

# **Ronson Development SE**

Management Board Report  
on the Activity of the Company and the Group  
for the financial year 2020

## General Information

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### 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

Al. Komisji Edukacji Narodowej 57,

02-797 Warsaw

Poland

### Auditors

PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k.

ul. Polna 11

00-633 Warsaw

Warsaw

Poland

## Letter from the President of the Management Board

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### To our shareholders

The year 2020 was an outstanding year for Ronson Development SE ('Ronson' or 'the Company'), mostly because that despite the crises of a global pandemic (which influenced the world in general, and Poland in particular) the company not only survived it, but even achieved new records.

Thanks to significant land purchases over the last couple of years and securing number of land purchases during this year, the current land bank of the Company is over 3,800 thousand units (from them more than over 2,300 thousands units are in future stages of ongoing projects) which will serve the financial needs for the next coming years.

This will allow a potential growth for the 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, Wrocław and in Poznań.

The year 2020 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 the Company faced was dealing with the COVID -19 pandemic and its effect on the Polish economic as well as the effect on the real estate market.

The Company overcome these challenges in an impressive way, the Company managed not only to fulfil its yearly goals, but to set up new records in the company's history and emerged with outstanding results comparing to previous years.

In terms of Sales result, in 2020 the Company managed to achieve a new record of 918 units, resulting from its strong position and successful projects maintained in all four cities in which it is operating. Warsaw remained the most significant city for the Company but Wrocław, Poznań and Szczecin were developed as well. The Company is actively pursuing to increase its land bank in these cities as well.

Highlights for the Company results during 2020 include:

- Commencement of new projects/stages - commencement of 660 units (in 5 projects);
- Completion - Completion of over 590 units in 4 projects/ stages of projects ;
- Sales - we sold 918 units, which is a new record in RONSON'S history, and showed an increase of approximately 20% year to year;
- Delivery – we delivered 966 units to our clients;
- During October 2020 the Company completed the issue of Series V bonds, in the amount of 100 million zlotys, which is another record for RONSON.  
An important part of this achievement is the large and influential investors who decided to invest in RONSON for the first time.
- For the first time in the history of RONSON it is ranked in the honourable fourth place of the National Ranking of Housing Developers ranking;

The Company is maintaining its policy for a low Net debt to equity ratio. At the end of 2020, this percentage was only 23.5%. The Company will continue focusing on its liquidity and improvement of its financial position.

Year 2020 was a conclusive evidence for the strength of the residential Polish market comparing to other real estate sectors. The residential market holds great promise as for the demand for residential units even in time of Pandemic and economic uncertainty.

Overlooking the year 2021, 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, Miasto Moje, Nova Królikarnia and opening the new projects of Falenty and Renaissance in Mokotów district. In Wrocław a new stage of Viva Jagodno, in Szczecin new stages Nowe Warzymice and our new project of Grunwaldzka in Poznań.

## Letter from the President of the Management Board

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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 in 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.
- The company ability to adopt relatively fast and in efficient way to new challenging market conditions.

As we mentioned before, one of the main goals of the Company is to secure its position as a significant developer in the residential real-estate market. 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.

I am very proud of RONSON's achievements in 2020, and even more I am proud of RONSON's employees, their dedication and motivation for doing their job is a main factor to RONSON's success. 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**

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## Management Board Report

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### Introduction

Ronson Development SE ('the Company') is a 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 a 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 2020 66.7% of the outstanding shares are controlled indirectly by Amos Luzon Development and Energy Group Ltd. ('A. Luzon Group') and 0.91% of the shares are held by the Company. The remaining 33.03% 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 2020, the Company held 1,489,235 own shares (0.91%) 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 45.

On 9 March 2021, the market price was PLN 2.17 per share giving the Company a market capitalization of PLN 355.9 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 2020, the Group has 651 units available for sale in 14 locations, of which 567 units are available for sale in ongoing projects and the remaining 84 units are in completed projects. The ongoing projects comprise a total of 1,457 units, with an aggregate floor space of 85,623 m<sup>2</sup>. The construction of 1,124 units with a total area of 67,826 m<sup>2</sup> is expected to be completed during 2021.

During the year ended 31 December 2020, the Group realized sales of 918 units with the total value of PLN 444.7 million, which compares to sales of 761 units with the total value PLN 331.2 million during the year ended 31 December 2019.

The Group has a pipeline of 13 projects / stages of projects in different stages of preparation, representing approximately 3,810 units with an aggregate floor space of approximately 251,000 m<sup>2</sup> for future development in Warsaw, Poznań, Wrocław and Szczecin. During 2021, the Group is considering commencement of 8 stages of the currently running projects and 3 new projects comprising in total 1,162 units with a total area of 70,700 m<sup>2</sup>.

## Management Board Report

### Overview of the Activity of the Company and the Group

During year ended 31 December 2020, 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 2020 and 2019 with a breakdown per city, see Business highlights during the year ended 31 December 2020 – B. Units sold during the period.

### 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 2020	31 December 2019
<b>Share of ownership &amp; voting rights at the end of</b>			
<b>a. held directly by the Company:</b>			
1 Ronson Development Management Sp. z o.o.	1999	100%	100%
2 Ronson Development 2000 Sp. z o.o. <sup>(2)</sup>	2000	-	100%
3 Ronson Development Warsaw Sp. z o.o.	2000	100%	100%
4 Ronson Development Investment Sp. z o.o.	2011	100%	100%
5 Ronson Development Metropol Sp. z o.o.	2011	100%	100%
6 Ronson Development Properties Sp. z o.o. <sup>(2)</sup>	2002	-	100%
7 Apartments Projekt Sp. z o.o. <sup>(2)</sup>	2003	-	100%
8 Ronson Development Enterprise Sp. z o.o. <sup>(2)</sup>	2004	-	100%
9 Ronson Development Company Sp. z o.o. <sup>(2)</sup>	2005	-	100%
10 Ronson Development Creations Sp. z o.o.	2005	100%	100%
11 Ronson Development Buildings Sp. z o.o. <sup>(2)</sup>	2005	-	100%
12 Ronson Development Structure Sp. z o.o. <sup>(2)</sup>	2005	-	100%
13 Ronson Development Poznań Sp. z o.o. <sup>(2)</sup>	2005	-	100%
14 E.E.E. Development Sp. z o.o. <sup>(2)</sup>	2005	-	100%
15 Ronson Development Innovation Sp. z o.o. <sup>(2)</sup>	2006	-	100%
16 Ronson Development Wrocław Sp. z o.o. <sup>(2)</sup>	2006	-	100%
17 Ronson Development Capital Sp. z o.o. <sup>(2)</sup>	2006	-	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. <sup>(1)</sup>	2007	100%	100%
22 Ronson Development Conception Sp. z o.o. <sup>(2)</sup>	2007	-	100%
23 Ronson Development Architecture Sp. z o.o. <sup>(2)</sup>	2007	-	100%
24 Ronson Development Skyline Sp. z o.o.	2007	100%	100%
25 Continental Development Sp. z o.o. <sup>(2)</sup>	2007	-	100%
26 Ronson Development Universal Sp. z o.o. <sup>(1)</sup>	2007	100%	100%
27 Ronson Development Retreat Sp. z o.o. <sup>(2)</sup>	2007	-	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.	2009	100%	100%
35 Ronson Development Skyline 2010 Sp. z o.o. w likwidacji <sup>(2)</sup>	2010	-	100%
36 Ronson Development Partner 3 Sp. z o.o.	2012	100%	100%
37 ACG 23 Sp. z o.o. / Ronson Development Studzienna Sp. z o.o. <sup>(9)</sup>	2019	100%	-

## Management Board Report

## Overview of the Activity of the Company and the Group

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

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 December 2020	31 December 2019
<b>Share of ownership &amp; voting rights at the end of</b>			
<b>b. held indirectly by the Company :</b>			
38 Nova Królikarnia B.V. (Company with the registered office in the Netherlands)	2016	100%	100%
39 AGRT Sp. z o.o.	2007	100%	100%
40 Ronson Development Partner 4 Sp. z o.o. – Panoramika Sp.k.	2007	100%	100%
41 Ronson Development Sp z o.o. - Estate Sp.k.	2007	100%	100%
42 Ronson Development Sp. z o.o. - Home Sp.k.	2007	100%	100%
43 Ronson Development Sp z o.o. - Horizon Sp.k.	2007	100%	100%
44 Ronson Development Partner 3 Sp. z o.o. - Sakura Sp.k.	2007	100%	100%
45 Destiny Sp. z o.o. <sup>(6)</sup>	2007	-	100%
46 Ronson Development Millenium Sp. z o.o. <sup>(6)</sup>	2007	-	100%
47 Ronson Development Partner 3 sp. z o.o. – Viva Jagodno sp. k.	2009	100%	100%
48 Ronson Development Sp. z o.o. - Apartments 2011 Sp.k.	2009	100%	100%
49 Ronson Development Sp. z o.o. - Idea Sp.k.	2009	100%	100%
50 Ronson Development Partner 2 Sp. z o.o. – Destiny 2011 Sp.k.	2009	100%	100%
51 Ronson Development Partner 2 Sp. z o.o. - Enterprise 2011 Sp.k.	2009	100%	100%
52 Ronson Development Partner 2 Sp. z o.o. - Retreat 2011 Sp.k.	2009	100%	100%
53 Ronson Development Partner 5 Sp. z o.o - Vitalia Sp.k.	2009	100%	100%
54 Ronson Development Sp. z o.o. - 2011 Sp.k.	2009	100%	100%
55 Ronson Development Sp. z o.o. - Gemini 2 Sp.k.	2009	100%	100%
56 Ronson Development Sp. z o.o. - Verdis Sp.k.	2009	100%	100%
57 Ronson Espresso Sp. z o.o.	2006	100%	100%
58 Ronson Development Apartments 2010 Sp. z o.o. <sup>(6)</sup>	2010	-	100%
59 RD 2010 Sp. z o.o. <sup>(6)</sup>	2010	-	100%
60 Retreat Sp. z o.o.	2010	100%	100%
61 Enterprise 2010 Sp. z o.o. <sup>(6)</sup>	2010	-	100%
62 Wrocław 2010 Sp. z o.o. <sup>(6)</sup>	2010	-	100%
63 E.E.E. Development 2010 Sp. z o.o. <sup>(6)</sup>	2010	-	100%
64 Ronson Development Nautica 2010 Sp. z o.o.	2010	100%	100%
65 Gemini 2010 Sp. z o.o. <sup>(6)</sup>	2010	-	100%
66 Ronson Development Sp. z o.o. - Naturalis Sp.k.	2011	100%	100%
67 Ronson Development Sp. z o.o. - Impressio Sp.k.	2011	100%	100%
68 Ronson Development Partner 3 Sp. z o.o.- Nowe Warzymice Sp. k	2011	100%	100%
69 Ronson Development Sp. z o.o. - Providence 2011 Sp.k.	2011	100%	100%
70 Ronson Development Partner 2 Sp. z o.o. - Capital 2011 Sp. k.	2011	100%	100%
71 Ronson Development Partner 5 Sp. z o.o. - Miasto Marina Sp.k.	2011	100%	100%
72 Ronson Development Partner 5 Sp. z o.o. - City 1 Sp.k.	2012	100%	100%
73 Ronson Development Partner 2 Sp. z o.o. - Miasto Moje Sp. k.	2012	100%	100%
74 Ronson Development sp. z o.o. – Ursus Centralny Sp. k.	2012	100%	100%
75 Ronson Development Sp. z o.o. - City 4 Sp.k.	2016	100%	100%
76 Ronson Development Partner 2 Sp. z o.o. – Grunwald Sp.k.	2016	100%	100%
77 Ronson Development Sp. z o.o. Grunwaldzka” Sp.k. (previously: as Ronson Development Sp. z o.o. - Projekt 2 Sp.k.)	2016	100%	100%
78 Ronson Development Sp. z o.o. - Projekt 3 Sp.k.	2016	100%	100%
79 Ronson Development Sp. z o.o. - Projekt 4 Sp.k.	2017	100%	100%
80 Ronson Development Sp. z o.o. - Projekt 5 Sp.k.	2017	100%	100%
81 Ronson Development Sp. z o.o. - Projekt 6 Sp.k.	2017	100%	100%
82 Ronson Development Sp. z o.o. - Projekt 7 Sp.k.	2017	100%	100%
83 Ronson Development Sp. z o.o. - Projekt 8 Sp.k.	2017	100%	100%
84 Ursus 2017 Sp. z o.o. <sup>(4)</sup>	2017	-	100%
85 Projekt City Sp. z o.o. <sup>(5)</sup>	2017	-	100%
86 Bolzanus Limited (Company with the registered office in Cyprus)	2013	100%	100%
87 Park Development Properties Sp. z o.o. - Town Sp.k.	2007	100%	100%
88 Tras Sp. z o.o. <sup>(7)</sup>	2015	-	100%
89 Pod Skocznią Project Sp. z o.o. <sup>(7)</sup>	2015	-	100%
90 District 20 Sp. z o.o. <sup>(7)</sup>	2015	-	100%
91 Arkadia Development Sp. z o.o. <sup>(7)</sup>	2015	-	100%
92 Królikarnia 2015 Sp. z o.o. <sup>(7)</sup>	2015	-	100%
93 Tras 2016 Sp. z o.o.	2011	100%	100%
94 Pod Skocznia Projekt 2016 Sp. z o.o. <sup>(3)</sup>	2011	-	100%



