

Ronson Development SE

Management Board Report
on the Activity of the Company and the Group
for the financial year 2021

General Information

Management Board

Boaz Haim, *President of the Management Board*

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

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

Karolina Bronszewska *Member of the Management Board, Marketing and Innovation Director*

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
Poland

Letter from the President of the Management Board

To our shareholders

The year 2021 was an outstanding year for Ronson Development SE ('Ronson' or 'the Company'), mostly because the Company managed to work and achieve its goals for the second year despite the crises of a global COVID-19 pandemic.

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 5,142 units (from them more than over 1,560 units are in future stages of ongoing projects) which will serve the financial needs for the next coming years.

In addition to the purchased land bank of the Company, the Company signed number of preliminary purchase agreements securing a future land bank of 189,965 m² usable area for approximately 3,776 units.

This will allow a potential steady growth of the company business for the next years. Nevertheless, the Company is consistently searching and negotiating new plots for purchase and develop, mainly (but not only) in Warsaw, Wrocław and Poznań.

The year 2021 brought lots of challenges to the Management of Ronson, part of them are still being handled on an ongoing basis. One of the most significant challenges the Company faced was dealing with the COVID -19 pandemic and its effect, in particularly related to administration procedures causing delays in obtaining permits, as well as the Polish economic situation and its effect on the real estate market.

The Company managed to overcome most of these challenges in an impressive way, the Company managed to fulfil its yearly goals, and set up new records in the company's history and emerged with outstanding results comparing to previous years.

In terms of sales result, in 2021 the Company managed to achieve 877 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 2021 include:

- Commencement of 7 new projects/stages - commencement of 1,012 units;
- Completion - Completion of over 1,122 units in 11 projects/ stages of projects;
- Sales - we sold 877 units;
- Delivery – we delivered 1,007 units to our clients which is a new record in RONSON'S history for the second year in a row;
- During April 2021 the Company completed the issue of Series W bonds, in the amount of PLN 100 million;
- RONSON maintained its ranking position 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 2021, this percentage was only 25.8%. The Company will continue focusing on its liquidity and improvement of its financial position.

Year 2021 was 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 2022, the Company will retain its focus on the same cities in which it is active, with a natural increase in the volume of products introduced to the Warsaw market with new stages of Ursus Centralny, Miasto Moje, Nova Królikarnia and opening the new projects: Falenty, Siewki I in Mokotów district and Studzienna in Wola district. In Wrocław a new stage of Viva Jagodno, in Szczecin new stage of Nowe Warzymice and new project of Sobola and our new project of Smardzewska in Poznań.

Letter from the President of the Management Board

In addition to the above the Company decided to take steps to expand the scope of actual activities performed by the direct and indirect subsidiaries entering to the Private Rental Sector (PRS). The Company started to take actions aiming to achieve its long-term plans among others securing and purchasing potential plots of land dedicated for such activities. At the publication of this financial reports the Company is secured 7 potential project with a potential to build over 1,430 units.

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 2021, 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

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 in Warsaw. 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 2021:

- 66.06% of the shares are indirectly controlled by A. Luzon Group (via I.T.R. Dori B.V.) and 27.98% of the shares are directly controlled by of A. Luzon Group. The Ultimate Parent is Mr Amos Luzon, member of the Supervisory Board;
- 0.96% of the shares are held by the Company and therefore also indirectly controlled by A. Luzon Group;
- 5.00% of the outstanding shares are held by other investors.

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 2021, the Company held 1,567,954 own shares (0.96%) 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, voting rights and major shareholders of the Company reference is made to pages 42.

On 15 March 2022, the market price was PLN 2.46 per share giving the Company a market capitalization of PLN 403.4 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.

During the year ended 31 December 2021, the Group realized sales of 877 units with the total value of PLN 425.3 million, which compares to sales of 918 units with the total value PLN 444.7 million during the year ended 31 December 2020.

During the year ended 31 December 2021, the Group completed 11 projects/ stages with total number of units 1,122 and a total area 67,174 m² of which 1,091 units are already sold.

Until 31 December 2021 the Group delivered 885 units in 100% owned projects which represent a total revenue of PLN 458.4 million. In total the Group delivered 1,007 units representing revenue in the total amount of PLN 526.0 million (including projects that the Company's share is 50%).

As at 31 December 2021, the Group has 785 units available for sale in 11 locations, of which 745 units are in ongoing projects and the remaining 40 units are in completed projects. The ongoing projects comprise a total of 1.345 units, with an aggregate floor space of 72,485 m².

The Group has a pipeline of 19 projects in different stages of preparation including investments for the PRS activity, representing approximately 5,142 units with an aggregate floor space of approximately 298,091 m² for future development in Warsaw, Poznań, Wrocław and Szczecin.

In addition to the above as at 31 December 2021 the Group is in process of finalizing the purchase of 9 plots located in Warsaw with a total projected PUM of 189,965 sq.m with an estimated 3,776 units for construction.

Management Board Report

Overview of the Activity of the Company and the Group

During year ended 31 December 2021, 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 2021 and 2020 with a breakdown per city, see Business highlights during the year ended 31 December 2021 – 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 2021	31 December 2020
a. held directly by the Company:			
1 Ronson Development Management Sp. z o.o.	1999	100%	100%
2 Ronson Development Warsaw Sp. z o.o.	2000	100%	100%
3 Ronson Development Investment Sp. z o.o.	2011	100%	100%
4 Ronson Development Metropol Sp. z o.o.	2011	100%	100%
5 Ronson Development Creations Sp. z o.o.	2005	100%	100%
6 Ronson Development Sp. z o.o.	2006	100%	100%
7 Ronson Development Construction Sp. z o.o.	2006	100%	100%
8 City 2015 Sp. z o.o.	2006	100%	100%
9 Ronson Development Village Sp. z o.o. ⁽¹⁾	2007	100%	100%
10 Ronson Development Skyline Sp. z o.o.	2007	100%	100%
11 Ronson Development Universal Sp. z o.o. ⁽¹⁾	2007	100%	100%
12 Ronson Development South Sp. z o.o.	2007	100%	100%
13 Ronson Development Partner 5 Sp. z o.o.	2007	100%	100%
14 Ronson Development Partner 4 Sp. z o.o.	2007	100%	100%
15 Ronson Development North Sp. z o.o.	2007	100%	100%
16 Ronson Development Providence Sp. z o.o.	2007	100%	100%
17 Ronson Development Finco Sp. z o.o.	2009	100%	100%
18 Ronson Development Partner 2 Sp. z o.o.	2009	100%	100%
19 Ronson Development Partner 3 Sp. z o.o.	2012	100%	100%
20 Ronson Development Studzienna Sp. z o.o.	2019	100%	100%
21 Ronson Development SPV1 Sp. z o.o. ⁽²⁾	2021	100%	-
22 Ronson Development SPV2 Sp. z o.o. ⁽²⁾	2021	100%	-
23 Ronson Development SPV3 Sp. z o.o. ⁽²⁾	2021	100%	-
24 Ronson Development SPV4 Sp. z o.o. ⁽²⁾	2021	100%	-
25 Ronson Development SPV5 Sp. z o.o. ⁽³⁾	2021	100%	-
26 Ronson Development SPV6 Sp. z o.o. ⁽³⁾	2021	100%	-
27 Ronson Development SPV7 Sp. z o.o. ⁽⁴⁾	2021	100%	-
28 Ronson Development SPV8 Sp. z o.o. ⁽⁴⁾	2021	100%	-
29 Ronson Development SPV9 Sp. z o.o. ⁽⁴⁾	2021	100%	-
30 Ronson Development SPV10 Sp. z o.o. ⁽⁷⁾	2021	100%	-
31 Ronson Development SPV11 Sp. z o.o. ⁽⁷⁾	2021	100%	-
b. held indirectly by the Company:			
32 Nova Królikarnia B.V. (Company with the registered office in the Netherlands) ⁽⁶⁾	2016	-	100%
33 AGRT Sp. z o.o.	2007	100%	100%
34 Ronson Development Partner 4 Sp. z o.o. – Panoramika Sp.k.	2007	100%	100%
35 Ronson Development Sp. z o.o. - Estate Sp.k.	2007	100%	100%
36 Ronson Development Sp. z o.o. - Home Sp.k.	2007	100%	100%
37 Ronson Development Sp. z o.o. - Horizon Sp.k.	2007	100%	100%
38 Ronson Development Partner 3 Sp. z o.o. - Sakura Sp.k.	2007	100%	100%
39 Ronson Development Partner 3 sp. z o.o. – Viva Jagodno sp. k.	2009	100%	100%
40 Ronson Development Sp. z o.o. - Apartments 2011 Sp.k.	2009	100%	100%
41 Ronson Development Sp. z o.o. - Idea Sp.k.	2009	100%	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 2021	31 December 2020
b. held indirectly by the Company :			
42 Ronson Development Partner 2 Sp. Z o.o. – Destiny 2011 Sp.k.	2009	100%	100%
43 Ronson Development Partner 2 Sp. Z o.o. – Enterprise 2011 Sp.k.	2009	100%	100%
44 Ronson Development Partner 2 Sp. Z o.o. – Retreat 2011 Sp.k.	2009	100%	100%
45 Ronson Development Partner 5 Sp. Z o.o – Vitalia Sp.k.	2009	100%	100%
46 Ronson Development Sp. Z o.o. – 2011 Sp.k.	2009	100%	100%
47 Ronson Development Sp. Z o.o. – Gemini 2 Sp.k.	2009	100%	100%
48 Ronson Development Sp. Z o.o. – Verdis Sp.k.	2009	100%	100%
49 Ronson Espresso Sp. Z o.o.	2006	100%	100%
50 Retreat Sp. Z o.o. ⁽⁵⁾	2010	-	100%
51 Ronson Development Nautica 2010 Sp. Z o.o. ⁽⁵⁾	2010	-	100%
52 Ronson Development Sp. Z o.o. - Naturalis Sp.k.	2011	100%	100%
53 Ronson Development Sp. Z o.o. - Impressio Sp.k.	2011	100%	100%
54 Ronson Development Partner 3 Sp. Z o.o.- Nowe Warzymice Sp. K.	2011	100%	100%
55 Ronson Development Sp. Z o.o. - Providence 2011 Sp.k.	2011	100%	100%
56 Ronson Development Partner 2 Sp. Z o.o. – Capital 2011 Sp. K.	2011	100%	100%
57 Ronson Development Partner 5 Sp. Z o.o. - Miasto Marina Sp.k.	2011	100%	100%
58 Ronson Development Partner 5 Sp. Z o.o. - City 1 Sp.k.	2012	100%	100%
59 Ronson Development Partner 2 Sp. Z o.o. – Miasto Moje Sp. K.	2012	100%	100%
60 Ronson Development sp. Z o.o. – Ursus Centralny Sp. K.	2012	100%	100%
61 Ronson Development Sp. Z o.o. - City 4 Sp.k.	2016	100%	100%
62 Ronson Development Partner 2 Sp. Z o.o. – Grunwald Sp.k.	2016	100%	100%
63 Ronson Development Sp. Z o.o. Grunwaldzka” Sp.k.	2016	100%	100%
64 Ronson Development Sp. Z o.o. - Projekt 3 Sp.k.	2016	100%	100%
65 Ronson Development Sp. Z o.o. - Projekt 4 Sp.k.	2017	100%	100%
66 Ronson Development Sp. Z o.o. - Projekt 5 Sp.k.	2017	100%	100%
67 Ronson Development Sp. Z o.o. - Projekt 6 Sp.k.	2017	100%	100%
68 Ronson Development Sp. Z o.o. - Projekt 7 Sp.k.	2017	100%	100%
69 Ronson Development Sp. Z o.o. - Projekt 8 Sp.k.	2017	100%	100%
70 Bolzanus Limited (Company with the registered office in Cyprus)	2013	100%	100%
71 Park Development Properties Sp. Z o.o. – Town Sp.k.	2007	100%	100%
72 Tras 2016 Sp. Z o.o.	2011	100%	100%
73 Park Development Properties Sp. Z o.o.	2011	100%	100%
74 Jasminova 2016 Sp. z o.o.	2016	100%	100%
75 Town 2016 Sp. Z o.o.	2016	100%	100%
76 Enterprise 2016 Sp. Z o.o.	2016	100%	100%
77 Wrocław 2016 Sp. z o.o.	2016	100%	100%
78 Darwen Sp. z o.o.	2017	100%	100%
79 Truro Sp. z o.o.	2017	100%	100%
80 Tregaron Sp. Z o.o.	2017	100%	100%
81 Totton Sp. Z o.o.	2017	100%	100%
82 Tring Sp. Z o.o.	2017	100%	100%
83 Thame Sp. z o.o.	2017	100%	100%
84 Troon Sp. z o.o.	2017	100%	100%
85 Tywyn Sp. z o.o.	2018	100%	100%
86 Semela Sp. z o.o. ⁽⁸⁾	2021	100%	-
c. other not subject to full consolidation:			
87 Coralchief sp. Z o.o.	2018	50%	50%
88 Coralchief sp. z o.o. – Projekt 1 sp. k.	2016	n/a	n/a
89 Ronson IS sp. Z o.o.	2009	50%	50%
90 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) Companies created and registered in KRS in first quarter of 2021

