. Based on that resolution, the Extraordinary General Meeting of the Company granted its consent to and authorised the Company's Management Board to purchase fully-paid ordinary bearer shares of the Company with the total nominal value not greater than 1.53% of the Company's share capital, i.e. not greater than 2,500,000 (two million five hundred thousand) shares, on the conditions indicated in this resolution. The authorization granted to the Management Board for the purchase of own shares shall cover a period lasting until 24 January 2020, however not longer than expiration of the amount allocated for the purchase of own shares.

G. The Supervisory Board

The composition of the Supervisory Board and its changes

On June 11, 2019, the Ordinary General Meeting decided to terminate 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 of office for 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 of office beginning on 1 July 2019.

The members of the Company's Supervisory Board are as follows:

- Amos Luzon – Chairman of the Supervisory Board,
- Przemysław Kowalczyk – Member of the Supervisory Board,
- Alon Kadouri – Member of the Supervisory Board,
- Ofer Kadouri – Member of the Supervisory Board,
- Piotr Palenik – Member of the Supervisory Board,
- Shmuel Rofe – Member of the Supervisory Board.

The rules of appointment and removal of the Supervisory Board members

According to the provisions of the Articles of Association the Supervisory Board has at least 5 (five) and not more than 9 (nine) members, of whom at least two members should meet the criteria of independence within the meaning of Article 129.3 of the Statutory Auditors, Audit Firms and Public Supervision Act of 11 May 2017 (consolidated text: Official Journal of Laws of Poland of 2019 item 1421, as amended from time to time), and at least one member should have skills and knowledge of accounting or auditing of financial statements. The General Meeting sets the number of the Supervisory Board members for a given tenure.

The Supervisory Board members are appointed and removed by the General Meeting by an absolute majority of votes. Voting on appointments and removals of the Supervisory Board members is secret.

The Supervisory Board members are appointed for a joint, five-year tenure.

Prior to being appointed to the Supervisory Board, a candidate for an independent member of the Supervisory Board must submit a written declaration to the effect that he or she meets the criteria of independence referred to above.

Corporate governance statement

G. The Supervisory Board (cont'd)

If the mandate of a member of the Supervisory Board expires prior to the end of his or her tenure due to resignation or death, the other Supervisory Board members may elect (co-opt) a new member of the Supervisory Board. The first next General Meeting should approve the election of the co-opted member of the Supervisory Board or appoint another member of the Supervisory Board to replace the member co-opted by the Supervisory Board. The election by the General Meeting of a new member of the Supervisory Board to replace the co-opted member, or refusal to approve the co-opted member, terminates the mandate of the co-opted member of the Supervisory Board, however, without affecting the validity and effectiveness of the actions taken by such member since the date of his or her being co-opted to the Supervisory Board.

The number of the Supervisory Board members who have been co-opted to the Supervisory Board by the Board itself and have not yet been approved by the General Meeting cannot be greater than half of all the members elected by the General Meeting.

The rules of operation of the Supervisory Board

The Company's Supervisory Board operates pursuant to the Company's Articles of Association, the Supervisory Board Rules (both these documents are available for review on the Company's corporate website) and the legal regulations, including the Commercial Companies Code.

The duties and powers of the Supervisory Board are set down in the Articles of Association and the legal regulations in force. The duty of the Supervisory Board is to exercise supervision over all the areas of the Company's activity. While performing their duties, the Supervisory Board members should consider the interests of the Company and its business.

The duties of the Supervisory Board have included among others:

- a. to assess the Management Board report on the Company's activity and the financial statements for a given financial year in terms of their consistency with the accounting books and the actual state of affairs;
- b. to assess the Management Board proposals regarding distribution of profits or covering of losses;
- c. to submit to the General Meeting annual written reports on the outcomes of the assessments referred to in points a and b above;
- d. to elect a statutory auditor to audit financial statements;
- e. to approve annual and long-term business plans of the Company;
- f. do other things as envisaged by the Articles of Association and the Commercial Companies Code.

Corporate governance statement

G. The Supervisory Board (cont'd)

The Supervisory Board members will be given access to the buildings, facilities and sites of the Company and will be authorised to review the books and files maintained by the Company and other data media in the Company's possession. For this purpose, the Supervisory Board may appoint one or more persons from among its members or an expert. The Supervisory Board has the right to engage services of experts also in other situations.