## Management Board Report

## Overview of the Activity of the Company and the Group

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

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 December 2020	31 December 2019
<b>Share of ownership &amp; voting rights at the end of</b>			
<b>b. held indirectly by the Company :</b>			
95 District 20 – 2016 Sp. z o.o. <sup>(3)</sup>	2011	-	100%
96 Arkadia Development 2016 Sp. z o.o. <sup>(3)</sup>	2011	-	100%
97 Królikarnia 2016 Sp. z o.o. <sup>(3)</sup>	2011	-	100%
98 Kroli Development Sp. z o.o. <sup>(3)</sup>	2012	-	100%
99 Park Development Properties Sp. z o.o.	2011	100%	100%
100 Jasminova 2016 Sp. z o.o.	2016	100%	100%
101 Town 2016 Sp. z o.o.	2016	100%	100%
102 E.E.E. Development 2016 Sp. z o.o. <sup>(7)</sup>	2016	-	100%
103 Enterprise 2016 Sp. z o.o.	2016	100%	100%
104 Wrocław 2016 Sp. z o.o.	2016	100%	100%
105 Darwen Sp. z o.o.	2017	100%	100%
106 Truro Sp. z o.o.	2017	100%	100%
107 Tregaron Sp. z o.o.	2017	100%	100%
108 Totton Sp. z o.o.	2017	100%	100%
109 Tring Sp. z o.o.	2017	100%	100%
110 Thame Sp. z o.o.	2017	100%	100%
111 Troon Sp. z o.o.	2017	100%	100%
112 Tywyn Sp. z o.o. <sup>(8)</sup>	2018	100%	-
<b>c. other which are not subject to consolidation:</b>			
113 Coralchief sp. z o.o.	2018	50%	50%
114 Coralchief sp. z o.o. - Projekt 1 sp. k.	2016	n/a	n/a
115 Ronson IS sp. z o.o.	2009	50%	50%
116 Ronson IS sp. z o.o. sp. k.	2012	n/a	n/a

- (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
- (2) In connection with the merger, registered in the National Court Register on 4 May 2020, the company was taken over by the Ronson Development South sp. z o.o. and by law from 4 May 2020 Ronson Development South sp. z o.o. took over all the rights and obligations of the company
- (3) In connection with the merger, registered in the National Court Register on 7 May 2020, the company was taken over by the Tras 2016 sp. z o.o. and by law from 7 May 2020 Tras 2016 sp. z o.o. took over all the rights and obligations of the company
- (4) In connection with the merger, registered in the National Court Register on 1 April 2020, the company was taken over by the Destiny sp. z o.o. and by law from 1 April 2020 Destiny sp. z o.o. took over all the rights and obligations of the company
- (5) In connection with the merger, registered in the National Court Register on 1 April 2020, the company was taken over by the RD 2010 sp. z o.o. and by law from 1 April 2020 RD 2010 sp. z o.o. took over all the rights and obligations of the company
- (6) In connection with the merger, registered in the National Court Register on 1 July 2020, the company was taken over by the Ronson Development South sp. z o.o. and by law from 1 July 2020 Ronson Development South sp. z o.o. took over all the rights and obligations of the company
- (7) In connection with the merger, registered in the National Court Register on 1 July 2020, the company was taken over by the Tras 2016 sp. z o.o. and by law from 1 July 2020 Tras 2016 sp. z o.o. took over all the rights and obligations of the company.
- (8) Acquired during execution of third call option agreement on 9 April 2020.
- (9) Entity acquired on 18 December 2020. Change of the name into Ronson Development Studzienna Sp. z o.o. was registered in KRS on 8 March 2021.

## Management Board Report

## Business highlights during the year ended 31 December 2020

## A. Results breakdown by project

The following table specifies revenue, cost of sales, gross profit and gross margin during the year ended 31 December 2020 on a project by project basis:

Project	Information on the delivered units		Revenue <sup>(1)</sup>		Cost of sales <sup>(2)</sup>		Gross profit	Gross margin
	Number of units	Area of units (m <sup>2</sup> )	PLN thousands	%	PLN thousands	%	PLN thousands	%
City Link IV	288	14,267	149,448	37.2%	91,999	29.3%	57,449	38.4%
Grunwald2	236	12,002	80,916	20.2%	62,265	19.8%	18,651	23.0%
Miasto Marina <sup>(5)</sup>	125	5,361	46,485	11.6%	46,472	14.8%	12	0.0%
Panoramika IV	100	5,282	28,888	7.2%	28,639	9.1%	250	0.9%
Miasto Moje III	98	4,952	33,388	8.3%	27,546	8.8%	5,842	17.5%
Panoramika V	95	4,610	27,757	6.9%	27,034	8.6%	722	2.6%
Nova Królikarnia 2c	7	1,414	18,584	4.6%	16,856	5.4%	1,728	9.3%
Miasto Moje I	3	164	1,446	0.4%	1,127	0.4%	319	22.1%
Nova Królikarnia 2b	3	367	4,074	1.0%	3,676	1.2%	399	9.8%
Nova Królikarnia 1d	2	209	2,237	0.6%	1,845	0.6%	392	17.5%
Other	7	747	8,009	2.0%	6,240	2.0%	1,769	n.a.
<b>Total / Average</b>	<b>964</b>	<b>49,376</b>	<b>401,233</b>	<b>100%</b>	<b>313,698</b>	<b>100%</b>	<b>87,535</b>	<b>21.8%</b>
<b>Impairment recognized</b>	n.a.	n.a.	n.a.		1,325		(1,325)	n.a.
<b>Results after write-down adjustment</b>	<b>964</b>	<b>49,376</b>	<b>401,233</b>		<b>315,023</b>		<b>86,210</b>	<b>21.5%</b>
City Link I & II <sup>(3)</sup>	2	116	2,033		1,511		522	25.7%
<b>Economic results<sup>(4)</sup></b>	<b>966</b>	<b>49,492</b>	<b>403,266</b>		<b>316,534</b>		<b>86,732</b>	<b>21.5%</b>

(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 2020 the Company completed such fit out works for all units.

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 2020 amounted to PLN 401.2 million, whereas cost of sales before write-down adjustment amounted to PLN 313.7 million, which resulted in a gross profit before write-down adjustment amounting to PLN 87.5 million representing a gross margin of 21.8%. Total economical revenue, whereby results from joint ventures are presented on a fully consolidated basis, amounted to PLN 403.2 million, with cost of sales amounting to PLN 316.5 million, resulted in a gross profit of PLN 86.7 million and representing gross margin of 21.5%.

## Business highlights during the year ended 31 December 2020

### A. Results breakdown by project

#### Projects completed in 2020

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 2020:

Project name	Location	Number of units	Units delivered in 2020	Area of units (m <sup>2</sup> )
Grunwald2	Poznań	268	236	14,400
Nova Królikarnia 2c	Warsaw	18	7	3,600
Panoramika V	Szczecin	115	95	6,000
Miasto Moje III	Warsaw	196	98	10,170
<b>Total</b>		<b>597</b>	<b>436</b>	<b>34,170</b>

#### Grunwald2

The construction of the Grunwald2 project was completed in April 2020. The project was developed on a land strip located in Poznań at Świerzawska Street. The Grunwald2 project comprises 267 apartments and 1 commercial unit with an aggregate floor space 14,400 m<sup>2</sup>. During year 2020, the Company delivered 236 units and recognized sale revenue of PLN 80.9 million.

#### Nova Królikarnia 2c

The construction of the Nova Królikarnia 2c was completed in September 2020, respectively. The project was developed on a land strip located in the Mokotów district in Warsaw near Jaśminowa Street. The Nova Królikarnia 2c project comprises 18 apartments and an aggregate floor space of 3,600 m<sup>2</sup>. During year 2020 the Company delivered 7 units and recognized sale revenue of PLN 18.6 million.

#### Panoramika V

The construction of the fifth stage of the Panoramika project was completed in August 2020. The fifth stage of the Panoramika project was developed on a part of land strip located in Szczecin at Panoramiczna Street and is a continuation of the Panoramika I - IV projects. The Panoramika V project comprises 115 apartments and an aggregate floor space of 6,000 m<sup>2</sup>. During year ended 31 December 2020, the company delivered 95 units and recognized sale revenue of PLN 27.8 million.

#### Miasto Moje III

The construction of the third stage of the Miasto Moje project was completed in November 2020. The project was developed on a land strip located in the Białołęka district in Warsaw at Marywilska Street. The Miasto Moje III comprises 196 apartments with an aggregate floor space of 10,170 m<sup>2</sup>. During year 2020, the Company delivered 98 units and recognized sale revenue of PLN 33.3 million.