(3) Companies created and registered in KRS in second quarter of 2021

(4) Companies created and registered in KRS in third quarter of 2021

(5) Companies merged with Ronson Development South Sp. z o.o. on 28 September 2021

(6) Company merged to Tras 2016 Sp. z o.o. on 1 October 2021

(7) Companies created and registered in KRS in fourth quarter of 2021

(8) The Company was acquired on 14 December 2021 indirectly by Ronson Development SPV7 Sp. z o.o.

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Business highlights during the year ended 31 December 2021

A. Results breakdown by project

The following table specifies revenue, cost of sales, gross profit and gross margin during the year ended 31 December 2021 on a project by project basis:

Project	Information on the delivered units		Revenue ⁽¹⁾		Cost of sales ⁽²⁾		Gross profit	Gross margin
	Number of units	Area of units (m2)	PLN thousands	%	PLN thousands	%	PLN thousands	%
Ursus Centralny Ia	137	7,459	56,951	12.4%	47,106	12.8%	9,845	17.3%
Miasto Moje IV	123	6,382	46,863	10.2%	32,301	8.7%	14,562	31.1%
Vitalia III	81	6,790	45,816	10.0%	37,533	10.2%	8,284	18.1%
Viva Jagodno I	120	6,178	43,887	9.6%	32,857	8.9%	11,031	25.1%
Miasto Moje III	97	5,163	34,893	7.6%	29,049	7.9%	5,844	16.7%
Nova Królikarnia 3a	29	2,937	35,691	7.8%	30,255	8.2%	5,436	15.2%
Nova Królikarnia 2c	11	2,329	27,095	5.9%	23,945	6.5%	3,149	11.6%
Nova Królikarnia 3b	23	2,270	26,435	5.8%	23,432	6.3%	3,003	11.4%
Nova Królikarnia 3c	22	2,183	26,712	5.8%	22,661	6.1%	4,051	15.2%
Ursus Centralny IIa	57	3,109	24,114	5.3%	18,245	4.9%	5,869	24.3%
Nowe Warzymice I	47	2,664	16,537	3.6%	13,507	3.7%	3,030	18.3%
Grunwald2	31	2,370	15,923	3.5%	12,088	3.3%	3,835	24.1%
City Link III	13	1,340	15,467	3.4%	9,204	2.5%	6,263	40.5%
Panoramika VI	51	2,348	15,675	3.4%	14,563	3.9%	1,112	7.1%
Panoramika V	18	1,239	8,064	1.8%	7,386	2.0%	678	8.4%
other	25	2,067	18,275	4.0%	15,166	4.1%	3,108	n.a.
Total / Average	885	56,827	458,400	100%	369,299	100%	89,100	19.4%
Impairment recognized	n.a.	n.a.	n.a.		1,924		(1,924)	n.a.
Results after write-down adjustment	885	56,827	458,400		371,223		87,176	19.0%
Wilanów Tulip ⁽³⁾	122	7,648	67,603		52,289		15,315	22.7%
Economic results	1,007	64,475	526,003		423,512		102,491	19.5%

(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%.

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 2021 amounted to PLN 458.4 million, whereas cost of sales before write-down adjustment amounted to PLN 369.3 million, which resulted in a gross profit before write-down adjustment amounting to PLN 89.1 million representing a gross margin of 19.4%. Total economical revenue, whereby results from joint ventures are presented on a fully consolidated basis, amounted to PLN 526.0 million, with cost of sales amounting to PLN 423.5 million, resulted in a gross profit of PLN 102.5 million and representing gross margin of 19.5%.

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Business highlights during the year ended 31 December 2021

A. Results breakdown by project

Projects completed in 2021

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 2021:

Project name	Location	Number of units	Area of units (m ²)	Total units sold until 31 December 2021	Units delivered in 2021	Units sold not delivered as at 31 December 2021
Vitalia III	Wrocław	81	6,790	81	81	-
Ursus Centralny Ia	Warsaw	138	7,542	138	137	1
Nova Królikarnia 3a	Warsaw	31	3,188	31	29	2
Nova Królikarnia 3b	Warsaw	23	2,270	23	23	-
Nova Królikarnia 3c	Warsaw	23	2,298	23	22	1
Nowe Warzymice I	Szczecin	54	3,234	47	47	-
Viva Jagodno I	Wrocław	121	6,241	120	120	-
Miasto Moje IV	Warsaw	176	8,938	167	123	44
Ursus Centralny IIa	Warsaw	251	13,509	250	57	193
Panoramika VI	Szczecin	75	3,591	75	51	24
Total excluding JV		973	57,601	955	690	265
Wilanów Tulip ⁽¹⁾	Warsaw	149	9,574	136	122	14
Total including JV		1,122	67,174	1,091	812	279

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

Vitalia III

The construction of Vitalia III project was completed in March 2021. The project was developed on a land strip located in Wrocław at Kabaczkowa Street. The Vitalia III project comprises 81 apartments with an aggregate floor space 6,790 m². Until 31 December 2021 the Company sold all units. During the year ended 31 December 2021, the Company delivered all units and recognized sale revenue of PLN 45.8 million.

Ursus Centralny Ia

The Ursus Centralny Ia project was completed in March 2021. The project was developed on a land strip located in Warsaw, Ursus district, at Gierdziejewskiego street. The project comprises 129 apartments and 9 commercial units with an aggregate floor space of 7,542 m². Until 31 December 2021 the Company sold all units. During the year ended 31 December 2021, the Company delivered 137 units and recognized sale revenue of PLN 57.0 million.

Nova Królikarnia 3a

The construction of the Nova Królikarnia 3a was completed in April 2021. The project was developed on a land strip located in the Mokotów district in Warsaw near Jaśminowa Street. The Nova Królikarnia 3a project comprises 31 apartments and an aggregate floor space of 3,188 m². Until 31 December 2021 the Company sold all units. During the year ended 31 December 2021 the Company delivered 29 units and recognized sale revenue of PLN 35.7 million.

Nova Królikarnia 3b

The construction of the Nova Królikarnia 3b was completed in February 2021. The project was developed on a land strip located in the Mokotów district in Warsaw near Jaśminowa Street. The Nova Królikarnia 3b project comprises 23 apartments and an aggregate floor space of 2,270 m². Until 31 December 2021 the Company sold all units. During the year ended 31 December 2021 the Company delivered all units and recognized sale revenue of PLN 26.4 million.

Business highlights during the year ended 31 December 2021

A. Results breakdown by project

Nova Królikarnia 3c

The construction of the Nova Królikarnia 3c was completed in May 2021, respectively. The project was developed on a land strip located in the Mokotów district in Warsaw near Jaśminowa Street. The Nova Królikarnia 3c project comprises 23 apartments and an aggregate floor space of 2,298 m². Until 31 December 2021 the Company sold all units. During the year ended 31 December 2021 the Company delivered 22 units and recognized sale revenue of PLN 26.7 million.

Nowe Warzymice I

The construction of Nowe Warzymice I project was completed in May 2021. The project was developed on a land strip located in Szczecin, at Rajkowa Street. The project comprises 54 apartments with an aggregate floor space 3,234 m². Until 31 December 2021 the Company sold 47 units. During the year ended 31 December 2021, the Company delivered 47 units and recognized sale revenue of PLN 16.5 million.

Viva Jagodno I

The construction of Viva Jagodno I project was completed in July 2021. The project was developed on a land strip located in Wrocław, at Buforowa Street. The project comprises 121 locals with an aggregate floor space 6,241 m². Until 31 December 2021 the Company sold 120 units. During the year ended 31 December 2021, the Company delivered 120 units and recognized sale revenue of PLN 43.9 million.

Miasto Moje IV

The construction of Miasto Moje IV project was completed in October 2021. The project was developed on a land strip located in Warsaw, at Marywilska Street. The project comprises 176 locals with an aggregate floor space 8,938 m². Until 31 December 2021 the Company sold 167 units. During the year ended 31 December 2021, the Company delivered 123 units and recognized sale revenue of PLN 46.9 million.

Ursus Centralny IIa

The construction of Ursus Centralny IIa project was completed in November 2021. The project was developed on a land strip located in Warsaw, at Gierdziejewskiego Street. The project comprises 243 apartments and 8 commercial units with an aggregate floor space of 13,509 m². Until 31 December 2021 the Company sold 250 units. During the year ended 31 December 2021, the Company delivered 57 units and recognized sale revenue of PLN 24.1 million.

Panoramika VI

The construction of Panoramika VI project was completed in November 2021. The project was developed on a land strip located in Warsaw, at Dunska Street. The project comprises 75 apartments with an aggregate floor space of 3,591 m². Until 31 December 2021 the Company sold all units. During the year ended 31 December 2021, the Company delivered 51 units and recognized sale revenue of PLN 15.7 million.

Wilanów Tulip

The construction of Wilanów Tulip project was completed in September 2021. The project was developed on a land strip located in Warsaw, at Syta Street. The project comprises 149 locals with an aggregate floor space 9,574 m². The project is presented in the Consolidated Financial Statements under investment in joint ventures. The Company's share in the project is 50%. Until 31 December 2021 the Company sold 136 units. During the year ended 31 December 2021, the Company delivered 122 units and recognized sale revenue of PLN 67.6 million.