The acquisition and sale by the Company or its subsidiary of an asset or assets with a unit value or total value greater than PLN 45,000,000 (forty-five million zlotys) requires the consent of the Supervisory Board.

The Supervisory Board may use the offices and technical facilities of the Company. The Company's Management Board will provide the Supervisory Board with administrative and technical support services. The operating costs of the Supervisory Board are covered by the Company.

The Supervisory Board meetings are convened as needed, however, not less frequently than three times per financial year. The Supervisory Board meetings are to be chaired by the Chairman of the Supervisory Board. The Supervisory Board meetings may be attended by the President of the Management Board or other Management Board members.

The Chairman of the Supervisory Board is required to convene a meeting of the Supervisory Board upon a written request of any member of the Company's Supervisory or Management Board. Such meeting should be held within two weeks from the request. Each Supervisory Board member has one vote during the Supervisory Board meeting. All resolutions of the Supervisory Board are adopted by an absolute majority of the votes cast, with at least half of its members present. In case the votes are tied, the Chairman of the Supervisory Board has a casting vote.

The Supervisory Board may adopt resolutions by means of circular resolutions or by means of remote communication devices. A resolution is valid provided all the Supervisory Board members have been notified of the draft of such resolution.

The Supervisory Board members may participate in the adoption of resolutions by casting their vote in writing through another member of the Supervisory Board. Votes cannot be cast in writing on matters placed on the agenda during the Supervisory Board meeting.

Resolutions cannot be adopted by means of circular resolutions or by means of remote communication devices when they concern appointments of the Chairman and Vice Chairman of the Supervisory Board, appointment of a member of the Management Board, and removal or suspension of those persons.

The Supervisory Board meetings may be held without being formally convened, provided all its members are present and none of them raises any objection to either holding the meeting without it being formally convened or its agenda.

H. The Supervisory Board Committees

According to the provisions of the Articles of Association the Supervisory Board must establish two committees: the Supervisory Board Audit Committee and the Supervisory Board Remuneration Committee. Moreover, the Supervisory Board may establish from among its members other committees, either standing or ad hoc ones, and task them in particular with preparing certain matters for discussion during the meeting of the Supervisory Board.

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

In connection with the termination of the term of office of the members of the Supervisory Board by the Annual General Meeting and the commencement of a new joint five-year term of office of the members of the Supervisory Board as of July 1, 2019, the Supervisory Board, by resolution of July 1, 2019, appointed the current members from the Audit Committee and the Remuneration Committee maintaining their current functions, and therefore the composition of the committees did not change.

Corporate governance statement

H. The Supervisory Board Committees (cont'd)

The Audit Committee

The Audit Committee is the standing committee of the Supervisory Board.

According to the Rules of the Audit Committee in the wording adopted on 10 December 2018, the Audit Committee has 3 members, including the Chairman of the Audit Committee, elected by the Company's Supervisory Board from among its members, however at least one member must have skills and knowledge of accounting or auditing of financial statements, at least one member must have skills and knowledge of the industry in which the Company operates or individual members in their respective scopes must have skills and knowledge of this industry, and the majority of the Audit Committee members, including its Chairman, must be independent within the meaning of Article 129.3 of the Statutory Auditors, Audit Firms and Public Supervision Act of 11 May 2017 (consolidated text Official Journal of Laws of Poland of 2019 item 1421).

The Audit Committee members who meet the statutory criteria of independence are Shmuel Rofe (the current Chairman of Audit Committee) and Przemysław Kowalczyk.

The Audit Committee members who have skills and knowledge of accounting or auditing of financial statements are Ofer Kadouri, Shmuel Rofe and Przemysław Kowalczyk.

The Audit Committee members who have skills and knowledge of the industry in which the Company operates are Shmuel Rofe and Przemysław Kowalczyk.

Ofer Kadouri holds BA in economics and accounting and has been a certified accountant in Israel since 1989. In his work as an accountant, he is the managing partner of an accounting firm whose clients include companies from the construction industry.

Przemysław Kowalczyk acquired his skills and knowledge of accounting while he served as the Chief Financial Officer of Hyundai Motor Poland, being responsible for accounting, finances and controlling. He acquired his skills and knowledge of the industry in which the Company operates during his many years of service as a member of the Company's Supervisory Board (since 2011).

