

# Ronson Development SE



**Management Board  
Report on the Activity  
of the Company and the Group  
for the financial year 2023**

**General Information**

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**Management Board**

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*

**Registered office**

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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**

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**To our Shareholders**

Following the results in the 2022 financial year Ronson focused in the 2023 financial year on remaining highly profitable in spite the challenging business environment in the first half of the year and taking advantage of the possibilities of growth that the government programs gave in the second half.

We achieved another strong year of financial performance, with record sales, high gross and operating margins, and very strong cash flow putting the Group in excellent position for the year 2024.

Growth and innovation remain central to our DNA. The strong results reflect our constant focus on the needs of our clients, the uniqueness of our products the attention to details, our industry expertise, and the commitment and dedication of our talented people.

We started the year as a continuation of 2022 with difficult challenges, among other things, a sharp increase in inflation and interest rates, war in Ukraine, and price increases. In the middle of 2023, the market changed and returned to full activity, at full strength.

Throughout the year, the residential sector has been challenged by administrative delays and significant inflationary pressure high energy and transportation costs. Prices of key construction materials like steel fluctuated during the year adding to the uncertainty of the market condition.

During the year 2023 Ronson Group focused on development of its land bank, as well as expanded its land bank further. Thanks to that, the current land bank of the Group is over 5 721 units (from it 1 469 units are in future stages of ongoing projects) with total area of 96 268 m<sup>2</sup> which will serve the financial needs for the coming years. 926 units are under construction with total area of 49 442 m<sup>2</sup>.

In addition to the purchased land bank, the Group signed on number of preliminary purchase agreements securing a future land bank of 93 400 m<sup>2</sup> usable area for approximately 2 002 units.

The Group is consistently searching and negotiating the purchase of new plots for land bank growth and development reason, mainly in Wrocław, Warsaw and Poznań.

In terms of sales result, in 2023 the Group managed to achieve 1 006 units, which represent an increase of approximately 128% comparing to last year (441 units). Warsaw remained the most significant city for the Company as in previous years. However, the Group is actively pursuing to increase its land bank in each of the cities in which it operates.

Highlights for the Group's 2023 results include:

- Commencement – we commenced 1 new project;
- Completion – we completed over 995 units in 7 projects/ stages of projects;
- Sales – we sold 1 006 units;
- Delivery – we delivered 796 units to our clients;
- During 2023 we issued bonds series X with a total value of PLN 60 000 thousands, in July 2023 the Financial Supervision Commission (KNF) approved the base prospectus for the Company's Public Bond Issuance Program drawn up in connection with the public offering of bearer bonds with an aggregate nominal value of no more than PLN 175 000 000. During the year the company as well repaid the amount of PLN 40.000 thousand of bonds series V;
- Ronson Group increased its ranking position to the honourable 2<sup>nd</sup> place in the 4<sup>th</sup> edition of the National Ranking of the Best Residential Developers for 2023, by the Strefa Gospodarki magazine of Dziennik Gazeta Prawna in category "Innovations introduced into the investments and attitude towards local community"; won as well WIZJERY 2023 in the category "Best use of eco-trends or new technologies in a development project".

In 2023 we introduced a new group strategy: Expect More, which serves as an invitation to our current and potential employees to join our bold ambitions as well as further improving our client relations and our products quality. While we still have work to do, supporting our people and empowering them to deliver results, investing in our culture and making Ronson a place everyone feels proud to work remains a primary goal.

**Letter from the President of the Management Board**

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Overlooking forward on the year 2024, the Group will retain its focus on the same cities in which it is active. We expect that the year 2024 will be in the first half more challenging than in the second within which the new credit subsidy program is said to be introduced by the new government. We will keep introducing gradually new projects to our ongoing activity, particularly in Warsaw new stages of: Ursus Centralny, Miasto Moje, Nova Królikarnia and opening new project Zielono Mi in Mokotów, Marynin in Bemowo, Epopei in Białołęka. In Wrocław a new stage of Viva Jagodno, in Szczecin new stage of Nowe Warzymice, Nowa Północ and in Poznań a new stage of Grunwald Między Drzewami as well as our new project Skyline.

With respect to the PRS sector and the new Brand, LivinGo the Group will focus on development of its existing portfolio mainly achieving the necessary permits for the projects. At the publication of this financial reports the Group has secured 6 projects with a potential to build over 1 400 units.

We expect 2024 to be challenging. This year we will focus on investing all our resources and efforts to meet our goals, including the expansion of the land bank.

We are entering 2024 strong and motivated, we believe Ronson will continue its growth.

We would like to express our gratitude and appreciation to our senior leadership and team members for their continued dedication in protecting our progressive reputation and the value of the organisation. We would also like to extend our gratitude to our partners and key stakeholders – our clients, business partners, associates, bankers, suppliers and to You, our shareholders – for your continued support.

Regards,

***Boaz Haim***

President of the Management Board

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## Introduction

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

As at 31 December 2023, Amos Luzon Development and Energy Group Ltd. ("A. Luzon Group"), the ultimate parent company, controlled 100% of the Company's shares, including directly holding 32.98% of the Company's shares, indirectly, through its wholly-owned subsidiary Luzon Ronson N.V. (former name I.T.R. Dori B.V.), held 66.06% of the Company's shares and the remaining 0.96% of the Company's shares were treasury shares.

## Overview of the Company and the Group Activity

The Company together with its subsidiaries (the "Group") is active in the development and sale of residential units, mainly in multi-family buildings for individual customers throughout Poland. In 2021 the Management Board of the Company decided to start developing new activity, so-called Private Rent Sector (PRS). PRS is sector of Poland's residential market in which buildings are designed and built specifically for rental. 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 2023, the Group realized sales of 1006 units with the total value of PLN 589.7 million, which is an increase of 128% comparing to sales of 441 units with the total value PLN 207.8 million during the year ended 31 December 2022.

Until 31 December 2023 the Group delivered 794 units in 100% owned projects which represent a total revenue of PLN 395.5 million comparing to delivery of 720 units in 100% owned projects with a total revenue value of PLN 300.3 million during year ended 31 December 2022.

As at 31 December 2023, the Group has 385 units available for sale in 11 locations, of which 338 units are in ongoing projects and the remaining 47 units are in completed projects. The ongoing projects comprise a total of 926 units, with an aggregate floor space of 49 442 m<sup>2</sup>. The construction of 857 units with a total area of 43 736 m<sup>2</sup> is expected to be completed during 2024.

The Group has a pipeline of 17 projects in different stages of preparation, representing approximately 4 288 units with an aggregate floor space of approximately 246 757 m<sup>2</sup> for future development of the residential activity in Warsaw, Poznań, Wrocław and Szczecin and 6 projects representing approximately 1 433 units with an aggregate floor space of 51 229 m<sup>2</sup> for future development of PRS rental sector in Warsaw.

In addition to the above, as at 31 December 2023 the Group is in different stages of finalizing the process of purchasing 3 plots located in Warsaw with a total projected usable area of apartments ("PUM") of 93 400 m<sup>2</sup> with an estimated 2 002 units for construction for a total purchase price of PLN 157.5 million.

## Management Board Report

## Business highlights during the year ended 31 December 2023

## A. Results breakdown by project

The following table specifies revenue, cost of sales, gross profit and gross margin during the year ended 31 December 2023 on a project by project basis:

| Project                                    | Information on the delivered units |                                 | Revenue <sup>(1)</sup> |             | Cost of sales <sup>(2)</sup> |             | Gross profit   | Gross margin |
|--|------------------------------------|---------------------------------|------------------------|-------------|------------------------------|-------------|----------------|--------------|
|  | Number of units                    | Area of units (m <sup>2</sup> ) | PLN thousands          | %           | PLN thousands                | %           | PLN thousands  | %            |
| Ursus Centralny IIb                        | 204                                | 11 631                          | 111 323                | 28,1%       | 70 774                       | 27,6%       | 40 549         | 36,4%        |
| Miasto Moje VI                             | 213                                | 10 697                          | 100 208                | 25,3%       | 64 440                       | 25,2%       | 35 768         | 35,7%        |
| Viva Jagodno IIb                           | 137                                | 7 478                           | 61 385                 | 15,5%       | 36 930                       | 14,4%       | 24 455         | 39,8%        |
| Ursus Centralny IIc                        | 67                                 | 3 660                           | 37 429                 | 9,5%        | 20 493                       | 8,0%        | 16 936         | 45,2%        |
| Nowe Warzymice IV                          | 68                                 | 3 512                           | 28 844                 | 7,3%        | 20 360                       | 8,0%        | 8 484          | 29,4%        |
| Grunwaldzka                                | 65                                 | 3 012                           | 28 793                 | 7,3%        | 23 073                       | 9,0%        | 5 719          | 19,9%        |
| Miasto Moje V                              | 14                                 | 981                             | 8 156                  | 2,1%        | 6 321                        | 2,5%        | 1 835          | 22,5%        |
| Viva Jagodno IIa                           | 10                                 | 788                             | 6 251                  | 1,6%        | 4 540                        | 1,8%        | 1 711          | 27,4%        |
| Nowe Warzymice III                         | 5                                  | 393                             | 2 724                  | 0,7%        | 1 881                        | 0,7%        | 843            | 30,9%        |
| Other <sup>(4)</sup>                       | 11                                 | 871                             | 10 377                 | 2,6%        | 7 290                        | 2,8%        | 3 087          | 29,7%        |
| <b>Total / Average</b>                     | <b>794</b>                         | <b>43 023</b>                   | <b>395 491</b>         | <b>100%</b> | <b>256 103</b>               | <b>100%</b> | <b>139 388</b> | <b>35,2%</b> |
| <b>Impairment recognized</b>               | n.a.                               | n.a.                            | n.a.                   |             |                              |             | -              | n.a.         |
| <b>Results after write-down adjustment</b> | <b>794</b>                         | <b>43 023</b>                   | <b>395 491</b>         |             | <b>256 103</b>               |             | <b>139 388</b> | <b>35,2%</b> |
| Wilanów Tulip <sup>(3)</sup>               | 2                                  | 144                             | 1 473                  |             | 3 113                        |             | (1 640)        | -111,3%      |
| <b>Economic results</b>                    | <b>796</b>                         | <b>43 167</b>                   | <b>396 964</b>         |             | <b>259 217</b>               |             | <b>137 748</b> | <b>34,7%</b> |

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

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

(3) The project presented in the Interim Condensed Consolidated Financial Statements under investment in joint ventures; the Company's share is 50%. Amount recognized using the equity method in accordance with IAS 28.

(4) The amount includes old projects delivery of units and parking places as well as revenue from leasing of office buildings.

Revenue from the sale of residential units is recognized when the customer takes control of the unit, i.e. when the technical acceptance protocol is signed, the keys to the unit are handed over and full payment is received. Revenue from sales of apartments and service units of residential projects recognized during the twelve months ended 31 December 2023 amounted to PLN 395.5 million, whereas cost of sales before write-down adjustment amounted to PLN 256.1 million, which resulted in a gross profit before write-down adjustment amounting to PLN 139.4 million representing a gross margin of 35.2%. Total economical revenue, whereby results from joint ventures are presented on a fully consolidated basis, amounted to PLN 396.9 million, with cost of sales amounting to PLN 259.2 million, resulted in a gross profit of PLN 137.7 million and representing gross margin of 34.7%.