Management Board Report

Business highlights during the year ended 31 December 2021

A. Results breakdown by project

Projects completed in previous years with their impact on current year results

The table below presents information on the projects that were completed in previous years and the income that was recognised based on units delivered during the year ended 31 December 2021:

Project name	Location	Completion date	Total Project Units	Total Area of units (m2)	Total units sold until 31 December 2021	Total units delivered until 31 December 2020	Units delivered during 2021	Recognised income during the 12 months ended 31 December 2021 (PLN'000)	Units sold not delivered as at 31 December 2021	Units for sale as at 31 December 2021	Left to sale/deliver after 31 December 2021
City Link III	Warsaw	11/2019	368	18,763	368	354	13	15,467	1	-	1
Grunwald2	Poznań	05/2020	268	14,456	268	236	31	15,923	1	-	1
Panoramika V	Szczecin	07/2020	115	5,992	115	95	18	8,064	2	-	2
Nova Królikarnia 2c	Warsaw	08/2020	18	3,743	18	7	11	27,095	-	-	-
Miasto Moje III	Warsaw	11/2020	196	10,176	195	98	97	34,893	-	1	1
Miasto Marina	Wrocław	06/2019	151	6,196	151	146	5	2,132	-	-	-
Others			36	2,453	28	-	20	14,713	8	8	16
Total			1,152	61,778	1,143	936	195	118,287	12	9	21

Management Board Report

Business highlights during the year ended 31 December 2021

B. Units sold during the period

The table below presents information on the total number of units sold (i.e. total number of units for which the Company signed the preliminary sale agreements with the clients), including net saleable area (in m²) of the units sold and net value (exclusive of VAT) of the preliminary sales agreements (including also parking places and storages) executed by the Company during the year ended 31 December 2021:

Project name	Location	Total Project Saleable area (m2)	Total project units	Units sold until 31 December 2020	Units sold during 12 months ended 31 December 2021	Net Sold area (m2)	Value of the preliminary sales agreements (in PLN thousands)	Units for sale as at 31 December 2021
Ursus Centralny IIb ⁽²⁾	Warsaw	11,758	206	-	124	6,832	64,510	82
Miasto Moje V ⁽²⁾	Warsaw	8,559	170	51	103	5,264	42,414	16
Ursus Centralny IIa ⁽¹⁾	Warsaw	13,509	251	194	56	3,246	26,299	1
Ursus Centralny Ib ⁽²⁾	Warsaw	5,740	97	34	53	3,258	26,957	10
Miasto Moje IV ⁽¹⁾	Warsaw	8,938	176	118	49	3,141	24,406	9
Viva Jagodno I ⁽¹⁾	Wrocław	6,241	121	64	56	2,951	21,156	1
Nowe Warzymice II ⁽²⁾	Szczecin	3,492	66	-	63	3,237	20,859	3
Nova Królikarnia 3a ⁽¹⁾	Warsaw	3,188	31	22	9	1,009	13,009	-
Nowe Warzymice III ⁽²⁾	Szczecin	3,535	62	-	46	2,401	18,547	16
Panoramika VI ⁽¹⁾	Szczecin	3,591	75	46	29	1,562	9,859	-
Grunwaldzka ⁽²⁾	Poznań	3,351	70	-	34	1,345	12,636	36
Grunwald2 ⁽¹⁾	Poznań	14,456	268	253	15	1,195	8,323	-
Vitalia III ⁽¹⁾	Wrocław	6,790	81	69	12	1,247	8,251	-
Nova Królikarnia 2c ⁽¹⁾	Warsaw	3,743	18	15	3	647	8,095	-
Nova Królikarnia 3c ⁽¹⁾	Warsaw	2,298	23	17	6	654	8,094	-
Nowe Warzymice I ⁽¹⁾	Szczecin	3,234	54	29	18	1,206	7,471	7
Ursus Centralny IIc ⁽²⁾	Warsaw	11,124	219	-	3	143	1,521	216
Miasto Moje VI ⁽²⁾	Warsaw	11,722	227	-	39	1,772	16,803	188
Panoramika V ⁽¹⁾	Szczecin	5,992	115	99	16	1,172	7,704	-
City Link III ⁽¹⁾	Warsaw	18,763	368	363	5	541	5,942	-
Miasto Moje III ⁽¹⁾	Warsaw	10,176	196	182	13	869	5,628	1
Viva Jagodno IIa ⁽²⁾	Wrocław	4,329	76	-	50	2,342	18,302	26
Viva Jagodno IIb ⁽²⁾	Wrocław	8,875	152	-	-	-	-	152
Młody Grunwald I-III ⁽¹⁾	Poznań	23,855	393	383	8	821	5,448	2
Nova Królikarnia 3b ⁽¹⁾	Warsaw	2,270	23	21	2	264	3,205	-
Verdis I-IV ⁽¹⁾	Warsaw	26,858	441	435	4	322	1,772	2
Miasto Moje I ⁽¹⁾	Warsaw	10,917	205	202	3	325	2,160	-
Ursus Centralny Ia ⁽¹⁾	Warsaw	7,542	138	136	2	141	1,336	-
Marina Miasto ⁽¹⁾	Wrocław	6,196	151	148	3	138	1,260	-
Other ⁽¹⁾		n/a	n/a	n/a	5	257	4,758	4
Total excluding JV		251,041	4,473	2,881	829	48,302	396,725	772
Wilanów Tulip ⁽¹⁾⁽³⁾	Warsaw	9,574	149	88	48	3,155	28,571	13
Total including JV		260,614	4,622	2,969	877	51,456	425,296	785

(1) For information on the completed projects see "Business highlights during the year ended 31 December 2021 – A. Results breakdown by project".

(2) For information on current projects under construction, see "Outlook for 2022 – 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 2021****B. Units sold during the period**

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)		
	<i>In thousands of Polish Zlotys (PLN)</i>	31 December 2021	31 December 2020	In PLN	%
Warsaw		280,722	318,761	(38,039)	(11.9%)
Wrocław		48,969	51,655	2,686	(5.2%)
Szczecin		64,440	45,017	19,423	43.1%
Poznań		26,407	26,156	251	1.0%
Other (old) projects		4,758	3,129	1,629	52.1%
Total		425,296	444,718	(19,422)	(4.4%)

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 2021:

Project name	Location	Number of units	Area of units (m²)
Ursus Centralny IIb	Warsaw	206	11,758
Viva Jagodno IIa	Wrocław	76	4,329
Grunwaldzka	Poznań	70	3,351
Miasto Moje VI	Warsaw	227	11,722
Nowe Warzymice III	Szczecin	62	3,535
Viva Jagodno IIb	Wrocław	152	8,875
Ursus Centralny IIc	Warsaw	219	11,124
Total		1,012	54,694

Management Board Report

Business highlights during the year ended 31 December 2021

D. Agreements significant for the business activity of the Group

The table below presents the summary of the signed preliminary and final purchase agreements of land during the year ended 31 December 2021:

Location	Type of agreement	Signed date	Agreement net value (PLN million)	Paid net till 31 December 2021 (PLN million)	Number of units	Potential PUM
Poznań, Grunwald	final	11 Feb 2021	26.0	26.0	343	19,790
Warsaw, Wola	final	29 June 2021	13.5	13.5	84	4,800
Warsaw, Białołęka	final	11 Aug 2021	13.1	13.1	191	11,000
Szczecin, Północ	final	27 Oct 2021	21.0	21.0	555	26,500
Warsaw, Ursynów ⁽¹⁾	final	27 Oct 2021	11.2	11.2	86	3,500
Warsaw, Bemowo	final	14 Dec 2021	12.7	12.7	64	3,860
Warsaw, Ursynów ⁽¹⁾	final	21 Dec 2021	7.5	7.5	95	4,000
Warsaw, Białołęka	final	31 Dec 2021	36.9	36.9	651	31,300
Total			141.9	141.9	2,069	104,750

(1) land designated for PRS activity and presented as Investment property in the Consolidated Financial Statements

Location	Type of agreement	Signed date	Agreement net value (PLN million)	Paid net till 31 December 2021 (PLN million)	Number of units	Potential PUM
Warsaw, Białołęka ⁽¹⁾	preliminary	23 Nov 2020	20.0	13.4	432	20,700
Warsaw, Ursus	preliminary	17 Jan 2021	140.0	10.0	1,860	100,000
Warsaw, Ursynów	preliminary	3 Mar 2021	16.0	9.0	94	5,700
Warsaw, Targówek	preliminary	2 June 2021	14.0	4.0	125	6,875
Warsaw, Ochota	preliminary	10 Aug 2021	10.0	7.1	67	3,700
Warsaw, Bemowo	preliminary	16 Oct 2021	45.4	5.0	267	14,500
Warsaw, Białołęka	preliminary	28 Oct 2021	14.5	11.9	219	11,300
Warsaw, Wola ⁽²⁾	preliminary	23 Dec 2021	23.0	-	570	18,790
Warsaw, Ursynów	preliminary	29 Dec 2021	16.0	2.0	142	8,400
Total			298.9	62.4	3,776	189,965

(1) part of the purchase price in the amount of PLN 5.9 million was for final purchase agreement.

(2) The agreement value is EURO 5 million converted to PLN as at 31.12.2021.

Management Board Report

Selected consolidated financial data

Exchange rate of Polish Zloty versus the Euro

PLN/EUR	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Year end exchange rate
2021 (12 months)	4.567	4.454	4.721	4.599
2020 (12 months)	4.445	4.228	4.633	4.615

Source: National Bank of Poland ('NBP')

Selected financial data

	EUR*		PLN	
	(thousands, except per share data)			
	For the year ended 31 December			
	2021	2020	2021	2020
Revenues	105,299	90,268	480,899	401,233
Gross profit	18,546	19,395	84,700	86,210
Profit/(loss) before taxation	12,136	11,371	55,424	50,542
Net profit/(loss) for the period attributable to the equity holders of the parent	8,834	9,031	40,347	40,143
Cash flows from/(used in) operating activities	(426)	5,846	(1,948)	25,983
Cash flows from/(used in) investing activities	(2,173)	242	(9,922)	1,077
Cash flows from/(used in) financing activities	2,235	2,800	10,205	12,447
Increase/(decrease) in cash and cash equivalents	(364)	8,888	(1,665)	39,508
Average number of equivalent shares (basic)	162,445,075	163,103,163	162,445,075	163,103,163
Net earnings/(loss) per share (basic and diluted)	0.054	0.055	0.248	0.246

Selected financial data

	EUR*		PLN	
	(thousands)			
	As at 31 December			
	2021	2020	2021	2020
Inventory and Land designated for development	144,711	153,906	665,583	710,247
Total assets	210,157	203,209	966,597	937,767
Advances received	43,098	48,597	198,227	224,267
Long term liabilities	45,888	40,204	211,057	185,534
Short term liabilities (including advances received)	72,943	80,700	335,495	372,416
Equity attributable to the equity holders of the parent	91,326	82,304	420,045	379,817

* 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 Group. The reader should consider changes in the PLN/EUR exchange rate in 2021 comparing to 2020, when reviewing this data.