## Management Board Report

## Business highlights during the year ended 31 December 2020

## A. Results breakdown by project

*Projects completed*

The table below presents information on the projects that were completed (i.e. completing all construction works and receiving occupancy permit) in previous years and the income that was recognised base on units delivered during the year 2020:

Project name	Location	Completion date	Total Project Units	Total Area of units (m2)	Total units sold until 31 December 2020	Total units delivered until 31 December 2019	Units delivered in 2020	Recognised income in year 2020 (PLN'000)	Units sold not delivered as at 31 December 2020	Units for sale as at 31 December 2020	Left to sale/ deliver after 31 December 2020
City link III	Warsaw	Nov-19	368	18,700	363	66	288	149,448	9	5	14
Miasto Marina	Wroclaw	Jun-19	151	6,200	148	21	125	46,485	2	3	5
Panoramika IV	Szczecin	Dec-19	111	5,800	110	9	100	28,888	1	1	2
Miasto Moje I	Warsaw	May-18	205	10,900	202	199	3	1,446	0	3	3
Nova Krolikarnia 2b	Warsaw	May-19	28	2,300	28	23	3	4,074	2	0	2
Nova Krolikarnia 1d	Warsaw	Mar-18	12	1,500	11	9	2	2,237	0	1	1
Others			30	2,764	7	n.a.	7	8,464	0	23	23
<b>Total</b>			<b>905</b>	<b>48,164</b>	<b>869</b>	<b>327</b>	<b>528</b>	<b>241,042</b>	<b>14</b>	<b>36</b>	<b>50</b>

## Management Board Report

## Business highlights during the year ended 31 December 2020

## B. Units sold during the period and units offered for sale

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 2020:

Project name	Project Status	Location	Units sold until 31 December 2019	Units sold during the year ended 31 December 2020	Units for sale as at 31 December 2020	Total
Ursus Centralny Ia <sup>(2)</sup>	Under construction	Warsaw	98	38	2	138
Ursus Centralny IIa <sup>(2)</sup>	Under Construction	Warsaw	-	194	57	251
Ursus Centralny Ib <sup>(2)</sup>	Under Construction	Warsaw	-	34	63	97
Miasto Moje I <sup>(2)</sup>	Completed	Warsaw	199	3	3	205
Miasto Moje III <sup>(1)</sup>	Completed	Warsaw	123	59	14	196
Miasto Moje IV <sup>(2)</sup>	Under Construction	Warsaw	33	85	58	176
Miasto Moje V <sup>(2)</sup>	Under Construction	Warsaw	-	51	119	170
Miasto Marina <sup>(2)</sup>	Completed	Wrocław	126	22	3	151
Panoramika IV <sup>(2)</sup>	Completed	Szczecin	94	16	1	111
Panoramika V <sup>(1)</sup>	Completed	Szczecin	53	46	16	115
Panoramika VI <sup>(2)</sup>	Under Construction	Szczecin	-	46	30	76
Grunwald2 <sup>(1)</sup>	Completed	Poznań	195	58	15	268
Viva Jagodno I <sup>(2)</sup>	Under Construction	Wrocław	8	56	57	121
City Link IV <sup>(2)</sup>	Completed	Warsaw	350	13	5	368
Vitalia III <sup>(2)</sup>	Under Construction	Wrocław	32	37	12	81
Nowe Warzymice I <sup>(2)</sup>	Under Construction	Szczecin	-	29	25	54
Nowe Warzymice II <sup>(2)</sup>	Under Construction	Szczecin	-	-	66	66
Nova Królikarnia 1d <sup>(2)</sup>	Completed	Warsaw	10	1	1	12
Nova Królikarnia 2b <sup>(2)</sup>	Completed	Warsaw	27	1	-	28
Nova Królikarnia 2c <sup>(1)</sup>	Completed	Warsaw	5	10	3	18
Nova Królikarnia 3a <sup>(2)</sup>	Under Construction	Warsaw	-	22	9	31
Nova Królikarnia 3b <sup>(2)</sup>	Under Construction	Warsaw	14	7	2	23
Nova Królikarnia 3c <sup>(2)</sup>	Under Construction	Warsaw	-	17	6	23
Other (old) projects	Completed		3	4	23	30
<b>Total excluding JV</b>			<b>1,367</b>	<b>849</b>	<b>590</b>	<b>2,806</b>
Wilanów Tulip <sup>(3)</sup>	Under Construction	Warsaw	20	69	61	150
<b>Total including JV</b>			<b>1,387</b>	<b>918</b>	<b>651</b>	<b>2,956</b>

(1) For information on the completed projects see "Business highlights during the year ended 31 December 2020 – A. Results breakdown by project".

(2) For information on current projects under construction, see "Outlook for the year 2021 – 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 2020

## B. Units sold during the period

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 m<sup>2</sup>) 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 2020:

Sold During the year ended 31 December 2020					
Project name	Project Status	Location	Number of units	Net saleable area (m <sup>2</sup> )	Value of the preliminary sales agreements
					(in PLN thousands)
Ursus Centralny Ia <sup>(2)</sup>	Under construction	Warsaw	38	2,440	18,632
Ursus Centralny IIa <sup>(2)</sup>	Under Construction	Warsaw	194	10,202	78,726
Ursus Centralny Ib <sup>(2)</sup>	Under Construction	Warsaw	34	1,885	14,763
Miasto Moje I <sup>(2)</sup>	Completed	Warsaw	3	163	1,133
Miasto Moje III <sup>(1)</sup>	Completed	Warsaw	59	3,693	24,929
Miasto Moje IV <sup>(2)</sup>	Under Construction	Warsaw	85	3,946	29,011
Miasto Moje V <sup>(2)</sup>	Under Construction	Warsaw	51	2,104	15,531
Miasto Marina <sup>(2)</sup>	Completed	Wrocław	22	1,165	9,791
Panoramika IV <sup>(2)</sup>	Completed	Szczecin	16	1,164	6,792
Panoramika V <sup>(1)</sup>	Completed	Szczecin	46	2,588	15,825
Panoramika VI <sup>(2)</sup>	Under Construction	Szczecin	46	2,028	13,280
Grunwald2 <sup>(1)</sup>	Completed	Poznań	58	3,538	26,156
Viva Jagodno I <sup>(2)</sup>	Under Construction	Wrocław	56	3,005	21,139
City Link IV <sup>(2)</sup>	Completed	Warsaw	13	1,398	16,290
Vitalia III <sup>(2)</sup>	Under Construction	Wrocław	37	2,982	20,725
Nowe Warzymice I <sup>(2)</sup>	Under Construction	Szczecin	29	1,458	9,119
Nova Królikarnia 3c <sup>(2)</sup>	Under Construction	Warsaw	17	1,645	20,017
Nova Królikarnia 1d <sup>(2)</sup>	Completed	Warsaw	1	74	876
Nova Królikarnia 2b <sup>(2)</sup>	Completed	Warsaw	1	55	652
Nova Królikarnia 2c <sup>(1)</sup>	Completed	Warsaw	10	2,008	24,962
Nova Królikarnia 3a <sup>(2)</sup>	Under Construction	Warsaw	22	2,179	26,010
Nova Królikarnia 3b <sup>(2)</sup>	Under Construction	Warsaw	7	764	9,024
Other (old) projects	Completed		4	360	3,129
<b>Total excluding JV</b>			<b>849</b>	<b>50,845</b>	<b>406,513</b>
Wilanów Tulip <sup>(3)</sup>	Under Construction	Warsaw	69	4,338	38,205
<b>Total including JV</b>			<b>918</b>	<b>55,184</b>	<b>444,718</b>

(1) For information on the completed projects see "Business highlights during the year ended 31 December 2020 – A. Results breakdown by project".

(2) For information on current projects under construction, see "Outlook for the year 2021 – 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	Value of the preliminary sales agreements sold during the year ended		Increase/(decreased)	
	31 December 2020	31 December 2019	In PLN	%
<i>In thousands of Polish Zlotys (PLN)</i>				
Warsaw	318,761	206,718	112,043	54%
Wrocław	51,655	43,572	8,083	19%
Szczecin	45,017	25,034	19,983	80%
Poznań	26,156	50,999	(24,843)	-49%
Other (old) projects	3,129	4,847	(1,718)	n.a.
<b>Total</b>	<b>444,718</b>	<b>331,170</b>	<b>113,548</b>	<b>34%</b>

## Business highlights during the year ended 31 December 2020

### C. 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 2020:

Project name	Location	Number of units	Area of units (m <sup>2</sup> )
Ursus Centralny IIa	Warsaw	251	13,500
Ursus Centralny Ib	Warsaw	97	5,700
Miasto Moje V	Warsaw	170	8,500
Nowe Warzymice II	Szczecin	66	3,500
Panoramika VI	Szczecin	76	3,600
<b>Total</b>		<b>660</b>	<b>34,800</b>

### D. Agreements significant for the business activity of the Group

#### *Exercise of the third call option agreement – Nova Królikarnia*

On 9 April 2020, the Company (via its subsidiary) exercised the last call option, based on call option agreements concluded on 10 April 2018 with Global City Holdings B.V., as a result of this transaction the Company acquired shares in company holding one substage of the Nova Królikarnia project with an aggregate floor space of 3,300 m<sup>2</sup> for a total value of PLN 9.9 million. The total price for the third call option was paid on the transaction date.

#### *Purchase of land in Poznań*

On 31 March 2020, the Company (via its subsidiary) entered into a preliminary agreement concerning the purchase of the ownership right of an undeveloped property located in Poznań, Grunwald district, Grunwaldzka street. According to the valid zoning conditions, the plot is designated for development of residential multifamily project. The project will comprise 72 units with an aggregate floor space of 3,300 m<sup>2</sup>. The final agreement was signed on 28 of April 2020, while the price of the property has been fixed at PLN 3.0 million and paid.

On 6 November 2020 the Company (via its subsidiary) entered into a conditional preliminary agreement concerning the purchase of the perpetual usufruct right of a plot of land located in Poznań, at Swierzawskiego street, with an area of c.a. 2,900 m<sup>2</sup>. The Company expected that the final price for the Property will be not higher than PLN 5.0 million. On 15 February 2021 the Company announced that it resigned from the project due to negative due diligence.

On 3 December 2020 the Company (via its subsidiary) entered into a conditional preliminary agreement concerning the purchase of the ownership rights of a plot of land located in Poznań, Grunwald district, at Smardzewska street, with an area of c.a. 20,000 m<sup>2</sup>. The final agreement was signed on 11 February 2021, and the price in the amount PLN 26 million was fully paid.

#### *Purchase of land in Warsaw*

On 14 August 2020 Company (via its subsidiary) entered into a conditional preliminary agreement concerning the purchase of the perpetual usufruct right of a plot of land located in Warsaw, Wola district, with an area of c.a. 1.6 thousand m<sup>2</sup>. The final price of the Property will depend on the usable area of units to be built on the Property and will be calculated based on the valid building permit obtained by the selling entity. The final price for the Property shall be not higher than PLN 22 million. On 14 August 2020 the Company paid an advance for the transaction in an amount of PLN 2.7 million.

## Business highlights during the year ended 31 December 2020

### *D. Agreements significant for the business activity of the Group*

#### *Purchase of land in Warsaw*

On 27 October 2020 the Company (via its subsidiary) executed an agreement concerning the purchase of plots of land located in Warsaw, Mokotow District at Gąsocińska street. The total purchase price net amount was agreed at PLN 11.3 million, but it may be reduced in the event of failure to obtain specific permits for demolition of buildings and road investments related to the Property within the prescribed period. Part of the price in the amount of PLN 10.5 million was paid. The project will comprise 80 units with an aggregate floor space of 4,800 m<sup>2</sup>.

On 23 November 2020 the Company (via its subsidiary) entered into a preliminary agreement concerning the purchase of the ownership rights of a plot of land located in Warsaw, Białołęka district, at Epopei street, with an area of c.a. 27,500 m<sup>2</sup>. The price for the property was established at PLN 20.0 million. As at 31 December 2020 the Company paid PLN 1.0 million advance and 6.67 million notary deposit.