## Projects completed during the year ended on 31 December 2023

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 2023:

| Project name        | Location | Number of units | Area of units (m <sup>2</sup> ) | Total units sold until 31 December 2023 | Units delivered in 2023 | Units sold not delivered as at 31 December 2023 |
|---------------------|----------|-----------------|---------------------------------|---|-------------------------|---|
| Miasto Moje VI      | Warsaw   | 227             | 11 722                          | 223                                     | 213                     | 10  |
| Ursus Centralny IIc | Warsaw   | 223             | 11 124                          | 212                                     | 67                      | 145   |
| Ursus Centralny IIb | Warsaw   | 206             | 11 758                          | 205                                     | 204                     | 1   |
| Viva Jagodno IIb    | Wrocław  | 152             | 8 876                           | 144                                     | 137                     | 7   |
| Nowe Warzymice IV   | Szczecin | 75              | 3 818                           | 74                                      | 68                      | 6   |
| Grunwaldzka         | Poznań   | 70              | 3 351                           | 70                                      | 65                      | 5   |
| Eko Falenty I       | Warsaw   | 42              | 4 304                           | 27                                      | -                       | 27  |
| <b>Total</b>        |          | <b>995</b>      | <b>54 952</b>                   | <b>955</b>                              | <b>754</b>              | <b>201</b>                                      |

## Management Board Report

## Business highlights during the year ended 31 December 2023

## A. Results breakdown by project

*Projects completed in previous years and from which revenue was recognized in the current period*

The table below presents information on the projects that were completed (i.e. all construction work has been completed and an occupancy permit has been obtained) in previous years and the income that was recognised based on units delivered during the year ended 31 December 2023:

| Project name              | Location | Completion date | Total Project Units | Total Area of units (m <sup>2</sup> ) | Total units sold until 31 December 2023 | Total units delivered until 31 December 2023 | Units delivered during 2023 | Recognised income during year 2023 (PLN'000) | Units sold not delivered as at 31 December 2023 | Units for sale as at 31 December 2023 | Left to sale/deliver after 31 December 2023 |
|---------------------------|----------|-----------------|---------------------|---------------------------------------|---|--|-----------------------------|--|---|---------------------------------------|---|
| Miasto Moje V             | Warsaw   | Q3 2022         | 170                 | 8 559                                 | 170                                     | 155  | 14                          | 8 156  | 1   | -                                     | 1   |
| Viva Jagodno IIa          | Wrocław  | Q4 2022         | 76                  | 4 329                                 | 72                                      | 59   | 10                          | 6 251  | 3   | 4                                     | 7   |
| Nowe Warzymice III        | Szczecin | Q4 2021         | 62                  | 3 537                                 | 62                                      | 57   | 5                           | 2 724  | -   | -                                     | -   |
| Nova Królikarnia 1d       | Warsaw   | Q2 2018         | 12                  | 1 488                                 | 12                                      | 11   | 1                           | 2 466  | -   | -                                     | -   |
| Nowe Warzymice I          | Szczecin | Q2 2021         | 54                  | 3 234                                 | 53                                      | 51   | 2                           | 1 311  | -   | 1                                     | 1   |
| Miasto Moje IV            | Warsaw   | Q4 2021         | 176                 | 8 938                                 | 176                                     | 174  | 2                           | 1 214  | -   | -                                     | -   |
| Moko I                    | Warsaw   | Q4 2016         | 178                 | 11 238                                | 178                                     | 177  | 1                           | 1 182  | -   | -                                     | -   |
| Nowe Warzymice II         | Szczecin | Q2 2022         | 66                  | 3 492                                 | 66                                      | 64   | 2                           | 1 074  | -   | -                                     | -   |
| Viva Jagodno I            | Wrocław  | Q3 2021         | 121                 | 6 241                                 | 121                                     | 120  | 1                           | 618  | -   | -                                     | -   |
| City Link III             | Warsaw   | Q4 2019         | 368                 | 18 763                                | 368                                     | 367  | 1                           | 580  | -   | -                                     | -   |
| Panoramika I              | Szczecin | Q4 2012         | 90                  | 5 328                                 | 90                                      | 89   | 1                           | 462  | -   | -                                     | -   |
| Moko II                   | Warsaw   | Q4 2016         | 167                 | 12 624                                | 167                                     | 167  | 0                           | 169  | -   | -                                     | -   |
| Ursus Centralny IIa       | Warsaw   | Q4 2021         | 251                 | 13 509                                | 251                                     | 251  | 0                           | 55   | -   | -                                     | -   |
| Sakura I-IV               | Warsaw   | Q3 2015         | 515                 | 30 290                                | 515                                     | 515  | 0                           | 53   | -   | -                                     | -   |
| Sakura Idea               | Warsaw   | Q3 2015         | 26                  | 1 854                                 | 25                                      | 25   | 0                           | 38   | -   | 1                                     | 1   |
| Ursus Centralny Ib        | Warsaw   | Q3 2022         | 97                  | 5 740                                 | 97                                      | 97   | 0                           | 23   | -   | -                                     | -   |
| Miasto Moje III           | Warsaw   | Q4 2020         | 196                 | 10 176                                | 196                                     | 196  | 0                           | 39   | -   | -                                     | -   |
| Vitalia III               | Wrocław  | Q1 2021         | 81                  | 6 790                                 | 81                                      | 81   | 0                           | 6  | -   | -                                     | -   |
| Miasto Moje I             | Warsaw   | Q2 2018         | 205                 | 10 917                                | 205                                     | 205  | 0                           | 4  | -   | -                                     | -   |
| Verdis I-IV               | Warsaw   | Q4 2015         | 441                 | 26 062                                | 441                                     | 440  | 0                           | 0  | 1   | -                                     | 1   |
| Verdis Idea               | Warsaw   | Q4 2015         | 11                  | 772                                   | 11                                      | 10   | 0                           | 0  | 1   | -                                     | 1   |
| Młody Grunwald            | Poznań   | Q2 2014         | 148                 | 8 575                                 | 148                                     | 146  | 0                           | 0  | 2   | -                                     | 2   |
| Młody Grunwald III        | Poznań   | Q4 2017         | 108                 | 7 091                                 | 107                                     | 107  | 0                           | 0  | -   | 1                                     | 1   |
| <b>Total excluding JV</b> |          |                 | <b>3 619</b>        | <b>209 546</b>                        | <b>3 612</b>                            | <b>3 564</b>                                 | <b>40</b>                   | <b>26 425</b>                                | <b>8</b>  | <b>7</b>                              | <b>15</b>                                   |
| Wilanów Tulip             | Warsaw   | Q3 2021         | 149                 | 9 574                                 | 149                                     | 147  | 2                           | 1 473  | -   | -                                     | -   |
| <b>Total including JV</b> |          |                 | <b>3 768</b>        | <b>219 120</b>                        | <b>3 761</b>                            | <b>3 711</b>                                 | <b>42</b>                   | <b>27 898</b>                                | <b>8</b>  | <b>7</b>                              | <b>15</b>                                   |



## Management Board Report

## Business highlights during the year ended 31 December 2023

## 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 m<sup>2</sup>) of the units sold and net value (exclusive of VAT) of the preliminary sales agreements (including also parking places and storages) sold by the Company during the year ended 31 December 2023:

| Project name                 | Location | Total Project Saleable area (m2) | Total project units | Units sold until 31 December 2022 | Units sold during 12 months ended 31 December 2023 | Net Sold area (m2) | Value of the preliminary sales agreements (in PLN thousands) | Units for sale as at 31 December 2023 |
|------------------------------|----------|----------------------------------|---------------------|-----------------------------------|--|--------------------|--|---------------------------------------|
| Ursus Centralny IIe          | Warsaw   | 16 127                           | 291                 | 5                                 | 139  | 7 579              | 85 775   | 147                                   |
| Ursus Centralny IIc          | Warsaw   | 11 124                           | 223                 | 74                                | 138  | 7 098              | 85 629   | 11                                    |
| Miasto Moje VII              | Warsaw   | 11 725                           | 255                 | 2                                 | 155  | 6 597              | 73 367   | 98                                    |
| Osiedle Vola                 | Warsaw   | 4 851                            | 84                  | 15                                | 67   | 3 917              | 58 571   | 2                                     |
| Miasto Moje VI               | Warsaw   | 11 722                           | 227                 | 127                               | 96   | 6 196              | 58 082   | 4                                     |
| Między Drzewami              | Poznań   | 5 803                            | 117                 | 24                                | 83   | 4 123              | 43 167   | 10                                    |
| Viva Jagodno IIb             | Wrocław  | 8 876                            | 152                 | 64                                | 80   | 4 900              | 40 001   | 8                                     |
| Ursus Centralny IIb          | Warsaw   | 11 758                           | 206                 | 154                               | 51   | 3 110              | 29 982   | 1                                     |
| Nowa Północ Ia               | Szczecin | 5 230                            | 110                 | 14                                | 68   | 3 184              | 26 429   | 28                                    |
| Nowe Warzymice IV            | Szczecin | 3 818                            | 75                  | 31                                | 43   | 2 395              | 18 802   | 1                                     |
| Eko Falenty I                | Warsaw   | 4 304                            | 42                  | 4                                 | 23   | 2 207              | 16 820   | 15                                    |
| Nova Królikarnia 4b1         | Warsaw   | 2 566                            | 11                  | -                                 | 3  | 670                | 14 071   | 8                                     |
| Grunwaldzka                  | Poznań   | 3 351                            | 70                  | 52                                | 18   | 1 134              | 10 992   | -                                     |
| Miasto Moje V                | Warsaw   | 8 559                            | 170                 | 160                               | 10   | 795                | 6 967  | -                                     |
| Viva Jagodno IIa             | Wrocław  | 4 329                            | 76                  | 63                                | 9  | 788                | 6 316  | 4                                     |
| Viva Jagodno III             | Wrocław  | 3 140                            | 58                  | 3                                 | 10   | 458                | 5 577  | 45                                    |
| Nova Królikarnia 1d          | Warsaw   | 1 488                            | 12                  | 10                                | 2  | 136                | 2 467  | -                                     |
| Nowe Warzymice III           | Szczecin | 3 537                            | 62                  | 58                                | 4  | 309                | 2 145  | -                                     |
| Nowe Warzymice I             | Szczecin | 3 234                            | 54                  | 51                                | 2  | 171                | 1 311  | 1                                     |
| Nowe Warzymice II            | Szczecin | 3 492                            | 66                  | 64                                | 2  | 167                | 1 096  | -                                     |
| Viva Jagodno I               | Wrocław  | 6 241                            | 121                 | 120                               | 1  | 63                 | 602  | -                                     |
| Panoramika                   | Szczecin | 54                               | 1                   | -                                 | 1  | 54                 | 462  | -                                     |
| Moko II                      | Warsaw   | 12 624                           | 167                 | 167                               | -  | -                  | 59   | -                                     |
| Ursus Centralny IIa          | Warsaw   | 13 509                           | 251                 | 251                               | -  | -                  | 57   | -                                     |
| Miasto Moje IV               | Warsaw   | 8 938                            | 176                 | 176                               | -  | -                  | 56   | -                                     |
| Sakura I-IV                  | Warsaw   | 30 290                           | 515                 | 515                               | -  | -                  | 46   | -                                     |
| Sakura Idea                  | Warsaw   | 1 854                            | 26                  | 25                                | -  | -                  | 38   | 1                                     |
| City Link I                  | Warsaw   | 14 068                           | 312                 | 312                               | -  | -                  | 29   | -                                     |
| Moko I                       | Warsaw   | 11 238                           | 178                 | 178                               | -  | -                  | 27   | -                                     |
| Vitalia III                  | Wrocław  | 6 790                            | 81                  | 81                                | -  | -                  | 6  | -                                     |
| Miasto Moje I                | Warsaw   | 10 917                           | 205                 | 205                               | -  | -                  | 4  | -                                     |
| Młody Grunwald III           | Poznań   | 7 091                            | 108                 | 107                               | -  | -                  | -  | 1                                     |
| <b>Total excluding JV</b>    |          | <b>252 648</b>                   | <b>4 502</b>        | <b>3 112</b>                      | <b>1 005</b>                                       | <b>56 052</b>      | <b>588 952</b>   | <b>385</b>                            |
| Wilanów Tulip <sup>(3)</sup> | Warsaw   | 9 574                            | 149                 | 148                               | 1  | 69                 | 714  | -                                     |
| <b>Total including JV</b>    |          | <b>262 221</b>                   | <b>4 651</b>        | <b>3 260</b>                      | <b>1 006</b>                                       | <b>56 120</b>      | <b>589 666</b>   | <b>385</b>                            |

(1) For information on the completed projects see "Business highlights during the year ended 31 December 2023 – A. Results breakdown by project".

(2) For information on current projects under construction, see "Outlook for 2024 – B. Current projects under construction and/or on sale".

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

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

| Location                                   | Value of the sales agreements sold during the year ended |                  | Increase/(decrease) |             |
|--|--|------------------|---------------------|-------------|
|  | 31 December 2023   | 31 December 2022 | In PLN              | %           |
| <i>In thousands of Polish Zlotys (PLN)</i> |  |                  |                     |             |
| Warsaw                                     | 432 761  | 125 895          | 306 866             | 244%        |
| Poznań                                     | 54 159   | 19 535           | 34 624              | 177%        |
| Wrocław                                    | 52 501   | 34 127           | 18 374              | 54%         |
| Szczecin                                   | 50 246   | 24 781           | 25 465              | 103%        |
| other                                      | -  | 3 459            | (3 459)             | -100%       |
| <b>Total</b>                               | <b>589 666</b>   | <b>207 797</b>   | <b>381 869</b>      | <b>184%</b> |

## Management Board Report

## Business highlights during the year ended 31 December 2023

*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 2023:

| Project name                 | Location | Number of units | Area of units (m2) |
|------------------------------|----------|-----------------|--------------------|
| Nova Królikarnia 4b1 (Thame) | Warsaw   | 11              | 2 566              |
| <b>Total</b>                 |          | <b>11</b>       | <b>2 566</b>       |

For additional information see section "Outlook for 2024 – B. Current projects under construction and/or on sale".