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

- 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.
- 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 results

The net profit attributable to the equity holders of the parent company for the year ended 31 December 2021 was PLN 40,347 thousand and can be summarized as follows:

	For the year ended		change	
	31 December			
	2021	2020	nominal	%
	PLN			
	(thousands, except per share data)			
Revenue from sales of residential units	457,677	400,257	57,420	14.3%
Revenue from sales of land	22,500	-	22,500	100.0%
Revenue from sale of services	722	976	(254)	(26.0%)
Revenues	480,899	401,233	79,666	19.9%
Cost of sales of residential units	(371,223)	(315,023)	(56,200)	17.8%
Cost of sales of land	(24,976)	-	(24,976)	-
Cost of sales	(396,199)	(315,023)	(81,175)	25.8%
Gross profit	84,700	86,210	(1,510)	(1.8%)
Changes in the value of investment property	(297)	(307)	10	3.3%
Selling and marketing expenses	(4,760)	(5,928)	1,168	(19.7%)
Administrative expenses	(23,676)	(22,542)	(1,134)	5.0%
Share of profit/(loss) from joint venture	5,763	(803)	6,566	(817.7%)
Other expense	(2,494)	(1,477)	(1,017)	68.8%
Result from operating activities	59,236	55,152	4,083	7.4%
Finance income	600	558	42	7.5%
Finance expense	(4,412)	(5,168)	756	(14.6%)
Net finance income/(expense)	(3,812)	(4,610)	798	(17.3%)
Profit/(loss) before taxation	55,424	50,542	4,881	9.7%
Income tax benefit/(expenses)	(15,077)	(10,399)	(4,678)	45.0%
Net profit/(loss) for the period before non-controlling interests	40,347	40,143	203	0.5%
Net profit/(loss) for the period attributable to the equity holders of the parent	40,347	40,143	203	0.5%
Net earnings/(loss) per share attributable to the equity holders of the parent (basic and diluted)	0.248	0.246	0.002	0.8%

Overview of results

Revenue from sales and services of residential projects

The revenue from sales and services of residential units increased by PLN 57.2 million (14.2%) from PLN 401.2 million during the year ended 31 December 2020 to PLN 458.4 million during the year ended 31 December 2021, is primarily explained by the delivery of 885 units to the customers characterized by a higher units average selling price during the year ended 31 December 2021, comparing to the 964 units delivered during the year ended 31 December 2020 (in terms of fully owned projects).

During the year ended 31 December 2021 the Company sold as well the land and recognized revenues in amount of PLN 22.5 million.

Cost of sales of residential units

Cost of sales of residential units increased by PLN 56.2 million (17.8%) from PLN 315.0 million during the year ended 31 December 2020 to PLN 371.2 million during the year ended 31 December 2021. The increase relates to a different mix of projects delivered to the customers characterized by a different profitability during the year ended 31 December 2021 compared to the mix of projects delivered to customers during the year ended 31 December 2020.

Cost of the land sold during the year ended 31 December 2021 amounted to PLN 25.0 million.

Gross margin

The gross margin from sales and services of residential units during the year ended 31 December 2021 was 19.0% which decreased comparing to 21.5% during the year ended 31 December 2020. The change in gross margin relates to a different mix of projects delivered to the customers characterized by a different profitability during the year ended 31 December 2021 compared to the mix of projects delivered to customers during the year ended 31 December 2020.

During year ended 31 December 2021 the projects that significantly impacted revenues and profitability of the Group were Miasto Moje IV, Viva Jagodno I, Vitalia III and Ursus Centralny Ia (contributed respectively PLN 14.6 million, PLN 11.0 million, PLN 8.3 million and PLN 9.8 million to the gross profit representing a gross profit margin of 31.1%, 25.1%, 18.1% and 17.3%). Comparing to the period ended 31 December 2020 the project that significantly impacted revenues and profitability of the Group was City Link III in Warsaw (contributed PLN 57.4 million to the gross profit representing a gross profit margin of 38.4%).

The gross margin has been negatively impacted by the loss generated on sold land in the total amount of PLN 2.5 million.

Selling and marketing expenses

Selling and marketing expenses decreased by PLN 1.1 million (19.7%) from PLN 5.9 million during the year ended 31 December 2020 to PLN 4.8 million during the year ended 31 December 2021, which is primarily explained by more effective management of selling and marketing costs as well as shortened sale period due to very high demand for apartment purchases in 2021. During the reporting period the Company continued its new marketing strategy adjusting to the market situation being a result of Covid 19 pandemic.

Net finance income/(expenses)

Finance income/(expenses) is accrued and capitalized as part of the cost price of inventory to the extent that is directly attributable to the construction of residential units. Unallocated finance income/(expenses) not capitalized is recognized in the statement of comprehensive income. Net finance expenses decreased by PLN 0.8 million (17.3%) from PLN 4.6 million during the year ended 31 December 2020 to PLN 3.8 million during the year ended 31 December 2021. It is mainly explained by lower interest rates and higher proportion of capitalised interest due to higher balance of projects under constructions during the period ended on 31 December 2021 comparing to the period ended on 31 December 2020.

Overview of selected details from the Consolidated Statement of Financial Position

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

	As at 31 December 2021	As at 31 December 2020
	PLN (thousands)	
Inventory and Land designated for development	<u>665,583</u>	<u>710,247</u>
Advances received	<u>198,227</u>	<u>224,267</u>
Loans and borrowings	<u>250,806</u>	<u>230,072</u>
Trade and other payables and accrued expenses	<u>61,086</u>	<u>58,347</u>

Inventory, Land designated for development

The balance of Inventory and Residential landbank amounted PLN 665.6 million as at 31 December 2021 compared to PLN 710.2 million as at 31 December 2020. The decrease is primarily explained by the recognized costs of sales in the total amount of PLN 396.2 million which is partly offset by the purchases of land during the year ended 31 December 2021 in the amount of PLN 114.5 million and investments in direct construction costs and capitalized finance costs for a total amount of PLN 221.4 million.

Advances received

The balance of advances received is PLN 198.2 million as at 31 December 2021 compared to PLN 224.3 million as at 31 December 2020. The decrease is explained by the revenues recognized from the sale of residential units for a total amount of PLN 458.4 million during the year ended 31 December 2021, which was partly offset by advances received from clients regarding sales of units during the period ended 31 December 2021 for a total amount PLN 437.0 million.

Loans and borrowings

The total of short-term and long-term loans and borrowings is PLN 250.8 million as at 31 December 2021 compared to PLN 230.1 million as at 31 December 2020. The increase in loans and borrowings is primarily explained by the effect of proceeds from issuing series W bonds in total amount of PLN 100.0 million, offsetted by repayments of bonds series U and R in the total amount of PLN 78.0 million. Of the mentioned PLN 250.8 million, an amount of PLN 52.24 million comprises facilities maturing no later than 31 December 2022. The balance of bond loans comprises of: principal amount of PLN 250.0 million plus accrued interest of PLN 2.5 million minus one-time costs directly attributed to the bond issuances which are amortized based on the effective interest method (PLN 3.2 million). The balance of bank loans comprises of principal amount of PLN 1.6 million. For additional information see Note 23 of the Consolidated Financial Statements.

Trade and other payables and accrued expenses

The balance of trade and other payables and accrued expenses amounted to PLN 61.1 million as at 31 December 2021 and PLN 58.3 million as at 31 December 2020. The increase is mainly explained by the higher accrued expenses in the amount of PLN 2.9 million, higher level of contractors retained guarantees for construction works in amount of PLN 1.2 million as well as higher V.A.T and other tax payable in amount of PLN 1.0 million. The increase is partially offset by lower amount of trade account payables in amount of PLN 2.5 million.

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

The Group funds its day-to-day operations principally from cash flow provided by its operating activities, loans and borrowings under its loan facilities.

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
	PLN (thousands)	PLN (thousands)
Cash flows from/(used in) operating activities	(1,948)	25,983
Cash flow from/(used in) investing activities	(9,922)	1,077
Cash flow (used in)/from financing activities	10,205	12,447

Cash flow from/(used in) operating activities

The Company's net cash outflow from operating activities increased for the year ended 31 December 2021 amounted to PLN 2.0 million comparing to a net cash inflow from operating activities during the year ended 31 December 2020 amounted to PLN 26.0 million. The change by PLN 27.9 million is primarily explained by:

- net cash outflow of PLN 95.0 million due to purchase of landbank, paid advances and prepayments for land purchase (held as notary deposits presented in the position *Trade and other receivables and prepayments*) in the total amount of PLN 177.8 million in the period ended 31 December 2021 in comparison to the period ended 31 December 2020 whereas the Company purchased the lands (including advances for land and notary deposits paid) and payments for Nova Królikarnia project in total amount of PLN 82.8 million;
- net cash outflow of PLN 17.9 million, resulting from the repayment of taxes in the amount of PLN 20.0 million in the period ended 31 December 2021 comparing to repayment of payables in amount of PLN 2.1 million 31 December 2020;

The above mentioned negative effect on the operational cash flow was partly offset by:

- increase in advances paid by Clients by PLN 72.0 million from PLN 364.9 million in the period ended 31 December 2020 to PLN 436.8 million in the period ended 31 December 2021.

Cash flow from/(used in) investing activities

The Company's net cash outflow used in investing activities amounted to PLN 9.9 million during the year ended 31 December 2021 compared to a net cash inflow from investing activities amounted to PLN 1.1 million during the year ended 31 December 2020. The decrease is primarily explained by net cash outflow due to acquisition of investment properties land for the PRS activity in the total amount of PLN 19.9 million, partially set off with net cash inflow related to the repayment of loans given to joint ventures in the total amount of PLN 11.8 million during the year ended 31 December 2021 compared to a net cash outflow from loans given to joint ventures amounting to PLN 2.0 million during the year ended 31 December 2020.

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 10.2 million during the year ended 31 December 2021 compared to a net cash inflow from financing activities amounted to PLN 12.4 million during the year ended 31 December 2020. The change is primarily explained by:

- a net repayment of loans from others amounting to PLN 6.7 million during the year ended 31 December 2021 compared to repayment in amount of PLN 3.5 million during the year ended 31 December 2020;
- a lower level of the net inflow of cash related to bonds issuance in the amount of PLN 17.1 mln during the year ended 31 December 2021 comparing to the net cash inflow related to bonds in the amount of PLN 41.2 million during the year ended 31 December 2020.

The above mentioned negative effect on the financing cash flow was partly offset by:

- non payment of dividend compering to last year dividend payment of PLN 9.8 million;
- a net proceeds of secured bank loans amounting to PLN 0.7 million during the year ended 31 December 2021 compared to net repayment from bank loans amounting to PLN 13.2 million during the year ended 31 December 2020.

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 income 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 projects 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.

PLN/EUR	Exchange rate of Polish Zloty versus Euro			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Period end exchange rate
2021 (12 months)	4.567	4.454	4.721	4.599
2020 (12 months)	4.445	4.228	4.633	4.615

Source: National Bank of Poland ("NBP")

Selected financial data	EUR		PLN	
	(thousands, except per share data)			
	For the year ended 31 December			
	2021	2020	2021	2020
Revenues from management services	1,319	2,026	6,025	9,005
Financial income (Wise majority from loans granted to subsidiaries)	1,408	1,483	6,430	6,594
Financial expenses (Wise majority from Interest on bonds)	(2,791)	(2,194)	(12,746)	(9,753)
Profit including results from subsidiaries	8,835	9,031	40,347	40,143
Cash flows from/(used in) operating activities	(1,134)	(1,041)	(5,180)	(4,627)
Cash flows from/(used in) investing activities	(3,462)	(3,973)	(15,809)	(17,661)
Cash flows from/(used in) financing activities	1,400	9,509	6,393	42,267
Increase/(decrease) in cash and cash equivalents	(3,196)	4,495	(14,596)	19,979
Average number of equivalent shares (basic)	162,445,075	163,103,163	162,445,075	163,103,163
Net earnings/(loss) per share (basic and diluted)	0.054	0.055	0.248	0.246

Selected financial data	EUR		PLN	
	(thousands)			
	Aa at 31 December			
	2021	2020	2021	2020
Investment in subsidiaries	99,676	94,451	458,449	435,874
Loan granted to subsidiaries	43,447	34,746	199,828	160,347
Total assets	145,986	135,910	671,447	627,199
Long term liabilities	42,985	40,676	197,705	187,712
Short term liabilities	11,675	12,930	53,697	59,670
Equity	91,326	82,304	420,045	379,817

Management Board Report

Outlook for 2022

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 the year 2022:

Project name	Location	Number of residential units delivered ⁽¹⁾			Number of residential units expected to be delivered ⁽¹⁾			Total project
		Until 31 December 2020	During the period ended 31 December 2021	Total units delivered	Units sold not delivered as at 31 December 2021	Units for sale as at 31 December 2021	Total units expected to be delivered	
Ursus Centralny Ia	Warsaw	-	137	137	1	-	1	138
Ursus Centralny IIa	Warsaw	-	57	57	193	1	194	251
Viva Jagodno I	Wrocław	-	120	120	-	1	1	121
Miasto Moje III	Warsaw	98	97	195	-	1	1	196
Miasto Moje IV	Warsaw	-	123	123	44	9	53	176
Vitalia III	Wrocław	-	81	81	-	-	-	81
Nowe Warzymice I	Szczecin	-	47	47	-	7	7	54
Grunwald2	Poznań	236	31	267	1	-	1	268
Nova Królikarnia 3a	Warsaw	-	29	29	2	-	2	31
Nova Królikarnia 3b	Warsaw	-	23	23	-	-	-	23
Nova Królikarnia 3c	Warsaw	-	22	22	1	-	1	23
Panoramika V	Szczecin	95	18	113	2	-	2	115
Nova Królikarnia 2c	Warsaw	7	11	18	-	-	-	18
City Link III	Warsaw	354	13	367	1	-	1	368
Marina Miasto	Wrocław	146	5	151	-	-	-	151
Verdis I-IV	Warsaw	430	6	436	3	2	5	441
Młody Grunwald I-III	Poznań	383	4	387	4	2	6	393
Panoramika IV	Szczecin	109	2	111	-	-	-	111
Panoramika VI	Szczecin	-	51	51	24	-	24	75
Nova Królikarnia 2b	Warsaw	26	2	28	-	-	-	28
Sakura I-IV	Warsaw	513	1	514	-	1	1	515
Other (old) projects		-	5	-	1	3	4	4
Total excluding JV		2,397	885	3,277	277	27	304	3,581
Wilanów Tulip ⁽²⁾	Warsaw	-	122	122	14	13	27	149
Total including JV		2,397	1,007	3,399	291	40	331	3,730

(1) For the purpose of disclosing information related to the particular projects, the word "sell" ("sold") is used, with relation 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 presented in the Consolidated Financial Statements under investment in joint ventures; the Company's share is 50%.

For information on the completed projects see "Business highlights during the year ended 31 December 2021- A. Results breakdown by project".

Management Board Report

Outlook for 2022

B. Current projects under construction and/or on sale

The table below presents information on projects for which completion is scheduled in 2022 and in 2023. The Company has obtained valid building permits for all projects/stages and has commenced construction and /or sales.

Project name	Location	Start date of construction	Units sold until 31 December 2021	Units for sale as at 31 December 2021	Total units	Total area of units (m ²)	Expected completion of construction
Nowe Warzymice II	Szczecin, Do Rajkowa st. Warsaw, Ursus,	Q4 2020	63	3	66	3,492	Q2 2022
Ursus Centralny Ib	Gierdziejewskiego st. Warsaw, Ursus,	Q4 2020	87	10	97	5,740	Q3 2022
Ursus Centralny IIb	Gierdziejewskiego st.	Q1 2021	124	82	206	11,758	Q4 2022
Miasto Moje V	Warsaw, Bialoleka , Marwilka st.	Q4 2020	154	16	170	8,559	Q4 2022
Nowe Warzymice III	Szczecin, Do Rajkowa st.	Q3 2021	46	16	62	3,535	Q4 2022
Viva Jagodno IIa	Wrocław, Jagodno, Buforowa st.	Q2 2021	50	26	76	4,329	Q4 2022
Grunwaldzka	Poznań, Grunwaldzka st.	Q2 2021	34	36	70	3,351	Q1 2023
Miasto Moje VI	Warsaw, Bialoleka , Marwilka st. Warsaw, Ursus,	Q3 2021	39	188	227	11,722	Q2 2023
Ursus Centralny IIc	Gierdziejewskiego st.	Q4 2021	3	216	219	11,124	Q2 2023
Viva Jagodno IIb	Wrocław, Jagodno, Buforowa st.	Q4 2021	-	152	152	8,875	Q3 2023
Subtotal			600	745	1,345	72,485	

C. Projects for which construction work is planned to commence during the year 2022

During the year 2022, the Company is considering the commencement of 8 stages for ongoing projects and 5 new projects (comprising in total 1,123 units with a total area of 69,030 m²), which the management believes are well-suited to current customer requirements, including smaller apartments at more economical prices.

The table below presents information on projects for which the commencement of construction works is scheduled in the year 2022:

Project name	Location	Total units	Total area of units (m ²)
Nowe Warzymice IV	Szczecin	75	3,800
Miasto Moje VII	Warsaw	243	11,610
Nova Królikarnia 3d	Warsaw	15	2,200
Nova Królikarnia 4a	Warsaw	5	1,380
Nova Królikarnia 4b	Warsaw	23	5,850
Ursus Centralny IIe	Warsaw	280	16,000
Falenty I	Warsaw	42	4,150
Sobola Ia	Szczecin	110	5,200
Stuzienna	Warsaw	84	4,800
Smardzewska	Poznań	96	5,500
Siekierki I	Warsaw	92	5,440
Viva Jagodno III	Wrocław	58	3,100
Total		1,123	69,030

Management Board Report

Outlook for 2022

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 (i.e. upon signing of protocol for technical acceptance and transfer of the key to the client as well as obtaining full payment for the unit purchased) of the contracts with the customers. The table below presents the value of the preliminary sales agreements (excluding VAT) executed with the Company's clients in particular for units that have not been recognized in the Consolidated Statement of Comprehensive Income:

Project name	Location	Number of the sold but not delivered units signed with Clients	Value of the preliminary sales agreements signed with clients	Completed / expected completion of construction
Ursus Centralny IIa ⁽¹⁾	Warsaw	193	80,911	Completed
Miasto Moje IV ⁽¹⁾	Warsaw	44	15,571	Completed
Panoramika VI ⁽¹⁾	Szczecin	24	7,464	Completed
Nova Królikarnia 3a ⁽¹⁾	Warsaw	2	3,325	Completed
Młody Grunwald I-III ⁽¹⁾	Poznań	4	2,118	Completed
Verdis I-IV ⁽¹⁾	Warsaw	3	1,372	Completed
Nova Królikarnia 3c ⁽¹⁾	Warsaw	1	1,401	Completed
Panoramika V ⁽¹⁾	Szczecin	2	1,104	Completed
Miasto Moje I ⁽¹⁾	Warsaw	1	819	Completed
Ursus Centralny Ia ⁽¹⁾	Warsaw	1	642	Completed
Grunwald2 ⁽¹⁾	Poznań	1	624	Completed
City Link III ⁽¹⁾	Warsaw	1	344	Completed
Other (old) projects ⁽¹⁾		-	610	Completed
Subtotal completed projects excluding JV		277	116,304	
Wilanów Tulip ⁽¹⁾⁽³⁾	Warsaw	14	8,833	Completed
Subtotal completed projects including JV		291	125,137	
Ursus Centralny Ib ⁽²⁾	Warsaw	87	41,720	2022
Miasto Moje V ⁽²⁾	Warsaw	154	57,945	2022
Ursus Centralny IIb ⁽²⁾	Warsaw	124	64,510	2022
Viva Jagodno IIa ⁽²⁾	Wrocław	50	18,302	2022
Nowe Warzymice III ⁽²⁾	Szczecin	46	18,547	2022
Nowe Warzymice II ⁽²⁾	Szczecin	63	20,859	2022
Grunwaldzka ⁽²⁾	Poznań	34	12,636	2023
Miasto Moje VI ⁽²⁾	Warsaw	39	16,803	2023
Ursus Centralny IIc ⁽²⁾	Warsaw	3	1,521	2023
Subtotal ongoing projects		600	252,844	
Total		891	377,981	

(1) For information on the completed projects see "Business highlights during the year ended 31 December 2021–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 in addition to the COVID 19 effect which the company experiencing in the last 2 years. The most important macroeconomic factors effecting the Company and the Group 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, 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 2021 and they will have an important influence on Group's operations in the future.

Construction cost risk

Construction costs increased significantly over the last 2 years, a high increase especially in the 4th quarter of the 2021. There is a high risk that building costs may still be rising during 2022. The increase was mainly related to increase of raw materials and energy costs influencing directly and indirectly the costs of production adding to that the pandemic situation with a 4th wave as well as shortage of construction employees. 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 2021 there were many changes in the constructions law, which impacted the cost of constructions as well as sharp increase in inflation rate, costs of raw materials and energy costs. In terms of construction law, 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. On the 19th of October 2021, by the order of the President of the Capital City of Warsaw, a new regulation regarding the participation of Developers on costs of building roads and infrastructure were introduced and entered into force on 1st January 2022. The ordinance will apply to investments with an area of more than 5,000 m² of usable space. The interpretation of the regulations is not yet clear, however, according to the Company's understanding, the idea behind the regulation is systematizing the principles of concluding contracts pursuant to Art. 16 of the Act of March 21, 1985 on public roads by giving the possibility to specify a precise amount of participation (in accordance with the agreed price list of fees depending on the location of the investment) at the investment design stage in exchange for an accelerated process of concluding a road contract.

New building law introduced Eco solutions in new buildings is enforced by the new construction law which require the developer to implement some obligatory Eco Solutions elements in the Buildings in particular solar panels, charging stations for electric cars and other issues which might cause an increase in the total costs of construction.

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 and the increase of energy costs. 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.

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

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.

In order to mitigate the risk of insufficient financial resources, the company is continuously exploring other possibilities of financial resources which will provide the necessary required financing and favourable conditions.

Availability of mortgages

The demand for residential real estate largely depends on the availability of credits and loans for financing the purchase of apartments and houses by individuals. Possible increase in interest rates, deterioration of the economic situation in Poland or administrative restrictions on lending activities of the banks may cause a drop in demand for apartments and houses, and therefore a decrease in interest from potential buyers in the Group's development projects, which in turn may have a significant adverse impact on activities, financial standing or performance of the Company and the Group. In 2021, access to mortgages was selectively monitored by financing banks and was relatively available to selective customers according to bank qualifications. The Covid-19 pandemic had a negative effect on bank financing in terms of conditions and length for obtaining banks approvals. Interest rates in the beginning of the year were at levels around their historic minimum. A sharp increase in interest rates in particularly banks internal rates impacted significantly and will impact big portion of mortgage users to be eligible for residential mortgage financing and in most cases decrease the availability of mortgages due to creditworthiness of individuals. The Company is continuously observing the situation and offering administrative help to its clients for obtaining required credits.

Interest rate risk

A vast majority of loans and borrowings obtained by the Group is against variable interest rates that are based on 6 months WIBOR rates plus a margin. As at 31.12.2021 the 6 Month WIBOR rate reached 2.84% (as at 31.12.2020 0.25%) which reflect 12 month increase of 1036%. The changes in the WIBOR rates will have material impact on the cash flow and the profitability of 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. During the year 2020 and 2021 the company and the Group identify additional negative factor of COVID 19 which influences significantly on the way the Group cooperate with local authorities were certain offices were closed to public or were not accessible. All the above factors may affect the ability to conduct and complete its executed and planned projects.

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), the new construction law and the new local regulations related to Road and instruction participation costs, 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. In spite of that and taking under consideration the Company and the Group long term experience in the market it's ability to adjust quickly to the new market conditions, its financial situation and its reputation in the market. The management Board is in the opinion that these changes are of a lesser extent than on other market operators.

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

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 Company's and Group's development prospects.