Shmuel Rofe, since 2014 is an entrepreneur and consultant in real estate. From 2009 until 2013 he served as Chief Executive Officer of Ogen Properties Ltd. During the years 2004 through 2009 he was a Chief Financial Officer and a Chief Executive Officer of Gilaz Properties Ltd. Earlier he served for four years as Chief Financial Officer of Zemental Ltd. Earlier he also performed a role of controller at Haifa University, Israel.

The tenures and mandates of the Audit Committee members expire on the expiry date of their tenure and mandate as members of the Company's Supervisory Board. When a member is removed or resigns from the Audit Committee, the Supervisory Board is required to immediately appoint a replacement member of the Audit Committee.

The organisation, manner of operation and powers of the Audit Committee are set down in the Audit Committee Rules which are published on the Company's corporate website.

The duties of the Audit Committee include in particular:

- to make recommendations on appointment, reappointment and removal by the Company's Supervisory Board of an external statutory auditor or audit firm to audit the financial statements, and to assess the levels of remuneration and the terms and conditions of engagement of a statutory auditor or audit firm, and to assess their independence;
- to prepare and apply the policy and procedure for the selection of an audit firm to audit the financial statements of the Company, to be adopted in the form of a resolution of the Audit Committee;
- to prepare a policy concerning the provision by the audit firm selected to audit the financial statements of the Company, the affiliates of such firm, and also by a member of the audit firm network, of the permitted services other than auditing of the Company's financial statements, to be adopted in the form of a resolution of the Audit Committee;
- to perform an initial assessment of the financial statements and monitor the Company's financial reporting process;

Corporate governance statement

H. The Supervisory Board Committees (cont'd)

The Audit Committee (cont'd)

- to supervise, monitor and advise the Management Board on the internal risk management and control systems, including to supervise and implement the relevant provisions and legal regulations, and also to supervise the effects of the application of the codes of conduct;
 - to monitor, in consultation with statutory auditors or audit firms of the Company, the financial audit procedures and activities of the Company, the fairness of the Company's financial statements and all the formal representations and declarations relating to the Company's financial results, and also to verify the significant financial assumptions and estimates included therein, and to make recommendations on these areas to the Company's governing authorities and to notify the Supervisory Board about audit results, the role of the Audit Committee and fairness;
 - to supervise disclosure and reporting of financial information by the Company;
 - to supervise the compliance with recommendations and observations of internal auditors and external statutory auditors or audit firms of the Company;
 - to monitor and supervise the internal audit activities and functioning;
 - to supervise the financing of the Company;
 - to supervise the use of ICT systems and tools;
 - to liaise on permanent basis and supervise the relations with external statutory auditors or audit firms of the Company.
- In 2019, the Audit Committee held four meetings, including three teleconferences.

The Remuneration Committee

The Remuneration Committee is the standing committee of the Supervisory Board.

According to the Rules of 10 December 2018, the Remuneration Committee has three members, including the Chairman of the Remuneration Committee, to be elected by the Company's Supervisory Board from among its members. According to the Rules of the above committee:

- at least two of the three members must be independent,
- the current (former) members of the Management Board and members of the management boards of other listed company may not act (simultaneously) as the Chairman of the Remuneration Committee, and
- not more than one of the three members may (simultaneously) act as a member of another, listed, public company.

Persons who meet the statutory independence criteria in the Remuneration Committee are Shmuel Rofo and Piotr Palenik. All current members of the Remuneration Committee meet the remaining criteria.

The tenures and mandates of the Remuneration Committee members expire on the expiry date of their tenures and mandates as members of the Company's Supervisory Board.

The duties of the Remuneration Committee include in particular:

- to make proposals regarding the remuneration policy applicable to the Management Board members;
- to make proposals regarding remuneration of individual Management Board members, which will be adopted by the Supervisory Board and which in any case should include (i) the remuneration structure, and (ii) the amount of fixed remuneration, shares and/or options and/or other variable elements of remuneration, pension rights, severance pay, and other forms of awardable remuneration, and also the performance criteria and their application;
- to recommend and monitor the levels and structures of remuneration provided to the top level management;
- to ensure that the contractual terms and conditions of the termination of employment contract and all the associated payments are fair both for a given employee and from the Company's point of view, and that no errors or misconduct are awarded, and that the duty to limit losses is fully reflected in such terms and conditions.