On 18 December 2020 the Company (via its subsidiary) concluded (through the special purpose vehicle, immediately after its acquisition for the total amount of PLN 1 million) the final agreement and became (through the acquisition of shares in this special purpose vehicle) a party to the preliminary agreement, which agreements jointly concern the acquisition of the ownership title to the land property located Warsaw, Wola District, at Studzienna street, with a total area of 2,715 m<sup>2</sup>. The total price of the property and the special purpose vehicle was agreed for the net amounts of PLN 13.5 million, for the final agreement the company paid PLN 8.5 million on the signing date, wherein the rest of the net amount of PLN 4 million will be paid upon signing the final contract for the part of the Property with an area of 1,042 m<sup>2</sup>, which is to be signed until 9 August 2021.



## Management Board Report

### Overview of results

The net profit attributable to the equity holders of the parent company for the year ended 31 December 2020 was PLN 40,143 thousand and can be summarized as follows:

	For the year ended 31 December	
	2020	2019
	PLN	
	(thousands, except per share data)	
Revenue from sales of residential units	401,233	226,118
Revenue from sales of land	-	6,500
<b>Revenues</b>	<b>401,233</b>	<b>232,618</b>
Cost of sales of residential units	(315,023)	(181,984)
Cost of sales of land	-	(6,312)
<b>Cost of sales</b>	<b>(315,023)</b>	<b>(188,296)</b>
<b>Gross profit</b>	<b>86,210</b>	<b>44,322</b>
Changes in the value of investment property	(307)	802
Selling and marketing expenses	(5,928)	(5,803)
Administrative expenses	(22,542)	(20,181)
Share of profit/(loss) from joint venture	(803)	9,082
Other expense	(1,477)	(2,029)
<b>Result from operating activities</b>	<b>55,152</b>	<b>26,193</b>
Finance income	558	750
Finance expense	(5,168)	(4,862)
<b>Net finance income/(expense)</b>	<b>(4,610)</b>	<b>(4,112)</b>
<b>Profit/(loss) before taxation</b>	<b>50,542</b>	<b>22,081</b>
Income tax benefit/(expenses)	(10,399)	(4,667)
<b>Net profit/(loss) for the period before non-controlling interests</b>	<b>40,143</b>	<b>17,414</b>
Non-controlling interests	-	-
<b>Net profit/(loss) for the period attributable to the equity holders of the parent</b>	<b>40,143</b>	<b>17,414</b>
<b>Net earnings/(loss) per share attributable to the equity holders of the parent (basic and diluted)</b>	<b>0.246</b>	<b>0.106</b>

#### *Revenue from sales and services of residential projects*

Revenue increased by PLN 175.1 million (77.4%) from PLN 226.1 million during the year ended 31 December 2019 to PLN 401.2 million during the year ended 31 December 2020, which is primarily explained by an increase in number of apartments (497 units more) delivered to the customers in terms in fully owned projects from 467 units delivered during the year ended 31 December 2019 to 964 during the year ended 31 December 2020.

## Overview of results

### *Cost of sales of residential units*

Cost of sales of residential units increased by PLN 133.0 million (73.1%) from PLN 182.0 million during the year ended 31 December 2019 to PLN 315.0 million during the year ended 31 December 2020, which is primarily explained by a increase of 497 apartments delivered to the customers in fully owned projects (without JV) from 467 units during year ended 31 December 2019 to 964 units delivered during the year ended 31 December 2020.

During the year ended 31 December 2020, as a result of Net Realizable Value (NRV) analysis and review, an impairment adjustment for some of the Group's inventory was reversed in the amount of 4.8 million, while for some other the Group's inventory and residential land-bank the impairment was made in the amount of PLN 2.0 million. The net impact of write-down adjustment on the gross profit amounted to PLN 2.8 million (positive), which compares to a write-down adjustment of PLN 0.6 million (positive) during the year ended 31 December 2019.

### *Gross margin*

The gross margin from sales of residential units during the year ended 31 December 2020 was 21.5% which slightly increased comparing to a gross margin from sales of residential units during the year ended 31 December 2019 of 19.5%. The change in gross margin relates to a different mix of projects delivered to the customers characterized by a different profitability during 2020 compared to the mix of projects delivered to customers in 2019. The most profitable project, which significantly impacted revenues and profitability of the Group was the project City Link III in Warsaw (gross profit margin of 38.4%), partially offset by a delivery of low margin projects i.e. Panoramika and Miasto Marina.

### *Selling and marketing expenses*

Selling and marketing expenses increased by PLN 0.1 million (2.2%) from PLN 5.8 million during the year ended 31 December 2019 to PLN 5.9 million during the year ended 31 December 2020, which is primarily explained by more effective management of selling and marketing costs, as well as changing the marketing strategy during the pandemic period, which contributed significantly to the increase of units sales.

### *Administrative expenses*

Administrative expenses increased by PLN 2.3 million (11.4%) from PLN 20.2 million during the year ended 31 December 2019 to PLN 22.5 million during the year ended 31 December 2020. The increase is primarily explained by an increase in the Management Board remuneration (related to changes in the Management Board, Management performance bonuses) as well as 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 and yet was not completed.

During the year ended 31 December 2020, the loss from joint ventures allocated to the Company, amounted to PLN 0.8 million in comparison to a profit amounting to PLN 9.1 million during the year ended 31 December 2019. The decrease is mainly explained by higher delivery of units in City Link I-II project during the year ended 31 December 2019.

### *Other expenses, net*

Other expenses net of other income decreased by PLN 0.6 million (27.2%) from PLN 2.0 million during the year ended 31 December 2019 to PLN 1.4 million during the year ended 31 December 2020, which is primarily explained by a decrease in costs of repairs and defects and costs related to VAT settlements from previous years, partially offset by higher allowance for doubtful accounts.

## Management Board Report

### Overview of results

#### *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.

<b>For the year ended 31 December 2020</b>				
<b>PLN (thousands)</b>				
	<b><u>Total amount</u></b>	<b><u>Amount capitalized</u></b>	<b><u>Amount capitalized (under IFRS 16)</u></b>	<b><u>Recognized as profit or loss</u></b>
Finance income	558	-	-	558
Finance expense	(12,006)	6,875	-	(5,131)
<b>Net finance income/(expense) before impact of IFRS 16</b>	<b>(11,448)</b>	<b>6,875</b>	<b>-</b>	<b>(4,573)</b>
Finance expense - on lease liabilities	(949)	-	912	(37)
<b>Net finance income/(expense) after impact of IFRS 16</b>	<b>(12,397)</b>	<b>6,875</b>	<b>912</b>	<b>(4,610)</b>
<b>For the year ended 31 December 2019</b>				
<b>PLN (thousands)</b>				
	<b><u>Total amount</u></b>	<b><u>Amount capitalized</u></b>	<b><u>Amount capitalized (under IFRS 16)</u></b>	<b><u>Recognized as profit or loss</u></b>
Finance income	750	-	-	750
Finance expense	(13,885)	9,059	-	(4,826)
<b>Net finance income/(expense) before impact of IFRS 16</b>	<b>(13,135)</b>	<b>9,059</b>	<b>-</b>	<b>(4,076)</b>
Finance expense - on lease liabilities	(2,141)	-	2,105	(36)
<b>Net finance income/(expense) after impact of IFRS 16</b>	<b>(15,276)</b>	<b>9,059</b>	<b>2,105</b>	<b>(4,112)</b>

Net finance expenses before capitalization and before the impact of IFRS 16 decreased by PLN 1.7 million (12.8%) from PLN 13.1 million during the year ended 31 December 2019 to PLN 11.5 million during the year ended 31 December 2020. The decrease is primarily a result of low interest rate of the financing obtained as a result of economic situation in Poland and the effect of COVID-19 pandemic during the year ended 31 December 2020 as well as lower average bonds balance during the year 2020.

#### *Income tax benefit/(expense)*

During the year ended 31 December 2020, the income tax expense amounted to PLN 10.4 million (20.57%), in comparison to a tax expense amounted to PLN 4.7 million for the year ended 31 December 2019 (21.1%). The high effective tax rate in year 2019 was mainly explained by the reversal of the higher amount of the surplus between the purchase price and the net assets value of Nova Królikarnia Group as at 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
2020 (12 months)	4.445	4.228	4.633	4.615
2019 (12 months)	4.299	4.241	4.389	4.259

Source: National Bank of Poland ('NBP')

## Selected financial data

	EUR*		PLN	
	(thousands, except per share data)			
	For the year ended 31 December			
	2020	2019	2020	2019
Revenues	90,268	54,110	401,233	232,618
Gross profit	19,395	10,310	86,210	44,322
Profit/(loss) before taxation	11,371	5,136	50,542	22,081
Net profit/(loss) for the period attributable to the equity holders of the parent	9,031	4,051	40,143	17,414
Cash flows from/ operating activities	5,846	12,260	25,983	52,705
Cash flows from/(used in) investing activities	242	(311)	1,077	(1,338)
Cash flows from/(used in) financing activities	2,800	(13,167)	12,447	(56,604)
Increase/(decrease) in cash and cash equivalents	8,888	(1,218)	39,508	(5,237)
Average number of equivalent shares (basic)	163,103,163	163,689,616	163,103,163	163,689,616
Net earnings/ per share (basic and diluted)	0.055	0.025	0.246	0.106

## Selected financial data

	EUR*		PLN	
	(thousands)			
	As at			
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Inventory and Land designated for development	153,906	179,005	710,247	762,381
Total assets	203,209	221,456	937,767	943,183
Advances received	48,597	59,866	224,267	254,970
Long term liabilities	40,204	37,861	185,534	161,248
Short term liabilities (including advances received)	80,700	101,301	372,416	431,441
Equity attributable to the equity holders of the parent	82,304	82,295	379,817	350,494

\* 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 2020 comparing to 2019, 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.

	<b>As at 31 December 2020</b>	<b>As at 31 December 2019</b>
	<b>PLN (thousands)</b>	
Inventory and Residential Land bank	710,247	762,381
Advances received	224,267	254,970
Loans and borrowings	230,072	200,844
Trade and other payables and accrued expenses	58,347	97,715

***Inventory and Residential land bank***

The balance of Inventory and Residential land bank is PLN 710.2 million as at 31 December 2020 compared to PLN 762.4 million as at 31 December 2019. The decrease is primarily explained by cost of sales recognized for a total amount of PLN 315.0 million during the year ended 31 December 2020, and was partially offset by the Group's investments associated with direct construction costs for a total amount of PLN 223 million and purchase of lands in the total amount PLN 34.2 million.

The table below presents Group's major contractors in 2020, in terms of the value of services purchased during the year:

<b>General Contractor</b>	<b>Services purchased</b>
	<i>In thousands of Polish Zlotys (PLN)</i>
Hochtief Polska S.A.	36,446
Karmar S.A.	58,990
EBUD - Przemysłówka Sp. z o.o.	10,770
Totalbud S.A.	7,048
Mostostal Warszawa S.A.	17,025
Danya Cebus Poland Sp. z o.o.	44,346
GLIF Sp. z o. o.	5,745
Erbud S.A.	23,758
<b>Total</b>	<b>204,128</b>

The entire turnover shown above concern services purchased by the Company and accounts for approximately 91% of the sum spent by the Group on construction, planning and permits costs in 2020.

***Advances received***

The balance of advances received is PLN 224.3 million as at 31 December 2020 compared to PLN 255.0 million as at 31 December 2019. The decrease is primarily explained by the decrease of advances received from clients regarding sales of units during the year ended 31 December 2020 for a total amount of PLN 365 million and advances recognized as revenues from the sale of residential units for a total amount of PLN 400.2 million.