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

The table below presents the summary of the signed final purchase agreements of land during the period ended 31 December 2023:

| Location                            | Type of agreement | Signed date                | Agreement net value<br>(PLN million) | Paid net till 31 December 2023<br>(PLN million) | Number of units | Potential PUM |
|-------------------------------------|-------------------|----------------------------|--------------------------------------|---|-----------------|---------------|
| Warsaw, Dobosza                     | final             | 10 Aug 2022,<br>2 Mar 2023 | 7.1                                  | 7.1   | 67              | 3 700         |
| Warsaw, Marynin                     | final             | 17 Oct 2023                | 16.0                                 | 16.0  | 113             | 4 491         |
| Warsaw, Biograficzna <sup>(1)</sup> | final             | 29 Nov 2023                | 11.0                                 | 11.0  | 242             | 4 851         |
| <b>Total</b>                        |                   |                            | <b>34.1</b>                          | <b>34.1</b>                                     | <b>422</b>      | <b>13 042</b> |

(1) Plot for PRS purposes

The table below presents the summary of the signed preliminary purchase agreements for which the final agreements will be signed during next periods:

| Location                         | Type of agreement | Signed date | Agreement net value<br>(PLN million) | Paid net till 31 December 2023<br>(PLN million) | Number of units | Potential PUM |
|----------------------------------|-------------------|-------------|--------------------------------------|---|-----------------|---------------|
| Warsaw, Białoleka <sup>(1)</sup> | preliminary       | 23 Nov 2020 | 1.5                                  | 1.5   | -               | -             |
| Warsaw, Ursus                    | preliminary       | 17 Jan 2021 | 140.0                                | 16.1  | 1 860           | 85 000        |
| <b>Total</b>                     |                   |             | <b>141.5</b>                         | <b>17.6</b>                                     | <b>1 860</b>    | <b>85 000</b> |

(1) The remaining plot to be purchased in Epopei project.

## Management Board Report

## Selected consolidated financial data

| PLN/EUR          | Exchange rate of Polish Zloty versus the Euro |                       |                       |                        |
|------------------|---|-----------------------|-----------------------|------------------------|
|                  | Average exchange rate                         | Minimum exchange rate | Maximum exchange rate | Year end exchange rate |
| 2023 (12 months) | 4.544   | 4.305                 | 4.789                 | 4.348                  |
| 2022 (12 months) | 4.688   | 4.488                 | 4.965                 | 4.690                  |

Source: National Bank of Poland ('NBP')

| Selected financial data   | EUR*                               |             | PLN         |             |
|---|------------------------------------|-------------|-------------|-------------|
|   | (thousands, except per share data) |             |             |             |
|   | For the year ended 31 December     |             |             |             |
|   | 2023                               | 2022        | 2023        | 2022        |
| Revenues  | 87 042                             | 64 240      | 395 492     | 300 259     |
| Gross profit  | 30 678                             | 16 993      | 139 388     | 79 427      |
| Profit/(loss) before taxation   | 22 673                             | 10 201      | 103 019     | 47 679      |
| Net profit/(loss) for the period attributable to the equity holders of the parent | 17 762                             | 6 707       | 80 705      | 31 351      |
| Cash flows from/(used in) operating activities                                    | 42 504                             | (23 914)    | 193 124     | (111 774)   |
| Cash flows from/(used in) investing activities                                    | (2 163)                            | (1 669)     | (9 828)     | (7 800)     |
| Cash flows from/(used in) financing activities                                    | (6 739)                            | 7 702       | (30 621)    | 35 999      |
| Increase/(decrease) in cash and cash equivalents                                  | 33 602                             | (17 597)    | 152 675     | (82 249)    |
| Average number of equivalent shares (basic)                                       | 162 442 859                        | 162 442 859 | 162 442 859 | 162 442 859 |
| Net earnings/(loss) per share (basic and diluted)                                 | 0.109                              | 0.041       | 0.497       | 0.193       |

| Selected financial data                                 | EUR*              |         | PLN       |           |
|---|-------------------|---------|-----------|-----------|
|   | (thousands)       |         |           |           |
|   | As at 31 December |         |           |           |
|   | 2023              | 2022    | 2023      | 2022      |
| Inventory and Land designated for development           | 187 247           | 157 778 | 814 151   | 768 348   |
| Total assets  | 276 817           | 205 779 | 1 203 599 | 1 002 103 |
| Advances received                                       | 53 858            | 28 730  | 234 175   | 139 911   |
| Long term liabilities                                   | 40 309            | 37 493  | 175 265   | 182 583   |
| Short term liabilities (including advances received)    | 113 768           | 75 593  | 494 662   | 368 124   |
| Equity attributable to the equity holders of the parent | 122 740           | 92 693  | 533 672   | 451 396   |

\* 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 2023 comparing to 2022, when reviewing this data.

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

- (i) Statement of financial position data were translated using the period end exchange rate published by the National Bank of Poland for the last day of the period.
- (ii) Statement of comprehensive income and cash flows data were translated using the arithmetical average of average yearly 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 2023 was PLN 80.7 million and can be summarized as follows:

|   | For the year ended                        |                  |                 |             |
|---|---|------------------|-----------------|-------------|
|   | 31 December                               |                  | change          |             |
|   | 2023                                      | 2022             |                 |             |
|   | PLN                                       |                  | nominal         | %           |
|   | <i>(thousands, except per share data)</i> |                  |                 |             |
| Revenue from sales of residential units   | 395 492                                   | 300 259          | 95 233          | 32%         |
| <b>Revenues</b>   | <b>395 492</b>                            | <b>300 259</b>   | <b>95 233</b>   | <b>32%</b>  |
| Cost of sales of residential units  | (256 103)                                 | (220 832)        | (35 271)        | 16%         |
| <b>Cost of sales</b>  | <b>(256 103)</b>                          | <b>(220 832)</b> | <b>(35 271)</b> | <b>16%</b>  |
| <b>Gross profit</b>   | <b>139 388</b>                            | <b>79 426</b>    | <b>59 962</b>   | <b>75%</b>  |
| Changes in the value of investment property   | 8 293                                     | 303              | 7 990           | 2637%       |
| Selling and marketing expenses  | (5 664)                                   | (4 565)          | (1 099)         | 24%         |
| Administrative expenses   | (28 028)                                  | (25 505)         | (2 523)         | 10%         |
| Share of profit/(loss) from joint venture   | (749)                                     | 1 278            | (2 027)         | -159%       |
| Other expense   | (7 036)                                   | (2 486)          | (4 550)         | 183%        |
| <b>Result from operating activities</b>   | <b>106 204</b>                            | <b>48 452</b>    | <b>57 752</b>   | <b>119%</b> |
| Finance income  | 4 261                                     | 3 520            | 741             | 21%         |
| Finance expense   | (13 868)                                  | (8 414)          | (5 454)         | 65%         |
| Gain/loss in fair value of financial instrument at fair value through profit and loss                     | 6 422                                     | 4 121            | 2 301           | 56%         |
| <b>Net finance income/(expense)</b>   | <b>(3 185)</b>                            | <b>(773)</b>     | <b>(2 412)</b>  | <b>312%</b> |
| <b>Profit/(loss) before taxation</b>  | <b>103 019</b>                            | <b>47 679</b>    | <b>55 340</b>   | <b>116%</b> |
| Income tax benefit/(expenses)   | (22 314)                                  | (16 328)         | (5 986)         | 37%         |
| <b>Net profit/(loss) for the period before non-controlling interests</b>                                  | <b>80 705</b>                             | <b>31 351</b>    | <b>49 354</b>   | <b>157%</b> |
| <b>Net profit/(loss) for the period attributable to the equity holders of the parent</b>                  | <b>80 705</b>                             | <b>31 351</b>    | <b>49 354</b>   | <b>157%</b> |
| <b>Net earnings/(loss) per share attributable to the equity holders of the parent (basic and diluted)</b> | <b>0.497</b>                              | <b>0.193</b>     | <b>0.304</b>    | <b>158%</b> |

*Revenue from sales of residential units*

The revenue from sales of residential units increased by PLN 95.2 million (32%) from PLN 300.2 million during the year ended 31 December 2022 to PLN 395.4 million during the year ended 31 December 2023, which is primarily explained by higher number of units from fully owned projects delivered - 794 units to the customers characterized by higher units average selling price (PLN 498 thousands per unit) during the year ended 31 December 2023, comparing to the 720 units delivered during the year ended 31 December 2022 with an average price of PLN 417 thousands per unit.

## Overview of results

### *Cost of sales of residential units*

Cost of sales of residential units increased by PLN 35.3 million (16%) from PLN 220.8 million during the year ended 31 December 2022 to PLN 256.1 million during the year ended 31 December 2023. The increase relates to a higher amount of delivered units in projects fully owned by the Group from 720 units during year ended 31 December 2022 compared to 794 units delivered to customers during the year ended 31 December 2023 and the diversity of projects delivered to clients with different profitability.

### *Gross margin*

The gross margin from sales and services of residential units during the year ended 31 December 2023 amounted 35.2% which increased comparing to 26.5% during the year ended 31 December 2022. 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 2023 compared to the mix of projects delivered to customers during the year ended 31 December 2022.

During year ended 31 December 2023 the projects that significantly impacted profitability of the Group were Ursus Centralny I Ib, Miasto Moje VI and Viva Jagodno I Ib (contributed respectively PLN 40.6 million, PLN 35.8 million and PLN 24.4 million to the gross profit representing a gross margin of 36.4%, 35.7% and 39.8%).

During year ended 31 December 2022 the projects that significantly impacted profitability of the Group were: Ursus Centralny IIa, Miasto Moje V and Ursus Centralny Ib (contributed respectively PLN 19.8 million, PLN 19.3 million and PLN 12.7 million to the gross profit representing a gross margin of 24.2%, 32.4% and 26.9%)

### *Selling and marketing expenses*

Selling and marketing expenses increased by PLN 1.1 million (24%) from PLN 4.6 million during the year ended 31 December 2022 to PLN 5.7 million during the year ended 31 December 2023, is reflecting the higher invested marketing resources in the company running projects, in order to achieve higher sales. As a result, higher number of units was sold during the reporting period, increase of 128% (1 006 units sold during the year ended 31 December 2023 comparing to 441 units sold during the year ended 31 December 2022).

### *Administrative expenses*

Administrative expenses increased by PLN 2.5 million (10%) from PLN 25.5 million in the year ended 31 December 2022 to PLN 28.0 million ended 31 December 2023, which is primarily explained by increase in remuneration costs, and increase in taxes and charges due to non-deductible VAT costs, property taxed and perpetual usufruct fees on project completed.

### *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 increased by PLN 2.4 million (312%) from PLN 773 thousand during the year ended 31 December 2022 to PLN 3.2 million during the year ended 31 December 2023. This increase is mainly due to increase in not capitalized financial costs mainly related to finance costs of bonds in the total amount of PLN 5.6 million which was partly offset by increase in net profit on fair value measurement of a financial instrument generated as well as a gain on foreign exchange rates totaling 6.4 million, compared to an income of 4.1 million on this account in the corresponding period of 2022 and increase in finance incomes from deposits in the total amount of PLN 0.7 million. For more information of Finance expenses that took place please see Note 23 of the Annual Consolidated Financial Statement.

## 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<br>31 December 2023 | As at<br>31 December 2022 |
|--|---------------------------|---------------------------|
|  | <i>PLN (thousands)</i>    |                           |
| Inventory and Residential landbank                   | 814 151                   | 768 348                   |
| Investment properties                                | 83 220                    | 63 139                    |
| Advances received                                    | 234 175                   | 139 911                   |
| Loans and borrowings                                 | 234 135                   | 219 667                   |
| Financial liability measured at FVPL                 | -                         | 70 506                    |
| Liability to shareholder measured at amortized costs | 25 593                    | -                         |

### *Inventory and residential landbank*

The balance of Inventory and Residential landbank amounted to PLN 814.1 million as at 31 December 2023 compared to PLN 768.3 million as at 31 December 2022. The increase is primarily explained by purchases of land during the year ended 31 December 2023 in the total amount of PLN 16.9 million, transfer from land designed for development 7.4 million and investments in direct construction costs and capitalized finance costs for a total amount of PLN 259.7 million as well as increase in perpetual usufruct rights of PLN 19.6 million due to new valuation made for lands held by the Group, which is partly offset by the recognized costs of sales in the total amount of PLN 251.3 million.

### *Investment properties*

The balance of Investment properties is PLN 83.2 million as at 31 December 2023 compared to PLN 63.1 million as at 31 December 2022. The increase is primarily explained by purchase of new investment land dedicated for PRS business during the year ended 31 December 2023 in the total amount of PLN 11.0 million. As well as increase in fair value valuation of PRS assets in the total amount of PLN 8.3 million. As at 31 December 2023 the balance consists of property held for long-term rental yields and capital appreciation as well as investment lands purchased to build investment property for long-term so-called institutional rental and capital appreciation.

### *Advances received*

The balance of advances received is PLN 234.2 million as at 31 December 2023 compared to PLN 139.9 million as at 31 December 2022. The increase is explained by advance received during 2023 in the total amount of PLN 485.5 million which was offset by the revenues recognized from the sale of residential units for a total amount of PLN 394.5 million during the year ended 31 December 2023.

### *Loans and borrowings*

The total of short-term and long-term loans and borrowings is PLN 234.1 million as at 31 December 2023 compared to PLN 219.7 million as at 31 December 2022. The increase in loans and borrowings is primarily explained by the effect of issuance of bonds series X in total amount of PLN 60.0 million, compensated by repayment of bonds series V, secured bank loans in the amount of PLN 8.8 million (mainly credit loan for Grunwald Między Drzewami with balance PLN 6.3 million). Average level of debt from bonds loans as at 31 December 2022 amounted to PLN 225.3 million, out of which an amount of PLN 99.8 million comprises facilities maturing no later than 31 December 2024. The balance of bond loans comprises of principal amount of PLN 220.0 million plus accrued interest of PLN 5.3 million minus one-time costs directly attributed to the bond issuances which are amortized based on the effective interest method (PLN 1.3 million). For additional information see Note 23 of the Annual Consolidated Financial Statement.