In 2019, the Remuneration Committee held two meetings, including one teleconference.

Corporate governance statement

I. Shares in the Company owned by Management Board and Supervisory Board members in the year ended 31 December 2019 and until the date of publication of the report

Mr Amos Luzon, member of the Supervisory Board, as at 31 December 2018 held 63.99 %, while as at 31 December 2019 and at the day preceding the publication of this report held 64.14 % of the shares and voting rights in A. Luzon Group (through A. Luzon Properties and Investments Ltd., a private company owned by Mr Amos Luzon “99%”), and as a result, thus indirectly held a 41.85% of shares in the Company as at 31 December 2018 and 41.98% as at 31 December 2019 and at the day preceding the publication of this report. Taking into account own shares held by the Company as at 31 December 2018, 31 December 2019 and as at the day preceding the publication of this report, Mr. Amos Luzon indirectly controlled following percentage of votes at those dates: 41.85%, 42.15%, and 42.17%, respectively.

Mr Piotr Palenik, member of the Supervisory Board, as at 31 December 2018, 31 December 2019 and at the day preceding the publication of this report held 0.012% of the shares and voting rights in the Company (in total 20 thousand shares). Number of shares owned by the Company did not influence the percentage of votes held by Mr. Piotr Palenik after rounding.

Other members of the Management Board and of the Supervisory Board did not in year 2019 and do not own as of the date of this report any shares in the Company.

J. Policy on diversity

The Company has not developed and has not adopted a policy on diversity. When electing persons to serve in the Company’s governing authorities, and directors of the departments within the organisational structure of the Company, the key selection criteria are the knowledge, competences and previous experience, whereas gender and age are of secondary importance.

At present, there are no women holding any positions in the managing and supervisory authorities of the Company. The Supervisory Board is aware of the advantages of the diversity, especially as regards the gender equality. That is why the Supervisory Board continues efforts to enhance the diversity of the Management Board.

K. Appointment of the Auditor

The Company applies, adopted on 10 December 2018 by resolution of the Audit Committee of the Supervisory Board, Policy and procedure for the selection of an audit company and the Policy for the provision of additional non-audit services by an audit firm or its affiliate.

The main assumptions underlying the Policy concerning the selection of an audit firm to audit the financial statements of the Company are as follows:

1. According to the Company’s Articles of Association, an entity authorized to audit financial statements is selected by the Supervisory Board by a resolution, acting upon the recommendations of the Company’s Audit Committee.
2. The Audit Committee, prior to making the recommendation, and then the Supervisory Board, during the selection of the audit firm to audit the financial statements of the Company from among those recommended by the Audit Committee, consider the following criteria relating to the entity authorized to audit the financial statements of the Company:
 - a) impartiality and independence of the entity;
 - b) its reputation in the financial markets, and also the references, if they were requested in the request for proposal;
 - c) the price quoted by the entity;
 - d) the experience in auditing of financial statements of companies listed on the Warsaw Stock Exchange;
 - e) the guarantee of proper provision of the services requested by the Company;
 - f) the professional qualifications and experience of the persons to be directly involved in the provision of the services for the Company;
 - g) the availability to perform an audit within the timeframes indicated by the Company.

The main assumptions of the procedure for the selection of an audit firm to audit the financial statements of the Company are as follows:

1. The request for proposal connected with the selection of an audit firm to perform a statutory audit the Company’s financial statements is to be prepared by the Chief Financial Officer of the Company or the person acting upon his or her instruction, by 31 September of the year preceding the audit year. The request for proposal is to be sent to at least two entities authorised to audit financial statements and must state the requirements that must be met by them. The requirement to send a request for proposal to at least two entities does not apply to a renewal of the financial statements audit contract. The Audit Committee, after consulting with the Chief Financial Officer, has the right to appoint additional entities authorised to audit financial statements to which the request for proposal should be sent.

Corporate governance statement

K. Appointment of the Auditor (cont'd)

2. The proposals received by the Company in response to the requests for proposals sent are to be passed on to the Audit Committee which will analyse the proposals sent based on the criteria specified in the policy for the selection of audit firms and the requirements set down in the legal regulations in force.