## Overview of selected details from the Consolidated Statement of Financial Position

### *Loans, bonds and borrowings*

The total of short-term and long-term loans and borrowings is PLN 230.0 million as at 31 December 2020 compared to PLN 200.8 million as at 31 December 2019. The increase in loans and borrowings is primarily explained by the effect of a new bond loan net of issue costs for a total amount of PLN 98.3 million and partially offset by repayment of bond loans for a total amount of PLN 57.1 million and net repayment of bank loans for a total amount of PLN 13.2 million. Of the mentioned PLN 230 million, an amount of PLN 54.7 million comprises facilities maturing no later than 31 December 2021.

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 2020 amounted to PLN 230 million (as at 31 December 2019: PLN 188 million) comprising a bond loan principal amount of PLN 230.1 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 2.1 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 2020, there were no loans in this category (as at 31 December 2019: PLN 12.9 million).

For additional information about loans, bonds and borrowings see Notes 25, 26 and 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 58.3 million as at 31 December 2020 compared to PLN 97.7 million as at 31 December 2019. The decrease is mainly explained by final settlement of Nova Królikarnia project due to the exercise of all call options (decrease by the total amount of PLN 37.0 million).

## 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:

	<b>For the year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>PLN (thousands)</b>	
Cash flow from operating activities	<u>25,983</u>	<u>52,705</u>
Cash flow from/(used in) investing activities	<u>1,077</u>	<u>(1,338)</u>
Cash flow from/(used in) financing activities	<u>12,447</u>	<u>(56,604)</u>

### *Cash flow from/(used in) operating activities*

The Company's net cash inflow from operating activities during the year ended 31 December 2020 amounted to PLN 26 million which compared to a net cash inflow from operating activities during the year ended 31 December 2019 amounted to PLN 52.7 million. The decrease in cash inflow is principally explained by:

- a cash out flow related to investment in projects under construction and purchases of land for the total amount of PLN 259.1 million during the year ended on 31 December 2020 comparing to cash out flow amounting to PLN 190.8 million during the year ended on 31 December 2019;
- payment of advances for signed agreements for the purchase of land in the amount of PLN 3.7 million;
- decrease of share of result from joint ventures from PLN 9.0 million gain during the year ended 31 December 2019 to PLN 0.8 million loss during the year ended 31 December 2020;
- the amount was offset partly by a cash inflow from advances received from clients regarding sale of residential units amounting to PLN 364.9 million during the year ended on 31 December 2020 comparing to cash inflow amounting to PLN 325.9 during the year ended during the year ended on 31 December 2019.

### *Cash flow from investing activities*

The Company's net cash inflow used in investing activities amounted to PLN 1.0 million during the year ended 31 December 2020 compared to a net cash outflow from investing activities amounted to PLN 1.3 million during the year ended 31 December 2019. The increase is primarily explained by a net cash inflow from proceeds from joint ventures loans amounting to PLN 2.0 million during the year ended 31 December 2020 offset partially by acquisition of new company in the amount of PLN 1.0 million and loan granted to joint ventures.

## Overview of cash flow results

### *Cash flow from/(used in) financing activities*

The Company's net cash inflow used in financing activities amounted to PLN 12.4 million during the year ended 31 December 2020 compared to a net cash outflow from financing activities amounted to PLN 56.6 million during the year ended 31 December 2019. The increase is primarily explained by:

- the net amounts received from the issue of bonds PLN 96.2 million during the year ended on 31 December 2020 comparing to PLN 31.6 million issuing of new bonds during the year ended on 31 December 2019;
- a net repayment of secured bank loans amounting to PLN 13.1 million during the year ended 31 December 2020 compared to net repayment from bank loans amounting to PLN 25.5 million during the year ended 31 December 2019.

The effect was partially offset by:

- repayment of bonds loans in the amount of PLN 55.0 million during the year ended 31 December 2020 comparing to payment of PLN 50.0 million bonds loans during the year ended on 31 December 2019;
- a net repayment of loans from other in amount of PLN 3.5 million during 31 December 2020 compared to lack of such repayments during the year ended 31 December 2019.



## Management Board Report

## Overview of the results during the three months ended 31 December 2020

The net profit for the three months ended 31 December 2020 was PLN 2,640 thousand and can be summarized as follows:

<b>For the three months ended 31 December</b>	<b>2020</b>	<b>2019</b>
<i>In thousands of Polish Zlotys (PLN)</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	79,299	53,667
Cost of sales	(68,415)	(39,933)
<b>Gross profit</b>	<b>10,884</b>	<b>13,734</b>
Changes in the value of investment property	(307)	802
Selling and marketing expenses	(911)	(1,800)
Administrative expenses	(5,871)	(6,173)
Share of profit/(loss) from joint ventures	(293)	120
Other income/(expense)	(172)	(541)
<b>Result from operating activities</b>	<b>3,330</b>	<b>6,142</b>
Finance income	101	167
Finance expense	(1,387)	(1,090)
<b>Net finance income/(expense)</b>	<b>(1,286)</b>	<b>(923)</b>
<b>Profit/(loss) before taxation</b>	<b>2,044</b>	<b>5,219</b>
Income tax benefit/(expenses)	596	(995)
<b>Net profit/(loss) for the period attributable to the equity holders of the parent</b>	<b>2,640</b>	<b>4,224</b>

## Management Board Report

## Outlook for 2021

## 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 2021:

Project name	Location	Number of residential units delivered <sup>(1)</sup>			Number of residential units expected to be delivered <sup>(1)</sup>			Total project units
		Until 31 December 2019	During the period ended 31 December 2020	Total units delivered	Units sold as at 31 December 2020	Units for sale as at 31 December 2020	Total units expected to be delivered	
City Link IV	Warsaw	66	288	354	9	5	14	368
Grunwald2	Poznań	-	236	236	17	15	32	268
Miasto Marina	Wrocław	21	125	146	2	3	5	151
Panoramika IV	Szczecin	9	100	109	1	1	2	111
Miasto Moje III	Warsaw	-	98	98	84	14	98	196
Panoramika V	Szczecin	-	95	95	4	16	20	115
Nova Królikarnia 2c	Warsaw	-	7	7	8	3	11	18
Miasto Moje I	Warsaw	199	3	202	-	3	3	205
Nova Królikarnia 2b	Warsaw	23	3	26	2	-	2	28
Nova Królikarnia 1d	Warsaw	9	2	11	-	1	1	12
Other (old) projects		-	7	7	5	23	23	30
<b>Total excluding JV</b>		<b>327</b>	<b>964</b>	<b>1,291</b>	<b>132</b>	<b>84</b>	<b>216</b>	<b>1,507</b>
City Link I & II <sup>(2)</sup>	Warsaw	509	2	511	-	-	-	511
<b>Total including JV</b>		<b>836</b>	<b>966</b>	<b>1,802</b>	<b>132</b>	<b>84</b>	<b>216</b>	<b>2,018</b>

(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 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 2020 - A. 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 2021 and in 2022. The Company has obtained construction permits for all projects/stages and has commenced construction.

Project name	Location	Units sold until 31 December 2020	Units for sale as at 31 December 2020	Total units	Total area of units (m <sup>2</sup> )	Expected completion of construction
Ursus Centralny IIa	Warsaw	194	57	251	13,509	2021
Ursus Centralny Ia	Warsaw	136	2	138	8,146	2021
Miasto Moje IV	Warsaw	118	58	176	8,938	2021
Vitalia III	Wrocław	69	12	81	6,790	2021
Viva Jagodno I	Wrocław	64	57	121	6,241	2021
Nova Królikarnia 3a	Warsaw	22	9	31	3,188	2021
Nova Królikarnia 3b	Warsaw	21	2	23	2,270	2021
Nova Królikarnia 3c	Warsaw	17	6	23	2,298	2021
Nowe Warzymice I	Szczecin	29	25	54	3,234	2021
Panoramika VI	Szczecin	46	30	76	3,591	2021
Nowe Warzymice II	Szczecin	-	66	66	3,498	2022
Ursus Centralny Ib	Warsaw	34	63	97	5,740	2022
Miasto Moje V	Warsaw	51	119	170	8,559	2022
<b>Subtotal excluding JV</b>		<b>801</b>	<b>506</b>	<b>1,307</b>	<b>76,002</b>	
Wilanów Tulip <sup>(1)</sup>	Warsaw	89	61	150	9,621	2021
<b>Subtotal excluding JV</b>		<b>890</b>	<b>567</b>	<b>1,457</b>	<b>85,623</b>	

(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 2020 - A. Results breakdown by project”.

## Outlook for 2021

### ***B. Current projects under construction and/or on sale***

#### *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 6,790 m<sup>2</sup>.

##### *Stage of development*

The construction of the Vitalia III project commenced in May 2019, while completion is expected in the first quarter of 2021.

#### *Ursus Centralny IIa*

##### *Description of project*

The Ursus Centralny IIa project is being developed on a land strip located in Warsaw, Ursus district, at Gierdziejewskiego street. The project will comprise 243 apartments and 8 commercial units with an aggregate floor space of 13,509 m<sup>2</sup>.

##### *Stage of development*

The sales of the Ursus Centralny IIa project sales commenced in February 2020, construction commenced in May 2020. The completion is expected in the fourth 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 8,146 m<sup>2</sup>.

##### *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.

#### *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 Marywilka Street, and is a continuation of the Miasto Moje I-III projects. The project will comprise 176 units with an aggregate floor space of 8,938 m<sup>2</sup>.

##### *Stage of development*

Sales commenced in December 2019, while construction of the Miasto Moje IV commenced in January 2020. The completion is expected in the fourth quarter of 2021.

#### *Miasto Moje V*

##### *Description of project*

The Miasto Moje V project is being developed on a land strip located in the Białołęka district in Warsaw at Marywilka Street, and is a continuation of the Miasto Moje I-IV projects. The project will comprise 170 units with an aggregate floor space of 8,559 m<sup>2</sup>.

##### *Stage of development*

The construction of the Miasto Moje V commenced in October 2020, while completion is expected in the fourth quarter of 2022.

## Outlook for 2021

### ***B. Current projects under construction and/or on sale***

#### *Viva Jagodno I*

##### *Description of project*

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 6,241 m<sup>2</sup>.

##### *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.

#### *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 7,757 m<sup>2</sup>.

##### *Stage of development*

The construction of the Nova Królikarnia 3b project commenced in July 2019, while completion is expected in the first quarter of 2021. 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.

#### *Nowe Warzymice I*

##### *Description of project*

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 3,234 m<sup>2</sup>.

##### *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.

#### *Nowe Warzymice II*

##### *Description of project*

The Nowe Warzymice II project is being developed on a land strip located in Szczecin at Do Rajkowa Street. The project will comprise 66 apartments with an aggregate floor space of 3,498 m<sup>2</sup>.

##### *Stage of development*

The construction of the project Nowe Warzymice II project commenced in December 2020, while completion is expected in the second quarter of 2022.

#### *Ursus Centralny Ib*

##### *Description of project*

The Ursus Centralny Ib project is being developed on a land strip located in Warsaw, Ursus district, at Gierdziejewskiego street. The project will comprise 90 apartments and 7 commercial units with an aggregate floor space of 5,740 m<sup>2</sup>.

##### *Stage of development*

The construction of the Ursus Centralny Ib project commenced in October 2020, while completion is expected in the third quarter of 2022.