### *Financial liability measured at FVPL*

On 1 February 2022 and 22 February 2022, the Company entered into 5 separate SAFE agreements with Israeli institutional investors ("SAFE Agreements") raising a total amount of ILS 60 million, equivalent of PLN 61.5 million in FVPL as at 25 May 2023 and equivalent of PLN 70.5 million in FVPL as at 31 December 2022.

On the 25 May 2023 the Company and its main shareholder (A. Luzon Group) signed a settlement agreement which together with original SAFE Agreements resulted in derecognition of financial liability measured at FVPL.

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

### *Financial liability measured at FVPL*

Following to the signing of the SAFE settlement agreement by the Company and A. Luzon Group with consent of the SAFE investors on 25 May 2023, the Company recognized new financial liability at amortized cost from its shareholder. For further information regarding the SAFE agreement as well as the settlement agreement and valuation method used, please see Note 25 of the Annual Consolidated Financial Statement.

### *Liability to shareholder measured at amortized costs*

On the basis of the agreement described above, relating to the SAFE Agreements, the Company undertook to return to A. Luzon Group the financing received from Investors in the total amount of ILS 60 million (sixty million Israeli shekels), to satisfy A. Luzon Group's claims against the Company under the SAFE Agreements and applicable Israeli law. Payments to A. Luzon Group in amount of PLN 25 million (approx. ILS 21.7 million) were made in May 2023 and in November in amount of PLN 15 million (approx. ILS 13.7 million) resulting in the balance of Liability to shareholder measured at amortized costs in amount of PLN 25.6 million.

On the 12 September 2023 the Company signed agreement which result is that Ronson cease being a party to the SAFE Agreements due to assignment of obligations from Ronson to Luzon Ronson N.V. (previously ITR Dori B.V.). For more information, please see Note 25 of the Annual Consolidated Financial Statements.

## Management Board Report

### Overview of cash flow results

The Group funds its day-to-day operations principally with funds generated from sales, as well as proceeds from loans and borrowings and bonds.

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

|  | For the period of year ended<br>31 December |           |
|--|---|-----------|
|  | 2023  | 2022      |
|  | PLN (thousands)                             |           |
| Cash flows from/(used in) operating activities | 193 124                                     | (111 774) |
| Cash flow from/(used in) investing activities  | (9 828)                                     | (7 800)   |
| Cash flow (used in)/from financing activities  | (30 621)                                    | 35 999    |

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

The Company's net cash inflow from operating activities for the year ended 31 December 2023 amounted to PLN 193.1 million comparing to a net cash outflow from operating activities during the year ended 31 December 2022 amounting to PLN 111.8 million. The increase by PLN 304.9 million is primarily explained by:

- net cash inflow increase of PLN 243.3 million due to increase in advances received from clients in the total amount from PLN 485.5 million in the year ended on 31 December 2023 comparing to PLN 242.1 million received during the year ended on 31 December 2022;
- the decrease of PLN 39.2 million in amounts paid for lands purchase from a total amount of PLN 55.2 million in the year ended on 31 December 2022 comparing to PLN 16 million purchased for the year ended on 31 December 2023;
- return of advance paid for land in the total amount of PLN 2.1 million;
- increase of PLN 2.1 million in the interest generated on deposits from PLN 1.7 million for the year ended on 31 December 2022 to PLN 3.8 million for the year ended on 31 December 2023.

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

- increase of PLN 7.8 million in interest paid on Bonds from PLN 16 million in the year ended on 31 December 2022 to PLN 23.9 million in the year ended on 31 December 2023.

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

The Company's net cash outflow used in investing activities amounted to PLN 9.8 million during the year ended 31 December 2023 compared to net outflow from investing activities in comparative period in the amount of PLN 7.8 million. The change is primarily explained by the decrease in the amount of dividend received from JV projects of PLN 1.7 million from PLN 2.8 million received in the year ended on 31 December 2022 to PLN 1.1 million received in the year ended on 31 December 2023.

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

The Company's net cash outflow from financing activities amounted to PLN 30.6 million during the year ended 31 December 2023 compared to a net cash inflow from financing activities amounted to PLN 36.0 million during the year ended 31 December 2022. The decrease in the amount of PLN 66.6 million is primarily explained by:

- net outflow due to partial repayment of Shareholders loans in the amount of PLN 40.0 million;
- increase in the repayment of bank loans in the amount of PLN 20.8 million from PLN 83 million in the year ended on 31 December 2022 to PLN 104 million for the year ended on the 31 December 2023.
- net outflow of bond loans in the amount of PLN 50 million during the period of year ended 31 December 2022 compared to net inflow in the amount of PLN 19.1 million during the period ended on 31 December 2023;
- decrease in the net inflow from SAFE agreement in the amount of PLN 74.6 million during year ended on 31 December 2022 the company received the amount of 74.6 million comparing to no inflow during year ended on 31 December 2023.



## 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 |
| 2023 (12 months) | 4.544                                     | 4.305                 | 4.789                 | 4.348                    |
| 2022 (12 months) | 4.688                                     | 4.488                 | 4.965                 | 4.690                    |

Source: National Bank of Poland ("NBP")

| Selected financial data  | EUR                                       |             | PLN         |             |
|--|---|-------------|-------------|-------------|
|  | <i>(thousands, except per share data)</i> |             |             |             |
|  | For the 12 months ended 31 December       |             |             |             |
|  | 2023                                      | 2022        | 2023        | 2022        |
| Revenues from management services  | 2 821                                     | 833         | 12 817      | 3 904       |
| Financial income (Wise majority from loans granted to subsidiaries)  | 7 152                                     | 4 415       | 32 494      | 20 681      |
| Financial expenses (Wise majority from Interest on bonds and fair value measurement of the financial instrument) | (6 276)                                   | (3 296)     | (28 517)    | (15 449)    |
| Profit including results from subsidiaries   | 17 762                                    | 6 458       | 80 705      | 30 272      |
| Cash flows from/(used in) operating activities   | (1 431)                                   | (2 970)     | (6 502)     | (13 924)    |
| Cash flows from/(used in) investing activities   | 9 639                                     | 3 880       | 43 797      | (18 188)    |
| Cash flows from/(used in) financing activities   | (4 592)                                   | 5 254       | (20 863)    | 24 626      |
| Increase/(decrease) in cash and cash equivalents   | 3 617                                     | (1 314)     | 16 433      | (6 159)     |
| Average number of equivalent shares (basic)  | 162 442 859                               | 162 442 859 | 162 442 859 | 162 442 859 |
| Net earnings/(loss) per share (basic and diluted)  | 0.109                                     | 0.040       | 0.494       | 0.186       |

| Selected financial data      | EUR                |         | PLN     |         |
|------------------------------|--------------------|---------|---------|---------|
|                              | <i>(thousands)</i> |         |         |         |
|                              | As at 31 December  |         |         |         |
|                              | 2023               | 2022    | 2023    | 2022    |
| Investment in subsidiaries   | 119 535            | 94 943  | 519 740 | 445 275 |
| Loan granted to subsidiaries | 55 265             | 58 974  | 240 294 | 276 581 |
| Total assets                 | 182 416            | 155 582 | 793 145 | 729 664 |
| Long term liabilities        | 33 088             | 34 421  | 143 866 | 161 433 |
| Short term liabilities       | 26 837             | 25 142  | 116 685 | 117 914 |
| Equity                       | 122 492            | 96 019  | 532 593 | 450 317 |

Management Board Report

Outlook for 2024

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 2024:

| Project name                 | Location | Number of residential units delivered <sup>(1)</sup> |  |                       | Number of residential units expected to be delivered <sup>(1)</sup> |                                       |                                      | Total project |
|------------------------------|----------|--|--|-----------------------|---|---------------------------------------|--------------------------------------|---------------|
|                              |          | Until 31 December 2022                               | During the period ended 31 December 2023 | Total units delivered | Units sold not delivered as at 31 December 2023                     | Units for sale as at 31 December 2023 | Total units expected to be delivered |               |
| Ursus Centralny IIb          | Warsaw   | -  | 204                                      | 204                   | 1   | 1                                     | 2                                    | 206           |
| Miasto Moje VI               | Warsaw   | -  | 213                                      | 213                   | 10  | 4                                     | 14                                   | 227           |
| Viva Jagodno IIb             | Wrocław  | -  | 137                                      | 137                   | 7   | 8                                     | 15                                   | 152           |
| Nowe Warzymice IV            | Szczecin | -  | 68                                       | 68                    | 6   | 1                                     | 7                                    | 75            |
| Ursus Centralny IIc          | Warsaw   | -  | 67                                       | 67                    | 145   | 11                                    | 156                                  | 223           |
| Grunwaldzka                  | Poznan   | -  | 65                                       | 65                    | 5   | -                                     | 5                                    | 70            |
| Miasto Moje V                | Warsaw   | 155  | 14                                       | 169                   | 1   | -                                     | 1                                    | 170           |
| Viva Jagodno IIa             | Wrocław  | 59   | 10                                       | 69                    | 3   | 4                                     | 7                                    | 76            |
| Nowe Warzymice III           | Szczecin | 57   | 5  | 62                    | -   | -                                     | -                                    | 62            |
| Miasto Moje IV               | Warsaw   | 174  | 2  | 176                   | -   | -                                     | -                                    | 176           |
| Nowe Warzymice I             | Szczecin | 51   | 2  | 53                    | -   | 1                                     | 1                                    | 54            |
| Nowe Warzymice II            | Szczecin | 64   | 2  | 66                    | -   | -                                     | -                                    | 66            |
| Viva Jagodno I               | Wrocław  | 120  | 1  | 121                   | -   | -                                     | -                                    | 121           |
| City Link III                | Warsaw   | 367  | 1  | 368                   | -   | -                                     | -                                    | 368           |
| Moko I                       | Warsaw   | 177  | 1  | 178                   | -   | -                                     | -                                    | 178           |
| Panoramika                   | Warsaw   | 89   | 1  | 90                    | -   | -                                     | -                                    | 90            |
| Nova Królikarnia 1d          | Warsaw   | 11   | 1  | 12                    | -   | -                                     | -                                    | 12            |
| Młody Grunwald I             | Poznań   | 146  | -  | 146                   | 2   | -                                     | 2                                    | 148           |
| Młody Grunwald III           | Poznań   | 107  | -  | 107                   | -   | 1                                     | 1                                    | 108           |
| Verdis I-IV                  | Warsaw   | 440  | -  | 440                   | 1   | -                                     | 1                                    | 441           |
| Verdis Idea                  | Warsaw   | 10   | -  | 10                    | 1   | -                                     | 1                                    | 11            |
| Eko Falenty I                | Warsaw   | -  | -  | -                     | 27  | 15                                    | 42                                   | 42            |
| Sakura Idea                  | Warsaw   | 25   | -  | 25                    | -   | 1                                     | 1                                    | 26            |
| <b>Total excluding JV</b>    |          | <b>2 052</b>   | <b>794</b>                               | <b>2 846</b>          | <b>209</b>  | <b>47</b>                             | <b>256</b>                           | <b>3 102</b>  |
| Wilanów Tulip <sup>(2)</sup> | Warsaw   | 147  | 2  | 149                   | -   | -                                     | -                                    | 149           |
| <b>Total including JV</b>    |          | <b>2 199</b>   | <b>796</b>                               | <b>2 995</b>          | <b>209</b>  | <b>47</b>                             | <b>256</b>                           | <b>3 251</b>  |

(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 Statement 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 2023 - A. Results breakdown by project”.