3. The Audit Committee may set dates of meetings with all or some of the entities authorised to audit financial statements which have sent their proposals, with a view to obtaining additional information from such entities and having negotiations with them.

4. The above meetings and negotiations must be minuted by the Audit Committee.

5. An audit firm is to be selected with account being taken of the rule of rotation of an audit firm and the key statutory auditor to ensure that the maximum uninterrupted duration of the statutory audit engagement with the same audit firm or its affiliated audit firm or any member of the network operating in any of the European union member states to which such audit firms belong, does not exceed five years, and the key statutory auditor does not carry out statutory audits of the Company for longer than five years.

6. The key statutory auditor may carry out statutory audits of the Company after at least three years have passed since the end of his or her last statutory audit.

The main assumptions underlying the policy for the provision of additional non-audit services by an audit firm or any entity affiliated with such audit firm, are as follows:

1. A statutory auditor or an audit firm carrying out statutory audits of the Company, or any member of the network to which the statutory auditor or the audit firm belongs, may not directly or indirectly provide to the Company any prohibited non-audit services indicated in Article 5.1(2) of the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

2. The provision of the permitted services is possible only to the extent unrelated to the Company's tax policy, following the Audit Committee's assessment of the threats to independence and the safeguards applied in accordance with Articles 69–73 of the Statutory Auditors, Audit Firms and Public Supervision Act of 11 May 2017. This will require the consent of the Audit Committee and a recommendation on the services to be supplied.

3. The prohibited non-audit services mean:

a) tax services relating to:

(i) preparation of tax forms;

(ii) payroll tax;

(iii) customs duties;

(iv) identification of public subsidies and tax incentives unless support from the statutory auditor or the audit firm in respect of such services is required by law;

(v) support regarding tax inspections by tax authorities unless support from the statutory auditor or the audit firm in respect of such inspections is required by law;

(vi) calculation of direct and indirect tax and deferred tax;

(vii) provision of tax advice;

b) services that involve playing any part in the management or decision-making of the audited entity;

c) bookkeeping and preparing accounting records and financial statements;

d) provision of tax advice;

e) designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems;

f) valuation services, including valuations performed in connection with actuarial services or litigation support services;

g) legal services, with respect to:

(i) the provision of general counsel;

(ii) negotiating on behalf of the audited entity; and

Corporate governance statement

K. Appointment of the Auditor (cont'd)

- iii) acting in an advocacy role in the resolution of litigation;
- h) services related to the audited entity's internal audit function;
- i) services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity;
- j) promoting, dealing in, or underwriting shares in the audited entity;
- k) human resources services, with respect to:
 - (i) management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve:
 - searching for or seeking out candidates for such position; or
 - undertaking reference checks of candidates for such positions;
 - (ii) structuring the organisation design and cost control.

A statutory auditor or an audit firm carrying out statutory audits of the Company, or any member of the network to which the statutory auditor or the audit firm belongs, may not directly or indirectly provide to the Company any prohibited non-audit services:

- a) in the period between the beginning of the period audited and the issuing of the audit report; and
- b) in the financial year immediately preceding the period referred to in point a) legal services, with respect to (i) the provision of general counsel, (ii) negotiating on behalf of the audited entity, and (iii) acting in an advocacy role in the resolution of litigation.

The selection procedure for the audit company for 2019 was made together with the selection of the audit company for 2018.

The recommendation made by the Audit Committee on the selection of an audit firm to audit the financial statements for the financial year 2019 complied with the terms and conditions in force and was made following the completion of the selection procedure organized by the Company which meets the applicable criteria.

On 25 January 2019, the Company concluded an agreement with Ernst & Young Audyty Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw to audit the Company's Financial Statements and the Group's Consolidated Financial Statements for the years ended 31 December 2018 and 31 December 2019, as well as the review of the Company's Condensed Financial Statements and the Group's Condensed Consolidated Financial Statements for the three months ended 31 March 2019, for the six-month period ended 30 June 2019, and for the nine-month period ending on 30 September 2019. In addition, the agreement includes verification of the Financial Statements and presentation of a separate report, in an agreed form, directly to the auditors of the main shareholder of the Company.