Below are main changes in law regulations which can affect the company operations:

- Entry into force on 1 January 2022 of the new Polish Order which according to its assumptions, assumes resignation from the possibility of including depreciation charges on houses and flats in tax costs was especially important tax benefit to individuals and companies planning to purchase a property for rent.
- new Warsaw regulations regarding the participation of Developers on costs of building roads and infrastructure entered into force on 1st January 2022. The ordinance will apply to investments with an area of more than 5,000 m² of usable space. The interpretation of the regulations is not yet clear, however, according to the Company's understanding, the idea behind the regulation is systematizing the principles of concluding contracts pursuant to Art. 16 of the Act of March 21, 1985 on public roads by giving the possibility to specify a specific amount of participation (in accordance with the agreed price list of fees depending on the location of the investment) at the investment design stage in exchange for an accelerated process of concluding a road contract.
- Act on the Protection of rights of buyers of residential premises and single family houses an implementation of the Developer Guarantee Fund, which will take hold starting on 1st July 2022.
- New regulations regarding building permit and design standards which may increase the costs of construction.

COVID-19

Following the second year of the COVID-19 pandemic, the Company witnessed the effect of the pandemic on the Polish market and believe that will continue effecting it probably for quite some time. During the reporting period the Company had experienced in some of its projects, delays related to administrative proceedings with obtaining permits which translated to delay in starting of projects, as direct result of COVID-19 restrictions, as well as in some cases delays by clients with obtaining Credit loans for purchasing of apartments.

The management Board will continue monitoring the situation on on-going basis, and adopt further actions, if necessary, in order to reduce as much as it possible the effect of the pandemic on the Company's operations and strategy.

Inflation risk

Poland's inflation for December 2021 was up 8.6% Year-on-Year (YoY). The price of consumer goods (the Consumer Price Index) jumped by 9% YoY, while the price of services increased by 7.6% YoY.

High inflation pressure is generated by energy (electricity, gas, heating, gasoline, diesel), which was about 20% more expensive than in December of 2020. This increase is adding up into the prices of other goods and services. Following this sharp increase in the inflation rate, Poland shifted its monetary policy by lifting its main interest rates from nearly zero % to almost 3% in the end of the reporting period.

The inflation growth and with it the interbank interest growth will affect the polish economy in many aspects and the real estate residential sector in the following:

- the risk of average mortgage rates increases which might result in decline in volume of mortgages lending which will influence reduce the demand from individual clients.
- risk of Increase in construction costs, related to problems of manufacturing ,energy and transportation.
- risk in delay or withholding of starting new projects due to high costs

The management Board will continue monitoring the situation, and adopt further actions, if necessary, in order to reduce as much as it possible the effect of the inflation and interest rates increase on the Company's operations and strategy.

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

In 2021, 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 W bonds in the amount of PLN 100.0 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 2021. 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 2021 was 25.8%.

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.

As at 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Loan and borrowings, including current portion	250,806	230,072
Interest bearing deferred trade payables	-	8,482
Less: cash and cash equivalents	(133,434)	(135,099)
Less: other current financial assets	(8,794)	(14,239)
Net debt	108,578	89,216
Total equity	420,045	379,817
Total capital employed	528,624	469,033
Total assets	966,597	937,767
Debt to equity ratio	59.7%	60.6%
Net debt to equity ratio	25.8%	23.5%
Equity ratio	43.5%	40.5%
Leverage ratio	20.5%	19.0%

Management Board Report

Assessment of the Group's finance management

Liquidity Ratios	2021	2020
Current assets	907,345	856,550
Inventory and advance for land	703,995	668,461
Short term liabilities less advances received	137,268	148,149
Cash and cash equivalents	133,434	135,099
<i>Current ratio</i>		
<i>current assets / short-term liabilities less advances received</i>	6.61	5.78
<i>Quick ratio</i>		
<i>current assets less inventory and advance for land / short-term liabilities less advances received</i>	1.48	1.27
<i>Cash ratio</i>		
<i>cash and cash equivalents / short-term liabilities less advances received</i>	0.97	0.91

Information on loans, bonds, sureties and guarantees

Bonds loans contracted or redeemed

On 1 February 2021, the Company repaid 15% of outstanding series U bonds with value of PLN 4,848 thousand. After this repayment, the nominal value was set as PLN 850 per bond and the total amount of outstanding series U bonds amounted to PLN 27,469 thousand.

On 15 April 2021 the Company issued 100,000 series W non-secured bonds with a nominal value and issue price of PLN 1.0 thousand per bond and an aggregate nominal value and issue price of PLN 100.0 million. The bonds shall be redeemed through the payment in two installments: at the end of the 7th interest period, on 15 October 2024 (redeeming 40% of the nominal value) and the second on 15 April 2025 by redeeming the remaining part of the nominal value.

Together with issuance of series W bonds the Company:

- purchased for redemption series R bonds with a nominal value of PLN 10,000,000 from the bondholders who purchased the bonds for at least the same amount. In addition the Company paid interest accrued on those bonds until the date of the transaction,
- purchased for redemption series U bonds with a nominal value of PLN 2,247,400 from the bondholders who purchased the bonds for at least the same amount. These transactions were settled without cash (by set-off), except for accrued interest on those bonds until the date of the transaction, which were paid by the Company.

On 24 May 2021, the Company repaid all outstanding 37,859 series R bonds with total nominal value of PLN 37,859 thousand. After this repayment, the total number of outstanding bonds series R amounted to nil.

On 31 July 2021 the Company performed the early redemption of series U bonds through the payment of the redemption amount equal to the nominal value of the Bonds plus accrued interest and an additional cash benefit in the form of a premium. The early redemption refers to all series U bonds with total value of PLN 25.2 million.

The early redemption was carried out in connection with the Company's plans to carry out real estate development projects on certain plots, the mortgage of which secures the Bonds. After this repayment, the total number of outstanding bonds series U amounted to nil.

Resolutions of Bondholders Meetings regarding change of the Terms and conditions of issuance of Bonds

On 5 November 2021 the Meetings of bondholders of series T, V and W were held, where resolutions regarding the change of the Terms and conditions of issuance of Bonds were taken. According to the adopted resolutions the following points from the catalogue of Relative Grounds for Early Redemption of Bonds were removed:

1. point regarding the *Excessive investment in land with an unclear legal status* (for series T, V and W). In connection with adoption of those resolutions, the Company is obligated to make additional payment for the account of bondholders in the amount of 0.4% of the nominal value of bonds. The abovementioned premium will be paid on 25 November 2021,
2. point regarding *Delisting of shares in the Issuer from the WSE* (for series T only).

Bank loans contracted or repaid

On 30 March 2021 the Company signed agreements for bank loans for Miasto Moje V project in amount up to PLN 35.3 million and for Ursus Centralny Ib in amount up to PLN 26.7 million.

On 17 August 2021 the Company signed agreement for bank loans for Nowe Warzymice II projekt in amount up to PLN 15.3 million.

On 26 November 2021 the Company signed agreement for bank loan for Grunwaldzka project in amount up to PLN 20.9 million.

All bank credit loans are secured.

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 2021 are presented in the table below:

Entity name	Amount of guarantee
	<i>In thousands of Polish Zlotys (PLN)</i>
Danya Cebus Poland Sp. z o.o	77,057
EBUD-Przemyslowka Sp. z o.o	3,166
ERBUD S.A	5,523
GLIF Sp. z o.o	1,121
HOCHTIEF POLSKA S.A.	18,224
Kalter Sp. z o.o	2,378
KARMAR S. A.	27,990
Mostostal Warszawa S.A	9,501
OTIS SP. Z O.O	176
Bruker s.c. Przedsiębiorstwo drogowe. Malarecki J.B.	179
PG OMEGA Piotr Garlej	127
POZBUD T&R S.A	1,250
STRABAG SP. Z O.O	4,130
TOTALBUD S.A.	1,033
Other	317
Total	152,170

Additionally as at 31 December 2021 the Company has received a land security mortgage obtained from IŁ Capital Wysockiego Sp. z o.o in the amount of PLN 8,000, while signing the preliminary purchase agreement (via its subsidiary) for the perpetual usufruct right of plot of land located in Warsaw, on Wysockiego street, on 2 June 2021.

Guarantees provided by the Company

The table below present sureties that were provided only by the Company as at 31 December 2021 to banks with respect to the construction loan contacts signed by the Company's subsidiaries:

Entity name	Sureties	Amount as at
<i>In thousands of Polish Zlotys (PLN)</i>	up to the amount of	31 December 2021
Powszechna Kasa Oszczędności Bank Polski S.A.	7,009	-
Total	7,009	-

As at 31 December 2020 there were no sureties with respect to the construction loans contracts granted by the Company.

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 USD 20,000 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

Andrzej Gutowski, as the Vice-President of the Management Board of the Company responsible for Sales (till 31 May 2021 Vice-President of the Management Board of the Company responsible for Sales and Marketing), is entitled pursuant to a resolution of the Supervisory Board to a monthly remuneration of PLN 20,000 and a gross bonus in amount of 0.1% 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.

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.

Remuneration Policy Report

C. *Remuneration of the Management Board*

Andrzej Gutowski

Andrzej Gutowski is also remunerated as a Member of the Ronson Development Management Sp. z o.o.'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 Sp. z o.o., on a basis he receives remuneration in the amount of PLN 5,000. In addition, he is entitled to reimbursement of the costs of medical insurance and a company car.

Yaron Shama

From 1 January 2021 pursuant the resolution of the Supervisory Board 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 22,000 and two annual performance bonuses PLN 47,500 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 January 2020 or losses related to the sale of land or projects whose purchase procedure began before 1 January 2020, 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. 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 Sp. z o.o.'s Management Board on the basis of a resolution from 1 January 2020 of the Shareholders' Meeting in the total amount of PLN 9,000 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 January 2021 through his consulting company for a remuneration of PLN 11,000 per month as well as he provides services to Ronson Development Management Sp. z o.o. in the total amount of PLN 5,500 per month.

Alon Haver

As Mr Alon Haver was also a Management Board member of the indirect major shareholder of the Company (A. Luzon Group), he was not receiving any remuneration from Ronson Development SE nor from any of the Company's subsidiaries. The Company was covering expenses related to his activity as a Company's Management Board member, such as travel and accommodation expenses. Alon Haver resigned from the position of the Management Board member effectively from 31 December 2021.

Karolina Bronszewska

Karolina Bronszewska is a Member of the Management Board of the Company responsible for Marketing and Innovation since 1 June 2021. Pursuant to a resolution of the Supervision Board, Karolina Bronszewska is entitled to a monthly remuneration of the PLN 10,000 and an annual bonus of up to PLN 50,000 depending on the implementation of the Company's annual sales plan, in amount of PLN 25,000 – if the Company meets the sales plan, and additionally by at least 50 units.

In addition, Ms Karolina Bronszewska, on the basis of an employment contract with Ronson Development Management Sp. z o.o. from 1 June 2021 receives a remuneration of the PLN 15,000. Moreover, she is entitled to reimbursement of the costs of medical insurance and a company car.

Management Board Report

Remuneration Policy Report

C. Remuneration of the Management Board

The total remuneration of the members of the Company's Management Board, including bonuses and benefits related to the incentive plan related to the Company's financial results, company car, travel and accommodation in 2021 amounted to PLN 4,787 thousand (2020: PLN 4,793 thousand).