## Management Board Report

## Outlook for the year 2024

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

The table below presents information on projects for which completion is scheduled for the years 2024-2025. 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 2023 | Units for sale as at 31 December 2023 | Total units | Total area of units (m <sup>2</sup> ) | Expected completion of construction |
|----------------------|---------------------------------------|----------------------------|-----------------------------------|---------------------------------------|-------------|---------------------------------------|-------------------------------------|
| Ursus Centralny IIe  | Warsaw, Ursus, Gierdziejewskiego st.  | Q2 2022                    | 144                               | 147                                   | 291         | 16 127                                | Q4 2024                             |
| Miasto Moje VII      | Warsaw, Białołęka, Marwilska st.      | Q2 2022                    | 157                               | 98                                    | 255         | 11 725                                | Q4 2024                             |
| Między Drzewami      | Poznań, Smardzewska st.               | Q2 2022                    | 107                               | 10                                    | 117         | 5 803                                 | Q3 2024                             |
| Nowa Północ Ia       | Szczecin, Bogusława Świątkiewicza st. | Q3 2022                    | 82                                | 28                                    | 110         | 5 230                                 | Q1 2024                             |
| Osiedle Vola         | Warsaw, Wola, Studzienna st.          | Q2 2022                    | 82                                | 2                                     | 84          | 4 851                                 | Q1 2024                             |
| Viva Jagodno III*    | Wrocław, Jagodno, Buforowa st.        | Q1 2024                    | 13                                | 45                                    | 58          | 3 140                                 | Q3 2025                             |
| Nova Królikarnia 4b1 | Warsaw, Mokotów, Srebrnych Świerków   | Q1 2023                    | 3                                 | 8                                     | 11          | 2 566                                 | Q2 2025                             |
| <b>Total</b>         |                                       |                            | <b>588</b>                        | <b>338</b>                            | <b>926</b>  | <b>49 442</b>                         |                                     |

\* Project which the Company started the sales but did not start construction as at 31 December 2023

*C. Projects for which construction work is planned to commence during 2024*

| Project name         | Location | Total units  | Total area of units (m <sup>2</sup> ) |
|----------------------|----------|--------------|---------------------------------------|
| Ursus Centralny IIId | Warsaw   | 361          | 19 099                                |
| Miasto Moje VIII     | Warsaw   | 147          | 7 687                                 |
| Epopei I             | Warsaw   | 145          | 6 822                                 |
| Zielono Mi I         | Warsaw   | 92           | 5 702                                 |
| Zielono Mi II        | Warsaw   | 106          | 5 210                                 |
| Eko Falenty II.1     | Warsaw   | 55           | 4 530                                 |
| Marynin I            | Warsaw   | 113          | 4 491                                 |
| Nowa Północ 1B       | Szczecin | 89           | 4 174                                 |
| Newton Skyline       | Poznań   | 48           | 4 096                                 |
| Babimojska I         | Poznań   | 80           | 3 875                                 |
| Nowe Warzymice V.2   | Szczecin | 28           | 2 235                                 |
| Nova Królikarnia 3d  | Warsaw   | 15           | 2 191                                 |
| Nova Królikarnia 4a  | Warsaw   | 5            | 1 213                                 |
| Nowe Warzymice V.1   | Szczecin | 12           | 924                                   |
| <b>Total</b>         |          | <b>1 296</b> | <b>72 249</b>                         |

## Outlook for the year 2024

### *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 Group'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 IIc <sup>(1)</sup>          | Warsaw   | 145  | 82 765  | Completed                                       |
| Eko Falenty I <sup>(1)</sup>                | Warsaw   | 27   | 20 653  | Completed                                       |
| Miasto Moje VI <sup>(1)</sup>               | Warsaw   | 10   | 8 240   | Completed                                       |
| Viva Jagodno IIb <sup>(1)</sup>             | Wrocław  | 7  | 5 305   | Completed                                       |
| Grunwaldzka <sup>(1)</sup>                  | Poznań   | 5  | 3 213   | Completed                                       |
| Viva Jagodno IIa <sup>(1)</sup>             | Wrocław  | 3  | 2 151   | Completed                                       |
| Nowe Warzymice IV <sup>(1)</sup>            | Szczecin | 6  | 2 030   | Completed                                       |
| Miasto Moje V <sup>(1)</sup>                | Warsaw   | 1  | 1 336   | Completed                                       |
| Młody Grunwald I <sup>(1)</sup>             | Poznań   | 2  | 964   | Completed                                       |
| Ursus Centralny IIb <sup>(1)</sup>          | Warsaw   | 1  | 699   | Completed                                       |
| Verdis Idea <sup>(1)</sup>                  | Warsaw   | 1  | 437   | Completed                                       |
| Miasto Moje IV <sup>(1)</sup>               | Warsaw   | 0  | 334   | Completed                                       |
| Verdis I-IV <sup>(1)</sup>                  | Warsaw   | 1  | 277   | Completed                                       |
| Ursus Centralny IIa <sup>(1)</sup>          | Warsaw   | 0  | 80  | Completed                                       |
| Nowe Warzymice III <sup>(1)</sup>           | Szczecin | 0  | 32  | Completed                                       |
| City Link I - II <sup>(1)</sup>             | Warsaw   | 0  | 29  | Completed                                       |
| Nowe Warzymice II <sup>(1)</sup>            | Szczecin | 0  | 22  | Completed                                       |
| Moko I <sup>(1)</sup>                       | Warsaw   | 0  | 22  | Completed                                       |
| <b>Subtotal completed projects</b>          |          | <b>209</b>   | <b>128 589</b>  |   |
| Ursus Centralny IIe <sup>(2)</sup>          | Warsaw   | 144  | 87 325  | 2024  |
| Miasto Moje VII <sup>(2)</sup>              | Warsaw   | 157  | 73 936  | 2024  |
| Osiedle Vola <sup>(2)</sup>                 | Warsaw   | 82   | 68 937  | 2024  |
| Między Drzewami <sup>(2)</sup>              | Poznań   | 107  | 53 777  | 2024  |
| Nowa Północ Ia <sup>(2)</sup>               | Szczecin | 82   | 30 451  | 2024  |
| Nova Królikarnia 4b1 (Thame) <sup>(2)</sup> | Warsaw   | 3  | 14 071  | 2025  |
| Viva Jagodno III <sup>(2)(4)</sup>          | Wrocław  | 13   | 6 499   | 2025  |
| <b>Subtotal ongoing projects</b>            |          | <b>588</b>   | <b>334 996</b>  |   |
| <b>Total</b>                                |          | <b>797</b>   | <b>463 585</b>  |   |

(1) For information on the completed projects see "Business highlights during the year ended 31 December 2023 – 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 Statement under Investment in joint ventures; the Company's share in this project is 50%.

(4) Projects where the Company started the sales but did not start construction process at 31 December 2023

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

The Group's activities expose it to a variety of risks: Global risks (among them are the ongoing War Conflict and Euro Zone Market slowdown), market risk (including currency risk, price risk, interest rate risk and inflation risk), credit risk, liquidity risk and others. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Management Board reviews and updates policies for managing each of these risks and they are summarized below. The Group also monitors the market price risk arising from all financial instruments.

The Group does not use derivative financial instruments to hedge currency or interest rate risks arising from the Group's operations and its sources of finance. It has been throughout the year ended 31 December 2022 and continued in the year ended 31 December 2023, the Group's policy that no trading in (derivative) financial instruments shall be undertaken.

The Group's principal financial instruments comprise cash balances, other current financial assets, loans granted to JVs and third parties, bank loans, bonds, financial instruments measured through FVPL and amortised cost, shareholders loans, trade receivables and trade payables. The main purpose of these financial instruments is to manage the Group's liquidity and to raise finance for the Group's operations.

In terms of risks specific for the sector, in which the Group operates, there is a potential increase in construction costs, a significant increase in interest rates, the challenge of securing lands for reasonable prices a prolongation of administrative procedures as well as an increasing competition in the market are considered to be the most significant uncertainties for the financial year ending 31 December 2023 which all of them and /or each of them separately can lead to the significant negative impact on the margins of new or ongoing phases and projects.

### *Global Risks - Effect of the War Conflict and market changes on the polish economy and real estate industry*

In 2022, the global economy was weakened by trade disruptions in the areas of food and fuel prices as a result of the ongoing war in Ukraine. In the second half of 2022, activity in the euro area deteriorated due to disrupted supply chains, increased financial stress and a decline in consumer and business index confidence.

According to a recent update of a main Statistic office for Poland (GUS), Poland's economic growth in 2023 was 0.2% which is close to the 27 EU countries, as the ongoing war in Ukraine has dimmed the prospects for a post-pandemic recovery in Europe. According to World bank publication rebound is expected next year. Poland's economic growth in 2024 should oscillate around 2.3 %, while in the EU the Commission optimistically forecasts 1.3 %.

After a slowdown in 2023, economic growth is set to pick up in 2024 and 2025 supported by a rebound in private consumption, continued expansion of investment, and well performing exports. Inflation has been falling since 2023 onwards, but phasing out of anti-inflation measures and strong wage growth are projected to result in a gradual decline. Public expenditure is forecast to remain high due to planned investments in defence and social spending, slowing down the rebalancing of the general government budget.

In 2022, the war in Ukraine was a key factor affecting the Polish economy. It caused an increase in inflation particularly related to increases in energy and food prices. The level of Polish inflation in the reported period is between the top high countries in the European Union with a level of 6.2% increase comparing to last year.

In an effort to stem rising inflation, the Monetary Policy Council of the National Bank of Poland (NBP) in September 2022 raised benchmark interest rates (Wibor) for the eleventh time in a row, resulting in a huge increase in loan instalments for borrowers and consequently worsening the situation of many households. A raise in interest rates has had negative consequences for the Group in the form of higher interest expenses on the debt held - financial costs for the year ended 31 December 2023 amounted to PLN 13.9 million, as compared to PLN 8.4 million in (without costs capitalized on inventory) for the year ended 31 December 2022.

In 2022 the creditworthiness of Poles has also decreased and, consequently, the number of new loans taken out has fallen. This caused a significant slowdown in the real estate market. At the same time, in terms of the residential market, the Company noted a significant trend of cash buyers outnumbering those using mortgages, resulting in a significant decline in the number of units sold observed from the beginning of 2022.

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

### *Global Risks - Effect of the War Conflict and market changes on the polish economy and real estate industry*

The annual performance of residential sales in the polish markets was significantly better than sales in 2022, comparable even to a period of prosperity in the residential market.

The number of subsidised loans granted nationwide to first-time homebuyers nearly doubled the original target. The lack of clear announcements about the continuation of the program before the end of the year has only increased demand. In addition, as early as the beginning of 2023, the Polish Financial Supervision Authority loosened the prudential buffer from 5 percentage points to 2.5 percentage points, which significantly improved the creditworthiness of Poles. Commercial interest rate loans continued to be expensive, but such a change certainly had an impact on the increase in sales performance.

The Group has observed the above situation and prepared it offers accordingly in order to answer the increase demand taking under consideration the risk involved in entering to agreements with clients which participate in the program but not exposing the Group to significant risk as a result of it.

In spite the on-going armed conflict between Ukraine and Russia the polish market did not suffer any negative impact and the performance comparing to 2022 was significantly better.

The marked improvement in the availability of mortgages resulted in the number of granted loans (nationwide) increasing to around 10,000 agreements in March 2023 and staying at this level (10,000-11,000) until July 2023. The real increase took place in the later months of the year when loan agreements under the Safe Credit 2% "BK2" program were already being signed - the number of loans issued rose to a level of about 24,000 agreements per month (in October and November). Thus, the share of buyers purchasing apartments with mortgages was growing, although cash was still important for the market in large cities, where investment buyers were also active.

Significance of the above risk factor is assessed by the Company as high because its occurrence had a significant impact on business activity and financial situation of the Company and may have such negative impact in the future. The Company estimates the probability of occurrence of this risk as high. A similar situation with an armed conflict did not occur in the past, or the scale of the impact of other armed conflicts did not have a significant influence on the operations of the Company and its Group.

### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's income or the value of its holdings of financial instruments, such as bond loans, bank loans, cash and cash equivalents. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

#### **(i) Foreign currency risk**

Entities within the Group are exposed to foreign exchange risk in relation to receivables, payables and financial instrument measured through profit and loss denominated in currencies other than the Polish zloty.

The Group does not hedge its investments or liabilities in foreign operations.

The Group's functional currency is polish zloty. As at 31 December 2023 the Group has a monetary liability to the shareholder measured at amortized costs evaluated in the amount of 25.6 million PLN (2022: PLN 70.5 million), measured in previous period at fair value through profit or loss which is evaluated every reporting period by independent valuator). For more information see Note 25 to Annual Consolidated Financial Statements.

As at 31<sup>st</sup> December 2023, if the Israeli ILS had weakened or strength by 5% against the Polish zloty with all other variables held constant, the profit/Loss attributable to shareholders of the Group would have been PLN 3.1 million (as at 31 December 2022: 3.5 million) higher/lower, arising from foreign exchange gains/Loss taken to the profit and loss account on translation. The sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date. There are no other significant monetary balances held by Group entities at 31<sup>st</sup> December 2023 that are denominated in a non-functional currency and have material effect on the Group results.

#### **(ii) Interest rate risk**

The vast majority of loans and bonds (including under issued bonds) obtained by the Group bear interest at a floating rate based on WIBOR plus a margin.

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

### Market risk

#### (ii) Interest rate risk

As of December 31, 2023, the WIBOR6M was 5.82% (as of December 31, 2022, it was 7.14%). The Company's bonds are based on WIBOR6M plus a margin, while bank loans are based on WIBOR3M or WIBOR1M plus a margin. Changes in the WIBOR rate will have a significant impact on the Group's cash flow and profitability of the Group.

The Group did not use any hedging instruments to mitigate the interest risk as the interest rates in Poland were very low for a long time and the Group was benefiting from low floating rates. Due to the last year high inflation, the floating rates increased considerably exposing the Group for high interest rates. The Group considered hedging instruments but at this stage, there was no benefit for doing so as costs of hedging together with the capped interests were similar to the floating rates the Group will pay.