**Management Board Report****Outlook for 2021*****B. Current projects under construction and/or on sale******Panoramika VI****Description of project*

The Panoramika VI project is being developed on a land strip located in Szczecin at Dunska street , and is a continuation of Panoramika I-V projects. The sixth and final stage of this project, it will comprise 76 apartments with an aggregated floor space of 3,591 m<sup>2</sup>.

*Stage of development*

The sales of the Panoramika VI project started on July 2020. Completion of the project is expected in the fourth quarter of 2021.

***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 9,621 m<sup>2</sup>.

*Stage of development*

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

***C. Projects for which construction work is planned to be commenced during 2021***

As the Company is aware of the increasing competition in the market, the Company has been managing with due care the number of new projects and the makeup of such projects in order to answer consumers' demand. During 2021, the Company is considering the commencement of the 8 stages of ongoing projects and 3 new projects (comprising in total 1,162 units with a total area of 70,700 m<sup>2</sup>), 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 distortion or difficulties with securing financing by the banks for the considered projects, management may further delay some of those plans. As of the date of the report not all building permit were obtained.

The table below presents information on projects for which the commencement of construction works is scheduled in 2021.

<b>Project name</b>	<b>Location</b>	<b>Total units</b>	<b>Total area of units (m<sup>2</sup>)</b>
Ursus Centralny IIc	Warsaw	195	11,000
Ursus Centralny IIb	Warsaw	206	11,500
Nowe Warzymice III	Szczecin	64	4,200
Falenty I	Warsaw	40	3,300
Nova Królikarnia 3d	Warsaw	15	2,200
Nova Królikarnia 4b	Warsaw	23	5,800
Grunwaldzka	Poznań	72	3,300
Miasto Moje VI	Warsaw	227	11,500
Viva Jagodno IIa	Wrocław	154	8,600
Viva Jagodno IIb	Wrocław	74	4,500
Renaissance I (Siekierki)	Warsaw	92	4,800
<b>Total</b>		<b>1,162</b>	<b>70,700</b>

## Management Board Report

## Outlook for 2021

**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 thousands of PLN) executed with the Company’s clients in particular for units that have not been recognized in the Consolidated Statement of Comprehensive Income:

<b>Project name</b>	<b>Location</b>	<b>Value of the preliminary sales agreements signed with clients</b>	<b>Completed / expected completion of construction</b>
Verdis I-II	Warsaw	2,746	Completed
City Link IV	Warsaw	5,909	Completed
Grunwald2	Poznań	7,260	Completed
Miasto Moje I	Warsaw	64	Completed
Miasto Moje III	Warsaw	29,301	Completed
Miasto Marina	Wrocław	872	Completed
Panoramika IV	Szczecin	383	Completed
Panoramika V	Szczecin	1,465	Completed
Nova Królikarnia 2b	Warsaw	2,071	Completed
Nova Królikarnia 2c	Warsaw	19,000	Completed
Other (old) projects		1,349	Completed
<b>Subtotal completed projects</b>		<b>70,418</b>	
Ursus Centralny IIa	Warsaw	78,726	2021
Ursus Centralny Ia	Warsaw	56,257	2021
Miasto Moje IV	Warsaw	38,027	2021
Vitalia III	Wrocław	37,570	2021
Viva Jagodno I	Wrocław	22,731	2021
Nova Królikarnia 3a	Warsaw	26,010	2021
Nova Królikarnia 3b	Warsaw	23,230	2021
Nova Królikarnia 3c	Warsaw	20,018	2021
Nowe Warzymice I	Szczecin	9,119	2021
Panoramika VI	Szczecin	13,280	2021
Ursus Centralny Ib	Warsaw	14,763	2022
Miasto Moje V	Warsaw	15,531	2022
<b>Subtotal ongoing projects</b>		<b>355,262</b>	
Wilanów Tulip (2)/(3)	Warsaw	47,865	2021
<b>Subtotal project held by joint venture</b>		<b>47,865</b>	
<b>Total</b>		<b>473,545</b>	

(1) For information on the completed projects see “Business highlights during the year ended 31 December 2020 – A. 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, but during the year 2020 become stable. The stabilisation was mainly related to the pandemic situation in which some of the developers suspended their projects or a slowdown in starting new construction due to uncertainty on the market. The Company and the Group do not operate in 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 the year 2020 there were many changes in the constructions law, which might impact the cost of constructions. The biggest change refers to the increase in fire safety in case of a change in the use of the building or its part. The notification should be accompanied by an expert's opinion on fire safety, which by the end might be reflected in the construction costs offered by the general contractor. 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 favourable 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**

### *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 is in the opinion, 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, although interest rate on bank mortgages remain low. 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 2020, access to mortgages was selectively monitored by financing banks and was relatively available to selective customers according to bank qualifications. Interest rates are at levels around their historic minimum. The Covid-19 pandemic had a negative effect on bank financing in terms of conditions and length for obtaining banks approvals, the Company is continuously observing the situation and offering administrative help to its clients for obtaining required credits.

### *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 is 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 Ordinary General Meeting of Shareholders held on 30 June 2020, approved the Company's remuneration policy which sets forth the terms of remuneration of the members of the Management Board and Supervisory Board of Ronson Development SE (further: "Remuneration policy") meeting the requirements of Article 90 of the Act on Public Offering. It has replaced the existing rules for remunerating the Management Board of the Company contained in the Remuneration Policy for members of the Management Board adopted on October 1, 2007 by the Extraordinary General Meeting of Ronson Europe NV and the remuneration system for members of the Supervisory Board of the Company adopted by the same General Meeting.

### B. Remuneration Policy

The Remuneration Policy was developed taking into account the business of the Company, its economic situation, market standards applicable in comparable companies, in particular in the construction industry, and the scope of responsibilities of each individual member of the Management Board and Supervisory Board. The Remuneration Policy aim is to contribute to the realization of the business strategy, long-term development and stability of the Company.

### C. Remuneration of the Management Board

#### *Boaz Haim*

Mr Boaz Haim, as the President of the Management Board of the Company - based on the resolution of the Supervisory Board - is entitled to a monthly remuneration of the PLN equivalent to EUR 20,000, an American school in Warsaw for two children (in the approximately value of USD20,000 per year, per child), 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, purchase of residential premises in accordance with the Company's internal procedure and education on the Company and its subsidiaries costs. In addition Mr. Boaz is entitled to two types of annual performance bonuses of up to of EUR 81,000 each.

One of the bonuses is granted on the condition that the Company's total annual consolidated profit before tax, calculated on the basis of the Company's consolidated annual financial statements as published in the annual report, but excluding loss on valuation of land purchased before November 1, 2019 or losses related to the sale of land or projects whose purchase procedure began before November 1, 2019, exceeds a total of PLN 14.5 million.

Another bonus is granted on the condition that the average price of the Company's shares on the Warsaw Stock Exchange in the relevant full calendar year exceeded the average price of one share in the previous calendar year by 5% or more.

Mr. Boaz Haim is also remunerated as the President of the Management Board of Company's subsidiaries on the basis of resolutions of the Subsidiaries' General Meetings in the total amount of EUR 5,000 per month. In addition, he concluded an employment contract with Ronson Development Management, on the basis of which he receives a salary of EUR 2,000 per month (paid in PLN) and reimbursement of medical insurance costs and a company car.

#### *Andrzej Gutowski*

In connection with the adoption of the Remuneration Policy, the rules for remunerating Mr. Andrzej Gutowski were changed with the effect from 1 July 2020, while the total cost for the Company and its subsidiaries in respect of remuneration of Mr. Gutowski remained unchanged.

Until 1 July 2020, Andrzej Gutowski, as the Vice-President of the Management Board of the Company responsible for Marketing and Sales, was entitled as well – based on resolution of the Supervisory Board - to the total amount constituting 0.1% of the net value of the Group's sales results during the year, based on the adopted incentive plan.

From 1 July 2020, Andrzej Gutowski, as the Vice-President of the Management Board of the Company responsible for Marketing and Sales, is entitled to a monthly remuneration of PLN 20,000 and a bonus of 0.1% gross value of preliminary net sales contracts, provided in the Management Report on the Company's and Group's activities for a given financial year, published in the periodic report, payable after publication of the Consolidated Financial Statements. Mr. Gutowski is entitled to receive non-returnable quarterly advances for bonuses, calculated on the basis of the Management Reports published every quarter in the periodic report together with the interim financial statements, payable after their publication.

## Remuneration Policy Report

### C. *Remuneration of the Management Board*

#### *Andrzej Gutowski*

Mr. Gutowski is also entitled to other benefits available to board members or employees of the Company or its subsidiaries, such as medical care, right to purchase of real estate units in accordance with the Company's internal procedure, etc.

From 1 July 2020, Mr. Andrzej Gutowski is also remunerated as a Member of the Ronson Development Management's Management Board on the basis of a resolution of the Shareholders' Meeting in the total amount of PLN 7,000 per month.

Moreover, Mr. Andrzej Gutowski concluded an employment contract with Ronson Development Management. From 1 July 2020, his monthly remuneration under the employment contract was reduced from PLN 30,000 to PLN 5,000. In addition, he is entitled to reimbursement of the costs of medical insurance and a company car.

#### *Yaron Shama*

From 1 Feb 2020 till 30 June 2020, Yaron Shama, as the Vice-President of the Management Board of the Company and the Group CFO, is entitled to a monthly remuneration of PLN 18,500 starting from 1 July 2020 is entitled to a monthly remuneration of PLN 21,500 and two annual performance bonuses PLN 41,500 gross each.

One of the bonuses is granted on the condition that the Company's total annual consolidated profit before tax, calculated on the basis of the Company's consolidated annual financial statements as published in the annual report, but excluding loss on valuation of land purchased before 1 February 2019 or losses related to the sale of land or projects whose purchase procedure began before 1 February 2019, exceeds a total of PLN 14,500,000.

Another bonus is granted on the condition that the average price of the Company's shares on the Warsaw Stock Exchange in the relevant full calendar year exceeded the average price of one share in the previous calendar year by 5% or more.

Mr. Shama is also entitled to other benefits available to board members or employees of the Company or its subsidiaries, such as medical care, right to purchase of real estate units in accordance with the Company's internal procedure, etc.

Yaron Shama is entitled as a Member of the Ronson Development Management's Management Board on the basis of a resolution of the Shareholders' Meeting in the total amount of PLN 5,000 per month. In addition, he is entitled to reimbursement of the costs of medical insurance.

Mr. Yaron Shama providing Ronson Development SE services starting from 1 February 2020 through his consulting company for a remuneration of PLN 10,000 per month as well as he provides services to Ronson Development Management in the total amount of PLN 5,000 per month.

#### *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.

#### *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 included 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.

## Management Board Report

## Remuneration Policy Report

## C. Remuneration of the Management Board

*Rami Geris (until 31 January 2020)*

In addition Mr. Geris provided, through his consulting company, services to Ronson Development SE. The remuneration for these services amounted to a monthly fee of EUR 4,700 and PLN 14,500 and the bonus consisting 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. During year 2020 the remuneration and the fixed part of bonus for these services was paid only for January 2021 and not paid following the resignation of Mr. Geris.

Following the resignation of Mr Geris and the termination of the consulting contact, a termination fee equal to 3 monthly fee was due and paid in year 2020 in Ronson Development Management, and termination fee in Ronson Development SE in the amount of 3 monthly fee was paid in year 2020.

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 4,793 thousand (2019: PLN 3,851 thousand).