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

As at 31 December 2021	From the Company	In other companies	Total
<i>In thousands of Polish Zlotys (PLN)</i>			
Salary and other short time benefit	70	105	175
Management bonus	50	-	50
Other ⁽²⁾	-	13	13
Subtotal - Mrs Karolina Bronszewska	120	118	238
Salary and other short time benefit	264	88	352
Management bonus	95	-	95
Other ⁽²⁾	132	86	218
Subtotal - Mr Yaron Shama	491	174	665
Salary and other short time benefit	240	144	384
Incentive plan linked to financial results	425	-	425
Other ⁽¹⁾	-	41	41
Subtotal - Mr Andrzej Gutowski	665	185	850
Salary and other short time benefit	1,099	432	1,531
Management bonus	754	-	754
Other ⁽¹⁾	623	127	749
Subtotal - Mr Boaz Haim	2,476	559	3,034
Total	3,752	1,035	4,787

(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 2021 and 2020 amounted to PLN 294 thousand (EUR 64 thousand) and PLN 333 thousand (EUR 75 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 2021 is as follows:

- Alon Kadouri, Member of the Supervisory Board – PLN 51 thousands;
- Ofer Kadouri, Member of the Supervisory Board – PLN 64 thousands;
- Przemysław Kowalczyk, Member of the Supervisory Board – PLN 64 thousands;
- Piotr Palenik, Member of the Supervisory Board – PLN 51 thousands;
- Shmuel Rofe, Member of the Supervisory Board – PLN 64 thousands.

Additional information to the report

Seasonality

The Group's activities are not of a seasonal nature. Therefore, the results presented by the Group do not fluctuate significantly during the year due to the seasonality.

Influence of results disclosed in the report on fulfillment of result forecasts

The Management Board of Ronson Development SE does not publish any financial forecasts concerning the Group and the Company.

Related parties' transactions

There were no transactions and balances with related parties during the year ended 31 December 2021 other than described below, the remuneration of the Management Board, loans granted to related parties within the Group, the reimbursement of audit review costs and the consulting services agreement with A. Luzon Group, the major (indirect) shareholder, for a total monthly amount of PLN 70 thousand and covering travel and out of pocket expenses. All transactions with related parties were performed based on market conditions.

During the year ended 31 December 2021, the Group sold one Apartment to Mr Boaz Haim for a total net amount (excluding VAT) of PLN 369.1 thousand and one Apartment to the company 100% owned by Alon Haver for a total net amount (excluding VAT) of PLN 378.3 thousand. Those transactions were executed at arm's length and was in adherence to the Group's policy in respect of related-party transactions.

Quarterly reporting by the Company

As a result of requirements pertaining to A. Luzon Group, 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, being domiciled in Poland and listed on the Warsaw Stock Exchange, only the semi-annual report is subject to a 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 2021 in both English and Polish languages, while the Polish version is binding.

Proceedings before the courts, arbitration or public administration authority

As of 31 December 2021, 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 2021 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 0.5 million.

Employees

The average number of personnel employed by the Group – on a fulltime equivalent basis – during the year ended 31 December 2021 was 78 compared to 74 during the year ended 31 December 2020. There were no personnel employed in the Company.

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.

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 with the registered office in Raanana, Israel, and 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.

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.

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. Apart from the agreement mentioned above, the Company and the Group did not conclude any significant cooperation agreements with third parties during 2021.

Research and development

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

Environmental protection

The Company, is 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.

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.

Additional information to the report

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 29 of the Consolidated Financial Statements for the year ended 31 December 2021.

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

The Management Board of the Company announced on 29 December 2021 that the Management Board adopted the resolution, where it decided to take steps to expand the scope of the actual activities performed by the direct and indirect subsidiaries of the Company by the so-called PRS (Private Rented Sector). In this regard, the Company will take actions aimed to achieve the following long-term targets if market conditions will allow:

- a. to secure by the end of 2025 a land bank of the Ronson Group for approximately 5,000 apartments for rent, mainly in Warsaw, Wrocław and Poznań;
- b. to have, by the end of 2025, in the offer of the Ronson Group approximately 3,000 apartments for rent, mainly in Warsaw, Wrocław and Poznań;
- c. acquiring partners with experience in this field, for cooperation in the development and conduct of the above-mentioned activities, including financial partners.

At the same time, the Company informs that the above activity will be additional and secondary to the current activity.

Developer act

On July 1, 2022, the amendment to the Act on the protection of the rights of buyers of a flat or single-family house and the Development Guarantee Fund will enter into force. The new regulations will have a significant impact on the activities of entities in the property development industry. The most important changes include the introduction of the Development Guarantee Fund and regulations concerning the taking back of premises, with the accompanying extensive rights for customers. The act will also cover reservation agreements and introduce detailed regulations in this respect, as well as expand the requirements for the prospectus.

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

In the period from 1 January 2021 to 30 June 2021 the Company applied the corporate governance principles of "Best Practices for the Warsaw Stock Exchange Listed Companies 2016" ("Warsaw Stock Exchange Best Practices 2016"), adopted by the Supervisory Board of the Warsaw Stock Exchange on 13 October 2015. As of July 1, 2021, the Company applies the corporate governance principles contained in the Code of Best Practice for WSE Listed Companies 2021, adopted by Resolution of the Supervisory Board of the Warsaw Stock Exchange No. 13/1834/2021 of March 29, 2021 (hereinafter: "DPSN 2021"). DPSN 2021 are available for review at the website of the Warsaw Stock Exchange at: <https://www.gpw.pl/dobre-praktyki-2021>.

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 2021 to 30 June 2021 the Company did not apply the following recommendations and detailed principles of the Warsaw Stock Exchange Best Practices 2016:

Principle I.Z.1.3.

There was 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 was reflected in their respective titles (i.e. the President of the Management Board, the Finance Vice President of the Management Board Sales and Marketing Vice President and Marketing and Innovation Member of the Management Board).

Principle I.Z.1.15.

There was 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, which was reflected in the appointment of Karolina Bronszewska as Member of the Management Board for Marketing and Innovation.

Principle I.Z.1.20.

In the Company's opinion the information policy applied by the Company guarantees that investors have access to complete and thorough information about decisions adopted at the General Meeting of the Company. Therefore, in the Company's opinion, there was 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 did 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.

Corporate governance statement

A. The application of the corporate governance principles

Principle II.Z.2.

In year 2021 Boaz Haim, Yaron Shama, Andrzej Gutowski and Karolina Bronszewska 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.

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 complied with Recommendation III.R.1. The Company outsources its internal audit functions to an external entity, which carries out internal audits in designated areas at the request of the Management Board and reports directly to the Company's Supervisory Board. An internal audit has been carried out in 2021 in the area of compliance. The report from the internal audit was received and reviewed by the Audit Committee of the Supervisory Board of the Company. The Internal Audit shall be also carried out in the area of the Implementation of the new IT system, however it was postponed as the IT system is not fully implemented yet.

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 2021, 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

A. *The application of the corporate governance principles*

During the period from 30 June 2021 to 31 December 2021 and as at the date of this Report, the Company has not applied and does not apply the following principles contained in DPSN 2021: 1.3.1., 1.3.2., 1.4., 1.4.1., 1.4.2., 1.5., 2.1., 2.2., 2.6., 2.7., 2.11.5., 2.11.6., 3.4., 3.5., 3.6., 4.1., 4.3., 4.4., 4.8., 4.14., 6.2. and 6.4.

Principle 1.3.1.

The Company's business strategy does not take the form of a single document - it is incorporated in many documents prepared by the Management Board (such as the annual plan approved by the Supervisory Board, which includes the expected sales results and the expected financial result, or the quarterly investor presentations presenting the plans for the coming years), not all of which are published on the Company's website. Consequently, the Company does not have a formal document on ESG and climate change issues complementary to its business strategy, which does not mean, however, that issues related to environmental protection, social responsibility and corporate governance are not taken into account when developing the Company's development strategy. The Company is currently implementing a responsibility strategy that assumes a holistic approach to the designed developments promoting sustainable lifestyles. When designing investments, the Company puts the customer and its needs at the center, as well as the environment and the impact of the investment on the planet. The Company makes every effort to ensure that the solutions implemented as part of the estates under construction help future residents change their habits for the better. We consistently implement environmentally friendly technological solutions which focus on ecology and reduce the operating costs of our estates. In a model ecological housing estate, a special role is played by greenery, i.e. the type and number of plants and trees planted, which positively affect air quality, but are also a habitat for many beneficial insects and animals. In our projects we use numerous species of trees and plants, we create "green walls and roofs" to reduce air pollution and increase oxygen production. On the roofs of our investments we design photovoltaic panels that supply energy to common areas, we use rainwater to water plants, which ensures proper rainwater retention. Wide sidewalks, bike paths, recreational areas with greenery parks, all this affects the active spending of time by our residents in the bosom of nature. We install facilities for both pedestrians and cyclists, including bicycle racks and bicycle rooms. By providing for the possibility of installing electric car chargers, we contribute to supporting the eco-mobility strategy, which is another element of our sustainable development strategy.

Principle 1.3.2.

In terms of work organization, the Company has implemented the CRP system integrated with the CRM system, which has made it possible to streamline electronic document circulation and thus significantly reduce printed documents. Moreover, as part of the Group's employment policy, the Company strives to implement solutions and create conditions aimed at improving working conditions, both at the Company's headquarters and in its branches. At the same time, the Company takes measures to motivate employees to spend their free time actively and tries to involve employees in various small charity activities.

Principle 1.4.

It is the policy of the Company's Management Board, in particular due to the ownership structure and the industry in which the Company operates, to publish investor presentations on the Company's website every quarter summarizing the financial results for the quarter in question, including key financial and operating data, the Company's achievements and material events in the period, a summary of sales and projects under development, as well as the outlook for the coming period. At the same time, the Company does not publish financial forecasts for a given year or information on its ESG strategy.

Principle 1.4.1.

The Company does not publish information on its ESG strategy, while implementing or planning specific ESG measures in individual development projects. In connection with the implemented corporate responsibility strategy, the Company, while designing its investments, takes into account their impact on the current climate changes. In its newly designed investments, it takes into account ecological solutions using renewable energy sources and reuse of rainwater or energy-efficient LED lighting. By applying such solutions, the Company contributes to reducing its carbon footprint. The Company keeps abreast of market trends and technological innovations related to care for the environment and enhancing the living comfort of residents, thus reducing the costs of maintenance of common parts of real estate.

Corporate governance statement

A. The application of the corporate governance principles

Principle 1.4.2.

The Company does not publish information on its ESG strategy, in particular also on the salary equivalence ratio, which is mainly due to the size and structure of its workforce.

Principle 1.5.

The Company is aware of its impact on local communities, which is why it engages in various charitable activities aimed at supporting those most in need, including foundations, orphanages, animal shelters and social care homes. The annual amount of expenses allocated for this purpose has not been disclosed so far due to its low value in relation to the annual revenue.

Principle 2.1.

The Company has not adopted a diversity policy with respect to its Management Board and Supervisory Board. In the selection of persons holding positions on the Company's bodies, knowledge, competence and previous experience are of decisive importance..

Principle 2.2.

The Supervisory Board of the Company is aware of the advantages of diversity, especially relating to gender balance. Accordingly, the Supervisory Board, in an effort to increase diversity in the composition of the Management Board, on 27 May 2021 appointed (as of 1 June 2021) to the Company's Management Board Ms Karolina Bronszewska - as Member of the Management Board for Marketing and Innovation. The Company currently has no positions on the Supervisory Board filled by women.

Principle 2.6.

The deviation from this rule took place until 31 December 2021 and concerned only one member of the Management Board, Mr. Alon Haver (he resigned as a member of the Company's Management Board as of 31 December 2021), for whom serving on the Company's Management Board was not the main area of professional activity (he was also a member of the Management Board in a company that was indirectly the Company's main shareholder (A. Luzon Group), but this did not, in the Company's opinion, affect the reliable performance of his duties as a member of the Company's Management Board. The additional activities of the other members of the Management Board do not require such a commitment of time or effort as to adversely affect the proper performance of their functions in the Company.