The National Benchmark Reform Working Group (NGR), established by the Polish Financial Supervision Authority, is working on the implementation of a new RFR-type reference index - WIRON (Warsaw interest Rate Overnight), which will replace WIBOR and WIBID. The Roadmap published by NGR explains that the change is taking place under the BMR Regulation as part of the IBOR reform. Completion of the reform is planned by the end of 2027, while the implementation by market participants of a new offer of financial products using the WIRON index is planned for 2023 and 2024. On the 25 October 2023 the Steering Committee of the National Working Group on the reform of benchmarks (KS NGR) decided to change the maximum deadlines for the implementation of the Road Map, which assumes a bottom-up departure from the use of the WIBOR in favor of newly concluded contracts and financial instruments using a fixed interest rate or new RFR reference indicators. KS NGR therefore indicated the final moment of conversion at the end of 2027. At the same time, neither the directions of the reform nor the scopes of the activities planned so far in the Road Map change. The Steering Committee of NGR will monitor the implementation of key elements of the Road Map in order to ensure optimal conditions for the development of the financial market in Poland.

The postponement of the deadline for the completion of the reform will provide adequate time to build the conditions for the popularization and dissemination of the use of RFR reference indicators in financial contracts and instruments, taking into account operational, technical, communication and legal issues, which will be the basis for the development of the market and increasing the resilience of the domestic financial market.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following tables indicate their average effective interest rates at the reporting date and the periods in which they mature or, if earlier, re-price.

As at 31 December 2023

| In thousands of Polish Zlotys<br>(PLN)                   | Note <sup>(1)</sup> | Average effective interest<br>rate | Total            | 6 months<br>or less | 6-12<br>months | 1-2 years | 2-5 years | More<br>than<br>5<br>years |
|--|---------------------|------------------------------------|------------------|---------------------|----------------|-----------|-----------|----------------------------|
| <b>Fixed rate instruments</b>                            |                     |                                    |                  |                     |                |           |           |                            |
| Cash and cash equivalents                                | 20                  | 3.99%                              | <b>167 020</b>   | 167 020             | -              | -         | -         | -                          |
| Other current financial assets                           | 19                  | 0,00%                              | <b>12 809</b>    | 12 809              | -              | -         | -         | -                          |
| Liability to shareholders<br>measured at amortised costs | 14                  | 3.00%                              | <b>(25 593)</b>  |                     | (6 074)        | (19 519)  |           |                            |
| <b>Variable rate instruments</b>                         |                     |                                    |                  |                     |                |           |           |                            |
| Cash and cash equivalents                                | 20                  | 0,00%                              | <b>36 840</b>    | 36 840              |                |           |           |                            |
| Secured bank loans                                       | 23                  | Wibor 3M + 2.70% - 3.00%           | <b>(8 815)</b>   | (8 815)             | -              | -         | -         | -                          |
| Floating rate bonds                                      | 23                  | Wibor 6M + 4.00%-4.30%             | <b>(225 320)</b> | (66 644)            | (40 000)       | (59 395)  | (59 280)  | -                          |
| Interest bearing deferred<br>trade payables              |                     | Wibor 6M                           | <b>(9 538)</b>   | (9 538)             | -              | -         | -         | -                          |
| Loans granted to joint<br>ventures                       | 14                  | Wibor 6M + 3.20%                   | <b>145</b>       | -                   | -              | 145       | -         | -                          |

(1) Note number in the Consolidated Financial Statement

## Management Board Report

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

### Market risk

#### (ii) Interest rate risk

|                                     |                     | As at 31 December 2022          |           |                  |             |           |           |                   |
|-------------------------------------|---------------------|---------------------------------|-----------|------------------|-------------|-----------|-----------|-------------------|
| In thousands of Polish Zlotys (PLN) | Note <sup>(1)</sup> | Average effective interest rate | Total     | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
| <b>Fixed rate instruments</b>       |                     |                                 |           |                  |             |           |           |                   |
| Cash and cash equivalents           | 20                  | 0.00%                           | 47 552    | 47 552           | -           | -         | -         | -                 |
| Other current financial assets      | 19                  | 0,00%                           | 11 217    | 11 217           | -           | -         | -         | -                 |
| Loans granted to joint ventures     | 14                  | 5.00%                           | 133       | -                | 133         | -         | -         | -                 |
| Loans granted to others             |                     | 6.00%                           | 1 717     | -                | 1 717       | -         | -         | -                 |
| <b>Variable rate instruments</b>    |                     |                                 |           |                  |             |           |           |                   |
| Cash and cash equivalents           | 20                  | 0,00%                           | 3 633     | 3 633            | -           | -         | -         | -                 |
| Secured bank loans                  | 23                  | Wibor 3M + 2.20% - 3.00%        | (16 297)  | -                | (16 297)    | -         | -         | -                 |
| Floating rate bonds                 | 23                  | Wibor 6M + 4.00%-4.30%          | (203 370) | (5 260)          | (40 000)    | (99 183)  | (58 927)  | -                 |

(1) Note number in the Consolidated Financial Statement

#### (iii) Price risk

The Group's exposure to marketable and non-marketable securities price risk does not exist because the Group has not invested in securities as at 31 December 2023 and as at 31 December 2022.

#### (iv) Inflation risk

At the beginning of 2023, prices of energy and agricultural commodities were high, significantly exceeding their levels seen since last year. Inflation increased by 6.2% in year 2023 comparing to an increase of 16.6% In the year 2022.

According to the Statistical office of Poland (GUS) consumer prices index in December 2023, stood on 6.2% compared with the corresponding month of the previous year, and comparing to the inflation rate of 8.2% at the end of the third quarter of 2023.

This marked the lowest reading since September 2021, as prices moderated mainly for food & non-alcoholic beverages (6% vs 7.3% in November), clothing & footwear (3.3% vs 4.7%), recreation & culture (5.5% vs 6.5%), and restaurants & hotels (9.9% vs 10.3%). Additionally, transport costs dropped further (-2.8% vs -2.2%). On the other hand, inflation accelerated for housing & utilities (9.2% vs 8.1%), while it remained steady for communication (at 6.7%). On a monthly basis, consumer prices rose by 0.1% in December.

The inflation growth and with it the interbank interest growth affects 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 reduction of 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.

Despite the above in the period ended on 31 December 2023, there was an increase in sales in the six largest cities by 64.8% comparing to year 2022.

The increase in sales is mainly due to a concern by apartment buyers for potential increase in sale prices of apartments mainly due to increase of demand of buyers applying the 2% Safe Mortgage Program initiated by the government starting from July 2023.

Additionally, the increase of credit demand due to slight decrease in the banks prudential buffer from 5% to 2.5% for loans with periodically fixed rates as well as taking advantage of the opportunity to expand individual investors portfolio of apartments before the entry of new regulations limiting the purchase of more units.



## Management Board Report

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

### Market risk

#### (iv) Inflation risk

The Management Board understand that the inflation process and its stabilization is a long process that may take significant efforts and time and is continuing 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. The significance of the above risk factor is assessed by the Company as high, because its occurrence can have a significant, negative impact on business activity and financial situation of the Company and may have such negative impact in the future. The Company estimates the probability of occurrence of this risk as high.

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bond loans and shareholders loans (SAFE agreement) for more information regarding the SAFE agreement please see Note 25 of Consolidated Financial Statement.

The table below presents the sensitivity analysis and its impact on net assets and income statement assuming if the variable interest rate changes by 1% assuming that all other variables remain unchanged:

| In thousands of Polish Zlotys (PLN) | 31 December 2023 |                | 31 December 2022 |                |
|-------------------------------------|------------------|----------------|------------------|----------------|
|                                     | Increase by 1%   | Decrease by 1% | Increase by 1%   | Decrease by 1% |
| <b>Income statement</b>             |                  |                |                  |                |
| Variable interest rate assets       | 1 682            | (1 682)        | 38               | (38)           |
| Variable interest rate liabilities* | (2 437)          | 2 437          | (2 197)          | 2 197          |
| <b>Total</b>                        | <b>(755)</b>     | <b>755</b>     | <b>(2 159)</b>   | <b>2 159</b>   |
| <b>Net assets</b>                   |                  |                |                  |                |
| Variable interest rate assets       | 1 682            | (1 682)        | 38               | (38)           |
| Variable interest rate liabilities* | (2 437)          | 2 437          | (2 197)          | 2 197          |
| <b>Total</b>                        | <b>(755)</b>     | <b>755</b>     | <b>(2 159)</b>   | <b>2 159</b>   |

\* Short-term receivables and payables are not exposed to interest rate risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| In thousands of Polish Zlotys (PLN)   | Year ended 31 December 2023 |                       |                       |               |                |
|---|-----------------------------|-----------------------|-----------------------|---------------|----------------|
|   | Less than 1 year            | Between 1 and 2 years | Between 3 and 5 years | Over 5 years  | Total          |
| Bond loans  | 99 834                      | 59 396                | 59 280                | -             | 218 510        |
| Interests on bond loans   | 20 178                      | 7 616                 | 3 031                 | -             | 30 825         |
| Secured bank loans  | 8 815                       | -                     | -                     | -             | 8 815          |
| Lease liabilities related to perpetual usufruct of land and investment property | 1 628                       | 1 628                 | 4 883                 | 28 599        | 36 738         |
| Interest bearing deferred trade payables  | 9 538                       | -                     | -                     | -             | 9 538          |
| Trade and other payables  | 89 761                      | -                     | -                     | -             | 89 761         |
| Liability to shareholders measured at amortised costs                           | 6 322                       | 22 410                | -                     | -             | 28 732         |
| <b>Total</b>  | <b>236 077</b>              | <b>91 050</b>         | <b>67 194</b>         | <b>28 599</b> | <b>422 919</b> |

## Management Board Report

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

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially expose the Group to concentrations of credit risk consist principally of cash and cash equivalents and receivables, loans granted to JV and third parties, as well as other current financial asset.

The Group is making significant cash payments as security for preliminary land purchase agreements. The Group minimizes its credit risk arising from such payments by registering advance repayment obligations in the mortgage register of the respective property. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis (analysis of overdue receivables from Clients, monitoring of the financial institutions credit risk, control of the liquidity situation of the JV and third parties). The Group has no information that any counter parties will fail in meeting their obligations. The carrying amounts of the financial assets represent the maximum credit risk exposure. The maximum exposure to credit risk as at 31 December 2023 and as at 31 December 2022 was as follows:

| As at 31 December                         | 2023           | 2022          |
|---|----------------|---------------|
| <i>In thousands of Polish Zloty (PLN)</i> |                |               |
| Trade and other receivables               | 14 361         | 15 254        |
| Loans granted to third parties            | -              | 1 717         |
| Loans granted to joint ventures           | 145            | 133           |
| Cash and cash equivalents                 | 203 860        | 51 185        |
| Other current financial assets            | 12 809         | 11 217        |
| <b>Total</b>                              | <b>231 175</b> | <b>79 506</b> |

The Group places its cash and cash equivalents and other current financial assets in financial institutions with high credit ratings. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Group's customer base. The credit quality of cash at banks and short-term bank deposits can be assessed by reference to external credit ratings. The Group uses the EuroRating Agency for the below analysis of credit risks of financial institutions.

#### (i) Cash and cash equivalents

| <i>In thousands of Polish Zloty (PLN)</i>               | As at<br>31 December 2023 | As at<br>31 December 2022 |
|---|---------------------------|---------------------------|
| <b>Rating</b>   |                           |                           |
| A   | 164 095                   | 21 446                    |
| BBB   | 30 671                    | 7 343                     |
| BB  | 9 094                     | 22 396                    |
| <b>Total cash at banks and short-term bank deposits</b> | <b>203 860</b>            | <b>51 185</b>             |

#### (ii) Other current financial assets

| <i>In thousands of Polish Zloty (PLN)</i>   | As at<br>31 December 2023 | As at<br>31 December 2022 |
|---|---------------------------|---------------------------|
| <b>Rating</b>                               |                           |                           |
| A   | 2 004                     | 6 226                     |
| BBB   | 9 518                     | 4 875                     |
| BB  | 1 287                     | 116                       |
| <b>Total other current financial assets</b> | <b>12 809</b>             | <b>11 217</b>             |

The Group keeps cash and cash equivalents and other financial assets in four financial institutions.

Cash and cash equivalents and escrow accounts presented in Other financial assets in SoFP are considered to have low credit risk. The company holds the accounts in financial institutions with investment grade credit rating published by at least one major rating agency. While Other financial assets and Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

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

### *Legislation and administrative risk*

#### *(i) 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) with the proviso that it is, in accordance with the provisions of the Code of Administrative Procedure, limited in time, or even the risk of not obtaining a decision. All the above factors may affect the feasibility of projects, both those already executed and those planned.

#### *(ii) Legislation*

During the year 2023 there have been several changes in Polish law, in particular a change in planning and zoning regulations and a change in technical conditions. The Management Board is in the opinion, that the 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, its 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 the Group is less affected by these changes than other market operators.

The Polish legislation environment is characterized in frequent amendments, incoherence, lack of unified interpretation of legislation and tax legislations which are subject to frequent changes all which is contributing to the risks factors in which the Company and the Group operate.