The selection of an audit firm to audit the consolidated and standalone financial statements for the years ended 31 December 2018 and 31 December 2019 of the Company and the Group was made by the Supervisory Board in the resolution of 17 December 2018, after the recommendation of the Company's Audit Committee of 13 December 2018. Before the selection, the Company has obtained the consent of the Polish Financial Supervision Authority to extend the maximum duration of the order for the audit of consolidated and separate financial statements by Ernst & Young Audyty Polska spółka z ograniczoną odpowiedzialnością sp.k. (the consent was required due to the fact that prior to the transfer of the Company's registered office to Poland, from year 2009 the audit of the Company's financial statements was conducted by Ernst & Young Accountants LLP with its registered office in Amsterdam).

Apart of the aforementioned services, in 2019 the Company did not use other services of Ernst & Young Audyty Polska spółka z ograniczoną odpowiedzialnością sp. k.

Information on the remuneration paid and payable for the financial year and previous financial year, separately for the audit of the annual financial statements, other assurance services, including a review of the financial statements, tax advisory services and other services are included in the note 18 of the Company Financial Statement for the year ended 31 December 2019.

Corporate governance statement

Information on choosing the auditor

In accordance with 70 sec. 1 point 7 and § 71 sec. 1 point 7 of the Regulation of the Minister of Finance dated as of 29 March 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 2019 r, item no. 757), based on the statement of the Supervisory Board dated 9 March 2020, the Management Board hereby declares that the choice of a Ernst & Young Audyt Polska sp. z o.o. sp. k. (company auditing annual standalone and consolidated financial statement) was executed by the Company in accordance with the provisions of law relating to selection and procedure of choosing the audit company, including in particular:

- a) within the Company the selection of the auditor company was executed to perform the audit of the annual standalone and consolidated financial report for the financial year ended 31 December, 2019 in accordance with the generally applicable provisions of law. The Company has its internal procedure for selection of the audit company and the selection of the auditor company was executed in accordance with this procedure. The choice of the auditor auditing the financial statements was made by the Supervisory Board by adoption of a resolution dated as of 17 December, 2018 acting pursuant to the recommendation of the Audit Committee as of 13 December, 2018;
- b) the audit company, as well as members of the team that performed the audit of the annual standalone and consolidated financial statements for the financial year ended 31 December 2019, met the criteria for execution of an unbiased and independent audit report of the annual financial statements in accordance with the applicable provisions of law, professional standards as well as the rules of the professional ethics;
- c) the Company abides the applicable provisions of law relating to the rotation of the audit firm and the key statutory auditor and mandatory grace periods. The Company has obtained the consent of the Polish Financial Supervision Authority to extend the maximum duration of the order for the audit of consolidated and separate financial statements by Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. (the consent was required due to the fact that prior to the transfer of the Company's registered office to Poland, the audit of the Company's financial statements was conducted by Ernst & Young Accountants LLP with its registered office in Amsterdam - an entity related to Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k.);
- d) within the Company there is the policy of selecting an auditing company and a policy on rendering by the audit company, an entity related to the auditing company or a member of its network of additional non-audit services, including conditionally exempted services rendered by the audit company, which policies and procedures have been adopted in a form of the resolution of the Audit Committee dated as of 10 December 2018.

In addition, the Company's Management Board informs that by resolution of the Supervisory Board of 4 December 2019, the procedure for selecting a certified auditor for the years 2020 and 2021 has been completed. As a result Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością audyt spółka komandytowa was chosen as a certified auditor for the two following years.

Statement of the Management Board regarding financial statements and the Management Board Report

The Management Board of Ronson Development SE hereby declares that:

- a) to the best of its knowledge, the annual financial statements of the Company and Consolidated Financial Statements of the Group and comparative data have been prepared in accordance with the applicable accounting principles and that they reflect in a true, reliable and clear manner financial position of the Company, the Group and its financial result,
- b) the Management Board Report contains a true picture of the Company's and Group's development and achievements, as well as a description of the main threats and risks;

This Management Board Report of activities of the Company and the Group in 2019 was prepared and approved by the Management Board of the Company on 10 March 2020.

The Management Board

Boaz Haim

President of the Management Board

Yaron Shama

Finance Vicepresident of the Management Board, CFO

Andrzej Gutowski

Vicepresident of the Management Board,
Sales and Marketing Director

Alon Haver

Member of the Management Board