Principle 2.7.

This rule is not applied at the Company, whereby members of the Management Board are required to make an appropriate commitment of time and effort, and performing their functions on the Management Board, with one exception described in the commentary to Rule 2.6 above, should constitute the main area of professional activity for a member of the Company's Management Board. At the same time, the Regulations of the Management Board, reiterating the provisions of the Commercial Companies Code, provide that a Member of the Management Board may not, without the Company's consent, participate in a competitive company as a member of a corporate body or participate in another competitive legal person as a member of its body. The consent on behalf of the Company is granted by the Supervisory Board.

Principle 2.11.5.

The annual expenditure incurred by the Company and its group to support culture, sports, charities, media, social organizations, trade unions, etc., was not disclosed due to its low value in relation to annual revenue.

Principle 2.11.6

This principle is not applied as the Company does not have a Diversity Policy.

Principle 3.4.

In the Company, risk management and compliance are the responsibility of the management board, within the framework of the remuneration received. However, the internal audit function of individual areas of the Company's operations is outsourced to specialized external entities.

Principle 3.5.

The management board of the Company is responsible for risk management and compliance.

Corporate governance statement

A. The application of the corporate governance principles

Principle 3.6.

The internal audit function of individual areas of the Company's operations is outsourced to specialized external entities.

Principle 4.1.

The shareholders of the Company have not expressed to the Company any expectations that the General Meeting should be held using electronic communication means.

Principle 4.3.

In the Company's opinion, ensuring real-time transmission of the General Meeting is not justified due to the Company's shareholding structure. Moreover, the shareholders of the Company have not expressed to the Company any expectations that General Meetings be broadcast in real time.

Principle 4.4.

Since the time of holding general meetings of the Company in the territory of Poland there was no case of arrival of representatives of the media at a general meeting of the Company or notification by a representative of the media of their intention to be present at the general meeting.

Principle 4.8.

The Company in this respect applies the provision of Article 401 § 5 of the Commercial Companies Code, according to which each shareholder may, during a general meeting, propose draft resolutions concerning issues included in the agenda.

Principle 4.11.

At least one member of the Management Board of the Company shall attend the General Meeting of the Company. The decision of the members of the Supervisory Board to participate in the General Meeting is in each case an individual decision of the respective member of the Supervisory Board. Furthermore, it is the Company's Management Board that is the only body obliged to respond to the shareholder during the general meeting (Article 428 of the Commercial Companies Code). Due to the generally small number of participants at the Company's general meetings, the Management Board does not make a presentation of the financial results and other relevant information contained in the financial statements, but only answers questions from shareholders or their proxies in this respect.

Principle 6.2.

The Company has only individual incentive schemes for the remuneration of members of the Management Boards, understood in the sense that part of the remuneration is variable, related to the economic situation of the Company and indicators such as financial results, sales results, or share price. Key managers are not covered by any incentive programmes.

Principle 6.4.

Remuneration of members of the Supervisory Board is partly dependent on the number of meetings held. Remuneration of members of committees (in addition to their remuneration as a member of the Supervisory Board) is solely dependent on the number of meetings held by each committee. At the same time, the Chairman of the Supervisory Board - Mr Amos Luzon does not receive direct remuneration from either the Company or its subsidiaries.

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 analyses 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 2021, 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 15 March 2021, the following shareholders are entitled to exercise over 5% of the voting rights at the General Meeting of Shareholders in the Company:

<i>Shares</i>	As of	Change in number of shares	As of	Change in number of shares	As of
	15 March 2022		31 December 2021		31 December 2020
	Number of shares / % of shares		Number of shares / % of shares		Number of shares / % of shares
Shares issued:	164,010,813	-	164,010,813	-	164,010,813
	108,349,187	-	108,349,187	-	108,349,187
I.T.R. Dori B.V. ⁽¹⁾	66.06%	-	66.06%	-	66.06%
	54,093,672	8,201,224	45,892,448	45,892,448	-
A. Luzon Group	32.98%	5.00%	27.98%	27.98%	0.00%
	-	-	-	(23,880,000)	23,880,000
Nationale Nederlanden Otworthy Fundusz Emerytalny	-	-	-	(14.56%)	14.56%
Metlife Otworthy Fundusz Emerytalny	-	-	-	N/A	N/A
	-	-	-	N/A	Between 5%-10%
<i>Votes</i>	As of	Change in number of shares ⁽²⁾	As of	Change in number of shares ⁽²⁾	As of
	15 March 2022		31 December 2021		31 December 2020
	Number of shares / % of shares		Number of shares / % of shares		Number of shares / % of shares
Shares issued⁽²⁾:	162,442,859	-	162,442,859	(78,719)	162,521,578
	108,349,187	-	108,349,187	-	108,349,187
I.T.R. Dori B.V. ⁽¹⁾	66.70%	-	66.70%	0.00%	66.67%
	54,093,672	8,201,224	45,892,448	45,892,448	-
A. Luzon Group	33.30%	5.05%	28.25%	28.25%	0.00%
	-	-	-	(23,880,000)	23,880,000
Nationale Nederlanden Otworthy Fundusz Emerytalny	-	-	-	(14.69%)	14.69%
Metlife Otworthy Fundusz Emerytalny	-	-	-	N/A	N/A
	-	-	-	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 2021 and as at 15 March 2022 was 1,567,954, which represented 0.96% of the total shares issued by the Company and of the voting rights at the General Meeting, in accordance with Article 364 § 2 of the Commercial Companies Code, the Company does not exercise participation rights, including voting rights, from its own shares.

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 2021, 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 2021 in Warsaw. The agenda of the Ordinary General Meeting included in particular the approval of the financial statements for the financial year 2020, the acknowledgement of the fulfilment of duties by the members of the Management Board and the Supervisory Board as well as: the distribution of net profit for the year 2020, the giving of an opinion on the Report on the remuneration of the members of the Management Board and the Supervisory Board of Ronson Development SE for the years 2019 and 2020, the adoption of an amendment to the Remuneration Policy for the members of the Management Board and the Supervisory Board of Ronson Development SE, the adoption of a resolution on the approval of the conclusion of the indemnification agreements with Karolina Bronszewska - a newly appointed member of the Management Board of the Company. The course of the Ordinary General Meeting of Shareholders of the Company complied with 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

For the period from 1 January 2021 to 31 May 2021 the composition of the Board of Directors was as follows:

Boaz Haim, *President of the Management Board*

Yaron Shama, *Finance Vice-President of the Management Board*

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

Alon Haver, *Member of the Management Board*

In the period from 1 June 2021 to 31 December 2021 the composition of the Management Board was as follows:

Boaz Haim, *President of the Management Board*

Yaron Shama, *Finance Vice-President of the Management Board*

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

Karolina Bronszewska, *Member of the Management Board for Marketing and Innovation*

Alon Haver, *Member of the Management Board*

In the period from 1 January 2022 to the date of signing of this Directors' Report, the composition of the Management Board was as follows:

Boaz Haim, *President of the Management Board*

Yaron Shama, *Finance Vice-President of the Management Board*

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

Karolina Bronszewska, *Member of the Management Board for Marketing and Innovation*

Changes in the composition of the Management Board

On 27 May 2021, the Supervisory Board of the Company appointed, as of 1 June 2021, Ms Karolina Bronszewska as Member of the Management Board for Marketing and Innovation for a joint five-year term of office of the Management Board of the Company, which started on 1 April 2019. At the same time, in connection with the appointment of Ms Karolina Bronszewska as the Company's Management Board Member for Marketing and Innovation, the position title of Mr Andrzej Gutowski was changed from "Vice-President of the Management Board for Marketing and Sales" to "Sales Vice-President".

On 23 November 2021 Mr Alon Haver resigned from the position of Member of the Management Board of the Company with effect from 31 December 2021.

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 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.

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, as amended), 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 2021, 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 Zementcal 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 2021, 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 2021, 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 2021 and until the date of publication of the report

The members of the Management Board did not hold any shares in the Company during the year ended 31 December 2021 and until the date of this Report.

Mr Piotr Palenik (Supervisory Board Member) held 20,000 (twenty thousand) ordinary bearer shares in the Company's share capital, representing approximately 0.012% of the Company's share capital and conferring the right to exercise approximately 0.012% of the total vote at the Company's General Shareholders Meeting, however on 22 September 2021 he notified the Company about direct disposal of these shares.

The other members of the Supervisory Board did not hold any shares in the Company in 2021 and do not hold any shares in the Company as at the date of this Report, however Amos Luzon Development and Energy Group Ltd. ("Luzon Group"), an entity closely related to Mr. Amos Luzon, acting as Chairman of the Company's Supervisory Board, Mr. Ofer Kadouri, acting as Member of the Company's Supervisory Board, and Mr. Alon Haver, acting (until 31 December 2021) as Member of the Company's Management Board, during the period from 13 August 2021 to 31 December 2021, directly acquired a total of 45,892,448 (in words: forty-five million eight hundred ninety-two thousand four hundred forty-eight) shares in the Company, representing approximately 27.98% of the total number of votes at the Company's general meeting.

As a result of those transactions, as at 31 December 2021, the Luzon Group held in total, directly and indirectly, 155,809,589 ordinary bearer shares in the Company, representing approximately 94.9996% of the Company's share capital, including 108,349,187 shares (approximately 66.06% of the Company's share capital) through I.T.R Dori B.V. Rotterdam, 45,892,448 shares (approximately 27.98% of the Company's share capital) directly and 1,567,954 shares (approximately 0.956% of the Company's share capital) indirectly in the Company's own shares, whereby, in accordance with Article 364 § 2 of the Code of Commercial Companies, the Company does not exercise participation rights, including voting rights, from its own shares.

As at the date of this Report, the Luzon Group held in total, directly and indirectly 164,010,813 shares in the Company representing 100% of the Company's share capital (please see "Purchase of shares by the majority shareholder" in the Note 36 to the Consolidated Financial Statements)

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, the Company currently has one position in its management and supervisory bodies filled by a woman - Karolina Broszewska. 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.

Corporate governance statement

K. Appointment of the Auditor

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 30 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.

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;

Corporate governance statement

K. Appointment of the Auditor

3. The prohibited non-audit services mean (cont):

- b) services that involve playing any part in the management or decision-making of the audited entity;
- c) bookkeeping and preparing accounting records and financial statements;
- d) provision of tax advice;
- e) designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems;
- f) valuation services, including valuations performed in connection with actuarial services or litigation support services;
- g) legal services, with respect to:
 - (i) the provision of general counsel;
 - (ii) negotiating on behalf of the audited entity; and
 - (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 2021 was made together with the selection of the audit company for 2020.

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.

Corporate governance statement

K. Appointment of the Auditor

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 2021 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, as well as additional assurance services relating to the inclusion of the Company's financial statements in the Company's information memorandum prepared in connection with the offering of bonds issued by the Company.

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 Consolidated Financial Statements for the year ended 31 December 2021.

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 15 March 2022, 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 2021 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 2021, 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.

Management Board Report

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 2021 was prepared and approved by the Management Board of the Company on 16 March 2022.

The Management Board

Boaz Haim

President of the Management Board

Yaron Shama

Finance Vicepresident of the Management Board

Andrzej Gutowski

Sales Vicepresident of the Management Board

Karolina Bronszewska

Member of the Management Board for Marketing and Innovation