Changes accrued during the reporting period or after the reporting date:

On 07 July 2023, an amendment to the Law on Planning and Spatial Development was enacted, revolutionizing the Polish legal order in this area.

Among the most important changes introduced to the Act, one should point out:

- resignation from the study of spatial development conditions and directions in favor of a general plan, which will cover the area of the entire municipality and will be an act of local law,
- establishment of new rules for issuing decisions on development conditions,
- repealing as of 31 December 2025 the so-called lex developer and introducing a new planning tool in the form of integrated investment plans, and
- the issuing of a decision on development conditions will only be possible for land lying within the development supplement area designated in the general plan.

The existing local plans will remain in force until the date of entry into force of the new plans and can be amended on the basis of the new regulations. At the same time, in principle, the adoption of new local plans will be suspended until the general plan is adopted. If the general plan has not been adopted by 31 December 2025, it will not be possible to obtain a zoning decision from 1 January 2026 until the general plan of the municipality has been adopted. Investments will only be possible on the basis of decisions that have been issued previously or on the basis of existing local plans.

In the opinion of the Company, it should be assumed that the entry into force of the above-mentioned of the provisions will significantly extend the waiting time for the issuance of a decision on development conditions, and after December 31, 2025, it will not be possible to implement the investment on real estate located in an area not covered by either the local plan or the general plan.

On April 1, 2024, regulations will enter into force amending the Regulation of the Minister of Infrastructure of April 12, 2002, on the technical conditions to be met by buildings and their location ("Regulation on technical conditions"). The amendment published in November 2023 aims, in the opinion of those in power, to limit negative practices visible in recent years in residential construction and elsewhere.

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

### *Legislation and administrative risk*

#### *(ii) Legislation*

The regulation regulates, among others: the distance of buildings from the border of plots, the minimum size of commercial premises or and the way in which publicly accessible squares are developed. The new conditions will apply to permits for which applications are submitted after April 1, 2024.

Undoubtedly, a big challenge in 2024 will be the transition of all housing developers to the application of the Act of May 20, 2021 on the protection of the rights of purchasers of residential premises or single-family houses and the Developer Guarantee Fund. On July 1, 2024, the 2-year transitional period in which developers could construct and sell residential premises under the existing rules ends. From July 1, 2024, the sale of apartments as part of ongoing development projects will have to be carried out in accordance with the new Development Act.

#### *Construction cost risk and nonperformance by General contractors*

The Group's activities expose it to a variety of construction costs risks such as raw material cost increase, shortage of qualified workforce, increase in labour costs and delay in obtaining the necessary permits to start construction.

The construction costs have significantly risen within the last two years, reaching its peak in the second half of 2022. There is a high risk that the construction costs may still rise in 2024. The increase so far has been mainly due to rising prices of construction materials and energy, which has translated directly and indirectly into production costs, in addition to the continuation of the Russian-Ukrainian conflict causing energy prices to rise across Europe and shortages of construction workers.

The Company and the Group do not conduct construction business, however, for each project an agreement with an external general contractor is concluded. The general contractor is responsible for the construction works and completion of the project, including obtaining all permits necessary for safe use of the residential units.

The risk related to improper performance of the agreement by the general contractor may cause delays in the project or have a significant impact on the Company's and Group's operations, financial conditions, or results. The Company sees potential sources of improper performance of the obligations by the general contractor in a lack of access to qualified workforce, increase in salaries/wages, costs of construction materials and increase in energy prices.

Improper performance of the agreement may result in claims against the general contractor, and the general contractor may not be able to satisfy the claims of the Company and Group. For that reason, an important criterion in selecting a general contractor is its experience, professionalism and financial situation (including bank or insurance guarantees), as well as the quality of the insurance policy to cover all risks associated with the construction process.

Significance of the above risk factor is assessed by the Company as high, because its occurrence has had a significant, negative impact on business activity and financial situation of the Company and may have such negative impact in the future. The Company estimates the probability of occurrence of this risk as high.

#### *Risk related to financing of the Group's operations*

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

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 favorable conditions.

Significance of the above risk factor is defined by the Company as medium, because in the event of its occurrence, the scale of the negative impact on business activity and financial situation of the Company could be significant. The Company estimates the probability of occurrence of this risk as medium.

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

### *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 2022 and the first half of 2023, access to mortgages has decreased significantly mainly due to high interest rates and the KNF's tightening of rules for calculating creditworthiness.

A sharp increase in interest rates, particularly, banks internal rates has impacted and will impact, significantly, big portion of mortgage users to be eligible for residential mortgage financing. As well as, in most cases, due to creditworthy of individuals led and will lead to the decrease of the availability of mortgages.

During the second half of 2023 following the launching of the government plan for 2% mortgage loans the availability of mortgages increased significantly and contributed positively to units sales in general with an increase of 64.8% YoY.

Significance of the above risk factor is assessed by the Company as high because its occurrence in the past had a significant negative impact on business activity and financial situation of the Company and may have such negative impact in the future. The Company estimates the probability of occurrence of this risk as high.

### *Risk related to the development of PRS Business in the Group's structures*

At the end of 2021 the Group decided to start its business activities in the Private Rented Sector – PRS. This segment has been identified as a promising and complementary one for the Group's residential business. Despite many years of business experience in the housing market, starting business in a new segment involves a number of financial, legal and image risks (including an increase in capital commitment, an increase in the level of debt, a reduction in flexibility in responding to market signals, a reduction in the competitiveness of a given company, the risk of underperformance compared to predictions, the risk of negative PR) that may arise during its operation. Despite analyses conducted in advance confirming the profitability of investments, the results of such projects may differ from the original assumptions and may adversely affect the Company's operations and financial position.

As at 31 December 2023, the carrying amount of land held for development in the PRS segment was PLN 81.3 million, representing approximately 7% of the Group's assets.

As the activities of the PRS segment are complementary to the Group's core business, the risk of lack of success in this segment will not significantly affect the Company's financial position. If there is no success in the rental area, the completed units, provided that they have been developed on land designated for multi-family residential development, will be able to be sold by the Group on the market as ordinary flats.

The above risk factor has not materialized in the past.

Significance of the above risk factor is assessed by the Company as low, because in the event of its occurrence, the negative impact on business activity and financial situation of the Company would not be significant. The Company assesses the probability of this risk as low.

## Management Board Report

## Assessment of the Group's finance management

In 2023, the management of the Group financial resources 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 issuance of bonds series X in the total amount of PLN 60.0 million and on the other hand managed to repay the bonds series V in the total amount of PLN 40.0 million.

The Group's leverage ratios have remained at a safe level as at 31 December 2023. 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 2023 was 8,2 %.

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

| <b>As at 31 December</b>  | <b>2023</b>      | <b>2022</b>      |
|---|------------------|------------------|
| <i>In thousands of Polish Zlotys (PLN)</i>  |                  |                  |
| Loan and borrowings, including current portion  | 225 320          | 203 370          |
| Secured bank loans  | 8 815            | 16 297           |
| Financial liability measured at FVPL  | -                | 70 506           |
| Financial liability measured at amortised costs   | 25 593           | -                |
| IFRS 16 - Lease liabilities related to cars   | 489              | 363              |
| Less: cash and cash equivalents   | (203 860)        | (133 435)        |
| Less: other current financial assets  | (12 809)         | (8 794)          |
| <b>Net debt</b>   | <b>43 548</b>    | <b>148 307</b>   |
| Total equity  | 533 672          | 451 396          |
| <b>Total capital employed</b>   | <b>577 220</b>   | <b>599 703</b>   |
| <b>Total assets</b>   | <b>1 203 599</b> | <b>1 002 103</b> |
| <b>Debt to equity ratio</b>   | <b>48.8%</b>     | <b>64.4%</b>     |
| <b>Net debt to equity ratio</b>   | <b>8.2%</b>      | <b>32.9%</b>     |
| <b>Equity ratio</b>   | <b>44.3%</b>     | <b>45.0%</b>     |
| <b>Leverage ratio</b>   | <b>7.5%</b>      | <b>24.7%</b>     |
| <b>Liquidity Ratios</b>   | <b>2023</b>      | <b>2022</b>      |
| Current assets  | 1 083 841        | 898 467          |
| Inventory and advance for land  | 810 038          | 767 904          |
| Short term liabilities less advances received   | 260 487          | 228 213          |
| Cash and cash equivalents   | 203 860          | 51 185           |
| <b>Current ratio</b><br><i>current assets / short-term liabilities less advances received</i>                                   | <b>4.16</b>      | <b>3.94</b>      |
| <b>Quick ratio</b><br><i>current assets less inventory and advance for land / short-term liabilities less advances received</i> | <b>1.05</b>      | <b>0.57</b>      |
| <b>Cash ratio</b><br><i>cash and cash equivalents / short-term liabilities less advances received</i>                           | <b>0.78</b>      | <b>0.22</b>      |

## Management Board Report

### Information on secured bank loans, bonds, sureties and guarantees

#### *Bonds loans contracted or redeemed*

On 3 July 2023, the Company issued 60,000 series X bonds with a total value of PLN 60,000 thousand. The nominal value of one bond is PLN 1.000 and is equal to its issue value.

On 2 October 2023, the Company repaid first installment in amount of PLN 40,0 million of outstanding series V bonds with total nominal value of PLN 100,0 million. After this repayment, the number of outstanding bonds series V is PLN 60,0 million.

#### *Bank loans contracted or repaid*

On 12 April 2023 the Company signed agreements for bank loans for Osiedle Vola in amount up to PLN 44.8 million.

On 23 June 2023 the Company signed agreement for bank loans for Grunwald Między Drzewami in amount up to PLN 40.5 million.

On 23 June 2023 the Company signed agreement for bank loan for Nova Królikarnia 4b1 in amount up to PLN 29.0 million.

All bank credit loans are secured.

#### *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 2023 are presented in the table below:

| Entity name                            | Amount of guarantee<br><i>In thousands of Polish Zlotys (PLN)</i> |
|--|---|
| Alior Bank S. A.                       | 1 388   |
| AXA Ubezpieczenia TUiR S. A.           | 516   |
| Bank Discount <sup>(1)</sup>           | 5 438   |
| Bank Pekao S.A.                        | 2 520   |
| BNP Paribas Bank Polska S. A.          | 8 220   |
| Bank Handlowy w Warszawie S. A.        | 176   |
| Credit Agricole Bank Polska S. A.      | 20 260  |
| Danya Cebus Ltd.                       | 34 200  |
| ERGO Hestia S. A.                      | 964   |
| ING Bank Śląski S. A.                  | 17 012  |
| InterRisk TU S. A.                     | 1 156   |
| mBank S. A.                            | 54  |
| Bank Millennium S. A.                  | 20  |
| Santander Bank Polska S. A.            | 7 889   |
| Skandinaviska Enskilda Banken AB       | 620   |
| Societe Generale S. A.                 | 2 264   |
| Tokio Marine HCC                       | 1 195   |
| UNIQA TU S. A.                         | 1 922   |
| Wiener TU S. A. Vienna Insurance Group | 5 036   |
| <b>Total</b>                           | <b>110 850</b>  |

(1) the guarantee amount is 5 million ILS and translated to PLN base on the exchange rate as at 29.12.2023 (1ILS=1,0875 PLN)

#### *Guarantees provided by the Group*

The table below present sureties that were provided only by the Group as at 31 December 2023 to banks with respect to the construction loan contacts signed by the Company's subsidiaries:

| Entity name<br><i>In thousands of Polish Zlotys (PLN)</i> | Sureties<br>up to the amount of | Amount as at<br>31 December 2023 |
|---|---------------------------------|----------------------------------|
| mBank S.A.  | 10 178                          | -                                |
| <b>Total</b>  | <b>10 178</b>                   | <b>-</b>                         |

As at 31 December 2022 there were guarantees provided with respect to the construction loan contracts granted by the Company.

| Entity name<br><i>In thousands of Polish Zlotys (PLN)</i> | Sureties<br>up to the amount of | Amount as at<br>31 December 2022 |
|---|---------------------------------|----------------------------------|
| mBank S.A.  | 2 179                           | -                                |
| Powszechna Kasa Oszczędności Bank Polski S.A.             | 11 327                          | -                                |
| <b>Total</b>  | <b>13 506</b>                   | <b>-</b>                         |

## Additional information to the report

### *Changes in the Management and Supervisory Board during the year ended 31 December 2023 and until the date of publication of this report*

During the year ended 31 December 2023 and until the date of publication of this report, there were no changes in the Company's Management Board or Supervisory Board.

### *Changes in ownership of shares and rights to shares by Management and Supervisory Board members during the year ended 31 December 2023 and until the date of publication of this report*

On 29 June 2023, the then shareholders of the Company, i.e. A. Luzon Group and I.T.R. Dori B.V. (now under the name Luzon Ronson N.V.) entered into an agreement to reorganise the business of A. Luzon Group. As part of this reorganisation, a new Israeli company, Luzon Ronson Properties Ltd. was established, to which the shares in the Company held directly by A. Luzon Group (approximately 32.98% of the share capital) were transferred on 16 January 2024. Subsequently, A. Luzon Group on 25 January 2024 disposed of its entire shareholding in Luzon Ronson Properties Ltd. to Luzon Ronson N.V. (previous name I.T.R. Dori B.V.).