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

<b>As at 31 December</b>	<b>From the Company</b>	<b>In other companies</b>	<b>Total</b>
<i>In thousands of Polish Zlotys (PLN)</i>			
Salary and other short time benefit	222	70	292
Management bonus	83	-	83
Other <sup>(2)</sup>	149	55	204
<b><i>Subtotal - Mr Yaron Shama</i></b>	<b>454</b>	<b>125</b>	<b>579</b>
Salary and other short time benefit <sup>(2)</sup>	39	27	66
Management bonus	-	-	-
Termination fee <sup>(2)</sup>	203	38	241
Other <sup>(1)</sup>	0	0	0
<b><i>Subtotal - Mr Rami Geris</i></b>	<b>242</b>	<b>65</b>	<b>307</b>
Salary and other short time benefit	120	309	429
Incentive plan linked to financial results	445	-	445
Other <sup>(1)</sup>	-	21	21
<b><i>Subtotal - Mr Andrzej Gutowski</i></b>	<b>565</b>	<b>330</b>	<b>895</b>
Salary and other short time benefit	1,069	480	1,549
Management bonus	736	-	736
Signing bonus	-	-	-
Other <sup>(1)</sup>	658	70	728
<b><i>Subtotal - Mr Boaz Haim</i></b>	<b>2,463</b>	<b>550</b>	<b>3,013</b>
<b>Total</b>	<b>3,723</b>	<b>1,070</b>	<b>4,793</b>

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

(2) Transactions with related parties.

## Remuneration Policy Report

### *D. Remuneration of the Supervisory Board*

The supervisory directors 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 remote means of direct communication). The total amount due in respect of Supervisory Board fees during 2020 and 2019 amounted to PLN 333 thousand (EUR 75 thousand) and PLN 357 thousand (EUR 83 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 2020 is as follows:

- Alon Kadouri, Member of the Supervisory Board – PLN 57 thousands;
- Ofer Kadouri, Member of the Supervisory Board – PLN 73 thousands;
- Przemysław Kowalczyk, Member of the Supervisory Board – PLN 73 thousands;
- Piotr Palenik, Member of the Supervisory Board – PLN 57 thousands;
- Shmuel Rofe, Member of the Supervisory Board – PLN 73 thousands.

## Assessment of the Group's finance management

In 2020, 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 has obtained funds from the issue of series V bonds in the amount of PLN 100 million 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 2020. 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 2020 was 23.5%.

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.

<b>Leverage ratios</b>	<b>As at</b>	<b>As at</b>
<i>In thousands of Polish Zlotys (PLN)</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Loan and borrowings	230,072	200,844
Interest bearing deferred trade payables	8,482	2,338
Cash and cash equivalents	(135,099)	(95,591)
Other current financial assets	(14,239)	(22,157)
<b>Net debt</b>	<b>89,216</b>	<b>85,434</b>
Total equity	379,817	350,494
<b>Total capital employed</b>	<b>469,033</b>	<b>435,928</b>
<b>Total assets</b>	<b>937,767</b>	<b>943,183</b>
<b>Debt to equity ratio</b>		
<i>loan and borrowings / equity</i>	<b>60.6%</b>	<b>57.3%</b>
<b>Net debt to equity ratio</b>		
<i>net debt / equity</i>	<b>23.5%</b>	<b>24.4%</b>
<b>Equity ratio</b>		
<i>equity / assets</i>	<b>40.5%</b>	<b>37.2%</b>
<b>Leverage ratio</b>		
<i>net debt / capital employed</i>	<b>19.0%</b>	<b>19.6%</b>

## Assessment of the Group's finance management

<b>Liquidity Ratios</b>	<b>As at</b>	<b>As at</b>
<i>In thousands of Polish Zlotys (PLN)</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Current assets	856,550	862,660
Inventory	668,461	718,060
Short term liabilities less advances received	148,149	176,471
Cash and cash equivalents	135,099	95,591
<b><i>Current ratio</i></b>		
<i>current assets / short-term liabilities less advances received</i>	<b>5.78</b>	<b>4.89</b>
<b><i>Quick ratio</i></b>		
<i>current assets less inventory and advance for land / short-term liabilities less advances received</i>	<b>1.27</b>	<b>0.82</b>
<b><i>Cash ratio</i></b>		
<i>cash and cash equivalents / short-term liabilities less advances received</i>	<b>0.91</b>	<b>0.54</b>

## Information on loans, bonds, sureties and guarantees

### *Bonds loans contracted or redeemed*

On 25 February 2020, the Company repaid all outstanding 10,000 series M bonds with total nominal value of PLN 10,000 thousand. After this repayment, the total number of outstanding bonds series M amounted to nil.

On 29 July 2020, the Company repaid all outstanding 15,000 series Q bonds with total nominal value of PLN 15,000 thousand. After this repayment, the total number of outstanding bonds series Q amounted to nil.

On 18 August 2020, the Company repaid all outstanding 10,000 series P bonds with total nominal value of PLN 10,000 thousand. After this repayment, the total number of outstanding bonds series P amounted to nil.

On 2 October 2020 the Company issued 100,000 series V non-secured bonds with a nominal value and issue price of PLN 1 thousand per Bond and an aggregate nominal value and issue price of PLN 100.0 million.

Together with issuance of series V bonds the Company purchased for redemption series R bonds with a value of PLN 2,141 thousand from the bondholder who purchased the Bonds for the same amount. After this repayment the total amount of outstanding series R bonds amounted to 47,859 thousand.

In October 2020, the Company signed the final agreement for the purchase for early redemption of all outstanding 20,000 series S bonds with total nominal value of PLN 20 million. After this repayment, the total number of outstanding bonds series S 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 up to a total amount of PLN 57.7 million. Final repayment of loan was made in May 2020.

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. Final repayment of loan was made in August 2020.

In March 2020, the Company executed a loan agreement with Alior Bank S.A. related to the Nova Królikarnia 2c project in Warsaw. Under this loan agreement Alior Bank S.A. is to provide financing and re-financing to cover the costs of construction up to a total amount of PLN 20.7 million. Under the loan agreement, the final repayment date is December 2021. As at 31 December 2020 the bank loan is not used.

In May 2020, the Company executed a loan agreement with Alior Bank S.A. related to Joint Venture project – Wilanów Tulip in Warsaw. Under the loan agreement Alior Bank is to provide financing and re-financing to cover the costs of construction up to total amount of PLN 51.3 million. Under the loan agreement, the final repayment date is December 2021.

**Management Board Report****Information on loans, bonds, sureties and guarantees***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 2020 are presented in the table below: (excel please)

<b>Entity name</b>	<b>Amount of guarantee</b> <i>In thousands of Polish Zlotys (PLN)</i>
Danya Cebus Poland Sp. z o.o	77,057
EBUD-Przemyslowka Sp. z o.o	2,529
ERBUD S.A	4,135
GLIF Sp. z o.o	1,101
HOCHTIEF POLSKA S.A.	7,532
Kalter Sp. z o.o	2,378
KARMAR S. A.	16,995
Mostostal Warszawa S.A	11,409
OTIS SP. Z O.O	1,827
POZBUD T&R S.A	1,250
STRABAG SP. Z O.O	4,130
TOTALBUD S.A.	1,033
other	997
<b>Total</b>	<b>132,374</b>

*Guarantees provided by the Company*

As at 31 December 2020 the Company has no granted any guarantees.



## **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.

### *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 2020 – D. 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 2020.

### *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 35 to the Consolidated Financial Statements for the year ended 31 December 2020.

### *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 2020 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 2020 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 7.1 million out of which PLN 2.7 million relates to cases where Ronson Group is suing. 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 1.0 million.

### *Employees*

The average number of personnel employed by the Company and its subsidiaries – on a fulltime equivalent basis – during 2020 was 74 compared to 73 during 2019.

### *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.

## Additional information to the report

### *Forecasts*

The Company did not publish financial forecasts for 2020.

### *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 2020 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.

### *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 34 of the Consolidated Financial Statements for the year ended 31 December 2020.

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

None.

### *Amendments to Tax Act in Poland*

On 30 November 2020, the acts amending the Personal Income Tax Act, the Corporate Income Tax Act, the Act on Flat-Rate Income Tax on Certain Revenues Generated by Natural Persons and certain other Acts were published in the Polish Journal of Laws and thus entered into force. The acts, effective as of 1 January 2021, bring a raft of changes to the Polish income tax regulations, including extension of CIT obligations to limited partnerships and certain general partnerships, a requirement to prepare and publish a report on the tax strategy executed in the given tax year imposed on certain taxpayers or the possibility to apply an alternative CIT scheme (a solution dubbed "Estonian CIT").

As from 1 January 2021:

- limited partnerships having their registered office or place of management in the territory of Poland; and
  - general partnerships having their registered office or place of management in the territory of Poland, in which general partners are not only natural persons (unless, before the beginning of a financial year (for the existing partnerships prior to 31 January 2021), they submit to the head of the competent tax office a relevant information on PIT payers who are entitled –directly or via entities non-taxable for income tax purposes – to a share in the partnership's profits or an update of such information, within 14 days from the date the change was made)
- will become CIT payers.

Limited partnerships, however, may decide to apply the new rules from 1 May 2021.

## Additional information to the report

### *Amendments to Tax Act in Poland*

Essentially, the income generated by limited partnerships (and certain general partnerships) which, up to now, have been treated for CIT purposes as tax-transparent entities, is to be covered by CIT at the partnership level and PIT or CIT at the partner level.

At the same time, the new act provides for a tax exemption on the portion of revenue earned by limited partners through shares in a limited partnership. The exemption will encompass 50 percent of the revenue earned by a limited partner through shares in a limited partnership, however, no more than PLN 60k annually. However, the exemption will apply only to in principle unrelated limited partners.

In addition, the limited partners being the CIT taxpayers should be able to benefit from the dividend exemption, i.e. exemption on the same rules as in case of the dividends paid out from a company (the main conditions being holding at least 10% of shareholding for an uninterrupted period of 2 years and being the beneficial owner of the payment).

In turn, general partners will be entitled to deduct the income tax, calculated based on the income from the participation in the limited partnership's profits, by the amount of tax already paid by the partnership, proportionally encumbering the general partner's profit obtained from the participation in such partnership. .

Furthermore, the amendments impose on certain taxpayers a requirement to prepare and publish a report on the tax strategy executed in the given tax year.

The reporting obligation is to be placed on:

- taxpayers whose revenue exceeded EUR 50 million in the given tax year;
- tax capital groups.

The report must take into account the nature, type and size of the taxpayer's business activity and include information on:

- the processes and procedures ensuring performance of taxpayers' obligations arising from tax regulations and proper obligation implementation, as well as an overview of forms of the taxpayer's voluntary cooperation with the National Revenue Administration (e.g. under a cooperation agreement entered into with the Head of the National Revenue Administration);
- how the taxpayer performs their tax-related duties on the territory of Poland along with the information on the number of reports on tax arrangements submitted to the Head of the National Revenue Administration, grouped by the type of tax they apply to;
- controlled transactions, the value of which exceeds 5 percent of the balance sheet assets, as well as undertaken or planned restructurings;
- the submitted applications for issuing declaratory and binding rulings, binding rate information and binding excise information;
- settlements made in countries that encourage abusive tax practices.  
(all with the exception of information covered by trade, commercial, professional or technological secrecy / confidentiality).

The report should be presented by taxpayers within 12 months from the end of the tax year. This means that taxpayers having the taxable year coinciding with the calendar year in general will have to present the information on the tax strategy executed in 2020 by the end of 2021.