In summary, as at the date of publication of these financial statements, A. Luzon Group, the ultimate parent company, indirectly controls through its subsidiary Luzon Ronson N.V. (former name I.T.R. Dori B.V.) 100% of the Company's share capital, i.e. 164.010.813 ordinary bearer shares, including 1.567.954 (approximately 0.96% of the Company's share capital) of the Company's own shares.

Luzon Ronson N.V. holds 108.349.187 shares (approximately 66.06% of the Company's share capital) directly, 54.093.672 shares (approximately 32.98% of the Company's share capital) through its wholly-owned subsidiary Luzon Ronson Properties Ltd. and the remaining 1.567.954 (approximately 0.96% of the Company's share capital) are Company's own shares.

The beneficial owner of the Company is Mr Amos Luzon, who is also the Chairman of the Supervisory Board of the Company.

### *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, are 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.) in a year ended 31 December 2023 was a party to the consulting agreement with A. Luzon Group. Based on this agreement (that was signed on 30 June 2017) the Company paid 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. As of 1 February 2024, the aforementioned agreement was terminated. In its place, a new consulting agreement was entered into on 1 February 2024, to which the Company and Luzon Ronson N.V. are parties. The object of the agreement is the provision of services to each other by the parties.

### *Agreements between shareholders*

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



## Additional information to the report

### *Changes in the Company's group structure*

In the year ended 31 December 2023, the following changes took place in the structure of the Group:

- 1) On the 27 January 2023 the following companies were merged into Ronson Development South Sp. z o. o.:
  - Ronson Development Sp. z o.o. – Home sp. k.,
  - Ronson Development Sp. z o.o. – Idea sp. k.,
  - Ronson Development Sp. z o.o. – Impressio sp. k.,
  - Ronson Development Sp. z o.o. – Gemini 2 sp. k.,
  - Ronson Development Sp. z o.o. – 2011 sp. k.,
  - Ronson Development Sp. z o.o. – Verdis sp. k.,
  - Ronson Development Partner 2 Sp. z o.o. – Capital 2011 sp. k.,
  - Ronson Development Partner 2 Sp. z o.o. – Destiny 2011 sp. k.,
  - Ronson Development Partner 2 Sp. z o.o. – Enterprise 2011 sp. k.,
  - Ronson Development Partner 3 Sp. z o.o. – Sakura sp. k.,
  - Ronson Development Partner 4 Sp. z o.o. – Panoramika sp. k.,
- 2) On the 16 March 2023 the following companies were merged into Wrocław 2016 Sp. z o. o.:
  - Darwen Sp. z o.o.
  - Truro Sp. z o.o.
  - Totton Sp. z o.o.
- 3) On 19 April 2023, shares in Ronson Development SPV12 sp. z o.o. (current business name LivinGO Ursus Sp. z o.o.) were sold and its current sole shareholder is LivinGO Holding sp. z o.o. (previous business name: Ronson Development SPV13 sp. z o. o.).
- 4) On 27 April 2023, a change of business name of Ronson Development SPV13 sp. z o. o. has been registered in the register of entrepreneurs of the National Court Register. – currently it is called LivinGO Holding sp. z o. o.
- 5) On 12 May 2023, Ronson Development SPV12 sp. z o. o. has been registered in the register of entrepreneurs of the National Court Register. – currently it is called LivinGO Ursus sp. z o. o.
- 6) During the financial year ended as of 31 December 2023 Group established 3 new limited liability companies, registered under following names: Ronson Development SPV14 sp. z o.o., Ronson Development SPV15 sp. z o.o., Ronson Development SPV16 sp. z o.o.

The Company's group structure as at 31 December 2023 and 31 December 2022 is presented in the Note 1 to the Consolidated Financial Statements.

### *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*

On 25 May 2023, the Company and Luzon Group entered into an agreement for settling the return of the amounts received related to the SAFE Agreements and releasing the Company from its obligation toward the SAFE investors.

Conclusion of this agreement results from the fact that the Company has decided that within the period specified in the SAFE Agreements it will not apply for admission of the Company's shares to trading on the Tel Aviv Stock Exchange. On the basis of the agreement, the Company undertook to return to Luzon Group the financing received from Investors under the SAFE Agreements in the total amount of ILS 60 million (sixty million Israeli shekels), to satisfy Luzon Group's claims against the Company under the SAFE Agreements and applicable Israeli law. Payments to Luzon Group in the total amount of PLN 25 million (approx. ILS 21.7 million) were made in May 2023, and subsequent payments will be made in accordance with the schedule agreed by the parties to the agreement, determined taking into account the capital needs of Luzon Group and the liquidity and financial situation of the Company, with the provision that these payments will become due no earlier than 1 January, 2024, and the total amount of payments to Luzon Group in 2024 will not exceed PLN 25 million (approx. ILS 22 million) and the remaining amount will be repaid in 2025.

## Additional information to the report

### *Related parties' transactions*

Based on the Company's Management judgment, it was concluded that signing of the agreement of May 25, 2023 resulted in the extinguishments of the liability to SAFE investors and the recognition of a new liability to Luzon Group, which was recognized as a financial liability measured at amortized cost with a discounted cash flow rate of 7.14% per annum. The value of the liability does not differ significantly from the value measured at fair value.

On 12 September 2023, four of the five investors in the SAFE Agreements signed with the Company, A. Luzon Group and ITR Dori B.V. (now under the name Luzon Ronson N.V.) annexes to the SAFE Agreements, pursuant to which it was confirmed that the Company's shares would not be listed on the Israel Stock Exchange and that instead of these shares, A. Luzon Group would take steps to issue the securities of ITR Dori B.V. on the Israel Stock Exchange. In addition, the annexes in question confirmed the agreement entered into on 25 May 2023 between the Company and A. Luzon Group (under which it was agreed that the Company would reimburse A. Luzon Group the amount of funding received from SAFE investors), as well as the agreement of four SAFE investors to convert their investments in the Company to ITR Dori B.V. (now under the name Luzon Ronson N.V.), which took the Company's place as a party to the SAFE Agreement. Consequently, the Company ceased to be a party to the SAFE Agreements and the SAFE investors waived all claims against the Company from the date of the agreement dated 25 May 2023 between the Company and A. Luzon Group. The fifth SAFE investor exercised the right granted to it in the SAFE Agreement to convert its investment in the Company into an investment in shares or bonds of A. Luzon Group.

On 9 November 2023 the Company and A. Luzon Group entered into an annex to the aforementioned agreement of 25 May 2023 on SAFE investment agreements. The addendum provided for a change in the payment schedule provided for in the agreement, such that the portion of the payment to be made in 2024, amounting to PLN 15 million (approximately ILS 13.2 million), was paid on 9 November 2023, and an amount of PLN 10 million (approximately ILS 8.8 million) remained to be paid in 2024.

During the year ended 31 December 2023, transactions and balances with related parties consisted of the following: 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 of the Company, 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 2023 company paid PLN 922 thousand.

During the year ended 31 December 2023 the Group sold one apartment and one parking place to Mr Boaz Haim for a total net amount (excluding VAT) of PLN 306.2 thousand, one apartment to the company owned by Andrzej Gutowski for a total net amount (excluding VAT) of PLN 268.5 thousand and one apartment to Mrs Karolina Bronszewska for the total net amount (excluding VAT) of PLN 364.4 thousand. Those transactions were executed at arm's length and were in adherence to the Group's policy in respect of related-party transactions. There were no transactions and balances with related parties during the year ended 31 December 2023 other than described above.

### *Option program*

On November 28, 2022, A. Luzon Group announced a private issuance of options for shares of Amos Luzon Development and Energy Group Ltd. ("Options"). According to the allocation, Mr. Boaz Haim received 9 817 868 Options. Options were allotted free of charge.

Each Option entitles to one ordinary share of A. Luzon Group of ILS 0.01 par value, for an exercise price of 0,2 ILS (which however will be settled on a net basis, i.e. final number of received shares will be decreased by a number of shares which market value is equal to full exercise price to be paid).

Mr. Boaz Haim will be entitled to exercise the Options as follows:

- (i) after 24 months from the allotment date - up to 40% of allocated Options
- (ii) after 39 months from the allotment date - up to 20% of allocated Options
- (iii) after 48 months from the allotment date - up to 20% of allocated Options
- (iv) after 60 months from the allotment date - up to 20% of allocated Options

## Additional information to the report

### *Option program*

The Options can be exercised until the end of 7 years from the date of their allocation. Options that were not exercised within the above-mentioned period, expire. Assuming all the Options are exercised, Mr. Boaz Haim will hold c.a. 2,38% of the issued and paid-up capital of A. Luzon Group and about 1,89% of the issued and paid-up capital of A. Luzon Group on a full dilution basis. The Option program envisages adjustments in options for share allocation in case of various corporate events in A. Luzon Group (such as the issuance of shares or other options, merger, dividend distribution, etc.). The effect of the program was recognized in year 2023 in amount of PLN 1.6 million. Program is accounted under IFRS 2 standard as a personal expense, part of administrative costs and Share based payment reserve in equity. Total value of the program as of grant date amounted to PLN 4.7 million.

### *Proceedings before the courts, arbitration or public administration authority*

As at 31 December 2023, the Company and the Group were not party to any individual proceedings before a court, arbitration body or public administration authority concerning liabilities or receivables whose value would exceed 10% of the Company's equity.

Nevertheless, Group companies are parties to various court proceedings as both defendants and plaintiffs - these are mainly disputes concerning premises sold, claims against general contractors and designers, as well as disputes related to the acquisition of certain land properties. In particular:

- a) Ronson Development sp. z o.o. - Ursus Centralny sp.k. is in dispute with the State Treasury over the determination of the amount of the annual fee for perpetual usufruct of real estate;
- b) Ronson Development Sp. z o.o. - Estate Sp. k., which ran the Galileo development project, is a defendant in several cases for a reduction in the price of the units due to their defects, as well as a plaintiff in a case against the general contractor of the Galileo development project, its insurer and other entities involved in the development and their insurers, the subject of which is the acknowledgement of the liability of these entities for damage to the above-mentioned company related to the improper execution of the project and for damages. Due to transformations within the Ronson Development group, in some cases the defendant is Ronson Development South Sp. z o. o.;
- c) from the applications of three Group companies, i.e. Ronson Development sp. z o.o. - Projekt 3 sp. k., Ronson Development sp. z o.o. - Projekt 4 sp. k. and Ronson Development SPV4 sp. z o.o., 11 enforcement proceedings are pending against several counterparties - related companies that were sellers (or otherwise participated in real estate sales transactions); these proceedings are aimed at enforcing receivables for repayment of down payments or payment of down payments in the double amount, as well as for repayment of the loan granted;
- d) from an action brought by the three aforementioned Group companies, i.e. Ronson Development sp. z o.o. - Projekt 3 sp. k., Ronson Development sp. z o.o. - Projekt 4 sp. k. and Ronson Development SPV4 sp. z o.o., there are also 3 pending court proceedings - two for payment and one for reconciliation of the land and mortgage register with the actual legal status - two of these proceedings against the two companies referred to in point c above and one against their sole member of the management board.

More information regarding ongoing litigation cases involving Group companies is presented in Note 30 of the Consolidated Financial Statements for the financial year ended 31 December 2023.

### *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 30 of the Consolidated Financial Statements for the year ended 31 December 2023.

### *Employees*

The average number of personnel employed by the Group – on a fulltime equivalent basis – during the year ended 31 December 2023 was 64 compared to 78 during the year ended 31 December 2022. There are no personnel employed directly by the Company.

### *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).

## Additional information to the report

### *Dividend policy*

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.

### *Cooperation agreements*

On 4 June 2012, two Group companies entered into a joint venture agreement with Bernon B.V. i. o. which provides for the joint investment and development of the City Link project. 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 2023 nor in 2022.

### *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.

## 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 Standalone Financial Statement and the Consolidated Financial Statement, together with the comparative data were prepared in accordance with the applicable accounting principles and they present a true, fair and clear picture of the financial situation of the Company and the Group and its financial result;
- b) the Management Board Report presents a true picture of the Company's and Group's development and achievements and the situation of the Company and the capital group of the Company, as well as a description of the main threats and risks;
- c) the audit firm auditing the Standalone Financial Statement and the Consolidated Financial Statement was selected in accordance with legal regulations, including regulations concerning the audit firm selection and selection procedure, and that the audit firm and members of the audit team met the conditions necessary to prepare an impartial and independent report on the audit of the Standalone Financial Statement and the Consolidated Financial Statement in accordance with applicable regulations, professional standards and professional code of conduct.

This Management Board Report of activities of the Company and the Group in 2023 was prepared and approved by the Management Board of the Company on 12 March 2024.

### The Management Board

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**Boaz Haim**

President of the Management Board

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**Yaron Shama**

Finance Vice-President of the Management Board

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**Andrzej Gutowski**

Sales Vice-President of the Management Board,

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**Karolina Bronszewska**

Member of the Management Board  
for Marketing and Innovation

**Warsaw, 12 March 2024**