Majority of the Group project are held under a limited liability partnership, the Group is assessing the tax effect of the changes implemented in the new Tax Act and made a decision to apply the new rules starting from 1 May 2021.

The above changes were taken under consideration while calculating the accounts for current and deferred tax assets and liabilities based on the requirements of IAS 12 Income taxes, based on taxable profit (tax loss), taxable base, carry-forward of unused tax losses and carry-forward of unused tax credits, and tax rates, while considering the assessment of uncertainty related to tax settlements.

## 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 2020. 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
2020 (12 months)	4.445	4.228	4.633	4.615
2019 (12 months)	4.299	4.241	4.389	4.259
<i>Source: National Bank of Poland ('NBP')</i>				
Selected financial data	EUR		PLN	
	(thousands)			
	As at 31 December			
	2020	2019	2020	2019
Investment in subsidiaries	94,451	98,576	435,874	419,835
Loan granted to subsidiaries	34,746	26,727	160,347	113,829
Total assets	135,910	127,542	627,199	543,203
Long term liabilities	40,676	35,473	187,712	151,078
Short term liabilities	12,930	9,775	59,670	41,631
Equity	82,304	82,295	379,817	350,494
	EUR		PLN	
	(thousands, except per share data and number of shares)			
	For the year ended 31 December			
	2020	2019	2020	2019
Revenues from management services granted to subsidiaries	2,026	1,502	9,005	6,456
Financial income (vast majority from loans granted to subsidiaries)	1,483	1,710	6,594	7,352
Financial expenses (vast majority from Interest on bonds)	(2,194)	(2,623)	(9,753)	(11,278)
Profit for the year (including results from subsidiaries)	9,031	4,051	40,143	17,414
Cash flows (used in) operating activities	(1,041)	(3,231)	(4,627)	(13,890)
Cash flows from/(used in) investing activities	(3,973)	11,109	(17,661)	47,756
Cash flows from/(used in) financing activities	9,509	(6,709)	42,267	(28,840)
Increase in cash and cash equivalents	4,495	1,169	19,979	5,026
Average number of equivalent shares (basic)	163,103,163	163,689,616	163,103,163	163,689,616
Net earnings/(loss) per share (basic and diluted)	0.055	0.025	0.246	0.106

## 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 2020 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 2020 through 31 December 2020 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.

#### **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 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 year 2020 Andrzej Gutowski, Yaron Shama and Boaz Haim did not sit on Management or Supervisory Boards of any companies outside of the Company's group. Alon Haver held a managerial role in companies of major shareholder of the Company – Luzon Group.

## Corporate governance statement

### A. *The application of the corporate governance principles*

#### **Principles III.Z.3 and 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. In previous years, the Company outsourced its internal audit functions to an external entity, which carried out internal audits in designated areas at the request of the Management Board and reported directly to the Company's Supervisory Board. In year 2020 the Company took actions in order to mandate external entity to conduct such internal audit in the field of Corporate Governance and implementation of the IT System but due to COVID-19 pandemic the internal audit in year 2020 was not conducted.

#### **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.

#### **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 of 10.11.2001), describe exhaustively the manner of convocation and conduct of the General Meeting, and of the adoption of resolutions.

#### **Principle IV.Z.11.**

In 2020, the Company held one General Shareholder's Meeting. At the Meeting attended at least one member of the Company's Management Board. 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.**

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.

## 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 2020, 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 requires 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 2021, the following shareholders are entitled to exercise over 5% of the voting rights at the General Meeting of Shareholders in the Company:

	As of 9 March 2021		As of 31 December 2020		As of 31 December 2019	
	Number of shares / % of shares	Change in number of shares	Number of shares / % of shares	Change in number of shares	Number of shares / % of shares	Change in number of shares
<b>Shares</b>						
<b>Shares issued:</b>	<b>164,010,813</b>	-	<b>164,010,813</b>	-	<b>164,010,813</b>	
	108,349,187	-	108,349,187	-	108,349,187	
I.T.R. Dori B.V. <sup>(1)</sup>	66.06%		66.06%	N/A	66.06%	
Nationale Nederlanden Otworthy Fundusz Emerytalny	23,884,091	4,091	23,880,000	(4,091)	23,884,091	
	14.56%		14.56%	0%	14.56%	
Metlife Otworthy Fundusz Emerytalny	N/A	N/A	N/A	N/A	N/A	
	Between 5%-10%		Between 5%-10%	N/A	Between 5%-10%	
	As of 9 March 2021		As of 31 December 2020		As of 31 December 2019	
	Number of shares / % of shares	Change in number of shares <sup>(2)</sup>	Number of shares / % of shares	Change in number of shares <sup>(2)</sup>	Number of shares / % of shares	Change in number of shares
<b>Votes</b>						
<b>Shares issued<sup>(2)</sup>:</b>	<b>162,442,859</b>	<b>(78,719)</b>	<b>162,521,578</b>	<b>(814,335)</b>	<b>163,335,913</b>	
	108,349,187	-	108,349,187	-	108,349,187	
I.T.R. Dori B.V. <sup>(1)</sup>	66.70%	0.03%	66.67%	0.00%	66.34%	
Nationale Nederlanden Otworthy Fundusz Emerytalny	23,884,091	4,091	23,880,000	(4,091)	23,884,091	
	14.70%	0.01%	14.69%	0.00%	14.62%	
Metlife Otworthy Fundusz Emerytalny	N/A	N/A	N/A	N/A	N/A	
	Between 5%-10%	N/A	Between 5%-10%	N/A	Between 5%-10%	

(1) The subsidiaries of A. Luzon Group.

(2) 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.

The total number of own shares held by the Company as at 31 December 2020 was equal to 1,489,235 shares, which constitute 0.91% of the share capital of the Company and votes at the General Meeting. As at 9 March 2021, the Company held 1,567,954 own shares representing 0.96% 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 of 10.11.2001), 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.

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 2020, there was one Ordinary General Meeting of the Company's shareholders.

## Corporate governance statement

### *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 Ordinary General Meeting of the Company's shareholders was held on 30 June 2020 in Warsaw. The agenda of the General Meeting included in particular the approval of the financial statements for the financial year 2019 and the acknowledgement of the fulfillment of duties by the Management and Supervisory Board members, and also distribution of net profit for 2019, adopting the Remuneration Policy for Members of the Management Board and Supervisory Board of Ronson Development SE, adopting a resolution on the remuneration of Members of the Supervisory Board of Ronson Development SE, adopting a resolution on approving the conclusion of indemnity agreements with Members of the Management Board and Supervisory Board of Ronson Development SE and adopting a resolution on adopting own share purchase plan. 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.

### *F. The Management Board*

*The composition of the Management Board and its changes*

As at 31 December 2020 and until the date of signing the Management Report, the composition of the Company's Management Board and the functions of its members were as follows:

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*

*Change on the position of the President of the Management Board*

In 2020 there were no changes on the position.

*Change on the position of the Finance Vice-President of the Management Board*

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 2020 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 2020 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.

## Corporate governance statement

### *F. 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.

#### *The rules of appointment and removal of the Management Board members*

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 that the current term of office of the Company's Management Board Members begins 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 organizes 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.

## Corporate governance statement

### F. The Management Board

#### *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 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), or 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.

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.

In connection with the implementation of the treasury shares repurchase program that was approved under resolution No. 21 of the Ordinary General Meeting dated 30 June 2020 regarding the approval of a buy-back program (the "Authorization Resolution"), the Management Board of the Company on 1 July 2020 resolved to determine the detailed terms of the repurchase of the shares in the Company ("Buy-back"), which were also approved by the Supervisory Board of the Company. The treasury shares will be acquired under the Buy-back until three years starting from the adoption of the Authorization Resolution, by way of transactions concluded on the regulated market and on terms similar to those provided in the Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regards to regulatory technical standards for the conditions applicable to buy-back program and stabilization measures, in particular in terms of determining the price and the number of the shares, which may be acquired pursuant to the Buy-back. The maximum amount allocated for the purchase of all of the shares pursuant to the Buy-back shall not be higher than PLN 1,369,761.99 (one million, three hundred and sixty-nine thousand, seven hundred and sixty-one zloty and 99/100).

## Corporate governance statement

### G. The Supervisory Board

#### *The composition of the Supervisory Board and its changes*

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 2020 item 1415,), 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.

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*

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 2020, 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).

## Corporate governance statement

### H. The Supervisory Board Committees

#### *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.

The Audit Committee members who meet the statutory criteria of independence are Shmuel Rofe (the 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;
- 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;

## Corporate governance statement

### H. The Supervisory Board Committees

#### *The Audit Committee*

- 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 2020, the Audit Committee held four meetings in the form as teleconference.

#### *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 Rofe 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 2020, the Remuneration Committee held no meetings.



## Corporate governance statement

### *I. Shares in the Company owned by Management Board and Supervisory Board members in the year ended 31 December 2020 and until the date of publication of the report*

Mr Amos Luzon, member of the Supervisory Board, as at 31 December 2019 held 64.19%, while as at 31 December 2020 held 83.71% and at the day preceding the publication of this report held 72.77% of the shares and voting rights in A. Luzon Group (to the best of the company's knowledge, inter alia through A. Luzon Properties and Investments Ltd., a private company owned by Mr Amos Luzon "99%"), and as a result, thus indirectly held a 41.98% of shares in the Company as at 31 December 2019 and 54.75% as at 31 December 2020 and 47.59% at the day preceding the publication of this report. Taking into account own shares held by the Company as at 31 December 2019, 31 December 2020 and as at the day preceding the publication of this report, Mr. Amos Luzon indirectly controlled following percentage of votes at those dates: 42.02%, 55.25% and 48.05%, respectively.

Mr Piotr Palenik, member of the Supervisory Board, as at 31 December 2019, 31 December 2020 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 2020 and do not own as of the date of this report any shares in the Company.

### *J. Policy on diversity*

The Company 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 organizational 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*

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 approved 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;

## Corporate governance statement

### *K. Appointment of the Auditor*

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

(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 2020 was made together with the selection of the audit company for 2021.

The recommendation made by the Audit Committee on the selection of an audit firm to audit the financial statements for the financial year 2020 and 2021 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 7 January 2020, the Company concluded an agreement with PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt 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 2020 and 31 December 2021, as well as the review of the Company's Condensed Interim and quarterly Financial Statements and the Group's Condensed Interim and quarterly Consolidated Financial Statements. 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 2020 and 31 December 2021 of the Company and the Group was made by the Supervisory Board in the resolution of 4 December 2019, after the recommendation of the Company's Audit Committee of 6 November 2019.

Apart of the aforementioned services, in 2020 the Company did use additional attestation services from PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. in relation to inclusion of the Company's financial statements in the A. Luzon Group's prospectus, prepared in connection with the admission of bonds issued by A. Luzon Group to trading on the regulated market in Israel.

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 17 of the Company Financial Statement for the year ended 31 December 2020.

## Statement of the Management Board regarding 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 2021, the Management Board hereby declares that the choice of a PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt 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 2020 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 4 December 2019 acting pursuant to the recommendation of the Audit Committee as of 6 November 2019;
- 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 2020, 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;
- 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.

**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 2020 was prepared and approved by the Management Board of the Company on 10 March 2021.

**The Management Board**

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**Boaz Haim**

President of the Management Board

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**Yaron Shama**

Finance Vicepresident of the Management Board, CFO

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**Andrzej Gutowski**Vicepresident of the Management Board,  
Sales and Marketing Director

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**Alon Haver**

Member of the Management Board